



**NEW YORK STATE BANKING DEPARTMENT  
CONSUMER SERVICES DIVISION**

One State Street  
New York, NY 10004

**PUBLIC SUMMARY**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**Date of Evaluation:** December 31, 2001

**Institution:** Riverside Bank  
11-13 Garden Street  
P.O. Box 912  
Poughkeepsie, NY 12601

**Note:** This evaluation is not an assessment of the financial condition of this institution. The rating assigned does not represent an analysis, conclusion or opinion of the New York State Banking Department concerning the safety and soundness of this financial institution.

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## **GENERAL INFORMATION**

This document is an on-site evaluation of the Community Reinvestment Act (“CRA”) performance of Riverside Bank (“RB” or the “bank”) prepared by the New York State Banking Department. The evaluation represents the Banking Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of December 31, 2001.

Section 28-b of the New York State Banking Law, as amended, requires that when evaluating certain applications, the Superintendent of Banks shall assess a banking institution’s record of helping to meet the credit needs of its entire community, including low and moderate income areas, consistent with safe and sound operations.

Part 76 of the General Regulations of the Banking Board implements Section 28-b and further requires that the Banking Department assess the CRA performance records of regulated financial institutions. Part 76 establishes the framework and criteria by which the Department will evaluate the performance. Section 76.5 further provides that the Banking Department will prepare a written report summarizing the results of such assessment and will assign to each institution a numerical CRA rating based on a 1 to 4 scoring system. The numerical scores represent an assessment of CRA performance as follows:

- (1) outstanding record of meeting community credit needs;
- (2) satisfactory record of meeting community credit needs;
- (3) needs to improve record of meeting community credit needs; and
- (4) substantial noncompliance in meeting community credit needs.

Section 76.5 further requires that the CRA rating and the written summary be made available to the public (“Evaluation”). Evaluations are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Sections 76.8 – 76.13. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York State Banking Law.

For explanation of technical terms used in this report, please consult the **GLOSSARY** at the back of this document.

## **OVERVIEW OF INSTITUTION'S PERFORMANCE**

Riverside Bank is rated "2", indicating a satisfactory record of helping to meet community credit needs. This rating is based on the following:

- The bank's average Loan-to-Deposit ("LTD") ratio for the eight consecutive quarters ended December 31, 2001 was 52.4%. While significantly below the national peer average of 72.8%, this ratio was considered reasonable for a bank of its size operating in a highly competitive banking environment.
- Based on the loans sampled, a substantial majority of the number (88.6% in 2000 and 91.3% in 2001) and dollar volume (61% in 2000 and 92% in 2001) of small business loans were originated within RB's newly adjusted assessment area. This assessment area concentration continues to demonstrate the bank's high level of responsiveness to the credit needs of its community.
- The geographic distribution of small business loans reflected excellent dispersion throughout the assessment area. The bank has performed exceptionally well in lending to low- and moderate-income ("LMI") geographies, relative to the census tract composition of the assessment area. Based on the loans sampled, originations in LMI geographies constituted 40.3% of the number and 48.2% of the dollar volume of the bank's total lending in 2000, and 34.2% of the number and 24.4% of the dollar volume of total originations in 2001.
- The bank's lending reflects excellent penetration among business of different sizes. Based on the loans sampled, a substantial majority of RB's small business loans (85.5% in 2000 and 75.3% in 2001) were in origination amounts of \$100 thousand or less, and a high percentage (80.6% in 2000 and 64.4% in 2001) were extended to small businesses with gross annual revenues of less than or equal to \$1 million. The data reflect the bank's emphasis on originating small loans to support small businesses in the community.
- There have been no complaints filed against the bank with the Banking Department concerning the bank's performance in helping to meet the credit needs of its community or other CRA matters.

This on-site evaluation was conducted based on a review of the 12 assessment factors set forth in Section 28-b of the New York State Banking Law and Part 76 of the General Regulations of the Banking Board.

## PERFORMANCE CONTEXT

### **Institution's Profile:**

Riverside Bank opened for business in 1988 in the City of Poughkeepsie, with an emphasis on providing services to small and medium sized businesses, professionals and high net worth individuals in the Hudson Valley. RB operates three full-service banking offices in Dutchess and Orange counties as follows: two in Dutchess County, including the Main Office in the City of Poughkeepsie, one in Red Oak Mills in the Town of Poughkeepsie, and one in Newburgh in Orange County. While the bank does not operate its own Automated Teller Machines ("ATMs"), it is a member of the New York Cash Exchange ("NYCE") System. Riverside Bank issues its own ATM cards to its customers and absorbs all costs for their usage at other banks' ATMs.

The institution offers a wide variety of lending products including:

- Commercial loan products – long & short terms
  - Commercial & Industrial loans
  - Construction & Development loans
  - Commercial mortgage loans
  - Multifamily mortgage loans
  
- Consumer loan products – secured & unsecured
  - Personal installment loans
  - Personal lines of credit (checking overdraft)

On December 31, 2001, the bank reported total assets of \$74.4 million of which \$42.9 million were loans.

According to the Consolidated Reports of Condition and Income (FFIEC 034), the compositions of the bank's loan portfolio, as of December 31, 2000 and December 31, 2001, were as follows:

<b>TOTAL GROSS LOANS OUTSTANDING</b>				
LOAN TYPE	12/31/2001		12/31/2000	
	\$000	%	\$000	%
Commercial & Industrial	24,755	57.6	16,721	67.0
Construction & Development	5,932	13.8	2,622	10.5
Commercial Mortgage	7,813	18.2	1,870	7.5
Multifamily Mortgage	734	1.7	480	1.9
1-4 family Residential Mortgage	1,014	2.3	490	2.0
Consumer	2,484	5.8	2,644	10.6
Other	276	0.6	140	0.5
Total Gross Loans	43,008	100.0	24,967	100.0

RB's loan portfolio grew rapidly between evaluations, with total loans doubled to \$43 million from \$21 million. Loans were concentrated in small business, construction, and commercial mortgages, which comprised 90% and 85% of the entire portfolio in 2001 and 2000, respectively. The composition reflected the bank's focuses on business lending, with residential mortgage and consumer loans made only to existing business clients on an accommodation basis.

The latest available comparative deposit data as of June 30, 2001 showed that RB's home county provides 93% of the bank's deposits. The bank was ranked 11<sup>th</sup> in deposit-taking in Dutchess County, but captured only a 1.89 % share of the county's deposits. For the eight consecutive calendar quarters ended December 31, 2001, Riverside Bank reported an average Loan-to-Deposit ratio of 52.4%. This percentage is significantly below the national peer average of 72.8% for the same period.

According to the bank's business strategy, RB intended to become the premier community bank for its targeted customers. The bank has substantially increased its lending, not only in small business loans but also in construction and commercial mortgage loans. Increases were also noted in 1-4 family residential mortgage lending, even though as noted above the bank typically provides such loans on an accommodation basis only. The bank plans to expand its operations further south of its assessment area. In addition to the opening of a branch across the Hudson River in Newburgh, Orange County in April 2001, the bank is scheduled to open another new branch in Fishkill in Dutchess County in September 2002.

The banking environment in RB's traditional market area is highly competitive, with representation ranging from money center institutions to super-regional banks, regional and local commercial banks. The thrift institutions and credit unions in the area are particularly competitive, providing viable alternatives for many commercial and individual depositors and borrowers. With numerous bank mergers and acquisitions taking place in recent years, Riverside Bank has become one of the very few small community commercial banks remaining in the Hudson Valley region. It is difficult to identify a peer commercial bank of its size focusing on small business lending in the same market.

The bank's participation in governmentally insured, guaranteed or subsidized loan programs for small businesses includes the following:

*SBA Low Documentation Program* - This program caters to small businesses seeking loans of \$100 thousand or less. This initiative guarantees up to 90% of the loan amount to start-up companies under a simplified low documentation process, focusing primarily on character of the borrower, nature of credit, and degree of experience in the business. On December 31, 2001, seven loans were outstanding with balance of \$143 thousand.

*U.S. Small Business Administration ("SBA") 7(a) Guarantee Program* - The SBA provides lenders with a guarantee of maximum 80% for small business loans of less than \$100 thousand, and up to 75% for loans of \$100 thousand or more, under the 7(a) Guarantee Program. Proceeds may be used for business expansion, acquisition, working capital and seasonal lines of credit. No loans were made under this program during this evaluation period.

*New York State Excelsior Linked Deposit Program ("ELDP")* - The ELDP provides low-cost loans to small businesses for eligible projects that stimulate retention of existing jobs and/or create new jobs. Eligible businesses may receive a loan with an interest rate of 2% to 3% below the prevailing rate. These low-interest loans are funded through reduced-interest deposits placed by the New York State. As a participating bank, Riverside has held its ELDP lender designation since 1996. However, the bank made no loans under this program for this and the previous evaluations.

RB received a rating of "2" rating at its last Performance Evaluation by the Banking Department dated December 3, 1999, reflecting a satisfactory record of helping to meet community credit needs.

There are no legal or financial impediments, which would adversely impact the institution's ability to meet credit needs of its assessment area.

### **Assessment Area:**

Riverside Bank's primary community includes portions of Dutchess, Orange, and Ulster counties. The newly adjusted assessment area encompasses the townships of Poughkeepsie, Hyde Park, Pleasant Valley, La Grange, Fishkill, East Fishkill, Beekman, Beacon, and Wappinger in Dutchess County; Newburgh, Montgomery, and New Windsor in Orange County; and New Paltz, Lloyd, Gardiner, Pattekill, and Marlborough in Ulster County. Dutchess County is part of the Metropolitan Statistical Area ("MSA") 2281 and Orange County is part of the Primary Metropolitan Statistical Area ("PMSA") 5660. The majority of the bank's lending activities are still centered in Dutchess County, MSA 2281.

According to the 1990 census, the area consists of 80 census tracts, 15 or 18.8% of which are considered to be low- to moderate-income (“LMI”), excluding one zero income tract. There were 116.5 thousand households in the assessment area, of which 7% lived below poverty level. Seventeen percent of the households resided in LMI census tracts. Owner-occupied structures comprised 62% of the 124.9 thousand housing units in the assessment area and 7% were vacant and boarded up.

The bank’s assessment area, a part of the Hudson Valley region, had a population of 338.5 thousand in 1990. The Hudson Valley area continued to show population growth throughout the period from 1990 to 2000, with much of it centered in Orange County (11%) and a lesser degree in Dutchess (8%) and Ulster (8%) counties. The population growth is expected to continue because Hudson Valley provides an affordable living area for those who work in and commute to New York City, Westchester County, Northern New Jersey, and Southern Connecticut. The trend is likely to grow as the development of mass transportation systems continues. Due to an in-migration of higher income groups, the weighted average of median family income for the assessment area was \$62.5 thousand, based on updated data for 2001.

Employment within the bank’s market area is concentrated in services, representing 42% of all firms in the area. Retail trade and construction comprised 21% and 11% of the total businesses, respectively. The majority of the businesses in the region are small businesses, with more than 78% of the companies generating annual incomes of less than half a million dollars. Eighty-three percent of the businesses have single locations and 66% have only 1-4 employees. Services and retail trade related jobs from small companies are not typically high paying jobs. The much-anticipated growth in the high-tech industry in the Hudson Valley region has potential to fuel an increase in higher paying jobs, going forward.

The economy of the region was tied closely to IBM and the company’s downsizing in the mid-90’s devastated the mid-Hudson Valley area. Since then, workforce development efforts have been weak due to the lack of small business and retail development, commercial revitalization, and housing rehabilitation. The large-scale commercial development projects, such as hospital expansion and waterfront development, drew resources from various sources, leaving banks with a limited role.

In the effort to revitalize the region, the State of New York has designated the cities of Poughkeepsie and Newburgh as part of the New York State Economic Development Zones (“EDZ”). Qualified businesses within the EDZs are eligible for benefits such as wage tax credits, increased investment tax credits, utility rate reductions, sales tax exemptions and real property tax exemptions.

The assessment area appears reasonable based upon the location of branches and its lending patterns. There is no evidence that LMI areas are arbitrarily excluded.

## **PERFORMANCE STANDARDS AND ASSESSMENT FACTORS**

RB's performance for the years 2000 and 2001 was evaluated under the small bank performance criteria, which include the following: (1) Loan-to-Deposit Ratio and other Lending-Related Activities; (2) Proportion of Lending in the Assessment Area; (3) Geographic Distribution of Lending; (4) Distribution of Lending by Borrower Characteristics; and (5) Action Taken in Response to Written Complaints Regarding CRA.

This evaluation focuses on RB's origination of business loans, the bank's primary product.

It is noted that as a small bank, RB is not required to collect government monitoring information in connection with its business loans. Accordingly, the analyses of factors (2), (3) and (4) noted above are based on a sample of 150 small business loans originated during the assessment period.

The demographic data referred to in this report was obtained from the 1990 U.S. Census along with the updated HUD-estimated median family income.

- **Loan-to-Deposit Analysis and other Lending-Related Activities** - "Satisfactory"

According to the Uniform Bank Performance Report for the eight consecutive quarters ending December 31, 2001, the bank reported an average Loan-to-Deposit ("LTD") ratio of 52.4%, a slight increase from the prior evaluation ratio of 50.8%. While the bank's average LTD ratio was significantly below the national peer average of 72.8%, it was considered reasonable for a bank of its size operating in a highly competitive market. As noted in the Performance Context, it is difficult to identify a peer bank for RB and therefore, the peer group utilized for comparison purposes includes all commercial banks nationwide with total assets of less than \$100 million. However, RB's actual competition came from large money-center banks, regional commercial banks, savings institutions and credit unions that were aggressively pursuing the same market area.

### Community Development Loans

Enhancing the availability of credit in the bank's assessment area, RB extended loans and lines of credit totaling \$360 thousand to four not-for-profit organizations providing community services to the LMI population in the community. In response to the city's revitalization plan, the bank also provided funding of \$206 thousand for the acquisition and renovation of properties in the economically depressed Downtown Poughkeepsie area.

- **Proportion of Lending Within Assessment Area** - "Outstanding"

According to the sample reviewed by examiners, a substantial majority of the bank's small business loans were originated within its newly adjusted assessment area. As indicated in the chart below, the bank made 88.6% (62 loans) and 91.3% (73 loans) of its small business loans within its assessment area in 2000 and 2001, respectively. Although assessment area

originations comprised only 61% (\$4.2 million) of the bank's total small business loans in term of dollar volume in 2000, the percentage increased to 92% (\$7.4 million) in 2001. This assessment area lending concentration continued to demonstrate the bank's high level of responsiveness to community credit needs.

SMALL BUSINESS LOAN ORIGINATION								
Location	2000				2001			
	#	%	\$'000	%	#	%	\$'000	%
Inside Assessment Area	62	88.6	4,218	61.2	73	91.3	7,423	92.4
Outside Assessment Area	8	11.4	2,673	38.8	7	8.7	611	7.6
Total	70	100.0	6,891	100.0	80	100.0	8,034	100.0

- **Geographic Distribution of Lending - “Outstanding”**

The geographic distribution of small business loans reflected excellent dispersion throughout the assessment area. In 2000, the bank extended 40.3% (25) of the total number of small business loans sampled to businesses located in LMI geographies. These loans represented 48.2%(\$2 million) of the total dollar volume. In 2001, the bank originated 34.2% (25) small business loans representing 24.4% (\$1.8 million) in LMI geographies. Given the census tract composition of the assessment area, the bank has performed exceptionally well in its lending to LMI geographies. As noted in the Performance Context, 18.8% of census tracts in the bank's assessment area are LMI.

The following chart exhibits the geographic distribution of RB's small business loans sampled within its assessment area as of year-end, 2000 and 2001:

SMALL BUSINESS LOAN ORIGINATION BY GEOGRAPHIC DISTRIBUTION WITH ASSESSMENT AREA								
Geography income level	2000				2001			
	#	%	\$'000	%	#	%	\$'000	%
Low	14	22.6	1,189	28.2	12	16.4	734	9.9.4
Moderate	11	17.7	842	20.0	13	17.8	1,074	14.5
Medium	27	43.6	1,512	35.8	37	50.7	4,283	57.7
Upper	10	16.1	675	16.0	11	15.1	1,332	17.9
Total	62	100.0	4,218	100.0	73	100.0	7,423	100.0

- **Borrower Distribution of Lending - “Outstanding”**

The bank's lending reflects excellent dispersion among business of different sizes, given the business demographics of the assessment area. For the evaluation period, a substantial majority of small business loans sampled had origination amounts of \$100 thousand or less. In 2000, the bank extended 85.5% (53) of the small business loans in origination amounts of less than \$100 thousand, while small business loans to small businesses (with gross annual

revenues less than or equal to \$1 million) accounted for 80.6% (50) of total small business loans. In 2001, the bank's loans of \$100 thousand or less constituted 75.3% (55) and loans to small businesses accounted for 64.4% (47) of the total of small business loans. While the level of lending in the small loan category declined somewhat in year 2001, lending to small businesses remained high throughout the evaluation period, reflecting the bank's emphasis on supporting small businesses in the community with small loans.

The chart below illustrates the distribution of small business loans sampled by loan sizes:

<b>SMALL BUSINESS LOAN ORIGINATION BY SIZE OF LOANS</b>								
<b>LOAN AMOUNT (\$'000)</b>	<b>2000</b>				<b>2001</b>			
	<b>#</b>	<b>%</b>	<b>\$'000</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$'000</b>	<b>%</b>
<= \$100	53	85.5	1,891	44.8	55	75.3	2,487	33.5
>\$100 & <= \$250	6	9.7	1,134	26.9	10	13.7	1,645	22.2
>\$250 & <= \$1,000	3	4.8	1,193	28.3	8	11.0	3,291	44.3
Total	62	100.0	4,218	100.0	73	100.0	7,423	100.0

The chart below illustrates the penetration of small business loans sampled to small businesses with gross annual revenue ≤ \$1 million:

<b>SMALL BUSINESS LOAN ORIGINATION TO SMALL BUSINESSES WITH REVENUE ≤ \$1 MILLION</b>								
<b>REVENUE LEVEL (\$'000)</b>	<b>2000</b>				<b>2001</b>			
	<b>#</b>	<b>%</b>	<b>\$'000</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$'000</b>	<b>%</b>
<= \$100	43	86.0	1,399	43.0	38	80.9	1,428	42.6
>\$100 & <= \$250	5	10.0	959	29.5	5	10.6	645	19.3
>\$250 & <= \$1,000	2	4.0	893	27.5	4	8.5	1,277	38.1
Total	50	100.0	3,251	100.0	47	100.0	3,350	100.0

- **Action Taken In Response to Written Complaints With Respect to CRA**

There have been no written complaints filed against the bank with the New York State Banking Department concerning the bank's performance in helping to meet the credit needs of its community or other CRA matters.

- **Discrimination or Other Illegal Practices**

**Any practices intended to discourage applications for types of credit set forth in the banking institution's CRA Public File.**

There were no practices noted that were intended to discourage applications for the types of credit offered by the institution.

**Evidence of prohibited discriminatory or other illegal credit practices.**

The most recent regulatory compliance report concurrent with this assessment indicates a satisfactory performance in terms of adherence to anti-discrimination or other applicable laws and regulations. No evidence of prohibited discriminatory or other illegal credit practices was noted.

- **Process Factors**

**Activities conducted by the banking institution to ascertain the credit needs of its community, including the extent of the banking institution's efforts to communicate with members of its community regarding the credit services being provided by the banking institution.**

To ascertain the credit needs of the community, the bank continues to be visibly involved in local community activities with civic, religious, educational, and local community groups. These organizations include Dutchess County Economic Development Corporation, Poughkeepsie Area Chamber of Commerce, Southern Dutchess Chamber of Commerce, United Way of Dutchess County, Vassar Brothers Hospital, St. Francis Hospital Foundation, and Marist College.

**The extent of the banking institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the banking institution.**

Senior management and loan officers are directly involved in promoting awareness of the bank's credit products. In addition, the bank utilized print and broadcast media to promote community members' awareness of its products. These publications include *Hudson Valley Black Press*, *Hudson Valley Business Journal*, *Poughkeepsie Beat*, *Poughkeepsie Journal* and *The Senior Citizen Area News*. Broadcast advertisements are conducted on the WKIP, WRNQ, WEOK, and WBWZ radio stations.

The bank also placed advertisements with various not-for-profit organizations to which the bank had made donations.

**The extent of participation by the banking institution's board of directors in formulating the banking institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.**

The board reviews the bank's CRA Statement annually, with the most recent approval in May 2002. The board also receives internal reports and agency examination reports to help keep it informed about the bank's CRA performance.

- **Other Factors**

**Other factors that in the judgment of the Superintendent and Banking Board bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community.**

During 2001, the bank contributed \$7.3 thousand to various local charitable organizations.

## GLOSSARY

### Aggregate

The cumulative lending by all HMDA-reporting lenders in the same geographic area under evaluation.

### Community Development

The term “community development” is defined to mean:

1. Affordable housing (including multifamily housing) for low- or moderate-income (“LMI”) individuals;
2. Community services targeted to LMI individuals;
3. Activities that promote economic development by financing business or farms that meet the size eligibility standards of the United States Small Business Administration (“SBA”) Development Company or Small Business Investment Company programs, or have gross annual incomes of \$1 million or less;
4. Activities that revitalize or stabilize LMI geographies; and
5. Activities that seek to prevent defaults and/or foreclosures in loans included in (1) and (3), above.

A “community development loan” is defined as a loan that has as its *primary purpose* community development. This includes but is not limited to loans to:

- Borrowers for affordable housing rehabilitation and construction, including construction and permanent financing for multifamily rental property serving low or moderate income (“LMI”) persons;
- Nonprofit organizations serving primarily LMI or other community development needs;
- Borrowers to construct or rehabilitate community facilities that are located in LMI areas or that primarily serve LMI individuals;
- Financial intermediaries including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds or pools, micro-finance institutions, and low-income or community development credit unions that primarily lend or facilitate lending to promote community development;
- Local, state and tribal governments for community development activities; and
- Borrowers to finance environmental clean up or redevelopment of an industrial site as part of an effort to revitalize the LMI community in which the property is located.

A “qualified investment” is defined as a lawful investment, deposit, membership share or grant that has as its *primary purpose* community development. This includes but is not limited to investments, deposits, membership shares or grants in or to:

- Financial intermediaries (including community development financial institutions,

community development corporations, minority- and women-owned financial institutions, community loan funds, micro-finance institutions and low-income or community development credit unions) that primarily lend or facilitate lending in LMI areas or to LMI individuals in order to promote community development;

- Organizations engaged in affordable housing rehabilitation and construction;
- Organizations, including, for example, small business investment corporations that promote economic development by financing small businesses;
- Facilities that promote community development in LMI areas or LMI individuals, such as youth programs, homeless centers, soup kitchens, health care facilities, battered women's centers, and alcohol and drug recovery centers;
- Projects eligible for low-income housing tax credits;
- State and municipal obligations, such as revenue bonds that specifically support affordable housing or other community development needs;
- Organizations serving LMI housing or other community development needs, such as counseling for credit, home ownership, home maintenance, and other financial services education; and
- Organizations supporting activities essential to the capacity of LMI individuals or geographies to utilize credit to sustain economic development, such as day care operations and job training programs that facilitate access to permanent jobs.

A "community development service" is defined as a service that has as its *primary purpose* community development, is related to the provision of financial services, and has not been considered in the evaluation of the banking institution's retail banking services. This includes but is not limited to:

- Providing technical assistance on financial matters to nonprofit, tribal or government organizations serving LMI housing or economic revitalization and development needs;
- Providing technical assistance on financial matters to small businesses or community development organizations;
- Lending employees to provide financial services for organizations facilitating affordable housing construction and rehabilitation or development of affordable housing;
- Providing credit counseling, home buyers and home maintenance counseling, financial planning or other financial services education to promote community development and affordable housing;
- Establishing school savings programs for LMI individuals;
- Providing seminars for LMI persons on banking and bank account record-keeping;
- Making ATM "Training Machines" available for extended periods at LMI community sites or at community facilities that serve LMI individuals; and
- Technical assistance activities to community development organizations such as:
  - ❖ Serving on a loan review committee;
  - ❖ Developing loan application and underwriting standards;
  - ❖ Developing loan processing systems;
  - ❖ Developing secondary market vehicles or programs;
  - ❖ Assisting in marketing financial services, including the development of advertising and promotions, publications, workshops and conferences;

- ❖ Furnishing financial services training for staff and management;
- ❖ Contributing accounting/bookkeeping services; and
- ❖ Assisting in fund raising, including soliciting or arranging investments.

### **Demand-Adjusted Penetration Rate**

The number of owner-occupied loans made by the institution (or aggregate as appropriate) in a geographic area per thousand owner-occupied housing units in that area. Mathematically, it is arrived at by dividing the number of owner-occupied housing units into the number of loans made and then multiplying by 1,000.

### **Demand-Adjusted Penetration Ratio**

A ratio that depicts geographic penetration of loans by comparing demand-adjusted lending in LMI areas with non-LMI areas. Mathematically, it is arrived at by dividing the demand-adjusted penetration rate in non-LMI areas into the demand-adjusted penetration rate in LMI areas and then expressed as a percentage.

A ratio of 100% means that the institution (or aggregate as appropriate) made an equal number of loans proportionally in LMI and non-LMI areas. Less than 100 percent would indicate less lending in LMI areas on the same basis compared to non-LMI areas, whereas over 100 percent would indicate a greater level of lending in LMI areas versus non-LMI areas.

### **Home Mortgage Disclosure Act (“HMDA”)**

The Home Mortgage Disclosure Act, enacted by Congress in 1975, and subsequently amended, requires institutions to annually report data about applications for residential (including multifamily) financing.

### **Loans to Small Businesses**

Small business loans to businesses with gross annual revenues of \$1 million or less.

### **Low or Moderate Income (“LMI”) Geographies**

Those census tracts or block numbering areas (“BNAs”), where according to the 1990 US Census, the median family income is less than 80% of the area median family income. In the case of tracted areas that are part of a Metropolitan Statistical Area (“MSA”) or Primary Metropolitan Statistical Area (“PMSA”), this would relate to the median family income for the MSA or PMSA in which the tracts are located. In the case of BNAs and tracted areas that are not part of a MSA or PMSA, the area median family income would be the statewide non-metropolitan median family income.

### **LMI Borrowers**

Borrowers whose income, as reported on the loan application which the lender relied upon in making the credit decision, is less than 80% of the area median family income. In the case where the residential property is located in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure borrower income levels are updated annually by the U.S. Department of Housing and Urban Development (“HUD”).

### **LMI Individuals/Persons**

Those individuals, whose income is less than 80% of the area median family income. In the case where the individual resides in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure individual income levels are updated annually by HUD.

### **Small Business Loans**

Loans to businesses with original amounts of \$1 million or less.