



**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: January 1, 2002

Institution: Bank of Akron
46 Main Street
Akron, NY 14001

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.

TABLE OF CONTENTS

	Section
General Information	1
Overview of Institution's Performance.....	2
Performance Context	3
Institution's Profile	
Assessment Area	
Performance Standards and Assessment Factors	4
Loan-to-Deposit Analysis	
Proportion of Lending Within Assessment Area	
Geographic Distribution of Lending	
Borrower Distribution of Lending	
Action Taken in Response to Written Complaints	
With Respect to CRA	
Discrimination or Other Illegal Practices	
Process Factors	
Other Factors	
Glossary	5

GENERAL INFORMATION

This document is an on-site evaluation of the Community Reinvestment Act (“CRA”) performance of the Bank of Akron (“BOA”) 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 January 1, 2002.

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 (“LMI”), 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

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

- *Loan-to-Deposit Ratio:* BOA's loan-to-deposit ("LTD") ratio is considered reasonable, taking into consideration the bank's size, financial condition and assessment area credit needs. The bank's LTD ratio averaging the eight quarters of 2000 and 2001 was 74.8%.
- *Assessment Area Concentration:* A majority of the bank's Home Mortgage Disclosure Act ("HMDA")-reportable loans were originated in BOA's assessment area. In 2000 and 2001 BOA originated 74.6% and 75.9%, respectively, of its HMDA reportable loans inside the assessment area.
- *Geographic Distribution:* The geographic distribution of loans reflects reasonable dispersion throughout the assessment area, considering the demographics of the region and the size of the bank. Only one of the three LMI census tracts presented lending opportunities and the opportunities were very limited. In 2000 and 2001, the bank originated zero and two HMDA reportable loans, respectively, in that rural census tract. The bank had an excellent lending penetration in middle-income tracts.
- *Borrower's Profile:* BOA's lending reflected excellent penetration among borrowers of different incomes. In 2000, BOA originated 37.7% (40) of its HMDA-reportable loans, compared to the aggregate's 23.4% of HMDA reportable loans, to LMI individuals. In 2001, BOA's HMDA reportable loans to LMI individuals comprised 26.3% (39) of total originations.
- Neither the bank or the New York State Banking Department have received any written complaints 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

Bank of Akron was founded in 1900 as Wickware National Bank of Akron. In 1919, the bank switched to a state charter and was renamed Bank of Akron. BOA is a community-oriented commercial bank located in the northeastern section of Erie County. Because of its geographical location, BOA also serves small corner regions of three nearby counties: Niagara, Orleans and Genesee.

BOA operates three full-service banking offices and a teller/drive-up facility all located in Erie County. The main office and teller/drive-up facility are located in Akron and the branch offices are located in Clarence and Clarence Center. The branch facility in Clarence, opened in January 2002, is the newest office. Supplementing the banking offices is an ATM network (member of the NYCE Network) consisting of six locations: the Akron teller/drive-up facility, the banking offices in Clarence and Clarence Center, and three non-deposit taking off-site locations.

On December 31, 2001, the bank reported total loans of \$85.5 million and total deposits of \$109.7 million, resulting in a LTD ratio of 78.0%. BOA derived its funding primarily from deposits. Core deposits totaled \$100 million (91.2%) of all deposits. On December 31, 2001, the bank reported total assets of \$129.8 million. The end of year asset total represents a 7.8% increase from the level reported at the prior review.

The institution offers a wide variety of lending products, including agricultural loans, commercial mortgage loans, consumer loans, credit card lines, home equity loans, home improvement loans, mobile home loans, motor vehicle loans, municipal tax exempt loans, personal loans, ready reserve overdraft loans, recreational vehicle loans, residential mortgage loans and student loans.

The following table shows the bank's gross loans as of December 31, 2001 and December 31, 2000, according to the FDIC Consolidated Reports of Condition and Income:

TOTAL GROSS LOANS OUTSTANDING				
LOAN TYPE	12/31/2001		12/31/2000	
	\$000	%	\$000	%
Residential Mortgage Loans	50,661	58.2	51,030	63.0
Commercial Mortgage Loans	16,033	18.4	12,569	15.5
Consumer Loans	8,949	10.3	8,255	10.2
Commercial & Industrial Loans	6,788	7.8	4,699	5.8
Other Real Estate Loans	3,779	4.3	3,165	3.9
Multifamily Loans	440	0.5	732	0.9
Other Loans	420	0.5	567	0.7
Total Gross Loans	87,070	100.0	81,017	100.0

As illustrated above, the bank is primarily a residential and commercial real estate lender. BOA reported 81.4% of its loan portfolio in real estate loans, 10.3% in consumer loans, 7.8% in commercial and industrial loans, and 0.5% in other loans, at year-end 2001.

The bank reported that it made 126 small business loans totaling \$2.5 million in 2000, and 131 loans totaling \$2.9 million in 2001. It also reported originations of 20 small farm loans totaling \$208 thousand in 2000 and 22 loans totaling \$199 thousand in 2001. Detailed information on the bank's Small Business and Small Farm loans made within its assessment area was not available.

BOA is an approved Small Business Administration ("SBA") lender. The bank originated two and one SBA loans totaling \$398 thousand and \$156 thousand in 2000 and 2001, respectively.

The bank became a member of the Federal Home Loan Bank of New York ("FHLBNY") in June 2001.

Area institutions that compete with Bank of Akron include Alden State Bank, Manufacturers and Traders Trust Company, First Niagara Bank, Fleet Bank, Charter One Commercial Bank, HSBC Bank USA, Jamestown Savings Bank and Unit Number One Federal Credit Union.

BOA received a rating of "2" at its last Performance Evaluation by the New York State Banking Department on January 1, 2000, reflecting a satisfactory record of helping to meet community credit needs.

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

Assessment Area:

Bank of Akron's assessment area includes delineated portions of four counties: Niagara, Orleans, Genesee and Erie. This area consists of 14 census tracts, three (21.4%) of which are considered to be LMI, excluding zero income tracts. The northeastern Erie County portion of the area includes the towns of Clarence, Newstead, and Alden and the villages of Akron and Corfu. The southeastern Niagara County portion of the area consists of Royalton Township and Lockport Township. Both counties belong to the Buffalo-Niagara MA (formerly called MSA) # 1280. The town of Shelby in southwestern Orleans County and the towns of Alabama and Pembroke in northwestern Genesee County form the eastern portion of the assessment area. Orleans and Genesee counties belong to the Rochester MA #6840. The Tonawanda Indian Reservation covers over 7,063 acres of the assessment area spanning parts of Erie, Niagara, and Genesee counties.

The following chart illustrates the distribution of census tracts among the portions of the four counties that comprise Bank of Akron's assessment area:

Bank of Akron Assessment Area Census Tracts by Income Level						
County	Low	Moderate	Middle	Upper	Total	LMI Pct.
Erie	1		5	3	9	11.11%
Niagara			2		2	0.00%
Orleans		1			1	100.00%
Genesee		1	1		2	50.00%
Total	1	2	8	3	14	21.43%
Pct.	7.14%	14.29%	57.14%	21.43%	100.00%	

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

Demographics:

According to the U.S. Census Bureau, the assessment area had a population of 57,472 in 1990, of which 7,332 (12.8%)¹ were over the age of 65 and 15,300 (26.6%) were under 16 years old. There were 15,348 families in the assessment area, of which 13.3% (2,048) were low-income, 17.7% (2,723) were moderate-income, 25.4% (3,894) were middle-income, and 43.5% (6,683) were upper-income. Of the total LMI families (4,771), 10.0% (476) lived in LMI census tracts. There were 19,636 households in the assessment area, of which 1,069 (5.4%) had incomes below the poverty level.

The weighted average median income for the area was \$40,642 for 1990 and, according to a U.S. Department of Housing and Urban Development ("HUD") estimate, increased to \$45,028 in 2002.

There were 20,526 housing units in 1990, of which 81.9% (16,807) were 1-4 family structures, 5.9% (1,205) were multifamily structures, and 10.9% (2,233) were mobile homes. Approximately 4% (830) of the total housing units were vacant or boarded up, 17.4% (3,573) were renter-occupied, and 78.6% (16,138) were owner-occupied. The weighted-average median housing value was \$82.4 thousand as of 1990 and the median age of the housing was 30 years. Approximately 5.1% (825) of the owner occupied units are located in LMI geographies.

It should be noted that according to the 1990 U.S. Census, the one low-income tract (located in Erie County) had only 10 residents and it is part of the Tonawanda Indian Reservation. Part of

¹ Please note that while percentage figures are based on exact numbers, absolute numbers pertaining to population and housing characteristics have been rounded to the nearest decimal point.

the same reservation in Genesee County constitutes one of the two moderate-income tracts in the assessment area. The Tonawanda Reservation, a moderate-income census tract, had a population of 473 in 1990. According to the bank, the reservation's tribal law does not allow lenders to secure liens against real estate located on the reservation, making it difficult to make mortgage loans. In 2000 there were no HMDA reportable loans originated by any financial institution in this census tract. Neither census tract represents a significant lending opportunity.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

BOA'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 focused chiefly on residential mortgage loans, the bank's primary product.

Statistics utilized in this evaluation were derived from various sources. In addition to loan information submitted by the bank, year 2000 aggregate data for HMDA-reportable loans were obtained from the Federal Financial Institutions Examination Council ("FFIEC") and PCI Services, Inc. CRA Wiz®, an external vendor. The demographic data referred to in this report was obtained from the 1990 U.S. Census, with 2001 estimated income figures provided by HUD.

- **Loan-to-Deposit Analysis: "Satisfactory"**

BOA's LTD ratio is considered reasonable taking into consideration the bank's size, financial condition and assessment area credit needs.

The bank's LTD ratio averaging the eight quarters of 2000 and 2001 was 74.8%, which represents an 18.6% improvement from the ratio calculated at the prior review. The bank's LTD ratio is slightly behind the peer group average of 77.0% during the same period. Bank of Akron's peer group includes all commercial banks having assets between \$100 million and \$300 million, with three or more banking offices and located in a metropolitan area.

Qualified Investments: BOA's share of the FHLBNY's annual 10% set-aside of profits for its Affordable Housing Program ("AHP") totaled \$2.1 thousand for 2001. This calculation is based on BOA's pro-rata share ownership of FHLBNY stock.

- **Proportion of Lending Within Assessment Area: "Satisfactory"**

A majority of the bank's HMDA-reportable loans were originated in its assessment area, demonstrating satisfactory responsiveness to the credit needs of the community.

The following chart provides a summary of the bank's lending in and out of the assessment area. In 2000 and 2001 BOA originated 74.6% and 75.9%, respectively, of its HMDA-reportable loans inside the assessment area. This is a modest improvement from the 72.3% concentration reported for 1999 at the prior review. The dollar volume percentages for assessment area loans were 67.5% and 74.1% for 2000 and 2001, respectively.

Bank of Akron HMDA Reportable Loans								
	2000				2001			
Location	#	%	\$'000	%	#	%	\$'000	%
Inside Assessment Area	106	74.65%	5,480	67.52%	148	75.90%	9,913	74.07%
Outside Assessment Area	36	25.35%	2,636	32.48%	47	24.10%	3,471	25.93%
Total	142	100.00%	8,116	100.00%	195	100.00%	13,384	100.00%

- **Geographic Distribution of Lending: “Satisfactory”**

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area, considering the demographics of the region and the size of the bank.

As noted above, of the three LMI census tracts in the assessment area only one presented lending opportunities. Management indicated that there is limited loan demand in this tract, the town of Shelby, as it is primarily rural in nature and is sparsely populated. The following year 2000 HMDA table underscores the limited loan demand, showing that only 48 loans were made by the aggregate of lenders in the tract, representing 2.9% of all loans made in the assessment area. BOA did not originate any of these loans. This represents a decline from the prior review, when the bank originated a handful of loans in LMI tracts, but nonetheless trailed the aggregate for both 1998 and 1999.

HMDA Reportable Loans - 2000 - by Census Tract Income								
	Bank of Akron				Aggregate			
Census Tract	#	%	\$'000	%	#	%	\$'000	%
Low/Moderate Inc.	0	0.00%	0	0.00%	48	2.94%	2,075	1.32%
Middle Inc.	78	73.58%	3,712	67.74%	941	57.59%	61,149	39.02%
Upper Inc.	28	26.42%	1,768	32.26%	645	39.47%	93,481	59.65%
Total	106	100.00%	5,480	100.00%	1634	100.00%	156,705	100.00%

In 2001, BOA originated 148 HMDA reportable loans totaling \$9.9 million. Two loans (1.4%) totaling \$110 thousand (1.1%) were originated in LMI census tracts. The 2001 aggregate data was not available for purposes of this evaluation.

The above data also indicate that in 2000, the bank extended 73.6% and 26.5% of its HMDA loans in middle- and upper-income tracts, respectively, showing strong middle-income penetration. The aggregate showed a relatively higher penetration of loans in upper-income tracts (39.5%) and, as a result, a relatively lower penetration of loans in middle-income tracts (57.6%). For 2001, BOA's middle-income area penetration decreased to 62.2% and its upper-income area penetration rose to 36.5%, nonetheless comparing favorably to the prior year's aggregate.

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

Bank of Akron's lending reflected excellent penetration among individuals of different incomes.

As the following chart illustrates, in 2000 BOA originated 37.7% (40) of its HMDA- reportable loans, compared to the aggregate's 23.4% (383) of HMDA-reportable loans, to LMI individuals. By dollar volume, BOA originated \$1.4 million (24.7%) to LMI individuals, compared to the aggregate's origination of \$18 million (11.5%).

HMDA Reportable Loans - 2000 - by Borrower Income Levels								
Income Type	Bank of Akron				Aggregate			
	#	%	\$'000	%	#	%	\$'000	%
Low/Moderate	40	37.74%	1,354	24.71%	383	23.44%	18,024	11.50%
Middle	32	30.19%	1,922	35.07%	405	24.79%	29,452	18.79%
Upper	34	32.08%	2,204	40.22%	796	48.71%	104,113	66.44%
Income Not Avail.	0	0.00%	0	0.00%	50	3.06%	5,116	3.26%
Total	106	100.00%	5,480	100.00%	1,634	100.00%	156,705	100.00%

In 2001, BOA's number of loans to LMI borrowers (39) remained close to 2000 levels, but its LMI penetration rate declined to 26.3% of total originations, due to an increase in overall lending, to 148 HMDA reportable loans. On a dollar volume basis, the bank extended totaling 16.4%(\$1.6 million) of its total \$9.9 million to LMI individuals.

Action Taken In Response to Written Complaints With Respect to CRA

Neither the bank or the New York State Banking Department have received any written complaints 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.

Examiners noted 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 and fair lending examinations concurrent with this evaluation indicate satisfactory 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.

The bank, through its directors, managers and employees, is in contact with local civic and social services groups, such as the Rotary Club, Lions and Lionesses Clubs, The Salvation Army, Meals on Wheels, The Newstead Historical Society, Village of Akron Board, and various local PTA and church groups. As a community bank, most BOA staff and directors live in the bank's assessment area. Their involvement gives BOA additional links to assist in determining the specific interests and needs of all segments of the community.

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.

BOA's marketing program enables the bank to reach all segments of the community. The bank regularly advertises in the area's local newspapers such as the Akron Bugle, the Clarence Bee and the News of Akron/Newstead. In addition, the bank advertises in weekly and bi-weekly newsletters such as the Akron/Corfu Pennysaver and the Quarry Hill Homeowners Association. BOA also advertises on billboards in the community and participates in local trade shows to explain the bank's services.

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

The directors discuss various community activities they have participated in and offer suggestions for additional involvement in the community at each monthly meeting. In addition, the directors communicate with local businesses and community organizations by way of their involvement in the community. The President of the bank, a member of the BOD, presents CRA activities at the monthly board meetings.

- **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.

The bank donated \$25 thousand and \$21 thousand in 2000 and 2001 respectively to a wide variety of community, social, municipal, and religious organizations. Among the donations was a \$10 thousand grant to the Clarence Library. The bank at its cost provides advertising space in the Akron Bugle for organizations to publicize their events.

BOA works with the Akron School District, providing officers and employees to discuss banking and finance with students beginning with the fifth grade.

CHARTS FOR REPORTING OF HMDA STATISTICS

Residential Real Estate Loans - Year 2000 - by Borrower Income Level*										
Borrower	Total Lending				Assessment Area Lending				Aggregate**	
Income	Applics.		Originations		Applics.		Originations		Originations	
Level	#	%	#	%	#	%	#	%	#	%
Low	22	13.9	20	14.1	18	15.3	18	17.0	110	6.7
Moderate	32	20.3	28	19.7	24	20.3	22	20.8	273	16.7
Middle	55	34.8	48	33.8	39	33.1	32	30.2	405	24.8
Upper	49	31.0	46	32.4	37	31.4	34	32.1	796	48.7
N/A	-	0.0	-	0.0	-	0.0	-	0.0	50	3.1
Total	158	100.0	142	100.0	118	100.0	106	100.0	1,634	100.0

Borrower income level is based upon the Department of Housing and Urban Development's annual estimate of median family income figure for the MSA of the mortgaged property. Low income is defined as <50% of the MSA median, moderate income is 50% to <80%, middle income is 80% to <120%, and upper income is at least 120%.

**The term "Aggregate" refers to loans originated in the bank's assessment area by all HMDA reporting lenders.

Residential Real Estate Loans - Year 2000 - by Geography Income Level*										
Geo	Total Lending				Assessment Area Lending				Aggregate	
Income	Applics.		Originations		Applics.		Originations		Originations	
Level	#	%	#	%	#	%	#	%	#	%
Low	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0
Moderate	1	0.6	1	0.7	-	0.0	-	0.0	48	2.9
Middle	115	72.8	105	73.9	85	72.0	78	73.6	941	57.6
Upper	42	26.6	36	25.4	33	28.0	28	26.4	645	39.5
N/A	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0
Total	158	100.0	142	100.0	118	100.0	106	100.0	1,634	100.0

Geography income level is based upon 1990 Census data on median family income figure for the MSA of the mortgaged property. Low income is defined as <50% of the MSA median, moderate income is 50% to <80%, middle income is 80% to <120%, and upper income is at least 120%.

Residential Real Estate Loans - Year 2001 - by Borrower Income Level*								
Borrower	Total Lending				Assessment Area Lending			
Income	Applics.		Originations		Applics.		Originations	
Level	#	%	#	%	#	%	#	%
Low	20	8.8	18	9.2	17	10.1	16	10.8
Moderate	32	14.1	25	12.8	28	16.7	23	15.5
Middle	67	29.5	57	29.2	56	33.3	48	32.4
Upper	108	47.6	95	48.7	67	39.9	61	41.2
N/A	-	0.0	-	0.0	-	0.0	-	0.0
Total	227	100.0	195	100.0	168	100.0	148	100.0

Borrower income level is based upon the Department of Housing and Urban Development's annual estimate of median family income figure for the MSA of the mortgaged property. Low income is defined as <50% of the MSA median, moderate income is 50% to <80%, middle income is 80% to <120%, and upper income is at least 120%.

Residential Real Estate Loans - Year 2001 - by Geography Income Level*								
Geo	Total Lending				Assessment Area Lending			
Income	Applics.		Originations		Applics.		Originations	
Level	#	%	#	%	#	%	#	%
Low	-	0.0	-	0.0	-	0.0	-	0.0
Moderate	8	3.5	7	3.6	2	1.2	2	1.4
Middle	138	60.8	117	60.0	106	63.1	92	62.2
Upper	81	35.7	71	36.4	60	35.7	54	36.5
N/A	-	0.0	-	0.0	-	0.0	-	0.0
Total	227	100.0	195	100.0	168	100.0	148	100.0

Geography income level is based upon 1990 Census data on median family income figure for the MSA of the mortgaged property. Low income is defined as <50% of the MSA median, moderate income is 50% to <80%, middle income is 80% to <120%, and upper income is at least 120%.

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.

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.

LMI Penetration Rate

A number that depicts the percentage of a bank's total loans extended to LMI geographies or borrowers. For example, an LMI penetration rate of 20% would indicate that the bank made 20 out of a total of 100 loans to LMI geographies or borrowers.

Small Business Loans

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