



**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, 2002

Institution: Community Bank of Sullivan County
4438 State Route 42 North
Monticello, NY 12701

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 and Other Lending-Related Activities	
Assessment Area Concentration	
Geographic Distribution of Loans	
Distribution by Borrowers Characteristics	
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 evaluation of the Community Reinvestment Act (“CRA”) performance of Community Bank of Sullivan County (“CBSC”) 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, 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 (“LMI”) 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 of small banking institutions are primarily based on a review of performance tests and standards described in Section 76.3 and detailed in Section 76.12. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York State Banking Law.

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

OVERVIEW OF INSTITUTION'S PERFORMANCE

The CBSC 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 ("LTD") Ratio and Other Lending-Related Activities:*** The bank's LTD ratio is considered reasonable in light of the bank's size, financial condition and the credit needs of its assessment area. The average ratio for eleven quarters since the prior examination was 60.1%, which is lower than the national peer group's average of 73.3%, but represents an improvement when compared with the prior ratio of 52.9%.

The bank enhanced the availability of credit in its assessment area with community development loans totaling \$150 thousand.

- ***Assessment Area Concentration:*** The bank extended a majority of its loans in the assessment area.

During the evaluation period, the bank extended 71.2% by number and 61% by dollar volume of its small business loans in the assessment area. The percentages varied slightly between the small business and consumer loans extended during the two-year period.

- ***Geographic Distribution of Loans:*** The geographic distribution of the bank's small business loans reflects reasonable dispersion among middle and upper-income census tracts. There are no low or moderate-income geographies in the bank's assessment area.
- ***Distribution by Borrowers Characteristics:*** The bank's lending in the assessment area reflects excellent penetration among businesses of different sizes. In 2001 and 2002, the bank extended 83.9% and 73%, respectively, of its small business loans to businesses with gross annual revenues of \$1 million or less. This is considered very good in light of the area's business demographics.
- Neither CBSC nor the New York State Banking Department received any complaints with respect to the bank's CRA performance during the evaluation period.

This 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:

CBSC, chartered in October 1993, is a state chartered commercial bank located in Sullivan County, New York. CBSC operates three full-service banking offices in Monticello Mall (main office), Colonial Square in Liberty and Stoneridge Mini Mall in Middletown, Orange County. The Middletown branch was opened in July 2001. The branches are open from 8:30 AM to 3:00 PM, Monday to Thursday, 8:30 AM to 6:00 PM. Fridays, except Middletown which closes at 5:30 PM and 9:00 AM to 12:00 Noon Saturdays. Monticello and Liberty branches have drive-thru facilities that are open from 8:00 AM to 4:00 PM. The bank does not offer any ATM services. Instead, they offer debit cards.

The bank's business focus has always been to lend to small businesses. Loan products are predominantly commercial loans, including commercial real estate mortgages.

As per the Consolidated Report of Condition ("Call Report") as of December 31, 2002, CBSC had total assets of \$59.3 million. The bank reported total gross loans of \$38.4 million and total deposits of \$53.4 million, resulting in a loan to deposit ratio of 71.9%. The year-end ratio is higher when compared to the prior review ratio of 62.4%. Equity capital stood at \$5.7 million. The bank reported a net income of \$319 thousand.

According to the Federal Deposit Insurance Corporation's ("FDIC") deposit market share report as of June 30, 2002, the bank ranks 8th out of 11 deposit-taking institutions in Sullivan County with a 6.1% market share. When the assessment area was extended to include the town of Wallkill in Orange County, the market share ranking dropped to 17th (1.1%) out of 23 institutions in both counties.

The bank competes with large institutions such as Fleet, Keybank, The Bank of New York, HSBC, Manufacturers and Traders, and with smaller institutions. The bank is promoting the image of a community bank established primarily to serve the financial needs of small business in the community.

The following is a summary of the bank's loan portfolio based on Schedule RC-C of the bank's December 31, 2002, December 31, 2001 and December 31, 2000 Call Reports:

TOTAL GROSS LOANS OUTSTANDING						
LOAN TYPE	12/31/2002		12/31/2001		12/31/2000	
	\$*	%	\$*	%	\$*	%
1-4 Family Residential Mortgage Loans	3,990	10.4	4,370	13.9	3,958	14.6
Commercial & Industrial Loans	12,604	32.9	11,704	37.4	10,100	37.2
Commercial Mortgage Loans	16,962	44.2	13,286	42.4	11,306	41.7
Consumer Loans	2,388	6.2	1,591	5.1	1,375	5.1
Agricultural Loans	240	0.6	0	0.0	0	0.0
Construction Loans	2,009	5.2	203	0.6	0	0.0
Other Loans	175	0.5	177	0.6	381	1.4
Total Gross Loans	38,368	100.0	31,331	100.0	27,120	100.0

* In thousands.

As illustrated in the above chart, the primary product is commercial loans, which are comprised mainly of small business loans to small companies. The trend has been consistent for the last three years. The secondary product is 1-4 family residential mortgage loans, the proportion of which has declined during the last three years.

The bank did not participate in any governmentally guaranteed or sponsored loan programs.

The bank received a rating of "1" reflecting an outstanding record of helping to meet community credit needs, at its prior Performance Evaluation by the New York State Banking Department on March 31, 2000.

There are no known financial or legal impediments that adversely impacted the bank's ability to meet the credit needs of its community.

Assessment Area:

The bank's assessment area is comprised of the central and southern portions of Sullivan County including the towns of Liberty, Fallsburg, Bethel, Thompson, Forestburg, Mamakating, Highland and Lumberland. In 2001, the bank extended the assessment area to include a portion of the town of Walkkill in Orange County.

There are 22 census tracts and/or block numbering areas (BNAs) in the area, of which 18 (81.8%) are middle-income and four (18.2%) are upper-income tracts. There are no LMI tracts/BNAs within the assessment area.

The assessment area appears reasonable based upon the location of the bank's offices and its lending patterns. However, adjacent to the middle income census tract in the town of Walkkill are five moderate income tracts within the city of Middletown that were not made part of the assessment area when it was extended in 2001.

Details of Assessment Area:

Chart #1: Shows population and income.

Chart #2: Shows housing demographics.

Chart #3: Shows business demographics.

CHART # 1

ASSESSMENT AREA POPULATION AND INCOME CHARACTERISTICS BY COUNTY																					
COUNTY	Total Population	Age 65 and over		Age 16 and less		Median Family Income(MFI)	HUD MSA MFI	# of Households	# of HH below poverty level		Total Families	Low Income		Moderate Income		Middle Income		Upper Income		LMI families in LMI tracts	
		#	%	#	%				#	%		#	%	#	%	#	%	#	%	#	%
**Sullivan	52,537	7,402	14	11,389	22	34,093	43,600	18,559	2,217	11	12,932	2,171	17%	2,218	17%	2,949	23%	5,594	43%	0	0
**Orange	19,508	1,979	10	4,927	25	43,926	58,700	6,658	357	5	4,988	814	16%	942	19%	1,417	28%	1,815	36%	0	0
TOTAL A/A*	72,045	9,381	13	16,316	23	36,830	46,345	25,217	2,574	10	17,920	2,985	17%	3,160	18%	4,366	24%	7,409	41%	0	0

* Assessment Area; ** Partial Counties

CHART # 2

ASSESSMENT AREA HOUSING CHARACTERISTICS BY COUNTY																			
COUNTY	Total Housing Units	1-4 family Units		Multifamily Units		Owner-Occupied Units (O-O)		O-O Units in Low-income Tracts		O-O Units in Mod-income Tracts		O-O Units in Mid-income Tracts		O-O Units in Upp-income Tracts		Rental Units		Vacant/Boarded-up Units	
		#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%
** Sullivan	31,888	25,065	78.60	2,791	8.75	12,282	38.52	0	0	0	0	8,810	71.73	3,472	28.27	7,215	22.63	13,751	43.12
**Orange	6,953	4,762	68.49	1,774	25.51	4,088	58.79	0	0	0	0	4,088	100	0	0	2,636	37.91	477	6.86
TOTAL A/A*	38,841	29,827	76.79	4,565	11.75	16,370	42.15	0	0	0	0	12,898	78.79	3,472	21.21	9,851	25.36	14,228	36.63

* Assessment Area ** Partial counties

CHART # 3

BUSINESS DEMOGRAPHICS BY COUNTY											
COUNTY AND ASSESSMENT AREA(A/A)	Number of Businesses	Businesses with Rev. of \$1 million or less		Businesses with Rev. of more than \$1 million		Businesses with no revenues reported		Businesses with less than 50 employees		Operating from a single location	
		#	%	#	%	#	%	#	%	#	%
*Sullivan	4,694	3,251	69.26	227	4.84	1,216	25.91	3,527	72.59	4,382	90.18
*Orange	21,969	16,032	72.98	1,141	5.19	4,796	21.83	17,185	75.72	20,012	88.18
Total A/A	26,663	19,283	72.32	1,368	5.13	6,012	22.55	20,712	75.17	24,394	88.53

*Partial counties

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

CBSC's performance was evaluated according to the small bank performance criteria, which include the following: (1) Loan-to-Deposit Ratio and Other Lending-Related Activities, (2) Assessment Area Concentration, (3) Geographic Distribution of Loans, (4) Distribution by Borrower Characteristics and (5) Action Taken in Response to Written Complaints Regarding CRA.

The assessment period included calendar years 2001 and 2002. Small business lending was considered in evaluating factors (2), (3) and (4), as noted above. The bank provided its consumer loans for consideration, but they were evaluated only for factor (2) and not for factors (3) and (4) because of missing information. Small business lending received greater emphasis.

The bank is a HMDA reporter, but HMDA-reportable loans were not considered in this evaluation due to the insignificant number of such loans reported.

The demographic data referred to in this report was obtained from the 1990 U.S. Census, with updated median family income figures provided by the United States Department of Housing and Urban Development ("HUD").

- **Loan-to-Deposit Ratio and Other Lending-Related Activities: "Satisfactory"**

The bank's LTD ratio is reasonable considering the bank's size and financial condition. The general upward trend as shown in the table below illustrates the bank's responsiveness to assessment area credit needs.

The bank's average LTD ratio for the 11 quarters ended December 31, 2002 was 60.1%, which is lower than the national peer group's average of 73.3%. The peer group is comprised of banks located nationwide, including three other banks in New York State. These ratios were calculated from information shown in the bank's Uniform Bank Performance Report ("UBPR") prepared by the FDIC.

Loan-to-Deposit Ratios												
	2000 6/30	2000 9/30	2000 12/31	2001 3/31	2001 6/30	2001 9/30	2001 12/31	2002 3/31	2002 6/30	2002 9/30	2002 12/31	Average 11 Qtrs.
Bank	57.7	58.0	57.9	60.1	60.5	54.7	54.8	60.2	62.3	64.4	70.7	60.1
Peer	73.3	71.6	70.1	69.5	71.0	76.1	74.5	74.0	75.4	76.2	74.5	73.3

Community Development Loans

The bank enhanced the availability of credit in its assessment area with community development loans totaling \$150 thousand.

In October 1997, the bank established a \$150 thousand line of credit for the Council on

Alcoholism and Drug Abuse of Sullivan County, Inc. (AKA The Recovery Center). The center provides information, education, and counseling to anyone whose lives have been affected by the problems of alcohol abuse, alcoholism and other drug addiction. The Center works cooperatively with the community to educate and treat those addicted and prevent addiction when possible. The line was renewed in January 2002 and had a balance of \$136 thousand as of December 31, 2002.

- **Assessment Area Concentration: “Satisfactory”**

The bank originated a majority of loans within the assessment area.

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Loans in Dollars (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Small Business										
2002	74	67.3	36	32.7	110	8,442	55.2	6,864	44.8	15,306
2001	62	76.5	19	23.5	81	6,478	70.9	2,657	29.1	9,135
Subtotal	136	71.2	55	28.8	191	14,920	61.0	9,521	39.0	24,441
Consumer										
2002	60	76.9	18	23.1	78	2,663	65.1	1,430	34.9	4,093
2001	67	82.7	14	17.3	81	1,641	60.7	1,063	39.3	2,704
Subtotal	127	79.9	32	20.1	159	4,304	63.3	2,493	36.7	6,797
Total	263	75.1	87	24.9	350	19,224	61.5	12,014	38.5	31,238

The bank originated 110 small business loans in 2002 totaling \$15.3 million. Total such loans originated within the assessment area amounted to \$8.4 million, 74 loans or 67.3%. Performance declined from 76.5% in 2001 or 62 loans out of 81 loans. The dollar volume indicated a greater decline from 70.9% in 2001 to 55.2% in 2002.

In 2002, 78 consumer loans amounting to \$4.1 million were originated, of these 60 loans or 76.9%, amounting to \$2.7 million were extended within the assessment area. Performance was more favorable in 2001 when the percentage of consumer loans originated in the assessment area was 82.7%. The dollar volume of consumer loans originated within the assessment area in 2002 increased to 65.1% from 60.7% in 2001.

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

The geographic distribution of small business loans reflects reasonable dispersion among census tracts of different income levels. Since there are no LMI census tracts in the assessment area, an analysis of the bank’s lending across middle and upper income census tracts was performed.

The following chart provides a summary of the bank’s small business loan distribution during the evaluation period:

Distribution of Small Business Loans by Geography Income Level								
Geography Income Level	2001				2002			
	#	%	\$*	%	#	%	\$*	%
Low	N/A		N/A		N/A		N/A	
Moderate	N/A		N/A		N/A		N/A	
Middle	55	88.7	5,943	91.7	63	85.1	7,105	84.2
Upper	7	11.3	535	8.3	11	14.9	1,337	15.8
Total	62	100.0	6,478	100.0	74	100.0	8,442	100.0

* In Thousands

Lending in middle-income tracts by number and dollar volume is substantially higher than lending in upper-income tracts in 2002. The proportion of lending between the middle and upper income tracts was similar in 2001. The distribution is generally reflective of the proportion of middle and upper income areas within the assessment area.

- **Distribution by Borrower Characteristics: “Outstanding”**

The distribution of loans based on borrower characteristics reflects excellent penetration among businesses of different sizes.

The following chart provides a summary of the bank’s small business loan distribution based on borrower revenues:

Distribution of Small Business Loans by Business Revenue Size								
Revenue Size	2001				2002			
	#	%	\$*	%	#	%	\$*	%
\$1million or less	52	83.9	5,102	78.8	54	73.0	4,807	56.9
Over \$1 million	10	16.1	1,376	21.2	20	27.0	3,635	43.1
Total	62	100.0	6,478	100.0	74	100.0	8,442	100.0

* In thousands.

In 2001, the number of loans extended to businesses with revenues of \$1 million or less was more than five times the number of loans extended to borrowers with revenues of more than \$1 million. In 2002, the percentage of loans originated to businesses with revenues of \$1 million or less declined, but loans originated in this category was still more than twice the number of loans originated to larger businesses.

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

Since the prior CRA evaluation as of March 31, 2000, neither the bank nor the New York State Banking Department has received any written complaints regarding the bank’s CRA performance.

- **Discrimination and 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 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 examination conducted on February 5, 2002 indicated satisfactory adherence to anti-discrimination and 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 directors, management and staff of the bank actively participate in a host of charitable, civic and community organizations in the different areas they serve. The bank has representatives on the Board of Trustees of the Sullivan County Partnership for Economic Development, the Sullivan County Chamber of Commerce, Workforce Development Board of Sullivan County, the Liberty Chamber of Commerce, the Monticello Planning Board, Village of Liberty Revitalization Committee, Orange County Chamber of Commerce, Mid-Hudson Patterns for Progress and other business and professional organizations.

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.

The bank regularly advertises its credit products in local print media and on radio stations. In addition, the bank participates in various trade shows and business expositions in Sullivan and Orange Counties.

In 2002, the bank did a direct mail campaign to focus on their Middletown branch. They also did an insert in the Times Herald Record promoting that branch.

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.

An executive vice president who is the chief financial officer also acts as the compliance officer. He is responsible for the bank's CRA performance and reports regularly to the board of directors. The board is actively involved in various local community activities, which help provide valuable communication of community needs and banking opportunities.

- **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.

As a member of the Sullivan County Partnership for Economic Development, the bank extended several loans to both existing and start-up businesses in the market. CBSC also invested \$100 thousand in the Town of Liberty Statutory Installment Bond.

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 (for a particular product) that was 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.