



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: Hudson United Bank
1000 MacArthur Boulevard
Mahwah, NJ 07430

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 evaluation of the Community Reinvestment Act (“CRA”) performance of Hudson United Bank’s (“HUB”) New York State branch operations 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 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

Overall Rating

Hudson United Bank's New York branch operations are rated "2," indicating a satisfactory record of helping to meet community credit needs.

Lending Test: "High Satisfactory"

- The bank's lending levels reflect good responsiveness to assessment area credit needs. Since the prior evaluation, the bank's assessment area originations include 400 Home Mortgage Disclosure Act ("HMDA") reportable loans, 327 small business loans and 3,234 consumer loans totaling \$46 million, \$64.4 million and \$77.9 million, respectively.
- A substantial majority of loans were made in the bank's assessment area. The bank originated by both number and dollar volume more than 90% of its HMDA-reportable, small business and consumer loans within the assessment area.
- The geographic distribution of the bank's loans reflects good penetration throughout the assessment area.
 - HUB significantly exceeded the aggregate in originating HMDA-reportable loans within LMI geographies. Additionally, HUB's HMDA-reportable loan penetration in middle-income geographies was well above aggregate levels.
 - The bank's origination of small business loans in LMI areas compares favorably to the aggregate. Furthermore, the percentage of lending in middle-income geographies substantially exceeded aggregate levels.
 - In 2001, HUB's origination of consumer loans in LMI and middle-income areas is considered reasonable. In 2002, the bank's level of consumer lending in LMI and middle-income areas improved slightly.
- The distribution of the bank's loans by borrower characteristics reflects good penetration among customers of different income levels and businesses of different sizes.
 - The bank's HMDA-reportable loan penetration ratio among LMI borrowers was significantly above the aggregate.
 - HUB trailed the aggregate in lending to businesses with gross annual revenues of \$1 million or less.
 - In 2002, the bank's 49.6% LMI penetration ratio for consumer loans reflects excellent penetration among LMI borrowers. The bank did not collect data on borrower's income for consumer loans originated in 2001.

- The bank does not have in its portfolio any community development loans supporting its New York State assessment area.
- The bank makes limited use of innovative or flexible lending practices in serving assessment area credit needs.

Investment Test: “Needs to Improve”

- The bank had a poor level of qualified investments. The bank’s qualified investments, including grants, totaled \$660.7 thousand, all considered new money. This is a significant decline from the previous evaluation’s \$40.7 million.

Service Test: “High Satisfactory”

- The bank’s delivery systems are accessible to essentially all portions of the bank’s assessment area.
- Between evaluation periods, HUB opened three branches in New York State. One is located in an LMI area and another is located adjacent to an LMI area.
- HUB provides an adequate level of community development services consisting of technical assistance to organizations and programs that promote affordable housing, economic development and community services throughout the assessment area.

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:

Hudson United Bank is a full service commercial bank headquartered in Mahwah, New Jersey. The institution is a wholly owned subsidiary of Hudson United Bancorp, a bank holding company organized under the laws of New Jersey in 1982. Hudson United operates 205 branches located in New York, New Jersey, Connecticut and Pennsylvania.

The bank operates 34 full-service banking offices in eight counties of New York State as follows: Orange (15), Dutchess (8), Rockland County (3), New York County (2), Putnam County (2), Sullivan County (2), Ulster County (1) and Westchester County (1). Supplementing the banking offices are automated teller machine (ATM) facilities linked to NYCE, STAR, PLUS and CIRRUS networks at all branch locations.

HUB's New York State branches generate nearly \$998 million in deposits as of June 30, 2002, representing 15.8% of the bank's total deposits of \$6.3 billion. The following table shows the bank's deposit market share in New York State:

Deposit Market Share as of June 30, 2002				
County	# Offices	Deposits (\$000s)	Market Share	Rank
Orange	15	459,770	10.91%	3rd out of 22
Dutchess	8	268,395	8.49%	6th out of 17
Rockland	3	34,637	0.63%	13th out of 16
New York	2	71,355	0.03%	64th out of 95
Putnam	2	60,990	1.54%	7th out of 13
Sullivan	2	84,509	9.83%	4th out of 11
Ulster	1	13,504	0.70%	13th out of 15
Westchester	1	4,838	0.02%	31th out of 33
Total	34	997,998	0.34%	26th out of 131

At December 31, 2002, HUB reported total assets of \$7.6 billion, comprised primarily of \$4.3 billion (56.6%) in loans and \$2.6 billion (34.2%) in securities. Total assets grew \$0.8 billion since the prior evaluation date.

The institution offers a variety of loan products including the following:

- Residential Mortgages – 1-4 family residential loans, refinance, home improvement, multifamily loans and residential construction loans.
- Commercial Loans and Mortgages – commercial mortgages, small business loans and lines of credit.
- Consumer Loans – home equity loans, automobile loans, recreational vehicle loans, manufactured housing loans, boat loans, secured and unsecured personal loans and

private label credit cards.

The following is a summary of the bank's loan portfolio, as reported by the institution in its regulatory filings of December 31, 2002, December 31, 2001 and December 31, 2000.

TOTAL GROSS LOANS OUTSTANDING						
LOAN TYPE	12/31/2002		12/31/2001		12/31/2000	
	\$000	%	\$000	%	\$000	%
1-4 Family Residential Mortgage Loans	580,409	13.4	779,541	17.4	1,759,271	33.1
Commercial Mortgage Loans	725,118	16.7	785,141	17.5	790,290	14.9
Commercial & Industrial Loans	1,342,884	30.9	1,364,021	30.4	1,402,892	26.4
Multifamily Loans	427,293	9.8	364,977	8.1	380,440	7.2
Consumer Loans	759,345	17.5	692,533	15.4	602,694	11.3
Construction Loans	260,869	6.0	232,005	5.2	202,589	3.8
Agricultural / Farm Loans	6,687	0.2	4,235	0.1	8,897	0.2
Other Loans	239,158	5.5	267,727	6.0	163,528	3.1
Total Gross Loans	4,341,763	100.0	4,490,180	100.0	5,310,601	100.0

Total loans decreased by almost \$1 billion and the net loan-to-deposit ratio declined to 68.82% compared to 89.66% at the prior evaluation.

As the above chart illustrates, the decrease was primarily in the 1-4 family residential mortgage loan segment. HUB exchanged \$668.5 million of residential mortgage loans for comparable mortgage-backed securities with Freddie Mac in 2001 and \$118 million with Fannie Mae in 2002.

Management's recent business strategy places greater emphasis on credit products for the retail consumer as well as small and mid-sized businesses. While deemphasizing residential mortgages, the bank will continue to provide such loans through an arrangement with a third-party.

At the prior performance evaluation conducted by the New York State Banking Department as of December 31, 2000, the bank received a rating of "2," reflecting a satisfactory record of helping to meet community credit needs.

The bank's capacity to meet community credit needs remains strong based its financial condition, size and product offerings. There are no impediments, legal or otherwise, that would adversely affect the bank's ability to help meet the credit needs of the assessment area.

Assessment Area:

HUB's New York assessment area includes the eight counties, in their entirety, where it has a branch presence. The counties are Dutchess, New York, Putnam, Rockland, Westchester, Orange, Sullivan and Ulster. Since the prior evaluation, the assessment area expanded to include Westchester and New York counties, due to a new branch opening

and the acquisition of two others. The assessment area now consists of 787 census tracts, 71 or 9% of which are low-income, 108 or 13.7% are moderate-income, 188 or 23.9% are middle-income, 402 or 51.1% are upper-income and 18 or 2.3% are zero income tracts.

Below are details of the of the bank's assessment area by census tract characteristics:

Assessment Area - Distribution by Census Tracts												
County	Low		Moderate		Middle		Upper		N/A		Total	
	#	%	#	%	#	%	#	%	#	%	#	%
MSA 2281												
Dutchess	4	5.9	10	14.7	45	66.2	7	10.3	2	2.9	68	100
MSA 5600												
New York	63	21.1	65	21.8	33	11.1	126	42.3	11	3.7	298	100
Putnam	-	-	-	-	-	-	19	100.0	-	-	19	100
Rockland	-	-	1	2.4	4	9.5	35	83.3	2	4.8	42	100
Westchester	2	0.9	18	8.2	35	15.9	163	74.1	2	0.9	220	100
MSA 5660												
Orange	2	3.0	12	17.9	32	47.8	20	29.9	1	1.5	67	100
Non-MSA												
Sullivan	-	-	-	-	20	80.0	5	20.0	-	-	25	100
Ulster	-	-	2	4.2	19	39.6	27	56.3	-	-	48	100
Total	71	9.0	108	13.7	188	23.9	402	51.1	18	2.3	787	100

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

Details of the Assessment Area:

MSA 2281 (Dutchess)

Dutchess County: Population: According to the U.S. Census Bureau, the county had a population of 259.5 thousand in 1990. About 11% of the county's population were over the age of 65 and 21% were under the age of 16.

Families/Households: There were 65.3 thousand families in the county, of which 16.7% (10.9 thousand) were low-income families, 19.1% (12.5 thousand) were moderate-income, 28.2% (18.4 thousand) were middle-income and 36% (23.5 thousand) were upper-income families. Of the 23.4 thousand LMI families, 26% (6.1 thousand) lived in LMI areas and these families accounted for 63.6% of all the families (9.6 thousand) that lived in LMI areas. There were 89.6 thousand households in the county, of which 5% (5.1 thousand) had income below the poverty level.

Housing Units: There were 97.6 thousand housing units in the county, 79% (77.6 thousand) of which were 1-4 family units and 14% (14.1 thousand) were multifamily units. About 63% (61.9 thousand) of all the housing units were owner occupied and 10.3% (6.4 thousand)

were in LMI areas. Almost 28% (27.7 thousand) were rental occupied and 33.6% (9.3 thousand) were in LMI areas. Approximately 8% (8.2 thousand) of all the housing units were vacant and/or boarded up. The median age of housing was 29 years and the median value was \$143.3 thousand.

Median Family Income: In 1990, the county's median family income was \$49.1 thousand and the median family income for the MSA was \$49.3 thousand. The United States Department of Housing and Urban Development's ("HUD") estimated median family income for the MSA was \$68.1 thousand in 2002.

Unemployment Rates: According to the New York State Department of Labor, Dutchess County's unemployment rates averaged 3.2% in 2001 and 4.1% in 2002. The county's average rates were significantly below the state's average rates of 4.9% in 2001 and 6.1% in 2002.

MSA 5600 (New York, Putnam, Rockland and Westchester)

New York County: Population: According to the U.S. Census Bureau, the county had a population of 1.5 million in 1990. About 13% of the county's population were over the age of 65 and 15% were under the age of 16.

Families/Households: There were 305.4 thousand families in the county, of which 28.8% (88 thousand) were low-income families, 13.8% (42.3 thousand) were moderate-income, 14.4% (43.8 thousand) were middle-income and 43% (131.3 thousand) were upper-income families. Of the 130.2 thousand LMI families, 76.5% (99.7 thousand) lived in LMI areas and these families accounted for 68.3% of all the families (145.9 thousand) that lived in LMI areas. There were 716.8 thousand households in the county, of which 16% (120.1 thousand) had income below the poverty level.

Housing Units: There were 785.1 thousand housing units in the county, 2% (22.6 thousand) of which were 1-4 family units and 95% (751.4 thousand) were multifamily units. Approximately 16% (128 thousand) of all the housing units were owner occupied and 9.7% (12.4 thousand) were in LMI areas. Almost 74% (588.4 thousand) were rental occupied and 39.7% (233.9 thousand) were in LMI areas. Approximately 8% (71.2 thousand) of all the housing units were vacant and/or boarded up. The median age of housing was 41 years and the median value was \$212.4 thousand.

Median Family Income: In 1990, the county's median family income was \$48.6 thousand and the median family income for the MSA was \$37.5 thousand. HUD's estimated median family income for the MSA was \$62.8 thousand in 2002.

Unemployment Rates: According to the New York State Department of Labor, New York County's unemployment rates averaged 6.4% in 2001 and 8.2% in 2002. The county's average rates were significantly above the state's average rates of 4.9% and 6.1% in 2002. The MSA's average rates were 5.6% and 7.3%, respectively.

Putnam County: Population: According to the U.S. Census Bureau, the county had a population of 83.9 thousand in 1990. About 9% of the county's population were over the age of 65 and 23% were under the age of 16.

Families/Households: There were 22.6 thousand families in the county, of which 6.1% (1.4 thousand) were low-income families, 7.2% (1.6 thousand) were moderate-income, 18.1% (4.1 thousand) were middle-income and 68.6% (15.5 thousand) were upper-income families. There were 28 thousand households in the county, of which 3% (1.1 thousand) had income below the poverty level.

Housing Units: There were 31.9 thousand housing units in the county, 91% (29.3 thousand) of which were 1-4 family units and 6% (1.9 thousand) were multifamily units. About 72% (23 thousand) of all the housing units were owner occupied and 15% (5.1 thousand) were rental occupied. Approximately 11% (3.9 thousand) of all the housing units were vacant and/or boarded up. The median age of housing was 29 years and the median value was \$197.8 thousand.

Median Family Income: In 1990, the county's median family income was \$59.1 thousand and the median family income for the MSA was \$37.5 thousand. HUD's estimated median family income for the MSA was \$62.8 thousand in 2002.

Unemployment Rates: According to the New York State Department of Labor, Putnam County's unemployment rates averaged 2.7% in 2001 and 3.4% in 2002. The county's average rates were significantly below the state's average rates of 4.9% in 2001 and 6.1% in 2002.

Rockland County: Population: According to the U.S. Census Bureau, the county had a population of 265.5 thousand in 1990. About 10% of the county's population were over the age of 65 and 23% were under the age of 16.

Families/Households: There were 67 thousand families in the county, of which 8.3% (5.6 thousand) were low-income families, 8.8% (5.9 thousand) were moderate-income, 15.6% (10.5 thousand) were middle-income and 67.2% (45 thousand) were upper-income families.

Of the 11.5 thousand LMI families, 3.6% (0.4 thousand) lived in moderate-income areas and these families accounted for 65.9% of all the families (0.6 thousand) that lived in moderate-income areas. There were 84.9 thousand households in the county, of which 5% (4.9 thousand) had income below the poverty level.

Housing Units: There were 88.3 thousand housing units in the county, 80% (71.4 thousand) of which were 1-4 family units and 16% (14.6 thousand) were multifamily units. About 69% (61.2 thousand) of all the housing units were owner occupied and 0.4% (0.2 thousand) were in moderate-income areas. Almost 26% (23.7 thousand) were rental occupied and 1.5% (0.4 thousand) were in moderate-income areas. Approximately 3% (3.4 thousand) of all the housing units were vacant and/or boarded up. The median age of housing was 26 years and the median value was \$209.3 thousand.

Median Family Income: In 1990, the county's median family income was \$61 thousand while the MSA median family income was \$37.5 thousand. HUD's estimated median family income for the MSA was \$62.8 thousand in 2002.

Unemployment Rates: According to the New York State Department of Labor, Rockland County's unemployment rates averaged 3.1% in 2001 and 3.9% in 2002. The county's average rates were significantly below the state's average rates of 4.9% in 2001 and 6.1% in 2002.

Westchester County: Population: According to the U.S. Census Bureau, the county had a population of 874.9 thousand in 1990. About 14% of the county's population were over the age of 65 and 19% were under the age of 16.

Families/Households: There were 229.5 thousand families in the county, of which 10.7% (24.5 thousand) were low-income families, 9.7% (22.3 thousand) were moderate-income, 15.6% (36.8 thousand) were middle-income and 64% (147 thousand) were upper-income families. Of the 46.8 thousand LMI families, 31.2% (8.5 thousand) lived in LMI areas and these families accounted for 64.3% of all the families (13.3 thousand) that lived in LMI areas. There were 319.7 thousand households in the county, of which 6% (11.9 thousand) had income below the poverty level.

Housing Units: There were 336.7 thousand housing units in the county, 65% (220.7 thousand) of which were 1-4 family units and 32% (110.8 thousand) were multifamily units. About 56% (191 thousand) of all the housing units were owner occupied and 1.9% (3.6 thousand) were in LMI areas. Almost 38% (129.1 thousand) were rental occupied and 18.7% (24.2 thousand) were in LMI areas. Approximately 4% (17 thousand) of all the housing units were vacant and/or boarded up. The median age of housing was 39 years and the median value was \$264.2 thousand.

Median Family Income: In 1990, the county's median family income was \$64.1 thousand and the median family income for the MSA was \$37.5 thousand. HUD's estimated median family income for the MSA was \$62.8 thousand in 2002.

Unemployment Rates: According to the New York State Department of Labor, Westchester County's unemployment rates averaged 3.4% in 2001 and 4.2% in 2002. The county's average rates were significantly below the state's average rates of 4.9% in 2001 and 6.1% in 2002. The MSA's average rates were 5.6% and 7.3%, respectively.

MSA 5660 (Orange)

Orange County: Population: According to the U.S. Census Bureau, the county had a population of 307.6 thousand in 1990. About 10% of the county's population were over the age of 65 and 25% were under the age of 16.

Families/Households: There were 77.9 thousand families in the county, of which 17.7% (13.8 thousand) were low-income families, 17.4% (13.5 thousand) were moderate-income, 25.1% (19.6 thousand) were middle-income and 39.8% (31 thousand) were upper-income families. Of the 27.3 thousand LMI families, 31.2% (8.5 thousand) lived in LMI areas and these families accounted for 64.3% of all the families (13.2 thousand) that lived in LMI areas. There were 101.7 thousand households in the county, of which 8% (8.6 thousand) had incomes below the poverty level.

Housing Units: There were 110.8 thousand housing units in the county, 83% (92.7 thousand) of which were 1-4 family units and 11% (12.5 thousand) were multifamily units. About 61% (68.5 thousand) of all the housing units were owner occupied and 10.2% (7 thousand) were in LMI areas. Almost 29% (33 thousand) were rental occupied and 36% (11.9 thousand) were in LMI areas. Approximately 8% (9.6 thousand) of all the housing units were vacant and/or boarded up. The median age of housing was 30 years and the median value was \$136.4 thousand.

Median Family Income: In 1990, the county's median family income was \$44.3 thousand and the median family income for the MSA was \$42.6 thousand. HUD's estimated median family income for the MSA was \$58.7 thousand in 2002.

Unemployment Rates: According to the New York State Department of Labor, Orange County's unemployment rates averaged 3.7% in 2001 and 4.3% in 2002. The county's average rates were significantly below the state's average rates of 4.9% in 2001 and 6.1% in 2002. The MSA's average rates were 3.7% and 4.4%, respectively.

Non-MSA (Sullivan and Ulster)

Sullivan County: Population: According to the U.S. Census Bureau, the county had a population of 69.3 thousand in 1990. About 15% of the population were over the age of 65 and 22% were under the age of 16.

Families/Households: There were 17.3 thousand families in the county, of which 17.2% (3 thousand) were low-income families, 17.3% (3 thousand) were moderate-income, 22.4% (3.9 thousand) were middle-income and 43.2% (7.5 thousand) were upper-income families. There were 24.6 thousand households in the county, of which 11% (2.9 thousand) had income below the poverty level.

Housing Units: There were 41.8 thousand housing units in the county, 79% (33.2 thousand) of which were 1-4 family units, 11% (5 thousand) were mobile homes or trailers and 7% (3.1 thousand) were multifamily units. About 40% (16.9 thousand) of all the housing units were owner occupied and almost 18% (7.6 thousand) were rental occupied. Approximately 41% (17.6 thousand) of all the housing units were vacant and/or boarded up. The median age of housing was 29 years and the median value was \$92.7 thousand.

Median Family Income: In 1990, the county's median family income was \$33.9 thousand and the median family income for the non-MSA was \$31.5 thousand. HUD's estimated median family income for the non-MSA was \$43.6 thousand in 2002.

Unemployment Rates: According to the New York State Department of Labor, Sullivan County's unemployment rates averaged 4.8% in 2001 and 5% in 2002. The county's average rates were slightly below the state's average rates of 4.9% in 2001 and 6.1% in 2002.

Ulster County: Population: According to the U.S. Census Bureau, the county had a population of 165.3 thousand in 1990. About 13% of the county's population were over the age of 65 and 21% were under the age of 16.

Families/Households: There were 42.4 thousand families in the county, of which 12.2% (5.1 thousand) were low-income families, 13.8% (5.6 thousand) were moderate-income, 20.8% (8.8 thousand) were middle-income and 53.2% (22.5 thousand) were upper-income families. Of the 11 thousand LMI families, 5.4% (0.6 thousand) lived in moderate-income areas and these families accounted for 51.1% of all the families (1.2 thousand) that lived in moderate-income areas. There were 60.6 thousand households in the county, of which 8% (5.4 thousand) had income below the poverty level.

Housing Units: There were 71.7 thousand housing units in the county, 82% (59.3 thousand) of which were 1-4 family units, 8% (6 thousand) were mobile homes or trailers and 7% (5.6 thousand) were multifamily units. About 58% (42.1 thousand) of all the housing units were owner occupied and 2.5% (1.1 thousand) were in moderate-income areas. Almost 26% (18.7 thousand) were rental occupied and 4.7% (0.9 thousand) were in moderate-income areas. Approximately 15% (11.1 thousand) of all the housing units were vacant and/or boarded up. The median age of housing was 34 years and the median value was \$113.5 thousand.

Median Family Income: In 1990, the county's median family income was \$40.2 thousand and the median family income for the non-MSA was \$31.5 thousand. HUD's estimated median family income for the non-MSA was \$43.6 thousand in 2002.

Unemployment Rates: According to the New York State Department of Labor, Ulster County's unemployment rates averaged 3.5% in 2001 and 4.1% in 2002. The county's average rates were significantly below the state's average rates of 4.9% in 2001 and 6.1% in 2002.

PERFORMANCE TESTS AND ASSESSMENT FACTORS

The Banking Department assesses the bank's CRA performance by evaluating its lending, investment and service tests, and applies the lending, investment and service tests, as provided in section 76.8, 76.9 and 76.10 of the General Regulations of the Banking Board in evaluating the performance of the institution.

This performance evaluation incorporates a review of HUB's lending, investment and service activities within its New York assessment area during 2001 and 2002. Products considered include HMDA-reportable, small business and consumer loans.

Statistics employed in this evaluation were derived from various sources. In addition to bank-specific loan information submitted by HUB, aggregate data for HMDA-reportable loans and small business loans originated in 2001 and 2002 were obtained from the Federal Financial Institutions Examination Council ("FFIEC") and PCI Services, Inc.'s CRA Wiz®, an external vendor. HUD estimates of 2001 and 2002 median family incomes were utilized to determine borrower income levels for each respective year.

I. Lending Test: "High Satisfactory"

The bank's lending performance is evaluated pursuant to the following criteria: (1) Lending Activity, (2) Assessment Area Lending, (3) Geographic Distribution, (4) Borrower Characteristics, (5) Community Development Lending and (6) Flexible Lending Practices.

Lending Activity: "High Satisfactory"

HUB's lending levels reflect good responsiveness to assessment area credit needs.

HMDA-Reportable Loans

In 2001, the bank originated 174 HMDA-reportable loans totaling \$20.5 million within the assessment area. Based on this level of activity, the bank ranked 53rd among 535 other HMDA reporting lenders in terms of number and 94th in terms of dollar volume, according market share data. The bank's market share, based on these rankings, was 0.36% and 0.12%, in terms of number and dollar volume, respectively.

In 2002, HMDA-reportable loan activity increased 29.9% by number to 226 loans and 24.4% by dollar volume, to \$25.5 million. Based on 2002 market share data, HUB ranked 73rd by number and 119th by dollar volume among 563 HMDA reporting lenders within the assessment area. With this level of activity, the bank achieved a market share of 0.19% by number and 0.08% by dollar volume.

Small Business Loans

In 2001, the bank originated 173 small business loans valued at \$34.5 million within the assessment area. Among 248 small business lenders in the assessment area, the bank

ranked 30th based on number and 18th by dollar volume, according to 2001 market share data. The bank's market share was 0.15% and 0.95%, respectively.

In 2002, lending activity decreased 11% to 154 loans and 13.3% by dollar amount to \$29.9 million. Based on 2002 market share information, among the 265 small business lenders in the assessment area, the bank ranked 28th by number and 25th by dollar volume. The bank's market share was 0.11% and 0.74%, respectively.

Consumer Loans

In 2001, the bank originated 1,521 consumer loans totaling \$28.2 million inside the assessment area. During 2002, the consumer lending activity increased 12.6% by number to 1,713 loans and 76.2% by dollar volume to \$49.7 million.

Assessment Area Lending: "Outstanding"

A substantial majority of loans were made in the bank's assessment area. During the evaluation period, the bank originated 91.9% by number and 90.8% by dollar volume of its loans within the assessment area.

The table below illustrates the distribution of loans originated inside and outside of the assessment area during 2001 and 2002:

Distribution of Loans Inside and Outside of the Assessment Area											
Loan Category or Type	Number of Loans					Dollars in Loans (000s)					
	Inside		Outside		Total	Inside		Outside		Total	
	#	%	#	%		\$	%	\$	%		
HMDA-Reportable Loans											
2001	174	86.1	28	13.9	202	20,530	95.2	1,028	4.8	21,558	
2002	226	93.0	17	7.0	243	25,487	94.3	1,537	5.7	27,024	
Sub-total	400	89.9	45	10.1	445	46,017	94.7	2,565	5.3	48,582	
Small Business Loans											
2001	173	93.5	12	6.5	185	34,529	94.7	1,947	5.3	36,476	
2002	154	90.6	16	9.4	170	29,882	83.7	5,837	16.3	35,719	
Sub-total	327	92.1	28	7.9	355	64,411	89.2	7,784	10.8	72,195	
Consumer Loans											
2001	1,521	93.3	110	6.7	1,631	28,239	91.9	2,492	8.1	30,731	
2002	1,713	91.3	164	8.7	1,877	49,665	88.9	6,212	11.1	55,877	
Sub-total	3,234	92.2	274	7.8	3,508	77,904	90.0	8,704	10.0	86,608	
Combined Total	3,961	91.9	347	8.1	4,308	188,332	90.8	19,053	9.2	207,385	

Geographic Distribution of Loans: “High Satisfactory”

The geographic distribution of the bank’s loans reflects good penetration throughout the assessment area. As noted below, HMDA-reportable and small business lending is especially well distributed; however, the bank has been less successful with consumer lending in LMI geographies.

HMDA-Reportable Loans

In 2001, the bank achieved LMI area penetration ratios of 8.6% by number and 5.1% by dollar volume, significantly higher than the aggregate’s ratios of 5.4% by number, but slightly lower than the 6.1% by dollar volume. The bank’s 2001 LMI area penetration ratios reflected significant increases over the prior year’s ratios of 4.8% and 3.9%, based on number and dollar volume, respectively.

In 2002, the bank’s performance in LMI areas improved with penetration ratios of 10.2% by number and 5.4% by dollar volume. For comparison, the LMI area penetration ratio, based on number of loans, was significantly higher than the aggregate’s 5.3%, but in terms of dollar volume, the aggregate slightly outperformed the bank with a ratio of 5.9%.

For both years, the bank had an exceptional record of reaching middle-income geographies compared with the aggregate.

The table below illustrates the distribution of HMDA-reportable loans by geography income level for 2001 and 2002:

Distribution of HMDA-Reportable Loans by Geography Income Level								
2001								
Geography	Bank				Aggregate			
	#	# %	\$000s	\$ %	#	# %	\$000s	\$ %
Low	2	1.1	123	0.6	1,056	1.2	438,799	2.1
Moderate	13	7.5	927	4.5	3,757	4.2	846,333	4.0
Middle	80	46.0	8,642	42.1	21,142	23.7	3,086,946	14.6
Upper	79	45.4	10,838	52.8	63,244	70.8	16,766,483	79.2
N/A	-	-	-	-	84	0.1	31,149	0.1
Total	174	100.0	20,530	100.0	89,283	100.0	21,169,710	100.0
2002								
Geography	Bank				Aggregate			
	#	# %	\$000s	\$ %	#	# %	\$000s	\$ %
Low	3	1.3	257	1.0	1,522	1.3	520,450	1.6
Moderate	20	8.9	1,125	4.4	4,812	4.0	1,436,026	4.3
Middle	108	47.8	11,501	45.1	27,501	23.0	5,321,816	16.0
Upper	95	42.0	12,604	49.5	85,668	71.6	26,010,695	78.1
N/A	-	-	-	-	74	0.1	24,550	0.1
Total	226	100.0	25,487	100.0	119,577	100.0	33,313,537	100.0

Small Business Loans

In 2001, the bank extended 13.9% by number and 17.3% by dollar volume of its small business loans in LMI census tracts. For the aggregate, the corresponding percentages were 14.6% by both number and dollar volume, indicating a comparatively favorable performance on the part of the bank. Further, the bank's 2001 LMI area penetration ratios, based on number and dollar volume, reflect increases of 15.9% and 111.6%, respectively, over the similar ratios for the previous year.

In 2002, the bank's LMI area penetration ratio declined to 10.2% based on number of loans, but remained constant at 17.7% based on dollar volume. Comparatively, the bank's LMI area penetration ratio, in terms of number of loans, was lower than the aggregate's 14.5%, but higher than its 14.3% in terms of dollar volume.

Again, the bank was exceptional in reaching middle-income geographies for 2001 and 2002.

The table below illustrates the distribution of small business loans by geography income level for 2001 and 2002:

Distribution of Small Business Loans by Geography Income Level								
2001								
Geography	Bank				Aggregate			
	#	# %	\$000s	\$ %	#	# %	\$000s	\$ %
Low	2	1.2	620	1.8	4,339	3.6	126,692	3.2
Moderate	22	12.7	5,357	15.5	13,315	11.0	447,494	11.4
Middle	79	45.6	15,774	45.7	18,409	15.2	508,035	13.0
Upper	70	40.5	12,778	37.0	78,492	64.9	2,651,698	67.8
N/A	-	-	-	-	6,298	5.2	177,904	4.5
Total	173	100.0	34,529	100.0	120,853	100.0	3,911,823	100.0
2002								
Geography	Bank				Aggregate			
	#	# %	\$000s	\$ %	#	# %	\$000s	\$ %
Low	1	1.3	150	0.5	4,641	3.5	122,737	3.1
Moderate	21	8.9	5,150	17.2	14,440	11.0	443,482	11.2
Middle	52	47.8	6,561	22.0	22,041	16.8	581,341	14.6
Upper	78	50.6	17,856	59.8	87,743	66.8	2,725,496	68.6
N/A	2	1.3	165	0.6	2,564	2.0	102,744	2.6
Total	154	109.9	29,882	100.0	131,429	100.0	3,975,800	100.0

Consumer Loans

In 2001, the bank's LMI area penetration ratio was 9% by number and 3.4% by dollar volume. In 2002, the penetration of loans in LMI areas improved slightly to 9.2% in terms of number and 3.8% in terms of dollar volume.

The table below illustrates the distribution of consumer loans by geography income level for 2001 and 2002:

Distribution of Consumer Loans by Geography Income Level								
Geography	2001				2002			
	#	# %	\$000s	\$ %	#	# %	\$000s	\$ %
Low	20	1.3	57	0.2	36	2.1	220	0.4
Moderate	117	7.7	904	3.2	121	7.1	1,674	3.4
Middle	640	42.1	11,632	41.2	731	42.7	19,795	39.9
Upper	742	48.8	15,618	55.3	824	48.1	27,951	56.3
N/A	2	0.1	28	0.1	1	0.1	25	0.1
Total	1,521	100.0	28,239	100.0	1,713	100.0	49,665	100.0

Borrower Characteristics: "High Satisfactory"

The bank's distribution of borrowers reflects good penetration among customers of different income levels and businesses of different sizes.

HMDA-Reportable Loans

The bank's distribution of HMDA-reportable loans reflects excellent penetration among customers of different income levels. In 2001, the bank's LMI penetration ratio was 26.4% by number and 16.5% by dollar volume, significantly above the corresponding aggregate ratios of 9.8% by number and 3.6% by dollar volume.

During 2002, the bank's LMI penetration improved to 32.3% by number and 22.6% by dollar volume. Again, these ratios were significantly above the corresponding aggregate ratios of 9.8% and 3.5% based on number and dollar volume, respectively.

The table below illustrates the distribution of HMDA-reportable loans by borrower income level for 2001 and 2002:

Distribution of HMDA Reportable Loans by Borrower Income Level								
Borrower Income	2001							
	Bank				Aggregate			
	#	# %	\$000s	\$ %	#	# %	\$000s	\$ %
Low	14	8.0	1,026	5.0	1,495	1.7	101,705	0.5
Moderate	32	18.4	2,365	11.5	7,225	8.1	648,648	3.1
Middle	51	29.3	5,713	27.8	15,962	17.9	1,952,540	9.2
Upper	77	44.3	11,426	55.7	57,202	64.1	15,002,208	70.9
N/A	-	-	-	-	7,399	8.3	3,464,609	16.4
Total	174	100.0	20,530	100.0	89,283	100.0	21,169,710	100.0
Borrower Income	2002							
	Bank				Aggregate			
	#	# %	\$000s	\$ %	#	# %	\$000s	\$ %
Low	15	6.6	728	2.9	2,079	1.7	158,897	0.5
Moderate	58	25.7	5,025	19.7	9,645	8.1	1,010,403	3.0
Middle	55	24.3	5,542	21.7	21,133	17.7	2,955,695	8.9
Upper	98	43.4	14,192	55.7	76,811	64.2	24,241,211	72.8
N/A	-	-	-	-	9,909	8.3	4,947,331	14.9
Total	226	100.0	25,487	100.0	119,577	100.0	33,313,537	100.0

Small Business Loans

The bank's distribution of small business loans reflects adequate penetration among businesses of different sizes.

In 2001, HUB originated 39.3% (68 loans) by number and 19.2% (\$6.6 million) by dollar volume of its small business loans to businesses with gross annual revenues of \$1 million or less, underperforming the aggregate. The aggregate percentages, based on number and dollar volume, were 45.6% and 36.7%, respectively. In 2002, the bank's LMI penetration ratio declined to 29.2% (45 loans), in terms of number and increased to 22.1% (\$6.6 million), in terms of dollar volume. The bank's 2002 ratios remained lower than the aggregate's ratios of 33.6% and 36.1%, respectively.

In 2001, 52% (90 loans) by number and 12.3% (\$4.2 million) by dollar volume of the bank's small business loans were originated in denominations of \$100 thousand or less. These percentages were significantly lower than the aggregate's respective ratios of 94.7% and 41.3%. In 2002, the bank's performance improved slightly to 53.2% (82 loans) and 12.4% (\$3.7 million). However, the bank's percentages remained lower than the aggregate's ratios of 95.3% and 45.3%, respectively.

The following chart illustrates the distribution of small business loans originated in the assessment area during the evaluation period according to loan size and gross annual revenue:

Distribution of Small Business Loans by Loan Size & Revenue								
Loan Value	2001				2002			
	#	%	\$ 000	%	#	%	\$ 000	%
<=\$100K	90	52.0	4,233	12.3	82	53.2	3,712	12.4
>\$100K & <=\$250K	36	20.8	6,720	19.5	39	25.3	6,839	22.9
>\$250K & <=\$1mil	47	27.2	23,576	68.3	33	21.4	19,331	64.7
Total	173	100.0	34,529	100.0	154	100.0	29,882	100.0
Revenue Size								
<=\$1 million	68	39.3	6,620	19.2	45	29.2	6,604	22.1
> \$1 million	81	46.8	22,643	65.6	109	70.8	23,278	77.9
Unknown	24	13.9	5,266	15.3	-	0.0	-	0.0
Total	173	100.0	34,529	100.0	154	100.0	29,882	100.0

Consumer Loans

The distribution of the bank's 2002 consumer loans reflects excellent penetration among customers of different income levels. The bank's LMI penetration ratio was 49.6% (850 loans) by number and 32.5% (\$16.1 million) by dollar volume.

The distribution of 2001 consumer loans is not included in this evaluation since the bank did not collect data on borrower income for those loans.

Community Development Lending: “Substantial Noncompliance”

During this evaluation period, the bank did not originate any community development loans that support its New York State assessment area. Additionally, the bank has no such loans in its portfolio. The absence of this activity is considered noncompliance with this component of the lending test.

Innovative or Flexible Lending Practices: “Low Satisfactory”

The bank makes limited use of innovative and/or flexible lending practices in serving assessment area credit needs.

The bank offers three flexible lending programs to meet the credit needs of LMI individuals and small businesses. These programs are offered according to the guidelines of the sponsoring agencies.

The chart below illustrates the bank’s lending activity under these programs during the evaluation period:

Flexible Lending Programs				
Description	2000		2001	
	#	\$ 000	#	\$ 000
SBA Loans	12	937	5	911
FHA Title 1 Secured Home Improvement	3	54	5	93
First Time Homebuyers	81	10,302	73	7,821

II. Investment Test: “Needs to Improve”

This test evaluates the bank's record of helping to meet the needs of its assessment area through qualified investments. Qualified investments are evaluated based on their dollar volume, their level or degree of innovativeness and/or complexity, their responsiveness to community development needs, and the degree to which these investments are not routinely provided by private investors.

The bank had a poor level of qualified investments in its New York State assessment area. HUB’s qualified investment activity during the evaluation period totaled \$660.7 thousand, all considered new money. This reflects a significant decrease over the previous evaluation’s \$40.7 million total. The bank’s qualified investments are neither innovative nor complex.

The bank invested \$500 thousand in equity stock of Statewide Zone Capital Corporation (“SZCC”). SZCC is a privately owned loan fund whose capital is available to promote the expansion and growth of businesses in New York’s participating Empire Zones. Empire Zones are areas targeted by New York State for economic development. Operations of SZCC are managed by the New York Business Development Corporation. SZCC is

intended to complement conventional bank financing by collaborating with banks to provide credit to businesses, many of which do not meet the requirements for traditional financing.

The bank contributed \$78 thousand to the Affordable Housing Program (“AHP”) sponsored by the Federal Home Loan Bank of New York (“FHLBNY”). This represents the bank’s 2002 pro-rata share of the 10% of earnings set aside by FHLBNY to fund the AHP.

FHLBNY advances funds at subsidized rates through the AHP to member institutions. These funds are passed to qualified community development groups for the purchase, construction and/or rehabilitation of (i) owner-occupied housing for LMI households or (ii) rental housing where at least 20% of the units will be occupied by, and affordable for, very low-income households for the remaining useful life of such housing or the mortgage terms.

The bank contributed \$82.7 thousand in grants to various community and civic organizations that support affordable housing, economic development and community services.

III. Service Test: “High Satisfactory”

The service test evaluates the bank’s record of helping to meet the credit needs of its assessment area by analyzing both the availability and effectiveness of the bank’s systems for delivering retail banking services and the extent and innovativeness of its community development services.

Retail Banking Services: “High Satisfactory”

Accessibility of Delivery Systems

The bank’s delivery systems are accessible to essentially all portions of the bank’s assessment area. As of December 31, 2002, the bank operated 34 full service banking offices, of which six or 17.6% are located in LMI areas and nine or 26.5% are located in areas adjacent to LMI census tracts. Supplementing the banking offices are ATM facilities linked to NYCE, STAR, PLUS and CIRBUS networks at all branch locations.

The following chart illustrates the distribution of branches and ATMs by county:

Distribution of Branches as of December 31, 2002										
County	Branches	LMI Branches		Adjacent to LMI		ATMs	LMI ATMs		Adjacent to LMI	
		#	%	#	%		#	%	#	%
Orange	15	3	20.0	2	13.3	15	3	20.0	2	13.3
Dutchess	8	2	25.0	6	75.0	8	2	25.0	6	75.0
Rockland	3	0	-	0	-	3	0	-	0	-
New York	2	0	-	1	50.0	2	0	-	1	50.0
Putnam	2	0	-	0	-	2	0	-	0	-
Sullivan	2	0	-	0	-	2	0	-	0	-
Ulster	1	0	-	0	-	1	0	-	0	-
Westchester	1	1	100.0	0	-	1	1	100.0	0	-
Total	34	6	17.6	9	26.5	34	6	17.6	9	26.5

Alternative delivery systems offered by the bank include the HUB Link 24-hour Account Access System, Internet banking and banking by mail.

Changes in Branch Locations

The bank's record of opening and closing of branches has not adversely affected the accessibility of its delivery systems.

Between evaluations, the bank opened a branch office in White Plains, in Westchester County. The branch is located in a low-income area. In addition, the bank purchased two branches of the Connecticut Bank of Commerce, which are located in New York City. Although both branches are located in upper-income areas, one is located in an area adjacent to an LMI geography.

The bank did not close any banking office during the same period.

Reasonableness of Business Hours and Services in Meeting Assessment Area Needs

All banking offices offer extended banking hours and, except for two branches, are open on Saturdays. Moreover, nine branches (four in Orange County, three in Rockland County and two in Dutchess County) are open on Sundays from 10:00 a.m. to 2:00 p.m.

Drive-up facilities are available at 16 branches during regular and extended hours, including Saturdays.

Community Development Services: "Low Satisfactory"

The bank provides an adequate level of community development services. Bank management helps provide technical assistance to organizations and programs that promote affordable housing, economic development and community services throughout the assessment area.

The following are some examples of bank officers' involvement with various community organizations:

- An officer at the Port Jervis branch is a member of the board of the Port Jervis Community Development Agency (“PJCDA”). PJCDA has been designated as a “Certified Development Corporation” by the U.S. Small Business Administration, and is committed to preserving the city’s housing stock, upgrading and improving public infrastructure. PJCDA’s mission is also to leverage private investment using available public resources to retain and attract new industry, promote employment opportunities and improve the quality of housing and neighborhoods in the community.
- An officer at the Liberty branch is a member of the board of directors of the Sullivan County Partnership for Economic Development.
- An officer of the Liberty branch is a member of the revolving loan fund committee of the Sullivan County Agri-business & Wood Manufacturing Revolving Loan Fund.

A referral to the New York Business Development Corporation (“NYBDC”) resulted in a loan origination in December 2002. This loan enabled the company to finance the acquisition of a facility, create 12 new jobs and retain 22 others.

On three occasions in 2002, branch officers taught basic banking to young children at girls scout troop meetings and to disabled individuals at a not-for-profit rehabilitation organization.

IV. 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 dated March 31, 2002 indicates a satisfactory performance in terms of adherence to antidiscrimination or other applicable laws and regulations. No evidence of prohibited discrimination or other illegal credit practices was noted.

V. 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 ascertains the credit needs of its community through its Public Sector Group, which is responsible for maintaining ongoing contact with the municipal entities they conduct business with in the New York marketplace. The bank also utilizes its local management to maintain contact with the community it serves, to provide local decision-making and to direct local marketing and sales efforts.

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 selectively uses local newspapers as a source of marketing loan products. The bank utilizes a business development team whose job is to solicit loan and deposit business from local companies.

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 of directors is responsible for establishing the policies and direction of the institution, and for reviewing management's performance. The bank's CRA Implementation Committee comprised of the director of compliance, the CRA officer and senior management meets monthly to discuss, among other things, the bank's CRA activities. In addition, the bank's CRA program is presented to the board for approval semi-annually.

VI. Other Factors

Other factors that in the judgement 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.

None noted.

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 nonmetropolitan 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 nonmetropolitan 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 nonmetropolitan 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.