



NEW YORK STATE BANKING DEPARTMENT
CONSUMER SERVICES DIVISION
One State Street
New York, NY 10004

PUBLIC SUMMARY
OFF-SITE EVALUATION

COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION

Date of Evaluation: December 31, 2002

Institution: Hudson River Bank & Trust Company
One Hudson City Center
Hudson, NY 12534

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 “off-site” evaluation of the Community Reinvestment Act (“CRA”) performance of the Hudson River Bank & Trust Company (“HRBT”) 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

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

Lending Test – "High Satisfactory"

- The volume of lending reflects excellent responsiveness to assessment area credit needs. In 2001 and 2002, HRBT originated 859 and 906 HMDA-reportable loans totaling \$126.3 million and \$117.6 million, respectively, in its assessment area. In 2001 and 2002, HRBT originated 326 and 351 small business loans totaling \$43 million and \$53.1 million, respectively, in its assessment area. Additionally, HRBT generated 441 MECA's totaling \$74.4 million during 2001 and 2002¹.
- A substantial majority of the bank's loans was made in assessment area. In 2002, HRBT extended 87.4% (1,185 loans) of its combined small business/farm loans and 92.7% (\$169.3 million) of its HMDA-reportable loans within the assessment area. The bank expanded its assessment area in 2002 by adding three counties and maintained a substantial majority of loans with a small percentage increase from the prior year. In 2002, HRBT extended 88.5% (1,257 loans) of its combined small business and HMDA-reportable loans totaling 92.9% (\$170.7 million) in the assessment area.
- The geographic distribution of loans reflects an adequate percentage of lending throughout the assessment area. In 2001, the bank extended 2.8% of its HMDA-reportable loans in LMI areas. This is substantially lower than the aggregate, which originated 8.6% of its loans in LMI areas. The bank's LMI penetration ratio improved in 2002 to 9.3% based on loan volume while continuing to trail the aggregate, which had an 11.5% penetration ratio. In 2001 and 2002, the bank's small business lending in LMI areas was 11% and 13.1%, respectively. These ratios were well below those of the aggregate, which had LMI penetration ratios of 18.9% and 18.6%, in 2001 and 2002, respectively.
- Given the product lines offered, the distribution of loans based on borrower characteristics reflects good penetration among customers of different income levels and businesses of different sizes. In 2001, the bank's penetration ratio for LMI borrowers was 15.1%, was proportionally lower than the aggregate's 22.1% by 31.7%. However, in 2002, HRBT was only slightly behind the aggregate: 20.3% compared to 22.4%. Lending to businesses of different sizes was excellent. In

¹ Modification, Extension and Consolidation Agreements ("MECAs") are products whereby an existing loan is modified, extended, or consolidated. In these transactions, the bank will extend a loan that is the functional equivalent of a refinancing but the existing obligation is not satisfied. As such, MECAs are not considered loan refinancing for HMDA-reporting purposes because the existing loan obligations are not satisfied and replaced. Therefore, MECA data is not presented in the HMDA charts of this report. While the transactions are not technical refinancing, they do achieve the same result and can have a material impact on a bank's CRA performance.

2001, 91.1% of loan originations (83.8% based on dollar volume) were to businesses with gross revenues of \$1 million or less, compared to the aggregate's 40.9% (41.4% based on dollar volume). In 2002, the bank originated 95.7% of its loans (91.6% based on dollar volume) in this lending category, compared to the aggregate's 30.3% based on loan volume (35.6% based on dollar volume).

- HRBT makes a relatively high level of community development loans. As of the evaluation date, the bank's community development lending totaled \$10.8 million, of which \$6.8 million, or 63.1%, is considered new money. Approximately \$10.2 million or 94.4% is provided in the form of letters of credit or lines of credit, which is not considered particularly innovative or complex.
- The bank makes limited use of innovative and/or flexible lending practices in serving assessment area credit needs.

Investment Test – “ High Satisfactory”

- HRBT had a significant level of qualified community development investments. Qualified investments totaled \$6.5 million of which \$5.1 million is considered new money.

Service Test – “High Satisfactory”

- HRBT's retail-banking services are accessible to essentially all parts of its assessment area. The bank had a total of 51 full service branches located in its assessment area of which 26, or 51%, are located in or adjacent to LMI areas.
- The bank's record of opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly to LMI areas or LMI individuals.
- HRBT provides an adequate level of community development services. Directors, officers and staff of the bank serve as board members in financial capacities providing technical assistance or financial advice to numerous organizations with community development missions.
- The bank offers an approved alternative transaction account that is more beneficial to the consumer than mandated by General Regulations of the Banking Board Part 9.7. The account features no monthly service charge, unlimited transactions and no per check charges.

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

PERFORMANCE CONTEXT

Institution's Profile:

HRBT, formerly the Hudson City Savings Institution, was chartered by New York State in April 1850. HRBT took its present name in June 1998 and converted to a stock savings bank. Headquartered in Hudson, New York, HRBT provides full-service banking throughout its branch offices, as well as investment management, brokerage, insurance, trust and commercial services through its subsidiary and/or affiliate. Customers' banking needs are also served 24 hours a day through an extensive ATM network system and the bank's automated telephone banking system. In addition, the bank offers Internet banking through its web site.

The bank is the principal subsidiary of Hudson River Bancorp, a one-bank holding company incorporated in Delaware, and located in Hudson, New York. HRBT maintains a wholly owned mortgage subsidiary, Hudson River Mortgage Corporation ("HRMC"), located in Hudson, New York and also owns Hudson River Commercial Bank ("HRCB"). HRCB was chartered for the express purpose of meeting the banking needs of the public sector marketplace.² HRBT provides funding to support charitable causes and community development activities in its assessment area through its Hudson River Bank & Trust Company Foundation ("HRBTF"). Throughout this report, the CRA-related activities of HRMC and HRBTF will be considered as HRBT.

HRBT has traditionally been an independent community-oriented financial institution. Its business involves attracting deposits from its market area and investing those funds primarily in loans, and to a lesser extent, marketable securities.

HRBT's asset size has more than doubled and its branch network almost tripled since the prior examination. Two major purchases fueled this tremendous growth.

In April 2001, the bank acquired Cohoes Bancorp, Inc. and its banking unit, Cohoes Savings Bank. This purchase enabled the bank to grow approximately \$702.8 million in assets and add 20 branches. Cohoes Savings Bank serviced Warren, Saratoga, Schenectady, Rensselaer, Albany and Greene counties.

HRBT acquired Ambanc Holding Co., Inc. and its banking unit, Mohawk Community Bank in March 2002. This addition grew the bank by 14 branches and approximately \$662.3 million in assets. Mohawk Community Bank serviced Albany, Fulton, Montgomery, Saratoga and Schoharie counties.

As of December 31, 2002, the bank's Uniform Bank Performance Report ("UBPR") showed total earning assets of \$2.2 billion of which \$1.7 billion (75.9%) were loans and leases. The following chart illustrates the earning asset components of the bank as of 2002, 2001 and 2000 year-ends. Although the overall dollar volume has increased 102.1% from 2000 to 2002, the percentage of loan/leasing assets has remained constant. The bank's

² In New York State, savings banks are not permitted to accept municipal deposits per Consolidated Laws Article VI section 237.2.

loan/leasing percentages were 75.9%, 82.8%, and 77.4% at year-end 2002, 2001 and 2000, respectively. This indicates that with the two major bank acquisitions completed, HRBT remains a bank that earns money by making loans in its community.

HRBT Total Earning Assets						
<i>Earning Assets</i>	December 31, 2002		December 31, 2001		December 31, 2000	
	(\$000s)	Pct.	(\$000s)	Pct.	(\$000s)	Pct.
Net Loans & Leases	1,689,417	75.93%	1,448,589	82.84%	851,819	77.37%
US Treas/Agency Sec.	119,850	5.39%	39,408	2.25%	84,627	7.69%
Municipal Securities	19,957	0.90%	15,292	0.87%	15,140	1.38%
Other Securities	120,307	5.41%	103,018	5.89%	148,882	13.52%
<i>Sub-total Securities</i>	<i>260,114</i>	<i>11.69%</i>	<i>157,718</i>	<i>9.02%</i>	<i>248,649</i>	<i>22.58%</i>
Int. Bearing Bank Bal's.	10,657	0.48%	1,280	0.07%	545	0.05%
Federal Funds Sold	264,700	11.90%	141,112	8.07%	0	0.00%
<i>Total</i>	<i>2,224,888</i>	<i>100.00%</i>	<i>1,748,699</i>	<i>100.00%</i>	<i>1,101,013</i>	<i>100.00%</i>

According to the Federal Deposit Insurance Corporation (“FDIC”), HRBT’s network of branches in New York State held \$1.8 billion in deposits as of June 30, 2002. The bank was the 33rd³ largest deposit taking institution in New York State with 0.35% of the state’s total deposits and it had the 18th largest branch network with 51 offices in 10 counties. In HRBT’s assessment area, the bank ranked fifth in deposits among 37 institutions.

The following chart illustrates HRBT’s deposit market share in its assessment area⁴ based on June 30, 2002 deposits:

HRBT County Market Share based on Deposits as of 6/30/2002					
<i>County</i>	No. of HRBT Branches	Deposits (\$000)	Market Share	Ranking	No. of Institutions
Columbia	7	507,443	58.23%	1	6
Montgomery	6	318,579	44.79%	1	6
Schenectady	9	213,070	10.12%	3	13
Fulton	1	53,278	7.81%	5	6
Albany	12	374,890	5.19%	5	16
Rensselaer	6	154,731	9.15%	6	11
Schoharie	1	7,003	2.05%	6	8
Saratoga	7	132,982	6.17%	7	18
Greene	1	6,671	1.03%	8	8
Dutchess	1	28,052	0.89%	16	17
Warren	0	0	0.00%	N/A	8
Assessment Area	51	1,796,699	8.71%	5	37

As of December 31, 2002, HRSB reported \$1.8 billion in total deposits of which \$1.7 billion (94.4%) were core deposits. As of December 31, 2000, the core deposit figure was \$692.7 million (93.3%) out of \$742.6 million total deposits.

³ The bank is ranked among 246 financial institutions in New York State with composite deposits totaling \$516 billion.

⁴ Note that the “No. of Institutions” column does not total as competing financial institutions may operate in more than one county but are counted only once in the assessment area.

The following chart breaks down the loan categories according for year-ends 2002, 2001 and 2000. Real estate lending comprised a significant portion of HRBT's portfolio. Residential (1-4 family and multifamily) and commercial real estate lending totaled 82.5%, 82.2% and 79.7% in 2002, 2001 and 2000, respectively.

HRBT Total Gross Loans Outstanding						
LOAN TYPE	12/31/2002		12/31/2001		12/31/2000	
	\$ (000s)	%	\$ (000s)	%	\$ (000s)	%
1-4 Family Residential Mtge.	1,064,159	61.61%	906,440	61.28%	550,597	63.04%
Commercial Real Estate Loans	324,564	18.79%	277,536	18.76%	134,905	15.45%
Commercial & Industrial Loans	140,172	8.11%	113,294	7.66%	59,581	6.82%
Consumer Loans	95,908	5.55%	102,108	6.90%	99,395	11.38%
Construction and Dev. Loans	55,107	3.19%	34,123	2.31%	15,320	1.75%
Multifamily Mtge. Loans	36,374	2.11%	32,579	2.20%	10,440	1.20%
State and Municipal Loans	8,680	0.50%	9,308	0.63%	567	0.06%
Farm Residential Loans	1,581	0.09%	2,206	0.15%	2,028	0.23%
Agricultural Production Loans	733	0.04%	1,034	0.07%	416	0.05%
Other Loans	60	0.00%	536	0.04%	125	0.01%
<i>Total Gross Loans</i>	1,727,338	100.0	1,479,164	100.0	873,374	100.0

HRMC, the bank's mortgage subsidiary, offers Federal Housing Administration ("FHA") and Veteran's Administration ("VA") mortgages. During the evaluation period, HRMC originated 120 FHA and 15 VA loans, totaling \$11.4 million and \$1.6 million, respectively.

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

Assessment Area:

As a result of the Cohoes Savings Bank and Mohawk Community Bank acquisitions, the bank's assessment area was expanded between evaluation dates. The assessment area now encompasses six counties in their entireties in MSA 0160; Albany, Montgomery, Rensselaer, Saratoga, Schenectady and Schoharie; Warren County in MSA 2975; and Columbia and Fulton Counties which are not part of an MSA. The area also includes a portion of Dutchess County (MSA 2281) namely the townships of Red Hook, Rhinebeck, Milan, Pine Plains, Northeast, Clinton, Stanford and Amenia. The final section of HRBT's assessment area is the town of Catskill in Greene County, which is not part of an MSA. The entire assessment area includes 245 census tracts and 37 block-numbering areas⁵ ("BNAs"), of which 69, or 24.5%, are defined as low- and moderate-income (LMI) areas.

⁵ Block numbering areas are similar to census tracts and delineated in counties (or the statistical equivalents of counties) without census tracts. For the purpose of this report, BNAs and census tracts are treated identically.

The assessment area appears reasonable based upon the location of the bank's branches and its lending pattern, and there is no evidence that LMI areas have been arbitrarily excluded.

County Demographics:

MSA 0160 Albany-Schenectady-Troy

Albany County – Albany County has 68 census tracts of which four (5.9%) are low-income, 11 (16.2%) moderate-income, 33 (48.5%) middle-income and 20 (29.4%) upper-income tracts.

According to the U.S. Census Bureau, Albany County had a population of 292.6 thousand in 1990, and it increased by 0.7% to 294.6 thousand in 2000. Approximately 42.8 thousand (14.6%) of the 1990 population was over the age of 65 and 56.2 thousand (19.2%) were under the age of 16.

In 1990, there were 72 thousand families in the county, of which 11.7 thousand (16.2%) were low-income families, 12.3 thousand (17.1%) were moderate-income, 18 thousand (25%) were middle-income and 30.1 thousand (41.8%) were upper-income families. Of the 24 thousand LMI families, 7.3 thousand (30.4%) lived in LMI tracts and these families accounted for 65.2 % of all the families (11.2 thousand) that lived in LMI tracts. There were 115.9 thousand households in the county, of which 11.2 thousand (9.6%) had income below the poverty level.

There were 124.3 thousand housing units in Albany County, 98.6 thousand (79.3%) of which were 1 to 4 family units, 21.7 thousand (17.4%) were multifamily units and 2.5 thousand (2%) were mobile homes. Approximately 66 thousand (53.1%) of the housing units were owner occupied and 6 thousand (9.1%) of these were in LMI tracts. A further 49.8 thousand (40.1%) were rental occupied units and 16.3 thousand (32.8%) of these were in LMI tracts. Approximately 8.4 thousand (6.8%) units were vacant and/or boarded up. In 1990, the median housing value was \$104.4.

In 1990, MSA 0160 median family income was \$39.4 thousand. The updated 2001 and 2002, MSA median family income was \$53 and \$55.5 thousand, respectively.

According to the New York State Department of Labor Albany County's unemployment rate was 4.3% in both 2001 and 2002. The county's average unemployment rates were below the state's average rates of 4.9% in 2001 and 6.1% in 2002.

Portions of Albany County have been designated as Empire Zones⁶ ("EZ") by the State of New York, based on community economic distress. Firms located in these areas may be eligible for assistance including various tax credits, such as wage tax credits, investment tax credits, zone capital credits, sales tax refunds, real property tax abatements, technical

⁶ Empire Zones were formerly entitled "Economic Development Zones".

assistance and utility rate savings. Albany County's EZ is located in the Towns of Cohoes, Colonie, Green Island, Guilderland and Watervliet.

Montgomery County – Montgomery County has 17 census tracts of which 1 (5.9%) is zero-income, 12 (70.6%) moderate-income and 4 (23.5%) middle-income tracts.

According to the U.S. Census Bureau, Montgomery County had a population of 51.9 thousand in 1990, and it decreased by 4.2% to 49.7 thousand in 2000. Approximately 10.1 thousand (19.4%) of the 1990 population was over the age of 65 and 11.5 thousand (22%) were under the age of 16.

In 1990, there were 14 thousand families in the county, of which 4.1 thousand (29.1%) were low-income families, 3.6 thousand (25.9%) were moderate-income, 3.5 thousand (25.3%) were middle-income and 2.8 thousand (19.8%) were upper-income families. Of the 7.7 thousand LMI families, 6 thousand (78.1%) lived in LMI tracts and these families accounted for 58.9 % of all the families (10.2 thousand) that lived in LMI tracts. There were 20.1 thousand households in the county, of which 2.5 thousand (12.3%) had income below the poverty level.

There were 21.9 thousand housing units in Montgomery County, 18.5 thousand (84.5%) of which were 1 to 4 family units, 1.4 thousand (6.2%) were multifamily units and 1.8 thousand (8.4%) were mobile homes. Approximately 13.4 thousand (61.2%) of the housing units were owner occupied and 9.3 thousand (69.6%) of these were in LMI tracts. A further 6.8 thousand (31.1%) were rental occupied units and 5.3 thousand (78.5%) of these were in LMI tracts. Approximately 1.7 thousand (7.6%) units were vacant and/or boarded up. In 1990, the median housing value was \$59.9 thousand and the median age of the housing was 46 years. Houses located in LMI census tracts have the identical median age of 46 years.

According to the New York State Department of Labor Montgomery County's unemployment rate was 5.8% and 6.2% in 2001 and 2002, respectively. The county's average unemployment rates were above the state's average rates of 4.9% in 2001 and 6.1% in 2002.

Rensselaer County – Rensselaer County has 41 census tracts of which 2 (4.9%) are low-income, 6 (14.6%) moderate-income, 27 (65.9%) middle-income and 6 (14.6%) upper-income tracts.

According to the U.S. Census Bureau, Rensselaer County had a population of 154.4 thousand in 1990, and it decreased by 1.2% to 152.5 thousand in 2000. Approximately 20.5 thousand (13.3%) of the 1990 population was over the age of 65 and 32.7 thousand (21.2%) were under the age of 16.

In 1990, there were 39.6 thousand families in the county, of which 7.2 thousand (18.2%) were low-income families, 7.7 thousand (19.6%) were moderate-income, 10.4 thousand

(26.1%) were middle-income and 14.3 thousand (36.1%) were upper-income families. Of the 14.9 thousand LMI families, 3.9 thousand (26.1%) lived in LMI tracts and these families accounted for 58.2% of all LMI families (6.7 thousand) that lived in the county. There were 57.6 thousand households in the county, of which 5.5 thousand (9.6%) had income below the poverty level.

There were 62.6 thousand housing units in Rensselaer County, 51.3 thousand (82%) of which were 1 to 4 family units, 7.7 thousand (12.3%) were multifamily units and 2.7 thousand (4.3%) were mobile homes. Approximately 36.8 thousand (58.8%) of the housing units were owner occupied and 4.4 thousand (11.96%) of these were in LMI tracts. A further 20.8 thousand (33.2%) were rental occupied units and 7.8 thousand (37.4%) of these were in LMI tracts. Approximately 5 thousand (8%) units were vacant and/or boarded up. In 1990, the median housing value was \$89.7 thousand and the median age of the housing was 39 years. Houses located in LMI census tracts have a median age of 51 years.

According to the New York State Department of Labor Rensselaer County's unemployment rate was 3.7% and 4.4% in 2001 and 2002, respectively. The county's average unemployment rates were well below the state's average rates of 4.9% in 2001 and 6.1% in 2002.

Portions of Rensselaer County have been designated as EZs by the State of New York, based on community economic distress. Firms located in these areas may be eligible for assistance including various tax credits, such as wage tax credits, investment tax credits, zone capital credits, sales tax refunds, real property tax abatements, technical assistance and utility rate savings. Rensselaer County's EZ is located in a portion of the City of Rensselaer, and the Towns East Greenbush and North Greenbush.

Saratoga County – Saratoga County has 43 census tracts of which 2 (4.7%) are zero-income, 5 (11.6%) moderate-income, 27 (62.8%) middle-income and 9 (20.9%) upper-income tracts.

According to the U.S. Census Bureau, Saratoga County had a population of 181.3 thousand in 1990, and it increased by 10.7% to 200.6 thousand in 2000. Approximately 18.7 thousand (10.3%) of the 1990 population was over the age of 65 and 41.5 thousand (22.9%) were under the age of 16.

In 1990, there were 48.8 thousand families in the county, of which 7.1 thousand (14.6%) were low-income families, 8.9 thousand (18.2%) were moderate-income, 12.5 thousand (25.5%) were middle-income and 20.4 thousand (41.7%) were upper-income families. Of the 16 thousand LMI families, 2.8 thousand (17.6%) lived in LMI tracts and these families accounted for 56.3 % of all the families (5 thousand) that lived in LMI tracts. There were 66.5 thousand households in the county, of which 4.3 thousand (6.5%) had income below the poverty level.

There were 75.1 thousand housing units in Saratoga County, 58.5 thousand (77.9%) were 1 to 4 family units, 6.8 thousand (9.1%) were multifamily units and 9.1 thousand (12.1%)

were mobile homes. Approximately 48 thousand (64%) of the housing units were owner occupied and 4.9 thousand (10.1%) of these were in LMI tracts. A further 20 thousand (26.6%) were rental occupied units and 2.4 thousand (12.8%) of these were in LMI tracts. Approximately 8.7 thousand (11.6%) units were vacant and/or boarded up. In 1990, the median housing value was \$104.6 thousand and the median age of the housing was 25 years. Houses located in LMI census tracts have a median age of 32 years.

According to the New York State Department of Labor Saratoga County's unemployment rate was 2.9% and 3.4% in 2001 and 2002, respectively. The county's average unemployment rates were well below the state's average rates of 4.9% in 2001 and 6.1% in 2002.

Portions of Saratoga County have been designated as EZs by the State of New York, based on community economic distress. Firms located in these areas may be eligible for assistance including various tax credits, such as wage tax credits, investment tax credits, zone capital credits, sales tax refunds, real property tax abatements, technical assistance and utility rate savings. Saratoga County has a multitude of EZ sites located throughout the entire county.

Schenectady County – Schenectady County has 39 census tracts of which two (5.1%) are low-income, 11 (28.2%) moderate-income, 20 (51.3%) middle-income and six (15.4%) upper-income tracts.

According to the U.S. Census Bureau, Schenectady County had a population of 149.3 thousand in 1990, and it decreased by 1.8% to 146.6 thousand in 2000. Approximately 24.7 thousand (16.5%) of the 1990 population was over the age of 65 and 30.5 thousand (20.4%) were under the age of 16.

In 1990, there were 39.8 thousand families in the county, of which seven thousand (17.5%) were low-income families, 7.7 thousand (19.5%) were moderate-income, 10.4 thousand (26.1%) were middle-income and 14.7 thousand (37%) were upper-income families. Of the 14.7 thousand LMI families, 5.4 thousand (36.7%) lived in LMI tracts and these families accounted for 63.7% of all the families (8.5 thousand) that lived in LMI tracts. There were 59.2 thousand households in the county, of which 5.2 thousand (8.7%) had income below the poverty level.

There were 62.8 thousand housing units in Schenectady County, 54.2 thousand (86.3%) of which were 1 to 4 family units, 7.1 thousand (11.3%) were multifamily units and 450 (0.7%) were mobile homes. Approximately 38.9 thousand (61%) of the housing units were owner occupied and 5.5 thousand (14.1%) of these were in LMI tracts. A further 21.8 thousand (34.7%) were rental occupied units and 9.8 thousand (48.5%) of these were in LMI tracts. Approximately 3.6 thousand (5.7%) units were vacant and/or boarded up. In 1990, the median housing value was \$91.8 thousand and the median age of the housing was 42 years. Houses located in LMI census tracts have a median age of 51 years.

According to the New York State Department of Labor Schenectady County's unemployment rate was 3% and 3.8% in 2001 and 2002, respectively. The county's average unemployment rates were well below the state's average rates of 4.9% in 2001 and 6.1% in 2002.

Portions of Schenectady County have been designated as EZs by the State of New York, based on community economic distress. Firms located in these areas may be eligible for assistance including various tax credits, such as wage tax credits, investment tax credits, zone capital credits, sales tax refunds, real property tax abatements, technical assistance and utility rate savings. Schenectady County's EZ is located on a multitude of sites throughout the Towns of Glenville, Niskayuna, Rotterdam, and the City of Schenectady,

In January 2002, The Department of Housing and Urban Development ("HUD") designated portions of Schenectady as a Renewal Community ("RC"), eligible to share in tax incentives to stimulate job growth, promote economic development and create affordable housing. The Schenectady RC is composed of three census tracts in the center of the city.

The 2000 Community Renewal Tax Relief Act established the Renewal Community Initiative that will encourage public-private collaboration to generate economic development in 40 distressed communities around the country. RCs can take advantage of wage credits, tax deductions, capital gains exclusions and bond financing to stimulate economic development and job growth. Each incentive is tailored to meet the particular needs of a business and offers a significant inducement for companies to locate and hire additional workers.

Schoharie County – Schoharie County has eight census tracts of which one (12.5%) is zero-income, five (62.5%) moderate-income, and two (25%) middle-income tracts.

According to the U.S. Census Bureau, Schoharie County had a population of 31.9 thousand in 1990, and it decreased by 0.8% to 31.6 thousand in 2000. Approximately 4.5 thousand (14.2%) of the 1990 population was over the age of 65 and 6.8 thousand (21.3%) were under the age of 16.

In 1990, there were 8.3 thousand families in the county, of which 2.2 thousand (27%) were low-income families, 2.1 thousand (25.6%) were moderate-income, two thousand (24.5%) were middle-income and 1.9 thousand (23%) were upper-income families. Of the 4.4 thousand LMI families, 2.9 thousand (67.6%) lived in LMI tracts and these families accounted for 55.8 % of all the families (5.3 thousand) that lived in LMI tracts. There were 11.3 thousand households in the county, of which 1.2 thousand (10.9%) had income below the poverty level.

There were 14.4 thousand housing units in Schoharie County, 11.3 thousand (78.5%) of which were 1 to 4 family units, 550 (3.8%) were multifamily units and 2.3 thousand (15.9%) were mobile homes. Approximately 8.3 thousand (57.8%) of the housing units were owner occupied and 5.6 thousand (67.2%) of these were in LMI tracts. A further 3.1 thousand (21.3%) were rental occupied units and 1.3 thousand (45.9%) of these were in LMI tracts.

Approximately 3.2 thousand (22%) units were vacant and/or boarded up. In 1990, the median housing value was \$73.8 thousand and the median age of the housing was 34 years. Houses located in LMI census tracts have a median age of 31 years.

According to the New York State Department of Labor Schoharie County's unemployment rate was 4.3% and 6% in 2001 and 2002, respectively. The county's average unemployment rates were marginally below the state's average rates of 4.9% in 2001 and 6.1% in 2002.

MSA 2281 Dutchess County

Dutchess County – In Dutchess County, the bank has drawn 11 out of 68 census tracts as part of its assessment area. Four (36.4%) are moderate-income, and seven (63.6%) are middle-income tracts.

According to the U.S. Census Bureau, Dutchess County *in its entirety* had a population of 259.5 thousand in 1990, and it increased by 8% to 280.2 thousand in 2000. Regarding the 11 tracts, the 1990 population was 36.7 thousand, 5.3 thousand (14.4%) was over the age of 65 and 7.6 thousand (20.7%) were under the age of 16.

In 1990, there were 9.2 thousand families in the selected census tracts, of which 1.8 thousand (20%) were low-income families, 2.2 thousand (24.1%) were moderate-income, 2.5 thousand (26.7%) were middle-income and 2.7 thousand (29.2%) were upper-income families. Of the four thousand LMI families, 1.5 thousand (35.9%) lived in LMI tracts and these families accounted for 56.4 % of all the families (2.6 thousand) that lived in LMI tracts. There were 12.8 thousand households in the 11 census tracts, of which 828 (6.5%) had income below the poverty level.

There were 14.8 thousand housing units in the selected census tracts, 12.8 thousand (86.4%) were 1 to 4 family units, 695 (4.7%) were multifamily units and 1.1 thousand (7.1%) were mobile homes. Approximately 9.3 thousand (63.1%) of the housing units were owner occupied and 2.4 thousand (26%) of these were in LMI tracts. A further 3.4 thousand (23.1%) were rental occupied units and 1.1 thousand (31.3%) of these were in LMI tracts. Approximately two thousand (13.9%) units were vacant and/or boarded up. In 1990, the median housing value was \$139.2 thousand and the median age of the housing was 32 years. Houses located in LMI census tracts have a median age of 33 years.

In 1990, the median family income of the selected tracts was \$43.6 thousand and MSA 2281 median family income was \$39.4 thousand. The updated 2001 and 2002 MSA median family income was \$63.4 and \$68.1 thousand, respectively.

According to the New York State Department of Labor Dutchess County's unemployment rate was 3.2% and 4.1% in 2001 and 2002, respectively. The county's average unemployment rates were well below the state's average rates of 4.9% in 2001 and 6.1% in 2002.

MSA 2975 Glens Falls

Warren County – Warren County has 18 census tracts of which 3 (16.7%) are moderate-income, 12 (66.7%) middle-income and 3 (16.7%) upper-income tracts.

According to the U.S. Census Bureau, Warren County had a population of 59.2 thousand in 1990, and it increased by 6.9% to 63.3 thousand in 2000. Approximately 8.6 thousand (14.4%) of the 1990 population was over the age of 65 and 13 thousand (22%) were under the age of 16.

In 1990, there were 15.8 thousand families in the county, of which 2.6 thousand (16.1%) were low-income families, 2.8 thousand (17.7%) were moderate-income, 4.1 thousand (26%) were middle-income and 6.4 thousand (40.4%) were upper-income families. Of the 5.4 thousand LMI families, 629 (11.7%) lived in LMI tracts and these families accounted for 53.4% of all the families (1.2 thousand) that lived in LMI tracts. There were 22.5 thousand households in the county, of which 2.1 thousand (9.3%) had income below the poverty level.

There were 31.7 thousand housing units in Warren County, 26.7 thousand (84.2%) of which were 1 to 4 family units, 2.2 thousand (7%) were multifamily units and 2.4 thousand (7.5%) were mobile homes. Approximately 15.6 thousand (49.2%) of the housing units were owner occupied and 1.1 thousand (7.2%) of these were in LMI tracts. A further 7.6 thousand (24%) were rental occupied units and 922 (13.3%) of these were in LMI tracts. Approximately 9.2 thousand (28.9%) units were vacant and/or boarded up. In 1990, the median housing value was \$92.1 thousand and the median age of the housing was 30 years. Houses located in LMI census tracts have a median age of 38 years.

In 1990, MSA 2975 median family income was \$34 thousand. The updated 2001 and 2002 MSA median family income was \$44.2 and \$45.3 thousand, respectively.

According to the New York State Department of Labor Warren County's unemployment rate was 4.7% and 5.3% in 2001 and 2002, respectively. The county's average unemployment rates were below the state's average rates of 4.9% in 2001 and 6.1% in 2002.

Portions of Warren County have been designated as EZs by the State of New York, based on community economic distress. Firms located in these areas may be eligible for assistance including various tax credits, such as wage tax credits, investment tax credits, zone capital credits, sales tax refunds, real property tax abatements, technical assistance and utility rate savings. Warren County's EZ is generally located in the Towns of Glens Falls, Lake George, and Queensbury.

Non-MSA

Columbia County – Columbia County has 20 BNAs of which 1 (5%) are moderate-income, 15 (75%) middle-income and 4 (20%) upper-income areas.

According to the U.S. Census Bureau, Columbia County had a population of 63 thousand in 1990, and it increased by 0.2% to 63.1 thousand in 2000. Approximately 10.3 thousand (16.4%) of the 1990 population was over the age of 65 and 13.6 thousand (21.6%) were under the age of 16.

In 1990, there were 17 thousand families in the county, of which 2.6 thousand (15.3%) were low-income families, 2.7 thousand (15.9%) were moderate-income, four thousand (23.6%) were middle-income and 7.7 thousand (45.3%) were upper-income families. Of the 5.3 thousand LMI families, 544 (10.3%) lived in LMI areas and these families accounted for 56.9% of all the families (956) that lived in LMI areas. There were 23.7 thousand households in the county, of which 2.3 thousand (9.7%) had income below the poverty level.

There were 29.1 thousand housing units in Columbia County, 24.3 thousand (83.3%) of which were 1 to 4 family units, 1.7 thousand (5.7%) were multifamily units and 2.8 thousand (9.4%) were mobile homes. Approximately 16.5 thousand (56.6%) of the housing units were owner occupied and 512 (3.1%) of these were in LMI areas. A further 7.7 thousand (26.6%) were rental occupied units and 1.1 thousand (14.7%) of these were in LMI areas. Approximately 5.4 thousand (18.7%) units were vacant and/or boarded up. In 1990, the median housing value was \$104.4 thousand and the median age of the housing was 35 years. Houses located in LMI areas have a median age of 48 years.

In 1990, the non-MSA median family income was \$31.5 thousand. The updated 2001 and 2002 non-MSA median family income was \$41.4 and \$43.6 thousand, respectively.

According to the New York State Department of Labor Columbia County's unemployment rate was 2.6% and 3.4% in 2001 and 2002, respectively. The county's average unemployment rates were well below the state's average rates of 4.9% in 2001 and 6.1% in 2002.

Portions of Columbia County have been designated as EZs by the State of New York, based on community economic distress. Firms located in these areas may be eligible for assistance including various tax credits, such as wage tax credits, investment tax credits, zone capital credits, sales tax refunds, real property tax abatements, technical assistance and utility rate savings. Columbia County's EZ is located on four areas in the Towns of Greenport, Livingstone, and the City of Hudson,

Fulton County – Fulton County has 15 BNAs of which three (20%) are moderate-income and 12 (80%) middle-income areas.

According to the U.S. Census Bureau, Fulton County had a population of 54.2 thousand in 1990, and it increased by 1.6% to 55.1 thousand in 2000. Approximately 8.9 thousand (16.5%) of the 1990 population was over the age of 65 and 12.4 thousand (23%) were under the age of 16.

In 1990, there were 14.7 thousand families in the county, of which 3.2 thousand (22.1%)

were low-income families, three thousand (20.2%) were moderate-income, 3.7 thousand (25.3%) were middle-income and 4.8 thousand (32.5%) were upper-income families. Of the 6.2 thousand LMI families, 1.4 thousand (23.2%) lived in LMI areas and these families accounted for 54.4% of all the families (2.7 thousand) that lived in LMI areas. There were 21 thousand households in the county, of which 2.8 thousand (13.3%) had income below the poverty level.

There were 26.3 thousand housing units in Fulton County, 22.3 thousand (84.8%) were 1 to 4 family units, 1.1 thousand (4.3%) were multifamily units and 2.6 thousand (9.8%) were mobile homes. Approximately 15 thousand (57.1%) of the housing units were owner occupied and 2.1 thousand (13.8%) of these were in LMI areas. A further six thousand (22.8%) were rental occupied units and 2.1 thousand (35.6%) of these were in LMI areas. Approximately 5.3 thousand (20.1%) units were vacant and/or boarded up. In 1990, the median housing value was \$54.9 thousand and the median age of the housing was 40 years. Houses located in LMI areas have a median age of 51 years.

According to the New York State Department of Labor Fulton County's unemployment rate was 4.8% and 4.9% in 2001 and 2002, respectively. The county's average unemployment rates were below the state's average rates of 4.9% in 2001 and 6.1% in 2002.

Greene County – In Greene County, the bank has drawn two out of 11 BNAs as part of its assessment area. The selected BNAs are both middle-income areas.

According to the U.S. Census Bureau, Greene County *in its entirety* had a population of 44.7 thousand in 1990, and it increased by 7.7% to 48.2 thousand in 2000. Regarding the two selected BNAs, the 1990 population was 12 thousand, approximately 2.2 thousand (18.2%) was over the age of 65 and 2.6 thousand (21.3%) was under the age of 16.

In 1990, there were 3.1 thousand families in the two BNAs, of which 575 (18.4%) were low-income families, 587 (18.7%) were moderate-income, 677 (21.6%) were middle-income and 1.3 thousand (41.3%) were upper-income families. There were 4.5 thousand households in the two BNAs, of which 594 (13.1%) had income below the poverty level.

There were 5.4 thousand housing units in the two BNAs, 4.3 thousand (80.2%) of which were 1 to 4 family units, 376 (7%) were multifamily units and 603 (11.2%) were mobile homes. Approximately 3 thousand (56.1%) of the housing units were owner occupied and 1.6 thousand (29%) were rental occupied. Approximately 807 (14.9%) units were vacant and/or boarded up. In 1990, the median housing value was \$89.2 thousand and the median age of the housing was 39 years.

According to the New York State Department of Labor Greene County's unemployment rate was 4.4% and 4.5% in 2001 and 2002, respectively. The county's average unemployment rates were 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 a large bank's CRA performance by evaluating its lending, investment and service activities, and applies the lending, investment and service tests, as provided in Parts 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 the bank's activities within the assessment area during 2001 and 2002. Products considered include Home Mortgage Disclosure Act ("HMDA")-reportable and small business loans, and MECAs. MECAs were used for lending activity only since the bank did not report income information and location on its MECAs, HRBT did not receive credit for loans that may have otherwise qualified as loans in LMI areas or to LMI borrowers. Statistics utilized in this evaluation were derived from various sources. In addition to bank-specific loan information, which was submitted by HRBT, aggregate data for HMDA-reportable loans, small business and small farm loans were obtained from the Federal Financial Institutions Examination Council ("FFIEC") and PCI Services, Inc. CRA Wiz©, an external vendor. Demographics are from the 1990 U.S. Census.

I. Lending Test: - "High Satisfactory"

The bank's lending performance was 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 and/or innovative Lending Practices.

Lending Activity: "Outstanding"

Lending levels reflect excellent responsiveness to assessment area credit needs. Since the prior review, HRBT added four counties in their entirety to its assessment area. While the bank originated 157 fewer HMDA-reportable loans during this examination period, it extended 441 MECAs totaling \$74.4 million. HRBT remained one of the largest HMDA-reportable loan originators in the region while completing two major bank purchases. In 2001 and 2002, the bank ranked in the top ten for small business loan originators.⁷

Residential Lending:

In 2001, HRBT originated 859 HMDA-reportable loans totaling \$126.3 million in its assessment area. In 2002, the bank originated 906 loans totaling \$117.6 million reflecting an increase of 47 loans (5.5%) but a decrease of \$8.7 million (6.9%).

The 2002 figures reflect a modest increase (7%) in home refinance loans, coupled with a significant decrease (66%) in home improvement activity. Aggregate lenders in the assessment area also saw a moderate drop in home improvement loans (12.1%) but a

⁷ The small business ranking excludes financial institutions that do not have bank branches and offer loans through their credit-card business. The average size loan for these lenders is \$4 to \$7 thousand dollars.

sizeable increase in home refinances (35.4%). The bank stated they utilized MECAs instead of HMDA-reportable refinance loans during this period, which would account for the refinancing percentage disparity with the aggregate's percentage.

Based on the 2001 HMDA Lender Market Share Report, HRBT ranked ninth and eighth among 317 lenders in loan volume and dollar volume, respectively, with market shares of 2.55% and 3.89%, respectively. In 2002, the bank ranked 12th and 13th among 316 lenders in loan volume and dollar volume, respectively, with market shares of 2.23% and 2.59%, respectively.

HRBT's average loan size was \$147 thousand and \$130 thousand in 2001 and 2002, respectively.

MECA Lending:

In 2001 and 2002, HRBT reported 203 and 238 MECAs totaling \$31.7 million and \$42.7 million, respectively. This augments the bank's exceptional HMDA-reportable volume during the review period.

Small Business Lending:

In 2001, HRBT originated 326 small business loans totaling \$43 million in its assessment area. In 2002, the bank increased loan and dollar volume 7.7% and 23.5%, respectively, to 351 loans totaling \$53.1 million.

Based on the 2001 Lender Market Share Report for its assessment area, HRBT ranked 8th among 97 lenders, obtaining a 4.1% market share by loan volume, and a 5.7% market share by dollar volume, respectively. The average loan size was \$132 thousand.

In 2002, the bank ranked 10th among 89 lenders, with stable market shares of 4.1% and 5.9%, based on number and dollar volume, respectively. HRBT's average small business loan size was \$151 thousand in 2002.

Assessment Area Concentration: "Outstanding"

The bank made a substantial majority of loans in the assessment area. As indicated in the following chart, in 2001 HRBT extended 1,185 (87.4%) combined small business/farm loans and HMDA-reportable loans totaling \$169.3 million (92.7%) within the assessment area⁸. The bank expanded its assessment area in 2002 and maintained a substantial majority of assessment area loans with a very small percentage increase from the prior year. HRBT extended 1,257 (88.5%) combined small business and HMDA-reportable loans totaling \$170.7 million (92.9%) in 2002.

⁸ HRBT originated six farm loans over the review period: less than 1% of combined small business and farm loans. For the sake of clarity to the reader, throughout this report, farm loan data will be included in the small business category.

Over the two-year review period, the bank originated 87.9% loan volume and 92.8% dollar volume in its assessment area.

Assessment Area Comparison								
	2001				2002			
Small Business	Number	No. Pct.	\$ (000s)	\$ Pct.	Number	No. Pct.	\$ (000s)	\$ Pct.
IN	324	93.4%	43,013	91.6%	351	98.0%	53,138	97.3%
OUT	23	6.6%	3,968	8.4%	7	2.0%	1,489	2.7%
Subtotal	347	100.0%	46,981	100.0%	358	100.0%	54,627	100.0%
HMDA	Number	No. Pct.	\$ (000s)	\$ Pct.	Number	No. Pct.	\$ (000s)	\$ Pct.
IN	859	85.1%	126,333	93.1%	906	85.3%	117,580	91.1%
OUT	150	14.9%	9,341	6.9%	156	14.7%	11,505	8.9%
Subtotal	1,009	100.0%	135,674	100.0%	1,062	100.0%	129,085	100.0%
All Loans	Number	No. Pct.	\$ (000s)	\$ Pct.	Number	No. Pct.	\$ (000s)	\$ Pct.
IN	1,183	87.2%	169,346	92.7%	1,257	88.5%	170,718	92.9%
OUT	173	12.8%	13,309	7.3%	163	11.5%	12,994	7.1%
Total	1,356	100.0%	182,655	100.0%	1,420	100.0%	183,712	100.0%

Geographic Distribution of Loans: “Low Satisfactory”

The overall geographic distribution of loans reflects an adequate percentage of loans throughout the assessment area. Although HRBT exhibited a dramatic improvement in residential LMI area lending in 2002 compared to 2001, the bank trailed the aggregate in both years. HRBT’s LMI area penetration percentage was below the aggregate in 1999 and 2000 (the prior evaluation period) as well. The bank consistently trails the aggregate in small business lending in LMI areas in loan originations and dollar volume.

Residential Lending

As the following chart illustrates, although HRBT trailed the aggregate in LMI area penetration in 2001 and 2002, the bank showed marked improvement in 2002. The addition of Montgomery County in 2002 accounted for the significant increase.

Distribution of HMDA Reportable Loans (less Multifamily) By Census Tract/BNA Income Level								
	2001				2002			
Tract/Area Income	HRBT		Aggregate		HRBT		Aggregate	
	Number	No.Pct.	Number	No.Pct.	Number	No.Pct.	Number	No.Pct.
Low	0	0.0%	180	0.6%	0	0.0%	214	0.5%
Moderate	24	2.8%	2,430	8.0%	84	9.3%	4,459	11.0%
LMI Total	24	2.8%	2,610	8.6%	84	9.3%	4,673	11.5%
Middle	455	53.0%	18,731	61.5%	562	62.0%	24,320	60.0%
Upper	380	44.2%	9,139	30.0%	260	28.7%	11,503	28.4%
N/A	0	0.0%	1	0.0%	0	0.0%	8	0.0%
Total	859	100.0%	30,481	100.0%	906	100.0%	40,504	100.0%

In 2001, the bank extended 2.8% of its HMDA-reportable loans in LMI areas. This is substantially lower than the aggregate, which originated 8.6% of its loans in LMI areas. The bank's LMI penetration improved in 2002 with 9.3% of loan volume while continuing to trail the aggregate's 11.5% penetration rate.

HRBT narrowly outperformed the aggregate in middle-income penetration in 2002, and reflected an improvement over its own 2001 lending. The bank trailed the aggregate in 2001 by 16% and led in 2002 by 3%. The improvement in middle-income penetration came at the expense of upper-income area lending and not LMI areas.

The following chart illustrates the LMI penetration for the counties in the bank's assessment area compared to the aggregate over the review period.⁹

In MSA 0160, the bank improved proportionally between 2001 and 2002 by 382.4% (a differential of 8.26 percentage points) primarily because of the inclusion of 27 LMI area loans in Montgomery County and a 25 LMI area loan increase in Saratoga County.

In the bank's home county, Columbia, it originated the same percentage of LMI loans, as did the aggregate in 2002. The bank's LMI area loan originations were unchanged from 2001 while overall volume decreased.

HMDA Reportable Loans LMI Tract/Area Penetration Comparison								
	2001				2002			
	HRBT			Aggregate	HRBT			Aggregate
	LMI Loans	Total Loans	LMI Pct.	LMI Pct.	LMI Loans	Total Loans	LMI Pct.	LMI Pct.
Albany	3	218	1.38%	7.23%	6	147	4.08%	6.88%
Montgomery					27	50	54.00%	72.86%
Rensselaer	2	107	1.87%	10.55%	0	101	0.00%	9.02%
Saratoga	7	274	2.55%	7.64%	32	306	10.46%	7.88%
Schenectady	2	50	4.00%	11.70%	2	60	3.33%	13.09%
Schoharie					3	8	37.50%	62.88%
<i>MSA 0160 Total</i>	<i>14</i>	<i>649</i>	<i>2.16%</i>	<i>8.70%</i>	<i>70</i>	<i>672</i>	<i>10.42%</i>	<i>12.28%</i>
Dutchess	6	13	46.15%	21.07%	7	11	63.64%	19.66%
Warren	0	4	0.00%	4.96%	0	8	0.00%	5.51%
Columbia	4	190	2.11%	2.93%	4	176	2.27%	2.27%
Fulton					3	34	8.82%	11.27%
Greene	0	3	0.00%	0.00%	0	5	0.00%	0.00%
<i>Non-MSA Total</i>	<i>4</i>	<i>193</i>	<i>2.07%</i>	<i>2.61%</i>	<i>7</i>	<i>215</i>	<i>3.26%</i>	<i>5.67%</i>

⁹ Montgomery, Schoharie, and Fulton counties were added to the bank's assessment area in 2002 and therefore not analyzed in 2001.

Small Business Lending

The geographic distribution of HRBT's small business lending within the assessment area is considered adequate. As the following chart illustrates, the bank's LMI penetration ratios based on the number of loans in 2001 and 2002 were 11% and 13.1%, respectively. These ratios were well below those of the aggregate, which had LMI penetration ratios of 18.9% and 18.6%, in 2001 and 2002, respectively. HRBT outperformed the aggregate in middle-income area lending during the review period. The bank was on par with the aggregate in upper-income area small business originations, which indicates the middle-income performance came at the expense of the LMI areas. At the prior review covering 1999 and 2000, HRBT trailed the aggregate in LMI penetration in loan volume percentage and dollar volume percentage.

Percentage Distribution of Small Business Loans by Tract/Area Income Level								
Tract/Area Income Level	2001				2002			
	Number		Dollar		Number		Dollar	
	HRBT	Aggregate	HRBT	Aggregate	HRBT	Aggregate	HRBT	Aggregate
	Pct.		Pct.		Pct.		Pct.	
Low	2.76%	4.33%	7.89%	5.60%	1.42%	3.96%	1.17%	5.53%
Moderate	8.28%	14.60%	6.14%	14.34%	11.68%	14.59%	11.60%	14.66%
LMI Total	11.04%	18.93%	14.03%	19.94%	13.10%	18.55%	12.77%	20.19%
Middle	63.80%	56.53%	58.44%	54.97%	63.82%	57.50%	54.14%	52.49%
Upper	25.15%	24.41%	27.53%	25.04%	23.08%	23.81%	33.09%	27.18%
N/A	0.00%	0.12%	0.00%	0.04%	0.00%	0.14%	0.00%	0.15%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

The bank's 2001 and 2002, LMI percentages, by dollar volume, were 14% and 12.8%, respectively. These were also well below the aggregate, which achieved penetration levels of 19.9% and 20.2%, for the same years.

Borrower Characteristics: "High Satisfactory"

Given the product lines offered, the distribution of borrowers reflects good penetration among customers of different income levels and businesses of different sizes.

Residential Lending:

HRBT has an adequate distribution of HMDA reportable loans within the assessment area.

As the following chart illustrates, HRBT trailed the aggregate in LMI borrower penetration during the review period. However, the number of loans the bank originated between 2001 and 2002 increased by 41.5%. In 2001, the bank's penetration ratios for LMI borrowers based on the number of loans was 15.1%, trailing the aggregate (22.1%) by 31.7% proportionally. Although, HRBT LMI penetration ratio increased to 20.3% in 2002 it remained behind the aggregate's 22.4% by 9.30% proportionally. The main factors in the change were the addition of Montgomery and Fulton Counties and improved performance

in Albany and Saratoga counties. This improvement appears to reflect an upward trend by the bank in LMI borrower penetration.

Distribution of HMDA Reportable Loans By Borrower Income Level								
Borrower Income	2001				2002			
	HRBT		Aggregate		HRBT		Aggregate	
	Number	No.Pct.	Number	No.Pct.	Number	No.Pct.	Number	No.Pct.
Low	44	5.1%	1,510	5.0%	62	6.8%	2,100	5.2%
Moderate	86	10.0%	5,214	17.1%	122	13.5%	6,987	17.2%
LMI Total	130	15.1%	6,724	22.1%	184	20.3%	9,087	22.4%
Middle	141	16.4%	7,532	24.7%	191	21.1%	10,104	24.9%
Upper	588	68.5%	14,004	45.9%	523	57.7%	18,213	45.0%
N/A	0	0.0%	2,221	7.3%	8	0.9%	3,100	7.7%
Total	859	100.0%	30,481	100.0%	906	100.0%	40,504	100.0%

The following chart illustrates the LMI borrower penetration for the counties in the bank's assessment area compared to the aggregate during the review period.

HMDA Reportable Loans LMI Borrower Penetration Comparison									
	2001					2002			
	HRBT			Aggregate	HRBT			Aggregate	
	LMI Loans	Total Loans	LMI Pct.	LMI Pct.	LMI Loans	Total Loans	LMI Pct.	LMI Pct.	
Albany	12	218	5.50%	21.20%	23	147	15.65%	21.23%	
Montgomery					17	50	34.00%	41.57%	
Rensselaer	15	107	14.02%	27.06%	14	101	13.86%	26.37%	
Saratoga	65	274	23.72%	19.49%	81	306	26.47%	18.70%	
Schenectady	8	50	16.00%	28.76%	9	60	15.00%	27.77%	
Schoharie					1	8	12.50%	36.43%	
MSA 0160 Total	100	649	15.41%	22.93%	145	672	21.58%	23.43%	
Dutchess	3	13	23.08%	22.85%	3	11	27.27%	24.95%	
Warren	0	4	0.00%	18.22%	3	8	37.50%	17.60%	
Columbia	25	190	13.16%	13.31%	19	176	10.80%	8.66%	
Fulton					12	34	35.29%	25.38%	
Greene	2	3	66.67%	21.11%	2	5	40.00%	18.22%	
Non-MSA Total	27	193	13.99%	14.15%	33	215	15.35%	15.84%	

In the most heavily populated county, Albany, 33.3% of the county's families are LMI and, the bank has 13 (25%) of its branch network in that county. HRBT, showed dramatic (91.7%) improvement in the number of loans extended to LMI borrowers between 2001 and 2002; however, total HMDA-reportable loan volume decreased significantly in 2002 and the LMI penetration ratio lagged behind the aggregate in both years.

The total HMDA-reportable loan volume in Saratoga County increased by 11.7%, and lending to LMI borrower increased by 24.6%, from 65 loans to 81 loans. HRBT LMI penetration ratios were significantly higher than the aggregate in both years reflecting the bank's strong performance in the county. In the County 32.7% of the families are LMI. HRBT has seven (13.7%) branches in Saratoga County; however, the bank originated

20.4% and 52% more HMDA-reportable loans in Saratoga County, in 2001 and 2002 respectively, than in Albany County.

Rensselaer County had the third largest county population in the bank’s assessment area, which is 48.2% less than Albany County. Overall loan production fell 5.6%, which mirrored the LMI borrower decline (6.7%). HRBT trailed the aggregate LMI penetration ratios proportionally in both 2001 and 2002 by 48.2% and 47.4% respectively. The bank operates six branches (11.8%) in Rensselaer County, which has 37.7% LMI families.

In Columbia County, the bank operates seven branches (13.7%) and the population is more than 4.5 times less than Albany County, and Columbia County has 31.2% LMI families. In 2001 the bank originated the same percentage of loans to LMI borrowers as did the aggregate and in 2002 the bank the originated 24.7% more loans proportionally than did the aggregate. The bank originated 108.3% more loans to LMI borrowers in Columbia in 2001 but 17.4% less loans in 2002 than was originated in Albany County.

Although Schenectady County is the fourth largest in terms of population in the bank’s assessment area (over twice as large as Columbia), HRBT originated 256 fewer HMDA-reportable loans than in Columbia County and 255 less than Albany County during the review period. HRBT trailed the aggregate proportionally in both 2001 and 2002 by 44.4% and 46% respectively. The bank operated eight (15.7%) of its branches here and 37% of the families are LMI.

Small Business Lending:

HRBT has an excellent distribution of small business lending within the assessment area.

The bank performed substantially better than the aggregate when considering the number and dollar volume of small business loans extended to businesses with gross annual revenues of \$1 million or less. In 2001 and 2002, of the businesses that reported gross annual income, 92.5% and 91.8%, respectively had revenues \$1 million or less in the bank’s assessment area. As the following chart illustrates, HRBT’s small business lending displayed excellent responsiveness to assessment area credit needs. In 2001, 91.1% of loan (83.8% dollar volume) originations were to businesses with gross revenues of \$1 million or less, compared to the aggregate’s 40.9% (41.4% dollar volume). In 2002, HRBT improved upon its performance while the aggregate performance deteriorated. The bank originated 95.7% loan volume (91.6% dollar volume), compared to the aggregate’s 30.3% loan volume (35.6% dollar volume).

Percentage Distribution of Small Business Loans to Businesses with Gross Annual Revenues <= \$1MM							
2001				2002			
Number		Dollar		Number		Dollar	
HRBT	Aggregate	HRBT	Aggregate	HRBT	Aggregate	HRBT	Aggregate
91.10%	40.94%	83.77%	41.40%	95.73%	30.29%	91.59%	39.59%

Community Development Lending: “High Satisfactory”

HRBT makes a relatively high level of community development loans. As of the evaluation date, the bank’s community development lending totaled \$10.8 million, of which \$6.8 million, or 63%, is considered new money. Approximately \$10.2 million or 94.4% is provided in the form of letters of credit or lines of credit, which is not considered particularly innovative or complex.

The following chart illustrates the bank’s community development lending by category and county served. By category, HRBT has allocated its total commitments in affordable housing, community development services, and revitalization and stabilization roughly equally: approximately one-third each. By county, Schenectady and Albany have more than one-quarter each of commitment dollars with 28.5% and 28.9%, respectively.

HRBT Community Development Lending by Category (\$000s)				
Category	Commitment	Dollar Pct.	New Money	New Money Pct.
Affordable Housing	\$3,647	33.7%	\$2,797	76.7%
Community Development Svcs.	\$3,949	36.5%	\$862	21.8%
Economic Development	\$49	0.5%	\$49	100.0%
Revitalize and Stabilize	\$3,174	29.3%	\$3,114	98.1%
<i>Total</i>	\$10,819	100.0%	\$6,822	63.1%
HRBT Community Development Lending by County (\$000s)				
County	Commitment	Dollar Pct.	New Money	New Money Pct.
Multi-county	\$3,362	31.1%	\$2,452	72.9%
Schenectady	\$3,087	28.5%	\$0	0.0%
Albany	\$3,128	28.9%	\$3,128	100.0%
Montgomery	\$881	8.1%	\$881	100.0%
Columbia	\$276	2.6%	\$276	100.0%
Saratoga	\$75	0.7%	\$75	100.0%
Rensselaer	\$10	0.1%	\$10	100.0%
<i>Total</i>	\$10,819	100.0%	\$6,822	63.1%

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 originates State of New York Mortgage Agency (“SONYMA”) products. SONYMA is a public-benefit corporation of NYS created by statute in 1970. The purpose of SONYMA is to create affordable homeownership opportunities for low- and moderate-income first-time homebuyers and other qualifying homebuyers, and to provide mortgage insurance for qualifying real property loans. SONYMA's programs help achieve the dream of home ownership by providing low down payment mortgage financing at below market interest rates for single family home buyers. In addition, SONYMA's Homeownership Programs help to stabilize and rebuild economically depressed Target Areas throughout New York State by enhancing opportunities for homeownership. In these Target Areas, SONYMA's

income and purchase price limits are more flexible and the first-time homebuyer requirement is not applicable.

During the review period, the bank originated 35 loans totaling \$2.8 million.

HRBT is a participant in the First Home Club Program created by the Home Loan Bank of New York (“HLBNY”). The First Home Club is a first-time homebuyers program that provides subsidy funds to assist very low- and low-income households overcome the financial difficulties of purchasing a home. The First Home Club, administered through an approved member of the HLBNY, provides down payment and closing costs assistance by granting three dollars in matching funds for each dollar saved to qualifying first-time homebuyers who follow a systematic savings plan and participate in an approved homeownership counseling program. Up to \$5,000 in matching funds will be awarded to qualifying households based on the total savings deposited in a dedicated savings account with an approved member. Six competing financial institutions offer this particular product.

During the review period, the bank originated 11 loans totaling \$643.3 thousand dollars.

In mid-2002, the bank met with various community groups including Affordable Housing Partnership; Albany County Rural Housing Alliance; Rensselaer County Housing Resources; Better Neighborhoods, Inc.; Capital District Community Loan Fund; Cornell Cooperative Extension; and Troy Rehabilitation and Improvement Program, Inc. Because of this outreach, HRBT modified its home improvement loan product and created a loan product geared to LMI individuals. This home improvement loan features a 1% discount to LMI individuals and flexible alternative underwriting. For example, utility bill payments are used to document stability in making payments.

The bank originated one home improvement loan totaling \$6 thousand in the latter half of 2002.

HRBT, through written loan policy, has in place a second review process for all denied residential mortgage, home improvement and mobile home loans. The second review is conducted by a lending officer or underwriter not associated with the original credit decision.

II. Investment Test: - “High Satisfactory”

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.

Investment and Grant Activity: “High Satisfactory”

HRBT had a significant level of qualified community development investments. Qualified investments totaled \$6.5 million, of which \$5.1 million, or approximately 77.8%, is considered new money. A minimal portion of the bank’s activity is represented by grants,

which may be understated. The bank did not report its grant activity for the first quarter of 2001 and the last three quarters of 2002.

The bank's qualified investments were in three organizations:

- Community Preservation Corporation
- Capital Affordable Housing Funding Corporation
- Statewide Zone Capital Stock

Community Preservation Corporation ("CPC") - HRBT has a commitment to invest \$3.6 million in CPC's Collateralized Trust Notes. CPC is a lending consortium that makes construction and permanent loans for the creation, rehabilitation and preservation of affordable housing throughout the State of New York. CPC's bank sponsors provide secured financing, under revolving bank lines of credit, for housing construction and rehabilitation, as well as permanent financing through purchases of collateral trust notes backed by mortgages loans provided by CPC.

Capital Affordable Housing Funding Corporation ("CAHFC") - HRBT has a commitment to invest \$1.7 million in CAHFC's Collateralized Trust Notes. The Affordable Housing Partnership ("AHP") is a non-profit organization formed to alleviate LMI housing needs in the Capital District. Members of the banking, public sector and local housing related community organizations were brought together to attempt to create programs to aid LMI individuals. The AHP accepts and reviews loan applications that are in turn funded by the CAHFC.

Statewide Zone Capital Corporation ("SZCC") – During the review period, the bank increased its equity investment to \$15 million in the New York State SZCC. SZCC is a private investment fund whose capital will be used to promote the expansion and growth of new and existing businesses located in New York State's Empire Zones.

HRBT awarded \$165.5 thousand in qualified grants during the review period to a variety of community, educational, social and religious organizations throughout the assessment area.

Innovative or Flexible Lending Practices: "Low Satisfactory"

The bank occasionally uses innovative and/or complex investments to support community development initiatives. While not innovative or complex, the bank's activities are adequately responsive to the needs of its assessment area.

III. Service Test: - "High Satisfactory"

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

Retail Banking Services: “High Satisfactory”

Accessibility of Delivery Systems

HRBT’s retail delivery systems are accessible to essentially all portions of the assessment area. As the following chart indicates, the bank had a total of 51 full service branches located in its assessment area of which 26, or 51%, are located either in or adjacent to LMI areas¹⁰.

HRBT Branch Location by County and Census Tract/Area as of 12/31/2002									
	Low	Moderate	Middle	Upper	N/A	Total	Pct. per County	Adjacent to LMI	Pct. per County
Columbia		0	6	1		7	13.7%	3	42.86%
Montgomery		3	2		1	6	11.8%	3	100.00%
Schenectady	0	2	5	1		8	15.7%	2	50.00%
Fulton		0	1			1	2.0%	0	0.00%
Albany	2	2	5	4		13	25.5%	1	23.08%
Rensselaer	0	0	5	1		6	11.8%	3	50.00%
Schoharie		0	1		0	1	2.0%	1	100.00%
Saratoga	0	0	4	3	0	7	13.7%	3	42.86%
Greene			1			1	2.0%		
Dutchess		1	0			1	2.0%	0	100.00%
Warren		0	0	0		0	0.0%	0	N/A
Total	2	8	30	10	1	51	100.0%	16	50.98%
Pct. per Tract	3.9%	15.7%	58.8%	19.6%	2.0%	100.0%			

Changes in Branch Locations

The bank’s record of opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly to LMI areas and/or LMI individuals.

Between evaluation dates, the bank acquired 34 full service branches through the acquisitions of Mohawk Community Bank and Cohoes Savings Bank. HRBT also opened one branch in Albany County located in an upper-income census that is not adjacent to LMI tracts. The bank closed two branches: one in a low-income census tract in Albany County and one in an upper-income non-adjacent census tract in Warren County.

Alternative Delivery System

The bank’s alternative delivery systems are accessible to essentially all portions of the bank’s assessment area.

Supplementing its branch network, the bank had 65 ATMs located at 60 locations including 50 (98%) of its branches. HRBT operated 10 off-site ATMs with most situated in the bank’s

¹⁰ Blacked-out boxes in the chart indicate no areas of that income category in that county. For example, Columbia County has no low-income census tracts and no non-applicable census tracts.

home county.

HRBT operates a bank-by-telephone system entitled “S.E.A.Talk” which allows customers to obtain account information 24 hours a day, seven days a week. The bank also operates a toll-free call center whereby customers can speak with a HRBT representative to obtain account or product information. The bank offers bank-by-mail and on-line banking through its Website, www.hudsonriver.bank.com. On-line customers can obtain account information, transfer funds, pay bills and obtain other banking services.

Forty-two (82.4%) of the bank’s branches offer extended hours on Saturdays, 49 branches (96.1%) offer late afternoon hours, and 21 branches (40.1%) offer extended evening hours on Thursdays and/or Fridays. In addition, several branches have full service Drive-up banking available.

The bank offers an approved alternative transaction account that is more beneficial to the consumer than mandated by G.R.B.B. 9.7 (a) regulation. The account features no monthly service charge; unlimited transactions and no per check charges.

HRBT cashes government checks at any branch location regardless of whether the customer has an account relationship with the bank.

Community Development Services: “Low Satisfactory”

HRBT provides an adequate level of community development services.

Directors, officers and staff of the bank serve as board members in financial capacities providing technical assistance or financial advice to numerous organizations with community development missions. Examples of the type of organizations are:

- Hudson Development Corporation
- Board of Housing Resources of Columbia County
- Home for the Aged, Hudson
- Affordable Housing Partnership
- Columbia Children’s Center
- Statewide Economic Development

In addition, several staff employees serve on zoning boards, youth organizations, library associations, church organizations, school boards, professional women’s leagues and volunteer fire companies.

HRBT sponsored the New York State Corps Collaboration’s (“NYSCC”) annual conference, “Generating a High Yield Investment in Community: Youth Leading the Way.” NYSCC provides a unified voice for youth corps programs in New York State. It assists member organizations in developing resources, to increase their effectiveness and promote growth. The NYSCC’s mission statement reflects the belief that service to the community builds self-respect, leadership skills and civic responsibility in young people, thereby enhancing their lives and strengthening their communities.

In addition to sponsoring the two-day event, the bank's CRA Officer met with several participating youth to discuss banking and employment in the banking industry.

The bank offers the FDIC's "Money Smart" curriculum in a classroom setting with take-home handouts. The FDIC created Money Smart as a training program to help adults outside the financial mainstream enhance their money skills and create positive banking relationships. The curriculum helps individuals build financial knowledge, develop financial confidence and use banking services effectively.

The bank created a new brochure to advertise the First Home Club product and met with Affordable Housing Partnership, the Albany Home Store and other groups in an effort to inform them of LMI-g geared products offered by HRBT. The bank sent informative letters to all of its community contacts advising them of this new loan product.

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 concurrent with this assessment indicated 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 involvement of its directors, officers and employees in community organizations such as chambers of commerce, community boards, merchants' associations and affordable housing 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.

HRBT advertises via local newspapers such as: *Hudson Register Star; Times Union; The Independent; Schenectady Gazette; Millerton News; Leader Herald; Recorder; Times Journal; Advertiser; Weekly Shopper; Altamont Enterprise; and Courier Standard*. In addition, the bank advertised via television on WTEN-TV10 Albany, WRGB-TV6 Schenectady and Public Television 17-Schenectady. Radio stations HRBT utilized were: *WRVE, WYJB, WGY, WFLY, and WTRY*.

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

HRBT has a CRA and Fair Lending Committee, consisting of officers from the marketing, mortgage operations, branch operations and commercial lending units of the bank. The Chairman of the Board and Compliance Officer are also on the committee. The committee members meet quarterly to discuss all CRA related issues, including community credit needs and CRA programs.

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.

Empire Zone (“EZ”)

An Empire Zone is designated by the State of New York, based on community economic distress. Firms located in these areas may be eligible for assistance including various tax credits, such as wage tax credits, investment tax credits, zone capital credits, sales tax refunds, real property tax abatements, technical assistance and utility rate savings.

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.