



**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:** Orange County Trust Company  
212 Dolson Avenue  
P.O. Box 790  
Middletown, N.Y. 10940

**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 Orange County Trust Company ("OCTC") prepared by the New York State Banking Department. The evaluation represents the Banking Department's current assessment and rating of the institution's CRA performance based on an evaluation conducted as of December 31 2002.

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

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

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

Section 76.5 further requires that the CRA rating and the written summary be made available to the public ("Evaluation"). Evaluations of small banking institutions are primarily based on a review of performance tests and standards described in Section 76.3 and detailed in Section 76.12. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York State Banking Law.

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

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

OCTC is rated "2," indicating a "satisfactory" record of helping to meet community credit needs.

- ***Loan-to-Deposit ("LTD") Ratio and Other Lending-Related Activities:*** The bank's LTD ratio is considered reasonable in light of the bank's size, financial condition and the credit needs of its assessment area.

OCTC's average LTD ratio for the eight quarters ending December 31, 2002 was 61.67%, which is below the peer group's average of 77.95%.

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

OCTC extended 79.3% by number and 72.6% by dollar volume of its HMDA and small business loans in the assessment area during the evaluation period.

The assessment area concentration for Home Mortgage Disclosure Act ("HMDA")-reportable loans declined by number between evaluation years, to 61.8% in 2002, from 84.4% in 2001, while decreasing by dollar amount to 55.3% from 77.8% during the same period. The assessment area concentration for small business loans was relatively constant during the same period.

- ***Geographic Distribution of Loans:*** The bank's geographic distribution of loans reflected reasonable dispersion among census tracts of different income levels.

In 2001, OCTC extended 9.3% of its HMDA loans in moderate-income areas, moderately exceeding the aggregate's 7.8% penetration rate. For its small business loans, the bank's LMI penetration rate of 22.4% was reasonable in light of the distribution of businesses among census tracts of different income levels within the assessment area.

- ***Borrowers Characteristics Distribution of Loans:*** The bank's lending distribution in the assessment area reflected reasonable penetration among individuals of different income levels and businesses of different revenue sizes.

In 2001, OCTC extended 18.6% of its HMDA loans to LMI borrowers, slightly above the corresponding aggregate's LMI penetration rate of 17.4%. The bank's LMI penetration rate declined to 14.3% in 2002, but based on only three loans. For its small business loans, the bank extended 57.1% of its loans to businesses with gross annual revenues of

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\$1 million or less, a reasonable distribution in light of business demographics.

- The New York State Banking Department has not received any CRA related complaints about the bank's performance since the prior evaluation.

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.

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## **PERFORMANCE CONTEXT**

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

Chartered in 1893, OCTC is a full service commercial bank with trust powers located in Middletown, Orange County, New York. The bank reported total assets of \$328.3 million as of December 31, 2002. The total assets have grown significantly since the previous evaluation at December 31, 2000, when they totaled \$245 million.

Between evaluations, the bank added a full-service branch in Vails Gate, Town of New Windsor, Orange County. OCTC operates five full-service banking offices in Orange County, including the main office. Two, or 67%, are in moderate-income census tracts.

All of the banking offices, with the exception of the North Street office, are equipped with lobby automatic teller machines ("ATMs") that are accessible during regular banking hours. In addition, with the exception of the North Street branch, all offices are equipped with drive-up facilities and at least one ATM that is accessible 24 hours daily.

The institution offers a wide variety of lending products including: residential mortgage loans, construction and land development loans, home equity loans, personal loans, commercial mortgage loans, commercial and industrial loans and lines of credit.

As per the Federal Deposit Insurance Corporation's Consolidated Report of Condition and Income, Schedule RC-C (the "Call Report"), the bank reported the following loan portfolio as of December 31, 2001 and December 31, 2002:

<b>TOTAL GROSS LOANS OUTSTANDING</b>				
LOAN TYPE	12/31/2001		12/31/2002	
	\$(000)*	%	\$(000)*	%
Residential Mortgage Loans	45,091	35.7	45,316	33.6
Commercial Mortgage Loans	37,085	29.4	46,585	34.5
Multifamily Mortgages	416	0.3	333	0.2
Consumer Loans	5,156	4.1	3,396	2.5
Construction & Land Loans	3,976	3.2	3,667	2.7
Commercial & Industrial Loans	34,368	27.2	35,495	26.3
Other Loans	125	0.1	227	
Total Gross Loans	126,217	100.0	135,019	100.0

\* In thousands

For the quarter ended December 31, 2002, the bank reported net loans and leases of \$132 million and total deposits of \$219 million, resulting in a LTD ratio of 60.2%. This percentage is significantly below the peer group average of 80.2% but is reasonable when compared to its three closest peers.

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The bank had its most profitable year in its history in 2002 when it had net income of \$4.8 million.

OCTC received a rating of “2,” reflecting a “Satisfactory” record of helping to meet community credit needs at its prior Performance Evaluation conducted by the New York State Banking Department on December 31, 2000.

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

**Assessment Area:**

The bank’s assessment area includes portions of Orange and Sullivan Counties in New York State. The cities of Middletown and Newburgh, and the Townships of Crawford, Cornwall, Greenville, Goshen, Hamptonburgh, Minisink, Montgomery, Mount Hope, New Windsor, Newburgh, Wallkill, and Wawayanda are in Orange County. The township of Mamakating, which includes the villages of Wurtsboro and Bloomingburg, is in Sullivan County.

The assessment area consists of 31 census tracts in Orange County, which do not include any low-income tracts, but seven moderate-income tracts (located in the Town of Wallkill and the City of Middletown), 21 middle-income tracts and three upper-income tracts, and one Block Numbering Area (“BNA”) in Sullivan County.

Based on the 1990 U.S. Census , the population of the assessment area was about 145.5 thousand persons, of which about 110.4 thousand, or 76%, were age sixteen and older and 17.1 thousand, or 12%, were over 65 years of age. Minorities totaled about 20.4 thousand, or 14% of the population.

There were almost 49.9 thousand households, of which about 3.6 thousand, or 7%, lived below the poverty level.

There were about 53.3 thousand housing units, of which 42.8 thousand, or 80.3% were 1-4 family units, 6.8 thousand, or 12.7% were multi-family units, and 3.1 thousand, or 5.8% were mobile home units and/or trailer home units. Vacant housing units totaled 3.6 thousand, comprising 6.8% of all units, while there were 61 boarded-up units. Owner-occupied units accounted for 33.5 thousand, or 62.8% of total housing units.

*The assessment area appears reasonable based upon the location of bank’s offices and its lending patterns. There is no evidence that LMI areas have been arbitrarily excluded.*

## **PERFORMANCE STANDARDS AND ASSESSMENT FACTORS**

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

The assessment period included calendar years 2001 and 2002. In evaluating factors (2), (3) and (4), as noted above, examiners considered HMDA-reportable and small business loans. OCTC is a HMDA loan reporter, but as a small bank, was not required to report its small business loans. The analyses of HMDA and small business products were based on a sampling of total lending.

The demographic data referred to in this report was obtained from the 1990 U.S. Census, with the updated median family income figures provided by HUD.

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

The bank's LTD ratio, while below that of its peer group, is reasonable considering the bank's size, financial condition and the credit needs of the assessment area.

The bank's average LTD ratio for the prior eight quarters ending December 31, 2002 was 61.67%, which is below the peer group's average of 77.95%. These ratios were calculated from information shown in the bank's Uniform Bank Performance Report ("UBPR") prepared by the Federal Deposit Insurance Corporation ("FDIC"). As shown in the table below, the bank's LTD ratios have generally remained stable throughout the evaluation period, as has the peer group's average, which slightly increased during the last two quarters in 2002.

<b>Loan-to-Deposit Ratios</b>									
	2001 3/31	2001 6/30	2001 9/30	2001 12/31	2002 3/31	2002 6/30	2002 9/30	2002 12/31	Aver.* LTD
Bank	61.31	62.32	64.28	62.83	62.94	60.15	59.35	60.20	61.67
Peer	76.34	77.27	77.47	77.39	77.11	77.15	80.66	80.22	77.95

\* Average

- **Assessment Area Concentration: "Satisfactory"**

As shown below, the bank originated a majority of its HMDA related and small business loans within the assessment area, notwithstanding a decrease in the assessment area concentration between years. For the two years combined, OCTC made 79.3% of the total number and 72.6% of the total dollar volume of its loans inside the assessment area.

Viewing each year separately, the data indicates that in 2001 the bank made 84.4% by

number and 77.8% by dollar volume of its loans in the assessment area, decreasing in 2002 to 61.8% and just over 50%, respectively. The decrease in assessment area concentration between years was largely attributable to a decrease in HMDA lending, while small business lending within the assessment area remained relatively unchanged.

Refer to the table below for details:

<b>Distribution of Loans Inside and Outside of the Assessment Area</b>										
<b>Loan Type</b>	<b>Number of Loans</b>					<b>Loans in Dollars (in thousands)</b>				
	<b>Inside</b>		<b>Outside</b>		<b>Total</b>	<b>Inside</b>		<b>Outside</b>		<b>Total</b>
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
<u>HMDA</u>										
2001	54	84.4	10	15.6	64	5,253	77.8	1,503	22.2	6,756
2002	21	61.8	13	38.2	34	2,099	55.3	1,699	44.7	3,798
<b>Subtotal</b>	<b>75</b>	<b>76.5</b>	<b>23</b>	<b>23.5</b>	<b>98</b>	<b>7,352</b>	<b>69.7</b>	<b>3,202</b>	<b>30.3</b>	<b>10,554</b>
<u>Small Business</u>										
2001	49	84.5	9	15.5	58	4,612	76.1	1,446	23.9	6,058
2002	45	78.9	12	21.1	57	3,745	74.3	1,292	25.7	5,037
<b>Subtotal</b>	<b>94</b>	<b>81.7</b>	<b>21</b>	<b>18.3</b>	<b>115</b>	<b>8,357</b>	<b>75.3</b>	<b>2,738</b>	<b>24.7</b>	<b>11,095</b>
<b>Total</b>	<b>169</b>	<b>79.3</b>	<b>44</b>	<b>20.7</b>	<b>213</b>	<b>15,709</b>	<b>72.6</b>	<b>5,940</b>	<b>27.4</b>	<b>21,649</b>

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

The geographic distribution of the bank’s HMDA and small business loans reflected reasonable dispersion among census tracts of different income levels.

HMDA Loans:

The geographic distribution of HMDA related loans reflected dispersion among census tracts of different income levels.

The following chart provides a summary of the bank’s HMDA related lending distribution during the evaluation period:

Distribution of HMDA-reportable Loans by Geographic Income Level*								
2001								
Geography Income Level	Bank				Aggregate			
	#	%	\$**	%	#	%	\$**	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Moderate	5	9.3%	175	3.3%	445	7.8%	40,254	6.04%
Middle	46	85.2%	4,818	91.7%	4,520	79.7%	534,064	80.19%
Upper	3	5.6%	260	4.9%	705	12.4%	91,663	13.76%
<b>Total</b>	<b>54</b>	<b>100.0%</b>	<b>5,253</b>	<b>100.0%</b>	<b>5,670</b>	<b>100.0%</b>	<b>665,981</b>	<b>100.0%</b>
2002								
Geography Income Level	Bank				Aggregate			
	#	%	\$	%	#	%	\$	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Moderate	1	4.8%	112	5.3%	567	7.9%	53,873	5.6%
Middle	17	81.0%	1,650	78.6%	5,756	80.3%	771,331	80.7%
Upper	3	14.3%	337	16.1%	846	11.8%	130,525	13.7%
<b>Total</b>	<b>21</b>	<b>100.0%</b>	<b>2,099</b>	<b>100.0%</b>	<b>7,169</b>	<b>100.0%</b>	<b>955,729</b>	<b>100.0%</b>

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

\*\* In thousands.

As noted above, in 2001 the bank's LMI penetration rate for the number of HMDA loans was 19.2% higher, but by dollar volume significantly lower, than that of the aggregate. At the same time, the bank showed greater penetration, by both number and dollar volume, of middle-income areas as compared to upper-income areas. Middle-income tracts constitute about 68% of total census tracts in the assessment area.

In 2002, the bank's LMI lending penetration for the number of loans worsened significantly, causing it to trail the aggregate, while its penetration rate based on dollar amount improved to substantially meet the aggregate. At the same time, OCTC's relative percentage of lending in middle- versus upper-income tracts weakened, bringing its corresponding penetration rates closer to that of the aggregate.

#### Small Business Loans:

The bank's geographic distribution of small business loans reflected reasonable dispersion among census tracts of different income levels, notwithstanding a significant drop in LMI area penetration between years.

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

Distribution of Small Business Loans by Geographic Income Level								
Year 1								
Geography Income Level	Bank				Aggregate			
	#	%	\$*	%	#	%	\$*	%
Low	0	0.0%	0	0.0%	N/A	N/A	N/A	N/A
Moderate	11	22.4%	933	20.2%	N/A	N/A	N/A	N/A
Middle	36	73.5%	3,574	77.5%	N/A	N/A	N/A	N/A
Upper	2	4.1%	105	2.3%	N/A	N/A	N/A	N/A
<b>Total</b>	<b>49</b>	<b>100.0%</b>	<b>4,612</b>	<b>100.0%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
Year 2								
Geography Income Level	Bank				Aggregate			
	#	%	\$	%	#	%	\$	%
Low	0	0.0%	0	0.0%	N/A	N/A	N/A	N/A
Moderate	5	11.1%	134	3.6%	N/A	N/A	N/A	N/A
Middle	38	84.4%	3,321	88.7%	N/A	N/A	N/A	N/A
Upper	2	4.4%	290	7.7%	N/A	N/A	N/A	N/A
<b>Total</b>	<b>45</b>	<b>100.0%</b>	<b>3,745</b>	<b>100.0%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

\* In thousands

In 2001, the bank made 22.4% of its number of small business loans in moderate-income tracts, while business demographic data for the assessment area indicate that 18.1% of small businesses were located in moderate-income tracts. In middle-income tracts, the bank made 73.5% of its small business loans, while the business demographic data indicate that 64.4% of total small businesses within the assessment area were located in middle-income areas.

In 2002, the bank's small business lending penetration in LMI areas declined to 11.1%, a 50% drop from the prior year, while its lending penetration in middle-income areas rose by a similar percentage.

- **Distribution by Borrower Characteristics: "Satisfactory"**

The distribution of loans based on borrower characteristics reflected reasonable penetration among individuals of different income levels and businesses of different sizes.

HMDA Loans:

The bank's HMDA-related lending distribution based on borrower characteristics reflected reasonable penetration among individuals of different income levels.

The following chart provides a summary of the bank's HMDA lending distribution during the evaluation period:

Distribution of HMDA-reportable Loans by Borrower Income Level*								
Year 1								
Borrower Income Level	Bank				Aggregate			
	#	%	\$**	%	#	%	\$**	%
Low	3	5.6%	51	1.0%	185	3.3%	10,629	1.6%
Moderate	7	13.0%	475	9.0%	800	14.1%	64,776	9.7%
Middle	9	16.7%	900	17.1%	1,509	26.6%	155,912	23.4%
Upper	33	61.1%	3,590	68.3%	2,815	49.6%	390,580	58.6%
Not Available	2	3.7%	237	4.5%	361	6.4%	44,084	6.6%
<b>Total</b>	<b>54</b>	<b>100.0%</b>	<b>5,253</b>	<b>100.0%</b>	<b>5,670</b>	<b>100.0%</b>	<b>665,981</b>	<b>100.0%</b>
Year 2								
Borrower Income Level	Bank				Aggregate			
	#	%	\$	%	#	%	\$	%
Low	1	4.8%	5	0.2%	213	3.0%	13,677	1.4%
Moderate	2	9.5%	179	8.5%	977	13.6%	88,973	9.3%
Middle	6	28.6%	441	21.0%	2,048	28.6%	240,997	25.2%
Upper	12	57.1%	1,474	70.2%	3,442	48.0%	533,529	55.8%
Not Available	0	0.0%	0	0.0%	489	6.8%	78,553	8.2%
<b>Total</b>	<b>21</b>	<b>100.0%</b>	<b>2,099</b>	<b>100.0%</b>	<b>7,169</b>	<b>100.0%</b>	<b>955,729</b>	<b>100.0%</b>

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

\*\* In thousands.

In 2001, the bank extended 18.6% of its number of HMDA related loans to LMI borrowers, just above 17.4% for the aggregate, while its 10% LMI penetration rate based on dollar volume was just below the aggregate's 11.3% corresponding rate. During the same period, the bank extended a lower relative proportion of loans in middle- versus upper-income census tracts than did the aggregate. Refer to the table above for details.

In 2002, when the bank's overall HMDA lending declined in both number and dollar amount, lending penetration in LMI areas suffered. That year, the bank extended 14.3% by number and 8.7% by dollar volume of its loans in LMI areas, compared to 16.6% and 10.3%, respectively, for the aggregate.

### Small Business Loans:

The bank's small business lending distribution based on borrower characteristics reflected reasonable penetration among businesses of different sizes.

The following chart provides a summary of the bank's small business lending distribution based on borrower revenues during the evaluation period:

Distribution of Small Business Loans by Business Revenue Size								
2001								
Revenue Size	Bank				Aggregate			
	#	%	\$*	%	#	%	\$*	%
\$1million or less	28	57.1%	1,080	23.4%	N/A	N/A	N/A	N/A
Over \$1 million	20	40.8%	3,527	76.5%	N/A	N/A	N/A	N/A
No Revenue Info	1	2.0%	5	0.1%	N/A	N/A	N/A	N/A
<b>Total</b>	<b>49</b>	<b>100.0%</b>	<b>4,612</b>	<b>100.0%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
2002								
Revenue Size	Bank				Aggregate			
	#	%	\$	%	#	%	\$	%
\$1million or less	28	62.2%	1,538	41.1%	N/A	N/A	N/A	N/A
Over \$1 million	17	37.8%	2,207	58.9%	N/A	N/A	N/A	N/A
No Revenue Info	0	0.0%	0	0.0%	N/A	N/A	N/A	N/A
<b>Total</b>	<b>45</b>	<b>100.0%</b>	<b>3,745</b>	<b>100.0%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

\* In thousands.

In 2001, the bank made 57.1% of its small business loans to small businesses with gross annual revenues of less than \$1 million. OCTC's lending penetration among small businesses increased to 62.2% in 2002. The business demographic data indicates that approximately 74% of all businesses within the assessment area had gross annual revenues of less than \$1 million.

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

Since the latest CRA evaluation on December 30, 2000, neither the bank nor the New York State Banking Department has received any written complaints regarding the bank's CRA performance.

- **Discrimination and other Illegal Practices**

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

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

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

No evidence of prohibited discriminatory or other illegal credit practices was noted.

- **Process Factors**

**Activities conducted by the banking institution to ascertain the credit needs of its community, including the extent of the banking institution's efforts to communicate**

**with members of its community regarding the credit services being provided by the banking institution.**

The members of the bank's board of directors are leading members of the business community as well as community organizations such as the local Chamber of Commerce, the Business Improvement District Agency for downtown Middletown, and the Orange County Partnership.

**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 has made an effort to ensure that all members of the community are aware of the credit services that it offers. The bank advertises in the *Times Herald Record* newspaper, the *Senior Citizen Area News*, the *Hudson Valley Black Press*, and the *Century 21 Curabba Realty* booklet. The bank also advertises on cable television.

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

The CRA committee of the board of directors/trustees meets quarterly and an annual report is presented to the entire board on an annual basis.

- **Other Factors**

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

None noted.

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## 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:

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- 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;

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- ❖ Developing secondary market vehicles or programs;
  - ❖ Assisting in marketing financial services, including the development of advertising and promotions, publications, workshops and conferences;
  - ❖ Furnishing financial services training for staff and management;
  - ❖ Contributing accounting/bookkeeping services; and
  - ❖ Assisting in fund raising, including soliciting or arranging investments.

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

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

### **Loans to Small Businesses**

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

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

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

### **LMI Borrowers**

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

### **LMI Individuals/Persons**

Those individuals, whose income is less than 80% of the area median family income. In the case where the individual resides in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all

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instances, the area median family incomes used to measure individual income levels are updated annually by HUD.

**LMI Penetration Rate**

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

**Small Business Loans**

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