



**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:** Redwood Bank  
1000 Coffeen Street  
Watertown, NY 13601

**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 Redwood Bank (“Redwood”) 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**

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

- While the bank's loan-to-deposit ratio ("LTD") is considered reasonable given Redwood's size and performance context, the LTD is below that of the bank's national peer group average.
- A substantial majority of HMDA type, small business and consumer loans was originated within the assessment area.
- The geographic distribution of lending within the assessment area is considered reasonable given the composition of the assessment area.
- The bank's record of lending within the assessment area reflects an excellent penetration among individuals of different income levels and businesses of different sizes.
- Neither the bank nor the New York State Banking Department has received any written complaints regarding the bank's CRA performance.

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

## PERFORMANCE CONTEXT

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

Chartered in 1913, Redwood is a commercial bank located in Watertown, New York with total assets of \$80.5 million as of December 31, 2002. The bank is a wholly owned subsidiary of Northern New York Bancorp, Inc., a one-bank holding company. The bank celebrated its 90<sup>th</sup> anniversary in 2003 having grown since its inception in Redwood, New York, from one branch and \$43 thousand in "first day" deposits to eight branches and approximately \$43 million in retail deposits. Redwood maintains seven offices in Jefferson County, which are located in Watertown, Alexandria Bay, Adams, Clayton, LaFargeville, Redwood and Theresa. The Clayton branch is in a Big M supermarket. Redwood maintains one branch in Oswego County, which is located in Central Square in a Wal-Mart Super Center. Supplementing the banking offices is an ATM network featuring 24-hour ATM service at four branch locations: Alexandria Bay, Central Square, Clayton and Watertown.

To celebrate its 90<sup>th</sup> anniversary, Redwood relocated its full-service facility located at Arsenal Street, Watertown, to its newest facility at Coffeen Street, Watertown in late 2002. This operations center, located in the center of the bank's assessment area, has become the bank's headquarters.

The institution offers the following credit products:

- 1-4 family residential mortgages
- Home equity loans
- Consumer loans
- Agricultural loans
- Small business loans

The bank does not participate in any governmentally insured, guaranteed or subsidized loan programs for housing, small businesses or small farms.

As of December 31, 2002, Redwood reported gross loans of approximately \$43 million and total deposits of \$73.1 million resulting in a LTD ratio of 58.8%. The bank is primarily a 1-4 family mortgage lender, with more than 40% (\$17.3 million) of its portfolio in this category. Commercial mortgages and commercial and industrial loans also represent significant proportions of Redwood's loan portfolio with 22.7% (\$9.8 million) and 24.5% (\$10.5 million), respectively. The following is a summary of the bank's loan portfolio based on Schedule RC-C of the Federal Deposit Insurance Corporation's ("FDIC") Consolidated Reports of Condition as of December 31, 2001 and December 31, 2002:

| <b>Total Gross Loans Outstanding</b>   |                   |              |                   |              |
|--|-------------------|--------------|-------------------|--------------|
| <b>Loan Type</b>                       | <b>12/31/2001</b> |              | <b>12/31/2002</b> |              |
|  | <b>\$ (000's)</b> | <b>%</b>     | <b>\$ (000's)</b> | <b>%</b>     |
| 1-4 Family Mortgage Loans              | 18,733            | 45.4         | 17,303            | 40.3         |
| Commercial & Industrial Loans          | 8,151             | 19.8         | 10,516            | 24.5         |
| Commercial Mortgages                   | 9,733             | 23.6         | 9,773             | 22.7         |
| Multifamily Mortgages                  | 97                | 0.2          | 684               | 1.6          |
| Real Estate Loans Secured By Farmland  | 185               | 0.4          | 170               | 0.4          |
| Consumer Loans                         | 3,476             | 8.4          | 4,179             | 9.7          |
| Agricultural Loans                     | 54                | 0.1          | 22                | 0.1          |
| Construction Loans                     | 711               | 1.7          | 236               | 0.5          |
| Obligations of States & Municipalities | 120               | 0.3          | 90                | 0.2          |
| Unearned Income                        | (12)              | 0.0          | (6)               | 0.0          |
| <b>Total Gross Loans</b>               | <b>41,248</b>     | <b>100.0</b> | <b>42,967</b>     | <b>100.0</b> |

According to the FDIC's Summary of Deposits Report as of June 30, 2002, Redwood received all of its deposits (\$66.7 million) in Jefferson County. The Central Square branch in Oswego County opened in August 2002 and is not included in this report. Redwood ranked sixth out of eight banks operating in Jefferson County, with 6.44% of the county's retail deposits. The bank had more offices than five competitors and an equal number as HSBC Bank. Keybank NA maintained the largest branch network in Jefferson County with eight offices.

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

#### **Assessment Area:**

Redwood has defined its assessment area as Jefferson and Oswego Counties in their entireties. These two counties contain a combined total of 53 census tracts and block numbering areas ("BNAs") including 1 (1.9%) low-income, 9 (17%) moderate, 40 (75.5%) middle- and 3 (5.7%) upper-income tracts. (Throughout this report, the term "tracts" will be used for census tracts and BNAs except for the county demographic sections).

According to the 1990 U.S. Census, there were approximately 239 and 10.1 thousand families, respectively, living in low- and moderate-income tracts in the assessment area. Jefferson and Oswego Counties had a combined population of 232.7 thousand, of which 11% of the population was over the age of 65 and 25% under the age of 16. There were 54.9 thousand families in the assessment area, of which 12.5 thousand (21.1%) were low-income, 11.6 thousand (19.6%) were moderate-, 11.6 thousand (25.3%) middle- and 20.2 thousand (34%) were upper-income.

There were 80.2 thousand households in the assessment area, of which 9.6 thousand (12%) had income below the poverty level. The area had approximately 99.1 thousand housing units, of which 73.1 thousand (73.8%) were 1-4 family, 16 thousand (16.2%)

mobile homes, and 7.9 thousand (8%) multifamily units. Approximately 53.4 thousand (53.9%) units were owner-occupied and 28.8 thousand (29%) were rental units. Vacant housing units totaled 18.9 thousand (19%). The weighted average of median housing value was \$62.3 thousand and the median age of housing was 33 years.

### **Jefferson County**

Jefferson County is not part of a metropolitan statistical area (“MSA”) and has 24 BNAs including 1 (4.2%) low-income area, 4 (16.7%) moderate-, 17 (70.1%) middle- and 2 (8.3%) upper-income areas. In 1990, there were 5.5 thousand families living in LMI areas and 3.1 thousand (56.5%) of those families were LMI. There were 50.5 thousand housing units in Jefferson County, 37.2 thousand (73.7%) of which were 1-4 family units, 7.3 thousand (14.5%) were mobile homes and 4.5 thousand (9%) were multifamily units. Approximately 37.9 thousand units (74.9%) were owner-occupied and 16.6 thousand (32.8%) were rental units. Occupied housing units totaled 37.9 thousand (74.9%) and the median housing age was 36 years. Approximately 8.0 thousand (30.5%) owner-occupied units were in LMI areas.

According to the U.S. Census Bureau, Jefferson County’s population was 111.7 thousand in 2000 and projected to decline by 2% (2.2 thousand) in 2001.

According to the New York State Department of Labor, Jefferson County’s unemployment rates were 8.0% and 7.8% in 2001 and 2002, respectively. The county’s average unemployment rates were substantially above New York State’s rates of 4.9% in 2001 and 6.1% in 2002.

### **Oswego County**

Oswego County is part of MSA 8160 Syracuse-NY, and consists of 29 census tracts. Based on the 1990 U.S. Census, Oswego County had no low-income tracts, 5 (17.2%) moderate-, 23 (79.3%) middle- and 1 (3.4%) upper-income tract. Approximately 4.8 thousand families lived in moderate-income tracts and 52.6% (2.5 thousand) of those families were LMI. There were 48.5 thousand housing units in Oswego County, 35.9 thousand (73.9%) of which were 1-4 family units, 8.7 thousand (17.9%) were mobile homes and 3.4 thousand (6.9%) were multifamily units. Approximately 31 thousand units (63.8%) were owner-occupied and 12.2 thousand (25.1%) were rental units. Occupied housing units totaled 42.4 thousand (87.4%) and the median housing age was 39 years. According to the U.S. Census Bureau, Oswego County’s population was 122.4 thousand in 2000 and was estimated to decrease 0.1% (106) in 2001.

According to the New York State Department of Labor, Oswego County’s unemployment rates were 6.5% and 7.5% in 2001 and 2002, respectively. The county’s average unemployment rates were well above the state’s rates of 4.9% in 2001 and 6.1% in 2002. Oswego County’s unemployment rates were also well above MSA 8160’s rates of 4.6% and 5.5% in 2001 and 2002, respectively.

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

## PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

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

The evaluation of performance under factors 2, 3, and 4, above, is based on a sample containing HMDA type, small business and consumer loans originated by the bank during calendar years 2001 and 2002. Comparisons to aggregate data will not be used in this report. Since Redwood had neither a home office nor branch office in an MSA as of December 31 of either 2000 or 2001, the bank was not required to report HMDA-data for 2001 or 2002 and is not part of the HMDA aggregate for these years. Redwood is also not part of the aggregate for small business lending, since small banks are not required to submit data on lending to small businesses. Data submission regarding consumer lending is not required of any institution.

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

Redwood's LTD ratio is considered reasonable given the bank's size and performance context. Based on the Uniform Bank Performance Report ("UBPR"), the bank's average LTD ratio for the eight consecutive quarters ended December 31, 2002 was 62.5%. Redwood's LTD ratio is about 13 percentage points below the peer group's average of 75.4%. The peer group includes all insured commercial banks operating in a non-MSA with assets between \$50 million and \$100 million, and three or more branches.

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

In 2001 and 2002, a substantial majority of HMDA type, small business and consumer loans was originated within the assessment area. The following charts show the concentration of the bank's lending within the assessment area.

| <b>Assessment Area Lending – 2001</b> |           |            |                |            |          |            |
|---------------------------------------|-----------|------------|----------------|------------|----------|------------|
|                                       | HMDA Type |            | Small Business |            | Consumer |            |
|                                       | #         | \$ (000's) | #              | \$ (000's) | #        | \$ (000's) |
| All Lending                           | 16        | 554        | 36             | 2,115      | 35       | 321        |
| Assessment Area                       | 15        | 549        | 36             | 2,115      | 33       | 276        |
| % In Assessment Area                  | 93.8      | 99.1       | 100            | 100        | 94.3     | 86.0       |

| <b>Assessment Area Lending – 2002</b> |           |            |                |            |          |            |
|---------------------------------------|-----------|------------|----------------|------------|----------|------------|
|                                       | HMDA Type |            | Small Business |            | Consumer |            |
|                                       | #         | \$ (000's) | #              | \$ (000's) | #        | \$ (000's) |
| All Lending                           | 34        | 1,009      | 32             | 3,121      | 58       | 293        |
| Assessment Area                       | 33        | 1,006      | 31             | 3,106      | 55       | 276        |
| % In Assessment Area                  | 97.1      | 99.7       | 96.9           | 99.5       | 94.8     | 94.2       |

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

Overall, the geographic distribution of the bank’s lending is considered reasonable given the demographics of the assessment area. Redwood’s relatively low level of lending in Oswego County is attributed to the bank’s recent entry into this county. The bank’s only branch in Oswego County opened in August 2002.

### HMDA Type Loans

The geographic distribution of Redwood’s HMDA type loans is considered reasonable.

In 2001, the 15 HMDA type loans made within the assessment area were home improvement loans totaling \$549 thousand. These were originated in middle-income tracts within Jefferson County.

In 2002, HMDA type lending within the assessment area more than doubled to 33 loans and was more diverse, with 43% of originations being home improvement loans, 33% refinances and 24% home purchase loans. Three (9.4%) of these loans totaling \$121 thousand (12.1%) were originated in LMI tracts in Jefferson County. Only one of the 33 loans was originated in Oswego County and this was in a middle-income tract.

| <b>Geographic Distribution of HMDA Type Loans – 2002</b> |                         |              |                   |              |                      |              |                   |              |              |                   |
|--|-------------------------|--------------|-------------------|--------------|----------------------|--------------|-------------------|--------------|--------------|-------------------|
| <b>Geography</b>   | <b>Jefferson County</b> |              |                   |              | <b>Oswego County</b> |              |                   |              | <b>Total</b> |                   |
| <b>Income Level</b>                                      | <b>#</b>                | <b>%</b>     | <b>\$ (000's)</b> | <b>%</b>     | <b>#</b>             | <b>%</b>     | <b>\$ (000's)</b> | <b>%</b>     | <b>#</b>     | <b>\$ (000's)</b> |
| Low  | 0                       | 0.0          | 0                 | 0.0          | 0                    | 0.0          | 0                 | 0.0          | 0            | 0                 |
| Moderate   | 3                       | 9.4          | 121               | 12.1         | 0                    | 0.0          | 0                 | 0.0          | 3            | 121               |
| Middle   | 28                      | 87.5         | 810               | 81.3         | 1                    | 100.0        | 10                | 100.0        | 29           | 820               |
| Upper  | 1                       | 3.1          | 65                | 6.5          | 0                    | 0.0          | 0                 | 0.0          | 1            | 65                |
| <b>Total</b>   | <b>32</b>               | <b>100.0</b> | <b>966</b>        | <b>100.0</b> | <b>1</b>             | <b>100.0</b> | <b>10</b>         | <b>100.0</b> | <b>33</b>    | <b>1,006</b>      |

### Small Business Loans

The geographic distribution of Redwood’s small business loans is considered reasonable.

In 2001, of the bank’s 36 small business loans, four (11.1%) totaling \$207 thousand (9.8%) were originated in LMI tracts.

| <b>Small Business Lending – 2001</b> |                         |              |                   |              |                      |            |                   |            |              |                   |
|--------------------------------------|-------------------------|--------------|-------------------|--------------|----------------------|------------|-------------------|------------|--------------|-------------------|
| <b>Geography</b>                     | <b>Jefferson County</b> |              |                   |              | <b>Oswego County</b> |            |                   |            | <b>Total</b> |                   |
| <b>Income Level</b>                  | <b>#</b>                | <b>%</b>     | <b>\$ (000's)</b> | <b>%</b>     | <b>#</b>             | <b>%</b>   | <b>\$ (000's)</b> | <b>%</b>   | <b>#</b>     | <b>\$ (000's)</b> |
| Low                                  | 1                       | 2.8          | 4                 | 0.2          | 0                    | 0.0        | 0                 | 0.0        | 1            | 4                 |
| Moderate                             | 3                       | 8.3          | 203               | 9.6          | 0                    | 0.0        | 0                 | 0.0        | 3            | 203               |
| Middle                               | 30                      | 83.3         | 1,816             | 85.9         | 0                    | 0.0        | 0                 | 0.0        | 30           | 1,816             |
| Upper                                | 2                       | 5.6          | 92                | 4.3          | 0                    | 0.0        | 0                 | 0.0        | 2            | 92                |
| <b>Total</b>                         | <b>36</b>               | <b>100.0</b> | <b>2,115</b>      | <b>100.0</b> | <b>0</b>             | <b>0.0</b> | <b>0</b>          | <b>0.0</b> | <b>36</b>    | <b>2,115</b>      |

In 2002, Redwood originated 31 small business loans, of which three (9.7%) totaling \$200 thousand (6.4%) were in LMI tracts in Jefferson County. Similar to the HMDA type lending, only one of the 31 small business loans was originated in Oswego County and this was in a middle-income tract.

| <b>Small Business Lending – 2002</b> |                         |              |                   |              |                      |              |                   |              |              |                   |
|--------------------------------------|-------------------------|--------------|-------------------|--------------|----------------------|--------------|-------------------|--------------|--------------|-------------------|
| <b>Geography</b>                     | <b>Jefferson County</b> |              |                   |              | <b>Oswego County</b> |              |                   |              | <b>Total</b> |                   |
| <b>Income Level</b>                  | <b>#</b>                | <b>%</b>     | <b>\$ (000's)</b> | <b>%</b>     | <b>#</b>             | <b>%</b>     | <b>\$ (000's)</b> | <b>%</b>     | <b>#</b>     | <b>\$ (000's)</b> |
| Low                                  | 1                       | 3.3          | 118               | 4.1          | 0                    | 0.0          | 0                 | 0.0          | 1            | 118               |
| Moderate                             | 2                       | 6.7          | 82                | 2.8          | 0                    | 0.0          | 0                 | 0.0          | 2            | 82                |
| Middle                               | 26                      | 86.7         | 2,625             | 90.3         | 1                    | 100.0        | 200               | 100.0        | 27           | 2,825             |
| Upper                                | 1                       | 3.3          | 81                | 2.8          | 0                    | 0.0          | 0                 | 0.0          | 1            | 81                |
| <b>Total</b>                         | <b>30</b>               | <b>100.0</b> | <b>2,906</b>      | <b>100.0</b> | <b>1</b>             | <b>100.0</b> | <b>200</b>        | <b>100.0</b> | <b>31</b>    | <b>3,106</b>      |

### Consumer Loans

The geographic distribution of Redwood's consumer loans is considered reasonable.

In 2001, of the bank's 33 consumer loan originations, three (9.1%) totaling \$13 thousand (4.7%) were in LMI tracts.

| <b>Geographic Distribution of Consumer Loans– 2001</b> |                         |              |                   |              |                      |            |                   |            |              |                   |
|--|-------------------------|--------------|-------------------|--------------|----------------------|------------|-------------------|------------|--------------|-------------------|
| <b>Geography</b>                                       | <b>Jefferson County</b> |              |                   |              | <b>Oswego County</b> |            |                   |            | <b>Total</b> |                   |
| <b>Income Level</b>                                    | <b>#</b>                | <b>%</b>     | <b>\$ (000's)</b> | <b>%</b>     | <b>#</b>             | <b>%</b>   | <b>\$ (000's)</b> | <b>%</b>   | <b>#</b>     | <b>\$ (000's)</b> |
| Low  | 0                       | 0.0          | 0                 | 0.0          | 0                    | 0.0        | 0                 | 0.0        | 0            | 0                 |
| Moderate   | 3                       | 9.1          | 13                | 4.7          | 0                    | 0.0        | 0                 | 0.0        | 3            | 13                |
| Middle   | 30                      | 90.9         | 263               | 95.3         | 0                    | 0.0        | 0                 | 0.0        | 30           | 263               |
| Upper  | 0                       | 0.0          | 0                 | 0.0          | 0                    | 0.0        | 0                 | 0.0        | 0            | 0                 |
| <b>Total</b>   | <b>33</b>               | <b>100.0</b> | <b>276</b>        | <b>100.0</b> | <b>0</b>             | <b>0.0</b> | <b>0</b>          | <b>0.0</b> | <b>33</b>    | <b>276</b>        |

In 2002, although the number of consumer loans originated increased to 55, Redwood still made three loans in LMI areas, although with a greater dollar amount. The LMI penetration ratio (5.5%) represents a decline of almost 40% due to the increase in middle-income tract volume. All of the consumer loans were generated in Jefferson County.

| <b>Geographic Distribution of Consumer Loans – 2002</b> |                         |              |                   |              |                      |            |                   |            |              |                   |
|---|-------------------------|--------------|-------------------|--------------|----------------------|------------|-------------------|------------|--------------|-------------------|
| <b>Geography</b>  | <b>Jefferson County</b> |              |                   |              | <b>Oswego County</b> |            |                   |            | <b>Total</b> |                   |
| <b>Income Level</b>                                     | <b>#</b>                | <b>%</b>     | <b>\$ (000's)</b> | <b>%</b>     | <b>#</b>             | <b>%</b>   | <b>\$ (000's)</b> | <b>%</b>   | <b>#</b>     | <b>\$ (000's)</b> |
| Low   | 0                       | 0.0          | 0                 | 0.0          | 0                    | 0.0        | 0                 | 0.0        | 0            | 0                 |
| Moderate  | 3                       | 5.5          | 121               | 12.1         | 0                    | 0.0        | 0                 | 0.0        | 3            | 121               |
| Middle  | 52                      | 94.5         | 810               | 81.3         | 0                    | 0.0        | 0                 | 0.0        | 52           | 810               |
| Upper   | 0                       | 0.0          | 65                | 6.5          | 0                    | 0.0        | 0                 | 0.0        | 0            | 65                |
| <b>Total</b>  | <b>55</b>               | <b>100.0</b> | <b>996</b>        | <b>100.0</b> | <b>0</b>             | <b>0.0</b> | <b>0</b>          | <b>0.0</b> | <b>55</b>    | <b>996</b>        |

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

The bank’s record of lending within the assessment area reflects excellent distribution of loans to individuals of different income levels and businesses of different sizes.

#### HMDA Type Loans

The distribution of Redwood’s HMDA type loans according to borrower characteristics is considered excellent. In 2001, Redwood originated six (40%) HMDA type loans totaling \$177 thousand (32.2%) to LMI borrowers. In 2002, the bank originated 12 (36.4%) loans totaling \$222 thousand (22.1%) to LMI borrowers.

#### Small Business Loans

The level of the bank’s lending to small businesses is considered reasonable. In 2001, the bank originated 25 (69.4%) small business loans totaling \$1.5 million (72.3%) to businesses with annual revenues of \$1 million dollars or less. In 2002, the bank extended 23 (76.7%) small business loans totaling \$1.7 million (58.1%) in Jefferson County to businesses with annual revenues of \$1 million dollars or less. In Oswego County, the bank originated one \$200 thousand loan to a business with annual revenues of \$1 million dollars or less.

#### Consumer Loans

The distribution of the bank’s consumer loans according to borrower characteristics is considered excellent. In 2001, Redwood originated 13 (39.4%) consumer loans totaling \$65 thousand (23.6%) to LMI borrowers. In 2002, the bank originated 30 (54.5%) loans totaling \$129 thousand (46.7%) to LMI borrowers. None of the consumer loans were originated in Oswego County.

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

Neither the bank nor the New York State Banking Department has received any written complaints regarding the bank’s CRA performance.

- **Discrimination or Other Illegal Practices**

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

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

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

The most recent regulatory compliance examination conducted as of November 30, 2003 indicates a satisfactory performance in terms of adherence to antidiscrimination or other applicable laws and regulations. No evidence of prohibited discriminatory or other illegal credit practices was noted.

- **Process Factors**

**Activities conducted by the banking institutions to ascertain the credit needs of its community, including the extent of the banking institution 's effort to communicate with members of its community regarding the credit services being provided by the banking institution.**

Redwood Bank meets with representatives of the Clayton Improvement Association to ascertain community credit needs.

**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 a first time homebuyers program that permits higher loan to value and lower closing costs. At present, there are no closing costs imposed through this program.

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

The CRA officer reports to the board of directors quarterly with updates and CRA issues.

- **Other Factors**

None noted.

## GLOSSARY

### Aggregate

The cumulative lending by all HMDA-reporting lenders in the same geographic area under evaluation.

### Community Development

The term “community development” is defined to mean:

1. Affordable housing (including multifamily housing) for low- or moderate-income (“LMI”) individuals;
2. Community services targeted to LMI individuals;
3. Activities that promote economic development by financing business or farms that meet the size eligibility standards of the United States Small Business Administration (“SBA”) Development Company or Small Business Investment Company programs, or have gross annual incomes of \$1 million or less;
4. Activities that revitalize or stabilize LMI geographies; and
5. Activities that seek to prevent defaults and/or foreclosures in loans included in (1) and (3), above.

A “community development loan” is defined as a loan that has as its *primary purpose* community development. This includes but is not limited to loans to:

- Borrowers for affordable housing rehabilitation and construction, including construction and permanent financing for multifamily rental property serving low or moderate income (“LMI”) persons;
- Nonprofit organizations serving primarily LMI or other community development needs;
- Borrowers to construct or rehabilitate community facilities that are located in LMI areas or that primarily serve LMI individuals;
- Financial intermediaries including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds or pools, micro-finance institutions, and low-income or community development credit unions that primarily lend or facilitate lending to promote community development;
- Local, state and tribal governments for community development activities; and
- Borrowers to finance environmental clean-up or redevelopment of an industrial site as part of an effort to revitalize the LMI community in which the property is located.

A “qualified investment” is defined as a lawful investment, deposit, membership share or grant that has as its *primary purpose* community development. This includes but is not limited to investments, deposits, membership shares or grants in or to:

- Financial intermediaries (including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds, micro-finance institutions and low-income or community development credit unions) that primarily lend or facilitate lending in LMI areas or to LMI individuals in order to promote community development;
- Organizations engaged in affordable housing rehabilitation and construction;
- Organizations, including, for example, small business investment corporations that promote economic development by financing small businesses;
- Facilities that promote community development in LMI areas or LMI individuals, such as youth programs, homeless centers, soup kitchens, health care facilities, battered women’s centers, and alcohol and drug recovery centers;
- Projects eligible for low-income housing tax credits;
- State and municipal obligations, such as revenue bonds that specifically support affordable housing or other community development needs;
- Organizations serving LMI housing or other community development needs, such as counseling for credit, home ownership, home maintenance, and other financial services education; and
- Organizations supporting activities essential to the capacity of LMI individuals or geographies to utilize credit to sustain economic development, such as day care operations and job training programs that facilitate access to permanent jobs.

A “community development service” is defined as a service that has as its *primary purpose* community development, is related to the provision of financial services, and has not been considered in the evaluation of the banking institution's retail banking services. This includes but is not limited to:

- Providing technical assistance on financial matters to nonprofit, tribal or government organizations serving LMI housing or economic revitalization and development needs;
- Providing technical assistance on financial matters to small businesses or community development organizations;
- Lending employees to provide financial services for organizations facilitating affordable housing construction and rehabilitation or development of affordable housing;
- Providing credit counseling, home buyers and home maintenance counseling, financial planning or other financial services education to promote community development and affordable housing;
- Establishing school savings programs for LMI individuals;
- Providing seminars for LMI persons on banking and bank account record-keeping;
- Making ATM “Training Machines” available for extended periods at LMI community sites or at community facilities that serve LMI individuals; and
- Technical assistance activities to community development organizations such as:
  - ❖ Serving on a loan review committee;
  - ❖ Developing loan application and underwriting standards;
  - ❖ Developing loan processing systems;
  - ❖ Developing secondary market vehicles or programs;
  - ❖ Assisting in marketing financial services, including the development of

- ❖ advertising and promotions, publications, workshops and conferences;
- ❖ Furnishing financial services training for staff and management;
- ❖ Contributing accounting/bookkeeping services; and
- ❖ Assisting in fund raising, including soliciting or arranging investments.

### **Demand-Adjusted Penetration Rate**

The number of owner-occupied loans made by the institution (or aggregate as appropriate) in a geographic area per thousand owner-occupied housing units in that area. Mathematically, it is arrived at by dividing the number of owner-occupied housing units into the number of loans made and then multiplying by 1,000.

### **Demand-Adjusted Penetration Ratio**

A ratio that depicts geographic penetration of loans by comparing demand-adjusted lending in LMI areas with non-LMI areas. Mathematically, it is arrived at by dividing the demand-adjusted penetration rate in non-LMI areas into the demand-adjusted penetration rate in LMI areas and then expressed as a percentage.

A ratio of 100% means that the institution (or aggregate as appropriate) made an equal number of loans proportionally in LMI and non-LMI areas. Less than 100 percent would indicate less lending in LMI areas on the same basis compared to non-LMI areas, whereas over 100 percent would indicate a greater level of lending in LMI areas versus non-LMI areas.

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

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

### **Loans to Small Businesses**

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

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

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

### **LMI Borrowers**

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

### **LMI Individuals/Persons**

Those individuals, whose income is less than 80% of the area median family income. In the case where the individual resides in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide nonmetropolitan median family income. In all instances, the area median family incomes used to measure individual income levels are updated annually by HUD.

### **Small Business Loans**

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