



**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:** The Troy Savings Bank

**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 The Troy Savings Bank (“TSB”) 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 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**

TSB is rated "1," indicating an outstanding record of helping to meet community credit needs. The assigned rating reflects the following factors:

### **Lending Test - High Satisfactory**

- For the evaluation period, the bank's lending volume of both Home Mortgage Disclosure Act ("HMDA")-reportable and small business loans exhibited good responsiveness to the assessment area's credit needs. According to the 2001 HMDA Lender Market Share Report, TSB ranked 22<sup>nd</sup> among 317 lenders, with a market share of 1.2% based on the number of loans, and ranked 20<sup>th</sup>, with a market share of 1.15% based on the dollar amount. For its small business loans, the 2001 Lender Market Share Report ranked the bank 18<sup>th</sup> among 92 lenders, with a market share of 1.55% by number, and 8<sup>th</sup>, with a market share of 6.04% based on dollar volume.
- The bank originated a substantial majority of its HMDA-reportable and small business loans in its assessment area. Assessment area percentages exceeded 95% for both products during both years of the evaluation period.
- The bank's overall geographic distribution of HMDA-related and small business loans reflected good dispersion throughout the assessment area, though its performance in this category was uneven.

In 2001, the bank extended 4.4% by number and 3.3% by dollar amount of its HMDA loans in LMI areas, well below the aggregate's corresponding penetration rates of 11.6% and 7.4%, respectively. The bank's lending penetration in LMI areas improved somewhat in 2002, but was still significantly below the prior year's aggregate. In contrast, the bank made 24.2% of its small business loans in LMI areas in 2001, significantly ahead of the aggregate's 18% penetration rate, based on the number of loans, but just below its penetration rate based on dollar volume. TSB's small business lending penetration in LMI areas increased in both number and dollar amount in 2002.

- The bank's overall distribution of HMDA-related and small business loans according to borrower characteristics reflected good penetration among borrowers of different income levels and businesses of different revenue sizes. Like its geographic distribution, the bank's performance in this category was somewhat uneven.

In 2001, the bank extended 17.5% by number and 10.7% by dollar amount of its HMDA loans to LMI borrowers, moderately trailing the corresponding aggregate penetration rates. TSB's LMI penetration rates improved somewhat in 2002.

While the bank significantly outperformed the aggregate in making loans to small businesses (with gross annual revenues of less than \$1 million), it made a notably lower

percentage of its loans in amounts equal to or less than \$100 thousand than the aggregate. Specifically, in 2001, the bank made 53.2% of its small business loans to businesses with gross annual revenues of less than \$1 million and 68.3% of its loans in amounts equal to or less than \$100 thousand. During the same period, the aggregate extended only 41% of its small business loans to small business, but achieved a much higher small loan penetration rate of 92.4%. TSB's proportion of loans to small businesses increased significantly in 2002, while its penetration rate for loans in the smallest loan size category worsened.

- For the evaluation period, the bank showed leadership in making community development loans. In this period, they totaled nearly \$23.6 million, including \$9.5 million, or 40%, in new money.
- TSB uses flexible lending practices in serving assessment area credit needs, including the Federal Home Loan Bank of New York ("FHLBNY") First Home Club Program, State of New York Mortgage Agency ("SONYMA") Low Interest Rate Mortgage Programs and the bank's own Dream Partnership Program.

### **Investment Test – Outstanding**

For the evaluation period, the bank had an excellent level of qualified community development investments, including grants. Though the investment vehicles are not innovative or complex, TSB's volume of activity demonstrates excellent responsiveness to credit and community development needs. Qualified investments totaled \$13.6 million, including \$1.5 million in grants, with a substantial majority of the qualified investments considered new money.

### **Service Test - Outstanding**

- The bank's delivery systems are readily accessible to all portions of the assessment area. Of the bank's 21 branches, nine, or 43%, are either in LMI geographies or in areas adjacent to LMI census tracts.
- TSB's record of opening and closing of branches has not adversely affected the accessibility of its delivery systems. Between evaluations, the bank did not open or close any branches.
- TSB tailors its branch services to the convenience and needs of the assessment area, particularly LMI geographies. For example, of the three branches in LMI areas, one is open on Saturday and another on Sunday.
- During the evaluation period, the bank demonstrated leadership in providing community development services in its assessment area. Highlights include the bank's loan servicing for nonprofit organizations that serve LMI individuals or geographies, and its sponsorship of nonprofit organizations in order to request grants from the FHLBNY Affordable Housing Program.

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

## PERFORMANCE CONTEXT

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

Established in 1823 and headquartered in Troy, New York, The Troy Savings Bank is the oldest state-chartered savings bank in New York. On March 31, 1999, the bank converted to a stock form institution, and simultaneously became a wholly owned subsidiary of Troy Financial Corp. ("TFC"), the holding company that also owns The Troy Commercial Bank ("TCB").

TSB provides a wide range of banking, financing, fiduciary and other financial services to corporate, individual and institutional customers through its 21 branch offices and subsidiary companies. These subsidiaries include: The Family Mortgage Banking Co., Inc., a mortgage-banking subsidiary that originates the majority of the bank's residential real estate and residential construction loans; T.S. Capital Corp., a small business investment company licensed by the Small Business Administration ("SBA"); The Family Insurance Agency, Inc., an insurance agency; The Troy Financial Investment Services Group, a full service brokerage firm offering a range of investment products; and Troy Realty Funding Corp., a real estate investment trust.

The bank also owns The Troy Savings Bank Charitable Foundation, Inc., established in 1998, and The Troy Savings Bank Community Foundation, Inc., formed during 1999 immediately following TSB's conversion to stock form.

The bank has six other wholly owned subsidiaries that are involved in the management of, or investment in, foreclosed or purchased real estate. In addition, it has two inactive subsidiaries.

As per the Federal Deposit Insurance Corporation's ("FDIC") Consolidated Report of Condition (the "Call Report") at December 31, 2002, the bank reported total assets of almost \$1.1 billion, of which loans (net of unearned income and allowances) accounted for \$762.8 million, or 69.3% of total assets. As of the same date, deposits totaled almost \$810.6 million.

According to the latest available comparative deposit data dated June 30, 2002, the bank obtained a market share of 4.97%, or \$817 million out of \$16.4 billion inside its market, ranking it 7<sup>th</sup> among 25 deposit-taking institutions in the assessment area. Refer to the table below for the bank's rankings by MSA or county:

<b>BANK'S DEPOSIT MARKET SHARE AS OF JUNE 30, 2002</b>				
<b>Assessment Area (A/A)</b>	<b>No. Of Branches</b>	<b>Deposits (\$ in thousands)</b>	<b>Market Share %</b>	<b>Ranking</b>
MSA #0160	13	605,605	4.26%	7 <sup>th</sup> of 25
MSA #2975	3	55,780	3.55%	5 <sup>th</sup> of 9
Greene County	5	155,810	24.09%	2 <sup>nd</sup> of 8
<b>A/A Total</b>	<b>21</b>	<b>817,195</b>	<b>4.97%</b>	<b>7<sup>th</sup> of 25</b>

The bank offers a wide variety of lending products including: residential mortgages, commercial mortgages, multifamily mortgages, commercial and industrial loans and consumer loans.

The following table illustrates the bank's loan portfolio as of December 31, 2001 and December 31, 2002, according to the FDIC Call Reports:

<b>TOTAL GROSS LOANS OUTSTANDING</b>				
LOAN TYPE	12/31/2001		12/31/2002	
	\$000*	%	\$000*	%
Residential Mortgage Loans	347,774	45.6	330,498	42.4
Commercial Mortgage Loans	188,356	24.7	212,331	27.2
Multifamily Mortgages	83,605	11.0	89,476	11.5
Consumer Loans	29,515	3.9	14,376	1.8
Commercial & Industrial Loans	88,569	11.6	100,176	12.8
Other Loans	24,877	3.3	32,791	4.2
Total Gross Loans	762,696	100.0	779,648	100.0

\* In thousands

Between evaluations, the bank's loan portfolio increased by 2%, to \$779.6 million at December 31, 2002, from \$763.9 million reported at December 31, 2000. The bank is primarily a real estate lender, with real estate-related loans accounting for \$632.3 million, or 81.1% of the loan portfolio on December 31, 2002.

TSB participated in governmentally insured, guaranteed or subsidized loan programs for affordable housing and small business, including those sponsored by the Federal Home Loan Mortgage Corporation ("FHLMC"/"Freddie Mac"), State of New York Mortgage Association ("SONYMA") and Small Business Administration ("SBA"). The bank also participated in the New York State Excelsior Linked Deposit Loan program.

TSB received a rating of "1," reflecting an outstanding 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.

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

#### Bank Holding Company and Subsidiary

TFC is a community based, full-service financial services company, offering a wide variety of business, consumer and municipal banking products, as well as a full range of trust, insurance and investment services. For its fiscal year ending September 30, 2002, TFC reported approximately \$1.3 billion in total assets and about \$883 million in total deposits. In 2000, TFC established TCB, a commercial bank headquartered in Troy, New York,

primarily to attract municipal deposits, which TSB cannot accept under New York State law. Customers of TCB include local school districts, libraries, fire districts, villages, towns, cities, counties, power authorities and boards of cooperative educational services. As of December 31, 2002, TCB had nearly \$123.8 million in total assets, which were comprised primarily (98.3%) of securities investments. Total municipal deposits were \$92 million as of the same date.

Subsequent event: Subsequent to this evaluation period, on August 11, 2003, Niagara Financial Group, Inc. and TFC announced that they had signed a definitive Merger Agreement under which Troy Financial Corporation would merge into First Niagara. The merger was completed early in 2004.

### **Assessment Area:**

The bank's assessment area includes all of the counties located within the Albany-Schenectady-Troy, N.Y. Metropolitan Statistical Area ("MSA") #0160, the adjacent Greene County, and the entire Glens Falls N.Y. MSA #2975.

Excluding five zero census tracts, there are 257 tracts in the assessment area, of which eight (3.1%) are low-income, 53 (20.6%) are moderate-income, 151 (58.8%) are middle-income and 45 (17.5%) are upper-income tracts.

According to the 1990 U.S. Census, the bank's total population in the assessment area was just over 1 million, of which 144.8 thousand (14.5%) were over the age of 65 and 215.1 thousand (21.5%) were under the age of 16.

There were about 265 thousand families in the assessment area, of which 46.6 thousand (17.6%) were low-income, 50.3 thousand (19%) were moderate-income, 67.8 thousand (25.6%) were middle-income and 100.5 thousand (37.9%) were upper-income. Of the total 96.9 thousand LMI families, 29 thousand (30%) lived in LMI census tracts, accounting for 60.4% of all families (48 thousand) that lived in LMI tracts.

There were 389.9 thousand households in the area, of which 11.6 thousand (3%) lived in low-income tracts, 69.2 (17.7%) lived in moderate-income tracts, 231.9 thousand (59.5%) lived in middle-income tracts, and 77.1 thousand (19.8%) lived in upper-income tracts. Nearly 35.9 thousand (9%) households had incomes below the poverty level and 21 thousand (5%) received public assistance.

There were almost 441.9 thousand housing units in the assessment area, of which 360.6 thousand (81.6%) were 1 to 4 family units and almost 49.5 thousand (11.2%) were multi-family units. About 254.2 thousand (57.5%) of the housing units were owner-occupied, 135.7 thousand (30.7%) were rental-occupied and 53.6 thousand (12.1%) were vacant or boarded up. In 1990, the median home value in the assessment area was \$94.1 thousand.

The LMI tracts of the assessment area had 95.7 thousand housing units, of which almost 74 thousand (77.3%) were single-family units, 14.2 thousand (14.8%) were multi-family

units, 36.8 thousand (38.5%) were owner-occupied, 43.9 thousand (45.9%) were rental occupied and 15.3 thousand (16%) were vacant or boarded up.

Based on estimates by the U.S Department of Housing and Urban Development (“HUD”), the median family income for the assessment area increased to \$53.6 thousand in 2002, from \$38.3 thousand reported in the 1990 U.S. Census.

According to the New York Department of Labor, the average unemployment rates for MSA #0160 were 3.8% in 2002 and 3.2% in 2001, compared with 6.1% for New York State in 2002 and 4.9 % in 2001. The average unemployment rates for Glens Falls, NY MSA # 2975 were 5% in 2002 and 4.3% in 2001, and for Greene County were 4.5% in 2002 and 4.4 % in 2001.

The assessment area appears reasonable based upon the location of bank’s offices and its lending patterns. The bank did not arbitrarily exclude LMI areas.

### **Albany-Schenectady-Troy, N.Y. MSA #0160**

According to the 1990 Census data, excluding four zero census tracts, there were 212 tracts in the assessment area, of which eight (3.8%) were low-income tracts, 50 (23.6 %) were moderate-income tracts, 113 (53.3%) were middle-income and 41 (19.3%) were upper-income tracts.

As per the same census, the total population in the assessment area was 861.4 thousand, of which 121.3 thousand (14%) were over the age of 65 and 179.2 thousand (20.8%) were under the age of 16.

There were 222.5 thousand families in the assessment area, of which 39.2 thousand (17.6%) were low-income, 42.4 thousand (19.1%) were moderate-income, 56.7 thousand were (25.5%) middle-income and 84.1 thousand (37.8%) were upper-income families. Of the total 81.6 thousand LMI families, 28.4 thousand (34.8%) lived in LMI census tracts, accounting for 60.5% of all the families (46.9 thousand) that lived in LMI tracts.

There were 330.6 thousand households in the area, of which 11.6 thousand (4%) were low-income, 67.2 (20%) were moderate-income, 182 thousand (55%) were middle-income, and 69.8 thousand (21%) were upper-income. Nearly 29.9 thousand (9%) households had incomes below the poverty level and 17.7 thousand (5%) received public assistance.

There were 361 thousand housing units in the assessment area, of which 292.4 thousand (80%) were 1-to-4 family units and 45.2 thousand (12%) were multi-family units. Approximately 211.5 thousand (58.6%) housing units were owner-occupied, nearly 119 thousand (32.9%) were rental-occupied, and 31.7 thousand (8.8%) were vacant or boarded up. In 1990, the median home value in the assessment area was nearly \$95.8 thousand and the median age of the units was 49 years.

The LMI tracts of the assessment area contained 92.4 thousand housing units, of which 71.3 thousand (77%) were 1 to 4 family units, nearly 4.6 thousand (14.9%) were multi-

family units, 35.7 thousand (38.6%) were owner-occupied, 43.1 thousand (46.6%) were rental-occupied and 13.8 thousand (14.9%) were vacant or boarded up.

Based on estimates by HUD, the median family income for the assessment area increased to \$55.5 thousand in 2002, from \$39.4 thousand reported for the 1990 Census.

According to the New York Department of Labor, the average unemployment rate for NY MSA #0160 was 3.8% in 2002 and 3.2 % in 2001, compared with 6.1% in 2002 and 4.9 % in 2001, for New York State in its entirety.

### **Glens Falls, N.Y. MSA #2975**

There were 35 census tracts in the assessment area, of which three (8.6%) were moderate-income, 29 45(82.8%) were middle-income and three (8.6%) were upper-income tracts. There were no low-income geographies.

According to the 1990 U.S. Census, the population in this MSA totaled about 118.5 thousand, of which approximately 16.3 thousand (13.7%) were over the age of 65 and nearly 26.7 thousand (22.5%) were under the age of 16.

There were nearly 31 thousand families in the assessment area, of which 5.4 thousand (17.4%) were low-income, 5.8 thousand (18.7%) were moderate-income, 8.2 thousand (26.4%) were middle-income and 11.6 thousand (37.4%) were upper-income. Of the total 11.2 thousand LMI families, 629 (5.6%) lived in moderate-income census tracts, thereby accounting for 52.4% of the almost 1.2 thousand families that lived in moderate-income census tracts.

There were about 42.8 thousand households in the area, of which just over two thousand (4.7%) resided in moderate-income tracts, 34.6 thousand (80.8%) lived in middle-income tracts, and almost 6.2 thousand (14.5%) lived in upper-income tracts. Almost 4.2 thousand (9.8%) households had incomes below the poverty level and just over 2.4 thousand (5.6%) received public assistance.

There were over 55.9 thousand housing units in the assessment area, of which about 47.6 thousand (85.2%) were 1 to 4 family units and over three thousand (5.4%) were multi-family units. Almost 30.6 thousand (54.7%) of the housing units were owner-occupied, about 12.2 thousand (21.8%) were rental-occupied, and 13.4 thousand (23.9%) were vacant or boarded up. In 1990, the median home value in the assessment area was nearly \$82.9 thousand and the median age of the units was 35 years.

The moderate-income tracts of the assessment area had almost 3.2 thousand housing units, of which about 2.6 thousand (81%) were 1 to 4 family units, about 324 (9.9%) were multifamily units, 1.1 thousand (34.6%) were owner-occupied, about 921 (28.2%) were rental-occupied and about 1.2 thousand (37.2%) were vacant.

Based on estimates by HUD, the median family income for the assessment area increased to \$45.3 thousand in 2002, from \$34.3 thousand reported in the 1990 Census.

According to the New York Department of Labor, the annual average unemployment rate for Glens Falls, NY MSA # 2975 was 5% in 2002 and 4.3% in 2001, compared with 6.1% and 4.9 %, respectively, for New York State.

## **PERFORMANCE TESTS AND ASSESSMENT FACTORS**

For this evaluation, TSB's activities were reviewed pursuant to the established performance criteria for a large bank, which include consideration of the institution's lending, investments, and service activities in its assessment area. The evaluation covered the bank's activities during calendar years 2001 and 2002. Both HMDA-reportable and small business loans were considered.

New York State examiners employed statistics from various sources. In addition to loan information submitted by the bank, aggregate data for HMDA-reportable and small business loans were obtained from the Federal Financial Institutions Examination Council ("FFIEC") and PCI Services, Inc., CRA Wiz©, an external vendor. Demographic data was derived from the 1990 U.S. Census, supplemented with 2002 median family income estimates furnished by HUD. Aggregate comparisons utilized 2001 data only. The 2002 aggregate data was not available for purposes of this evaluation.

### **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 – "High Satisfactory"**

The bank's lending levels of both HMDA-reportable and small business loans exhibited good responsiveness to the credit needs of the assessment area.

HMDA-reportable Loans – For the evaluation period, the bank made 750 HMDA-reportable loans totaling \$70.7 million, representing a decline of approximately 8% by number and 21% by dollar volume from the 815 HMDA loans totaling \$89.7 million reported for the prior evaluation period.

In 2001, the bank made 383 HMDA loans totaling \$34.8 million, and in 2002 it provided 367 loans totaling \$35.9 million. While the number of home improvement and conventional home purchase loans declined between the two years, refinance loans increased during the same period.

Based on the 2001 Lender Market Share Report, the bank ranked 22<sup>nd</sup>, with a market share of 1.20% by number of loans, and ranked 20<sup>th</sup>, with a market share of 1.15% by the corresponding dollar volume, among 317 lenders in the assessment area.

Small Business Loans – During the assessment period, the bank made 530 small business loans totaling \$75.4 million in its assessment area, compared to 394 loans totaling \$46 million for the prior evaluation period. The figures reported for this evaluation period reflect

an increase of almost 35% by number of loans and nearly 64% by their corresponding dollar amount.

In 2001, the bank made 293 small business loans totaling nearly \$41.4 million, and in 2002, it provided 237 loans aggregating \$33.9 million.

Based on the 2001 Lender Market Share Report, the bank ranked 18<sup>th</sup>, with a market share of 1.55% by number of small business loans, and ranked eighth, with a market share of 6.04% by the corresponding dollar volume, among 92 lenders in the assessment area.

### **Assessment Area Lending - “Outstanding”**

The bank originated a substantial majority of its HMDA-reportable and small business loans in its assessment area.

HMDA-reportable Loans - In 2001, the bank made 383 HMDA loans in its assessment area, or 97.7% of the 392 extended overall. Based on dollar volume, assessment area lending totaled \$34.8 million, or 96.4% of the \$36.1 million provided overall. TSB’s HMDA loan concentration in the assessment area remained very high in 2002, based on 367 loans, or 97.3% of the 377 made overall. Based on dollar volume, the bank provided \$35.9 million in the assessment area, or 95.8% of the \$37.5 million loaned overall.

Small Business Loans - In 2001, the bank made 293 small business loans in the assessment area, or 96.7% of the 303 made overall. By the corresponding dollar amount, assessment area lending totaled \$41.4 million, or 93.8% of the \$44.1 million loaned overall. The assessment area concentration increased in 2002, based on 237 loans inside the assessment area, or 98.3% of the 241 made overall. By dollar amount, the bank lent \$33.9 million in the assessment area, or 97.1% of the \$34.9 million provided overall.

### **Geographic Distribution of Loans – “High Satisfactory”**

While the combined geographic distribution of its HMDA-related and small business loans reflected good overall dispersion throughout the assessment area, the bank’s HMDA lending penetration in LMI census tracts was weak.

HMDA-reportable Loans – In 2001, the bank extended 4.4% of its HMDA loans in LMI census tracts, well below the 11.6% LMI penetration rate achieved by the aggregate. The dollar volume comparison indicates a similarly wide gap, with the bank achieving a 3.3% LMI penetration compared to 7.4% for the aggregate. In 2002, the bank slightly increased its LMI penetration rates to 5.4% and 4%, based on number and dollar volume, respectively.

As noted in the Performance Context above, approximately 23% of census tracts, comprising 18.1% of families and 14.5% of owner-occupied housing units in the assessment area are LMI, suggesting that there may be additional opportunities to make loans in LMI areas. Refer to the table below for other details:

Distribution of HMDA-reportable Loans by Geographic Income Level*								
2001								
Geography Income Level	Bank				Aggregate			
	#	%	\$**	%	#	%	\$**	%
Low	2	0.5%	250	0.7%	182	0.6%	9,200	0.3%
Moderate	15	3.9%	911	2.6%	3,536	11.0%	215,443	7.1%
Middle	246	64.2%	21,022	60.4%	19,597	61.2%	1,743,608	57.7%
Upper	120	31.3%	12,595	36.2%	8,692	27.1%	1,051,001	34.8%
N/A	0	0.0%	0	0.0%	10	0.0%	660	0.0%
<b>Total</b>	<b>383</b>	<b>100.0%</b>	<b>34,778</b>	<b>100.0%</b>	<b>32,017</b>	<b>100.0%</b>	<b>3,019,912</b>	<b>100.0%</b>
2002								
Geography Income Level	Bank				Aggregate			
	#	%	\$	%	#	%	\$	%
Low	2	0.5%	185	0.5%	N/A	N/A	N/A	N/A
Moderate	18	4.9%	1,239	3.5%	N/A	N/A	N/A	N/A
Middle	242	65.9%	20,989	58.5%	N/A	N/A	N/A	N/A
Upper	105	28.6%	13,473	37.5%	N/A	N/A	N/A	N/A
N/A	0	0.0%	0	0.0%	N/A	N/A	N/A	N/A
<b>Total</b>	<b>367</b>	<b>100.0%</b>	<b>35,886</b>	<b>100.0%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</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.

Small Business Loans – TSB’s lending distribution based on census tract income reflects good-to-excellent penetration of LMI areas within the assessment area.

In 2001, the bank made 24.2% by number of its loans in LMI areas, well above the 18% LMI penetration rate achieved by the aggregate. The bank’s LMI penetration based on dollar volume was slightly below the rate achieved by the aggregate. The bank’s lending penetration of middle-income tracts trailed the aggregate, resulting in a higher relative penetration rate by TSB in upper-income areas. In 2002, the bank made a greater proportion of its loans in LMI areas, achieving penetration rates of 27.8% based on the number of loans and 30.7% based on the corresponding dollar amount.

Distribution of Small Business Loans by Geographic Income Level								
2001								
Geography Income Level	Bank				Aggregate			
	#	%	\$*	%	#	%	\$*	%
Low	37	12.6%	3,641	8.8%	789	4.5%	37,985	5.7%
Moderate	34	11.6%	3,979	9.6%	2,398	13.5%	89,384	13.5%
Middle	148	50.5%	22,370	54.0%	10,287	58.0%	371,798	56.0%
Upper	74	25.3%	11,422	27.6%	4,230	24.0%	164,343	24.8%
N/A	0	0.0%	0	0.0%	22	0.1%	293	0.0%
<b>Total</b>	<b>293</b>	<b>100.0%</b>	<b>41,412</b>	<b>100.0%</b>	<b>17,726</b>	<b>100.0%</b>	<b>663,803</b>	<b>100.0%</b>
2002								
Geography Income Level	Bank				Aggregate			
	#	%	\$	%	#	%	\$	%
Low	29	12.2%	4,057	11.9%	N/A	N/A	N/A	N/A
Moderate	37	15.6%	6,389	18.8%	N/A	N/A	N/A	N/A
Middle	98	41.4%	13,719	40.4%	N/A	N/A	N/A	N/A
Upper	73	30.8%	9,791	28.8%	N/A	N/A	N/A	N/A
N/A	0	0.0%	0	0.0%	N/A	N/A	N/A	N/A
<b>Total</b>	<b>237</b>	<b>100.0%</b>	<b>33,956</b>	<b>100.0%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

\* In thousands

### **Borrower Characteristics – “High Satisfactory”**

The combined distribution of TSB’s HMDA-reportable and small business loans reflected good penetration among borrowers of different income levels and businesses of different revenue sizes.

HMDA-reportable Loans – Relative to the aggregate, the bank’s lending penetration among LMI borrowers was reasonable. In 2001, TSB extended 17.5% by number and 10.7% by dollar amount of its loans in LMI census tracts, somewhat trailing the aggregate’s LMI penetration rates of 23.7% and 14.7%, respectively. In 2002, TSB’s lending penetration with LMI borrowers improved to 21.8% by number and 15.6% by dollar amount. In both years, the bank had greater lending penetration in middle-income areas, and made a lower percentage of its loans in upper-income areas, than the aggregate. Refer to the table below for details.

Distribution of HMDA-reportable Loans by Borrower Income Level*								
2001								
Borrower Income Level	Bank				Aggregate			
	#	%	\$**	%	#	%	\$**	%
Low	17	4.4%	619	1.8%	1,778	5.6%	78,629	2.6%
Moderate	50	13.1%	3,095	8.9%	5,786	18.1%	365,551	12.1%
Middle	107	27.9%	7,777	22.4%	8,091	25.3%	640,031	21.2%
Upper	204	53.3%	22,959	66.0%	14,037	43.8%	1,681,861	55.7%
N/A	5	1.3%	328	0.9%	2,325	7.3%	253,840	8.4%
<b>Total</b>	<b>383</b>	<b>100.0%</b>	<b>34,778</b>	<b>100.0%</b>	<b>32,017</b>	<b>100.0%</b>	<b>3,019,912</b>	<b>100.0%</b>
2002								
Borrower Income Level	Bank				Aggregate			
	#	%	\$	%	#	%	\$	%
Low	15	4.1%	880	2.5%	N/A	N/A	N/A	N/A
Moderate	65	17.7%	4,689	13.1%	N/A	N/A	N/A	N/A
Middle	95	25.9%	7,500	20.9%	N/A	N/A	N/A	N/A
Upper	187	51.0%	22,422	62.5%	N/A	N/A	N/A	N/A
N/A	5	1.4%	395	1.1%	N/A	N/A	N/A	N/A
<b>Total</b>	<b>367</b>	<b>100.0%</b>	<b>35,886</b>	<b>100.0%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</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.

Small Business Loans – In 2001, the bank made a significantly greater proportion of its small business loans to small businesses (with gross annual revenues of less than \$1 million) than did the aggregate. TSB made 53.2% of its total number of small business loans to small businesses, far exceeding the 41% lending penetration achieved by the aggregate. The bank's lending penetration among small businesses soared to 71.3% in 2002.

Distribution of Small Business Loans by Business Revenue Size								
2001								
Revenue Size	Bank				Aggregate			
	#	%	\$*	%	#	%	\$*	%
\$1million or less	156	53.2%	18,403	44.4%	7,346	41.0%	272,118	40.5%
Over \$1 million	137	46.8%	23,009	55.6%	10,561	59.0%	400,454	59.5%
No Revenue Info	0	0.0%	0	0.0%	0	0.0%	0	0.0%
<b>Total</b>	<b>293</b>	<b>100.0%</b>	<b>41,412</b>	<b>100.0%</b>	<b>17,907</b>	<b>100.0%</b>	<b>672,572</b>	<b>100.0%</b>
2002								
Revenue Size	Bank				Aggregate			
	#	%	\$	%	#	%	\$	%
\$1million or less	169	71.3%	19,233	56.6%	N/A	N/A	N/A	N/A
Over \$1 million	68	28.7%	14,723	43.4%	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>237</b>	<b>100.0%</b>	<b>33,956</b>	<b>100.0%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

\* In thousands

Examiners also reviewed the distribution of TSB’s small business loans according to loan size. In this analysis, loans of smaller origination amounts are presumed to indicate borrowers of lesser revenue size. In 2001, the bank significantly trailed the aggregate in its proportion of loans made with origination amounts of less than or equal to \$100 thousand, achieving a 68.3% penetration rate compared to the aggregate’s 92.4%. As a result, the bank had a higher concentration of its loans in the two larger loan size categories than did the aggregate.

In 2002, the bank’s proportion of lending in amounts equal to or less than \$100 thousand decreased, while its lending in loans in the two other loan size increased. Refer to the table below for details:

Distribution of Small Business Loans by Loan Size								
2001								
Loan Size (\$ in thousands)	Bank				Aggregate			
	#	%	\$	%	#	%	\$	%
<= \$100	200	68.3%	8,686	21.0%	16,548	92.4%	209,161	31.1%
>\$100 - <=\$250	45	15.4%	7,625	18.4%	737	4.1%	129,183	19.2%
>\$250 - <\$1,000	48	16.4%	25,101	60.6%	622	3.5%	334,228	49.7%
<b>Total</b>	<b>293</b>	<b>100.0%</b>	<b>41,412</b>	<b>100.0%</b>	<b>17,907</b>	<b>100.0%</b>	<b>672,572</b>	<b>100.0%</b>
2002								
Loan Size	Bank				Aggregate			
	#	%	\$	%	#	%	\$	%
<=\$100	154	65.0%	6,293	18.5%	N/A	N/A	N/A	N/A
>\$100 - <=\$250	42	17.7%	7,625	22.5%	N/A	N/A	N/A	N/A
>\$250 - <\$1,000	41	17.3%	20,038	59.0%	N/A	N/A	N/A	N/A
<b>Total</b>	<b>237</b>	<b>100.0%</b>	<b>33,956</b>	<b>100.0%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

### **Community Development Loans – “Outstanding”**

During the evaluation period, the bank exhibited leadership in making community development loans. They totaled nearly \$23.6 million, including \$9.5 million, or 40%, in new money. As shown in the table below, \$9 million, or 38.1%, of total commitments supported community services, nearly \$8 million, or 33.9%, went to affordable housing activities, \$5.2 million, or 22%, supported economic development efforts, and nearly \$1.4 million, or 5.9%, went to revitalization or stabilization activities.

The table below summarizes the bank’s community development lending during the evaluation period.

COMMUNITY DEVELOPMENT LENDING SUMMARY – 2001 AND 2002 (\$ IN THOUSANDS)									
Affordable Housing		Community Services		Revitalization/ Stabilization		Economic Development		Total	
Commit't.	New \$	Commit't.	New \$	Commit't.	New \$	Commit't.	New \$	Commit't.	New \$
7,989	1,445	9,007	7,297	1,383	690	5,202	50	23,581	9,482

A description of TSB's notable community development loans follows:

- *The Community Preservation Corporation (CPC)* – In 1998, the bank provided a \$300 thousand revolving line of credit to this organization. CPC is a not-for-profit corporation that provides mortgage loans for affordable housing in various parts of New York State. The organization makes construction and long-term loans to private and non-profit owners to create, rehabilitate, and preserve both rental and privately owned residential properties. CPC helps communities meet a wide range of affordable housing needs, including housing for the elderly, people with special needs, LMI families and first-time homebuyers.
- *Troy Rehabilitation and Improvement Program (TRIP)* – In December 2001, the bank extended a \$175 thousand unsecured bridge line of credit to TRIP. The facility expires in April 2002. This organization is a not-for-profit corporation formed to acquire, renovate and rehabilitate housing stock for sale or lease to LMI individuals in the City of Troy.
- *St. Catherine's Center for Children (SCCC)* – In May 2002, the bank committed a \$1 million secured working capital line of credit to this center. SCCC traces its origins to the Daughters of Charity, which in 1846 came to Albany to care for children who were orphans. In recent years, this organization has offered family support services, including children's day program, supervised visitation, and parent and home aid services. In addition, SCCC offers specialized foster care and family based treatment programs.
- *New York Business Development Corporation (NYBDC)* – In May 2002, the bank renewed two unsecured revolving lines of credit totaling \$500 thousand extended to NYBDC. Founded in 1955, NYBDC is a privately owned and managed corporation created by New York State statute, in which New York State commercial and savings banks, the New York State Common Retirement Fund and 85 other shareholders pool resources and share risks to help diverse small business enterprises expand in New York State.
- *Vanderheyden Hall (VH)* – In April 2002, the bank renewed \$1 million in secured working capital it had extended to VH in 1995. In addition, in 2002 the bank renewed a \$75 thousand unsecured term loan it had made to the borrower in 2001. VH is one of the oldest childcare agencies in New York State. This organization has evolved into a short-to-intermediate-term facility offering a variety of residential, educational and group living services to young adults through various programs.
- *La Salle School (LSS)* – In January 2001, the bank extended an 18-month, \$1.5 million unsecured bridge loan and a \$600 thousand secured line of credit to LSS. In addition, in May 2001 the bank made a \$319 thousand commercial real estate mortgage to the school. LSS, founded in 1854, evolved from a boy's orphanage to a multi-faceted childcare agency. The organization provides care for disadvantaged youth and their families by helping them develop skills necessary for responsible participation in family,

community and adult life.

- *Catholic Charities Disabilities Services (CCDS)* – In February 2002, the bank renewed a \$500 thousand unsecured working capital line of credit to this organization. CCDS is in the business of operating residential facilities for disabled individuals. In addition, CCDS provides in-home services and case management coordinated services to the same population.

### **Innovative or Flexible Lending Practices – “High Satisfactory”**

The bank uses flexible lending practices in serving assessment area credit needs, including the following:

- *Federal Home Loan Bank of New York (FHLB NY) First Home Club Program* – FHLB NY funds this program, which provides grants for potential first-time homebuyers of low- and moderate-incomes. A borrower opens a Homebuyer’s Savings Account with TSB and makes monthly deposits, which the FHLB NY matches at a ratio of three-to-one, up to a maximum of \$5 thousand. In addition, participants must complete a homebuyers’ counseling program to be eligible. The bank indicated it made 24 loans under this program; however, the origination dates and dollar amounts were not available.
- *State of New York Mortgage Agency (SONYMA) Low Interest Rate Mortgage Programs*- The bank offers SONYMA loans that target LMI qualified families. These programs offer loans to first-time homebuyers with rates lower than the standard conventional rates. During the evaluation period, the bank originated 70 loans totaling nearly \$5.6 million under these programs, and sold them to SONYMA, retaining servicing.
- *Dream Partnership Program* – The bank offers this program in conjunction with the *Individual Development Account (IDA)* for first-time homebuyers. This program provides a reduced mortgage rate, 3% down payment and reduced closing costs. For the evaluation period, the bank made three loans totaling \$138.6 thousand under this program.

## **II. Investment Test: “Outstanding”**

*The Investment 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 innovation or complexity; their responsiveness to community development needs; and the degree to which the investments are not routinely provided by private investors.*

The bank had an excellent level of qualified community development investments, including grants during the evaluation period. While the investment vehicles are not innovative or complex, TSB’s volume of activity demonstrates excellent responsiveness to credit and

community development needs. For the evaluation period, qualified investments totaled \$13.6 million, including \$1.5 million in grants. A substantial majority of the investments represented new money.

Approximately \$7.3 million, or 53.7% of the total, went to support affordable housing, and another \$4.2 million, or 30.9%, went to fund revitalization and stabilization efforts in LMI areas.

The following are some of the notable qualified investments made during the assessment period:

*Community Lending Corporation (CLC)* – In July 2002 the bank invested nearly \$1.9 million in CLC collateral trust notes backed by Community Preservation Corporation mortgages, and in December 2002, it invested \$5.4 million. As of the evaluation date, the bank had \$39 thousand outstanding in these notes. CLC is a consortium of Upstate New York savings banks, commercial banks, and savings and loan institutions, providing construction and permanent loans for the creation, rehabilitation and preservation of affordable housing throughout Upstate New York.

*Rensselaer County IDA Bonds (RC)* – In December 2001, the bank invested \$4.2 million in tax-exempt bonds issued by RC. The bonds' proceeds finance the renovation of college campuses located in Troy LMI geographies, thereby revitalizing and stabilizing the neighborhoods.

*Statewide Zone Capital Corporation (SWZCC)* - In 2001, the bank invested \$500 thousand in SWZCC of New York, an economic development zone corporation.

*New York Business Development Corporation (NYBDC)* – As of December 2002, the bank had \$72.6 thousand investment in NYBDC.

*Grants* - Qualified grants totaled \$1.5 million, including \$1.3 million in contributions to two not-for-profit organizations that promote affordable housing. In addition, the bank provided an in-kind donation in the form of free space at one of its branches to the New York Business Development Corporation, for the establishment of its off-site computer network backup location. The market rent value for this space was not available.

### **III. Service Test: “Outstanding”**

*The Service Test evaluates a banking institution's record of helping to meet the credit needs of its assessment area(s) 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**

*Accessibility of Delivery Systems* - The bank's delivery systems are readily accessible to all portions of the assessment area. TSB operates 21 full-service branches in eight counties, most of which have 24-hour automated-teller-machines (ATMs). Three, or 14% of the total, are located in LMI areas, and of the remaining branches, six, or 33%, are located in areas adjacent to LMI census tracts. Overall, nine, or 43%, are either in LMI geographies or adjacent to LMI tracts. As noted above, approximately 23% of census tracts, comprising 18.1% of families within the assessment area are LMI.

Six branches (two in LMI tracts) are located in Albany County, five (three adjacent to LMI tracts) are in Greene County, four (one in LMI tract and two adjacent to) are in Rensselaer County, and two are in Warren County. In addition, there is one branch each in Saratoga (adjacent to LMI tract), Schenectady, Schoharie and Washington counties. Sixteen branches have drive-up facilities.

To enhance its branch network, the bank provides a number of alternative delivery systems:

- TimeSaver – It is a 24-hour Telephone Banking Service, with both automated voice and telephone service representatives. This service allows customers to access their accounts 24 hours a day, 7 days a week.
- Internet Banking provides customers with information on the bank and its products. Additionally, it provides customers with daily balance and transaction report on their checking, savings and loan accounts from customers' home or office personal computer.
- Automated Clearing House (ACH) Services – The bank is both a receiving depository financial institution and an originating depository financial institution for all ACH transactions. ACH service allows customers to electronically transfer funds between accounts.
- Wire Transfer Services – As a member of the Federal Reserve Wire System, the bank fulfills both domestic and foreign wire requests.
- Night Depository Services – This service allows customers to make after-hours deposits in a secure, key-accessed vault location.
- Automated Sweep Services – With this service, deposit balances above a daily operating minimum are automatically "swept" into an interest-bearing account. When checks are presented for payment, balances are swept back into the account to cover the activity and maintain the minimum balance.
- Automated Account Reconciliation – This service expedites monthly account balancing with detailed information on checks issued and paid.

- MasterMoney Check Card – Customers can use this card in place of cash or checks. Purchases are automatically deducted directly from customers’ primary checking account.
- The bank has two off-site deposit-taking ATMs, with one an in LMI area. Both are located in the assessment area.

*Changes in Branch Locations* – The bank’s record of opening and closing of branches has not adversely affected the accessibility of its delivery systems. Between evaluations, the bank did not open or close any branches.

*Reasonableness of Business Hours and Services in Meeting Assessment Area Needs* – The bank’s branch services are tailored to the convenience and needs of the assessment area, particularly LMI geographies. Of the three branches in LMI areas, one is open on Saturday and another on Sunday. The six branches located in areas adjacent to LMI tracts are open on Saturdays. Sixteen branches, or 76% of the total are open on Saturdays, except for the Albany office, the Catskill main office, the Troy main office and the Quaker Road office.

Thirteen branches are open Monday through Thursday, from 9 a.m. to 4:00-4:30 p.m. The remaining branches are generally open Monday thru Wednesday, to 3:00 p.m., but all of the branches offer late days on Thursday and Fridays, to either 5:00 p.m. or 6:00 p.m. The drive-up facilities open earlier than 9:00 a.m., with most of them opening at 8:30 a.m.

### **Community Development Services**

During the evaluation period, the bank demonstrated leadership in providing community development services in its assessment area. The following are a few notable examples:

- *Loan Servicing* – At a discounted fee service rate, the bank provides loan servicing for two community development organizations that provide affordable housing in LMI neighborhoods. It also provides similar services for a public housing authority that supplies affordable housing in LMI census tracts in a portion of the Albany-Schenectady-Troy assessment area. In addition to the loan servicing, the servicing contract requires the collection of delinquent accounts.
- *Better Neighborhoods Inc.* – This organization provides services to LMI individuals and areas with the support of the bank’s officers. In addition, the bank placed an ad in this organization’s program to help raise funds used to improve LMI neighborhoods.
- *FHLBNY Affordable Housing Program* – Under this program, nonprofit organizations can request grants from the FHLBNY, but they need sponsorship by a member bank. To this effect, one of the bank’s officers works with these groups to draft grant requests. In addition, bank staff from its commercial mortgage department has continued to monitor the construction, through completion, of three projects funded by the program.

- *Homebuyers Seminars* – The bank offers homebuyers’ seminars throughout the local community to help educate people about home ownership. The bank invites various guest speakers to discuss pertinent topics such as credit counseling, legal advice and SONYMA Programs.
- *Home Buyers Club* – The bank offers 12 monthly sessions designed to educate prospective borrowers on the home-buying process, including credit counseling and savings plan development. In addition, the bank offers a deposit account used by potential borrowers to save money for a new home down payment.
- *Board/Committee Membership* - Bank personnel are actively involved with various organizations in the community. Employees of the bank serve on the board and/or committees of nonprofit organizations that provide affordable housing, economic development, community services and revitalization activities benefiting LMI individuals or geographies.

#### **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.**

Examiners noted no practices 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 indicates satisfactory adherence to anti-discrimination or other applicable laws and regulations. No evidence of prohibited discriminatory 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 by having its officers and staff participate with such organizations as the Troy Rehabilitation Improvement Program, the Capital District Community Loan Fund, the Capital Affordable Housing Funding Corp., the Affordable Housing Partnership, Habitat for Humanity, and the Capital Business Assistance Fund, among others.

The bank’s loan officers are in regular contact with community and civic leaders, private

developers, small businesspersons, trade associations and nonprofit organizations to ascertain and monitor the credit needs of the community, including LMI individuals and geographies. In addition, commercial real estate and business lending officers perform a periodic review of small business and community development lending to help assess the credit needs of the individuals and businesses in the community.

**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 officers and employees of the bank participate in or conduct homebuyer and small business seminars to make members of the community aware of the credit services it offers, including:

- Home Buyers Seminar – The bank's residential mortgage counselors present this seminar to local community groups, including church congregations, community redevelopment groups, and the public. Bank personnel provide the participants with helpful information on the home buying process and homeownership skills.
- Bank officers are involved with various organizations, thereby keeping the community informed of the bank's products and services.
- The bank also advertises its products and services in the periodicals and promotional materials of local nonprofit organizations.
- The bank also announces new products and services through press releases and by organizing press conferences in which the bank invites community leaders, housing advocacy groups, rehabilitation/redevelopment groups and other interests.
- The bank communicates its commercial small business products and services to the community through the New York State Banking Department's Annual Small Business Activities Disclosure Form.
- The bank also attempts to reach all segments of the community by advertising in all the local newspapers, radios and billboards. Additionally, the bank introduces customers to new products and services by sending flyers and stuffers with their bank statements.

**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 bank maintains a CRA statement, which the board reviews and approves annually. The directors of the bank are active local business people with viable contacts in the community, and generally reside within the assessment area, thereby increasing the bank's ability to serve its local community. In addition, the board periodically reviews CRA related activities in loan committee meetings where CRA-related loans are presented for approval.

Moreover, the board reviews periodic reports on the bank's foundation activities, which include meetings with senior management for the approval of grants.

**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.

### **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.

### **LMI Penetration Rate**

A number that depicts the percentage of a bank’s total loans 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.