



**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, 2003

**Institution:** American Community bank  
300 Glen Street  
Glen Cove, NY 11542

**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 American Community Bank ("ACB") 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 examination conducted as of December 31, 2003.

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 ("Evaluation") be made available to the public. Evaluations of small banking institutions are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Section 76.12 of the regulation. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York State Banking Law.

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

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

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

- ***Loan-to-Deposit ("LTD") Ratio and Other Lending-Related Activities:***  
The bank's LTD ratio is reasonable in light of the bank's size, financial condition and the credit needs of its assessment area. ACB's average LTD ratio was 60.0% for the nine quarters ending December 31, 2003, which is 25 percentage points higher than the bank's average LTD ratio as of the prior evaluation period. The bank's LTD ratio is on par with the peer group average of 60.9%.

ACB enhanced the availability of credit in its assessment area with community development loans and qualified investments totaling \$2.6 million.

- ***Assessment Area Concentration:*** The bank originated a majority of its consumer loans within the assessment area based on both number and dollar volume of loans; however, less than a majority of its small business loans were extended inside the assessment area. During the evaluation period, ACB extended 76.1% by number and 70.8% by dollar volume of its consumer loans inside the assessment area. For small business loan originations, ACB originated 39.3% by number and 23.3% by dollar volume inside its assessment area.
- ***Geographic Distribution of Loans:*** The bank's geographic distribution of loans reflects reasonable dispersion among census tracts of different income levels. During the evaluation period, the bank originated 20 small business loans totaling \$2.2 million, and 10 consumer loans totaling \$840 thousand, in LMI areas.

During 2002, ACB outperformed the aggregate's LMI penetration rate for small business lending based on both number and dollar volume of loans. In 2002, 59.3% of the number, and 61.9% of the dollar volume, of ACB's total small business lending occurred in LMI areas. By comparison, the aggregate originated 17.9% by number, and 19.3% by dollar volume, in LMI areas. Aggregate data for 2003 were not available at the time of the examination and no such data is compiled for consumer loans.

- ***Distribution by Borrowers Characteristics:*** The bank's lending distribution in the assessment area reflects excellent penetration among businesses and individuals of different income levels. During the evaluation period, ACB originated 37 small business loans to businesses with revenue of \$1 million or less. The bank also originated 17 consumers to LMI borrowers. In 2002, the bank outperformed the aggregate by

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extending 85.2% of its loans to businesses with gross annual revenues of \$1 million or less, compared to the aggregate's 33.6%. Aggregate data for 2003 were not available at the time of the examination and no such data is compiled for consumer loans.

Neither the bank nor the New York State Banking Department received any complaints with respect to ACB's CRA performance during the evaluation period.

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

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## PERFORMANCE CONTEXT

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

American Community Bank (ACB) was chartered in October 1999 as a commercial bank and commenced operations in January 2000. The bank is located in the City of Glen Cove in Nassau County and provides a broad range of commercial and consumer loan products.

ACB faces competition from other commercial banks, savings banks, credit unions, specialized mortgage lenders, finance companies, insurance companies and brokerage firms within the assessment area.

On its year-end Call Report for 2003, ACB reported total assets of \$47.7 million, including \$29.5 million in loans and lease finance receivables. The bank also reported total deposits of \$41 million, resulting in a loan-to-deposit ratio of 70.63%.

Comparative deposit market data compiled annually by the FDIC indicates that, as of June 30, 2003, ACB had a market share of 0.11% in its market area based on total deposits of \$44.9 million. Based on this level of deposits, ACB ranked 27<sup>th</sup> out of 30 deposit-taking institutions in Nassau County.

The following table contains a summary of ACB's loan portfolio based on Schedule RC-C of the bank's year-end Call Reports for 2001, 2002, and 2003:

<b>Total Gross Loans Outstanding (Dollars in Thousands)</b>						
Loan Type	12/31/2001		12/31/2002		12/31/2003	
	\$	%	\$	%	\$	%
1-4 Residential Mortgage Loans	2,873	20.8	5,399	25.1	5,540	18.8
Commercial & Industrial Loans	4,908	35.5	5,443	25.3	5,289	17.9
Commercial Mortgage Loans	5,050	36.6	9,904	46.0	16,897	57.3
Multifamily Mortgages	0	0.0	0	0.0	0	0.0
Consumer Loans	402	2.9	693	3.2	611	2.1
Agricultural Loans	0	0.0	0	0.0	0	0.0
Construction Loans	570	4.1	60	0.3	1,115	3.8
Obligations of states & municipalities	0	0.0	0	0.0	0	0.0
Other Loans	8	0.1	9	0.0	31	0.1
Lease financing	0	0.0	0	0.0	0	0.0
<b>Total Gross Loans</b>	<b>13,811</b>	<b>100.0</b>	<b>21,508</b>	<b>100.0</b>	<b>29,483</b>	<b>100.0</b>

As shown in the table above, ACB steadily increased its focus on commercial mortgage lending during the evaluation period. Between year-end 2001 and year-end 2003, commercial mortgages grew from 36.6% to 57.3% of the bank's loan portfolio even as the portfolio itself more than doubled in size. During the same period, commercial and industrial loans remained steady in dollar volume but decreased as a percentage of the growing portfolio. In contrast, the bank's portfolio of one- to four-family mortgage loans nearly doubled (+93%) in dollar amount between year-end 2001 and year-end 2003, but

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remained relatively stable as a percentage of the overall portfolio.

The bank operates a single office in Glen Cove. Supplementing this banking office is a drive-up automated teller machine (ATM). ACB did not open or close any branches during the evaluation period.

ACB is a participating lender in the Small Business Administration's Certified Development Company ("CDC" or "504") Loan Program. The SBA describes the program in the following way: "Typically, a 504 project includes a loan secured with a senior lien from a private-sector lender covering up to 50 percent of the project cost, a loan secured with a junior lien from the CDC (backed by a 100 percent SBA-guaranteed debenture) covering up to 40 percent of the cost, and a contribution of at least 10 percent equity from the small business being helped." During the evaluation period, ACB granted six "504" loans, totaling \$2.25 million, with Long Island Development Corporation as the participating CDC.

At its prior CRA evaluation, conducted by the New York State Banking Department as of September 30, 2001, ACB received a rating of "2". This rating reflected ACB's satisfactory record of helping to meet the credit needs of its community.

There are no known financial or legal impediments that adversely affect the bank's ability to meet the credit needs of its community; however, the bank's size could be an issue.

**Assessment Area:**

The bank's assessment area is defined as the 16 census tracts that fall within a three-mile radius of the bank's only office. The 16 tracts are all within Nassau County (MSA 5380) and encompass the following municipalities: the villages of Lattingtown, Matinecock, Old Brookville, Upper Brookville, Roslyn Harbor and Sea Cliff, and the hamlets of Locust Valley, Glenwood Landing, and Glen Head.

The income composition of census tracts within the assessment area changed slightly following the release of updated data from the 2000 Census. Based on data from the 1990 Census, 18.8% of tracts within the assessment area were categorized as LMI census tracts; however, based on 2000 Census data the LMI composition declined to 12.5%. The table below shows the income distribution of census tracts within the assessment area based on 1990 and 2000 Census data.

<b>Distribution of Census Tracts by Income Level</b>				
Tract Income Level	1990 Census		2000 Census	
	#	%	#	%
Low	1	6.25	0	0.00
Moderate	2	12.50	2	12.50
Middle	6	37.50	7	43.75
Upper	7	43.75	6	37.50
N/A	0	0.00	1	6.25
<b>Total</b>	<b>16</b>	<b>100.00</b>	<b>16</b>	<b>100.00</b>

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The assessment area appears reasonable based upon the location of bank's office and its lending patterns. There is no evidence that LMI areas were arbitrarily excluded from ACB's assessment area.

### **Details of the Assessment Area**

*Population:* According to data from the 2000 Census, Nassau County's current population of 1.3 million residents reflects a 3.6% increase since 1990. The current population within ACB's assessment area totals 67.5 thousand individuals, 15.8% of whom were above the age of 65 and 20.9% of whom were under the age of 16. The assessment area includes 17.6 thousand families, including 5.8 thousand (33%) LMI families.

As of the 2000 Census, the weighted median family income for the assessment area was \$104 thousand, while the median family income for the entire Nassau-Suffolk MSA was \$76.4 thousand. Updated data from the U.S. Department of Housing and Urban Development estimates the MSA's median family income for 2003 at \$83.7 thousand.

*Unemployment Rates:* According to the New York State Department of Labor, the City of Glen Cove's average unemployment rate was 4.6% in 2002 and 4.4% in 2003, while Nassau County's average unemployment rate was 4.1% in 2002 and 3.9% in 2003. Unemployment rates for both areas were well below the state's average rates of 6.1% in 2002 and 6.3% in 2003.

*Business Demographics:* Business demographics specific to ACB's assessment area were not available. As a result, the demographic information provided below pertains to Nassau County as a whole.

According to data provided by PCi Corporation's CRA Wiz software, there were 7.3 thousand businesses in Nassau County during 2003. Approximately 97% of these businesses were non-farm businesses. Within the category of non-farm businesses, most (64%) had revenues of \$1 million or less, while 5% had revenues greater than \$1 million, and 31% did not report their revenues. An overwhelming majority (94%) of businesses in the county operate from a single location, with only 300 businesses (4.3%) operating from multiple locations.

The service industry accounted for 37.3% of all businesses in the county, while retail trade and non-classified establishments accounted for another 13.9% and 19.1%, respectively.

Approximately 60% of businesses in the county employed 1-4 workers, 6.7% employed 5-9 workers, 3.9% employed 10-19 persons, 2.3% employed 20-49 workers and 1.6% employed more than 50 workers.

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## **PERFORMANCE STANDARDS AND ASSESSMENT FACTORS**

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

The evaluation period included calendar years 2002 and 2003. Examiners considered ACB's small business and consumer loans in evaluating factors (2), (3) and (4), as noted above. The bank's primary activity for CRA purposes is small business lending. The bank did not make any HMDA reportable loans.

### **Loan-to-Deposit Ratio (LTD) and Other Lending-Related Activities: "Satisfactory"**

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

The bank's average LTD ratio was 60.0% for the nine consecutive quarters ending December 31, 2003. This ratio is on par with the average LTD for ACB's peer group (60.9%) during the same period. ACB's peer group is comprised of all insured commercial banks having total assets of \$50 million or less and located in a metropolitan area with one full-service office. All LTD ratios were calculated using information from the Uniform Bank Performance Report ("UBPR") prepared by the Federal Deposit Insurance Corporation ("FDIC").

As shown in the table below, the bank's LTD ratio trended upwards during the evaluation period, rising from a low of 53.9% during the first quarter of 2002 to a high of 70.6% in the fourth quarter of 2003. By comparison, the peer group's LTD ratio trended downward, dropping from a high of 64.1% in the fourth quarter of 2001 to a low of 58.6% in the fourth quarter of 2003.

<b>Loan to Deposit Ratio</b>										
	<b>2001 (Q4)</b>	<b>2002 (Q1)</b>	<b>2002 (Q2)</b>	<b>2002 (Q3)</b>	<b>2002 (Q4)</b>	<b>2003 (Q1)</b>	<b>2003 (Q2)</b>	<b>2003 (Q3)</b>	<b>2003 (Q4)</b>	<b>Avg.</b>
<b>Bank</b>	60.8	53.9	56.0	57.2	56.3	58.0	59.0	68.0	70.6	60.0
<b>Peer</b>	64.1	62.3	63.5	61.7	60.6	59.1	59.7	58.5	58.6	60.9

### **Assessment Area Concentration: "Satisfactory"**

Based on number of loans, ACB originated a majority of its lending inside the assessment area; however, based on dollar volume, the majority of ACB's loan volume fell outside the assessment area.

ACB's lending performance reflects significant improvement over the level of performance observed during the prior examination. In addition to raising its total volume of small business lending, ACB also improved the rate at which all loans fell within the assessment area.

During the current evaluation period, ACB's small business loan originations within the assessment area grew by 121% based on number of loans. This increase in small business lending helped ACB to lift its overall assessment area concentration based on number of loans from 12.3% to 50.3% of all originations.

ACB's assessment area concentration based on dollar volume also improved. The dollar volume of originations within the assessment area grew by 52.9%, or \$3.5 million, during the evaluation period. At the same time, the percentage of ACB's total originations falling within the assessment area improved from 29.5% to 33.3% based on dollar volume.

Even considering the aforementioned improvement, ACB's assessment area concentration ratios remain low.

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Dollar Volume (in thousands)				
	Inside		Outside		Total #	Inside		Outside		Total \$
	#	%	#	%		\$	%	\$	%	
<b>Small Business</b>										
2002	27	46.6	31	53.4	58	2,928	27.6	7,664	72.4	10,592
2003	15	30.6	34	69.4	49	2,358	19.5	9,714	80.5	12,072
Subtotal	42	39.3	65	60.7	107	5,286	23.3	17,378	76.7	22,664
<b>Consumer</b>										
2002	18	66.7	9	33.3	27	2,355	61.6	1,466	38.4	3,821
2003	17	89.5	2	10.5	19	1,893	86.9	285	13.1	2,178
Subtotal	35	76.1	11	23.9	46	4,248	70.8	1,751	29.2	5,999
<b>Combined Total</b>	<b>77</b>	<b>50.3</b>	<b>76</b>	<b>49.7</b>	<b>153</b>	<b>9,534</b>	<b>33.3</b>	<b>19,129</b>	<b>66.7</b>	<b>28,663</b>

### ***Small Business Loans***

Given that a majority of the ACB's small business loan originations still fall outside the assessment area, performance related to this factor still needs to improve. In 2002, the bank originated 46.6% of its small business loans by number, and 27.6% by dollar volume, inside the assessment area. During 2003, ACB's assessment area concentration for small business lending declined to 30.6% by number of loans and 19.5% by dollar volume.

### ***Consumer Loans***

A majority of ACB's consumer loans were made inside the assessment area during the evaluation period. In 2002, the bank extended 18 loans (66.7%) in the assessment area for a total of \$2.4 million (61.6%). In 2003, ACB's performance improved in percentage terms because total lending dropped by 29.6% (8 loans) but the number of loans within the

assessment area remained nearly the same at 17 originations. Based on these changes, the percentage of loans extended inside the assessment area increased from 66.7% in 2002 to 89.5% in 2003. Similarly, ACB's total dollar volume of consumer lending decreased in 2003, while lending volume within the assessment area fell by a smaller amount. As a result, the assessment area penetration ratio based on dollar volume increased from 61.6% in 2002 to 86.9% in 2003.

**Geographic Distribution of Loans: "Satisfactory"**

***Small Business Loans***

The bank's geographic distribution of small business loans reflects reasonable dispersion among census tracts of different income levels.

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

Distribution of Small Business Loans by Geographic Income Level								
2002								
Geography Income Level	Bank				Aggregate			
	#	%	\$(000's)	%	#	%	\$(000's)	%
Low	0	0.0	0	0.0	1	0.0%	122	0.2
Moderate	16	59.3	1,812	61.9	439	17.9%	11,926	19.3
Middle	8	29.6	516	17.6	856	35.0%	15,964	25.8
Upper	3	11.1	600	20.5	1,151	47.0%	33,748	54.6
<b>Total</b>	<b>27</b>	<b>100.0</b>	<b>2,928</b>	<b>100.0</b>	<b>2,447</b>	<b>100.0%</b>	<b>61,760</b>	<b>100.0</b>
2003								
Geography Income Level	Bank							
	#	%	\$(000's)	%				
Low	0	0.0	0	0.0				
Moderate	4	26.7	357	15.1				
Middle	7	46.7	1,443	61.2				
Upper	4	26.7	558	23.7				

According to data from the 1990 and 2000 Censuses, 16.2% of all businesses located within the bank's assessment area were located in LMI tracts. The number of small business loans extended by ACB in LMI tracts increased by 53.8% from 13 loans in the prior evaluation period to 20 loans during the current evaluation period. Even though the number of loans increased, ACB's total dollar volume of lending decreased by 5.2% during the same timeframe.

In 2002, ACB originated 59.3% (16) of its loans, and 61.9% (\$1.8 million) of its dollar volume, within LMI tracts. This compares favorably against the aggregate's LMI penetration rates of 17.9% and 19.3%, respectively. In 2003, the number and dollar volume loans extended by ACB in LMI tracts declined to four loans (26.7%) totaling \$357 thousand (15.1%).

**Consumer Loans**

The bank’s geographic distribution of consumer loans reflects reasonable dispersion among census tracts of different income levels.

Distribution of ACB’s Consumer Loans by Geographic Income Level								
Geography Income Level	2002				2003			
	#	%	\$(000's)	%	#	%	\$(000's)	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	6	33.3	329	14.0	4	23.5	511	27.0
Middle	6	33.3	1,580	67.1	13	76.5	1,382	73.0
Upper	6	33.3	446	18.9	0	0.0	0	0.0
<b>Total</b>	<b>18</b>	<b>100.0</b>	<b>2,355</b>	<b>100.0</b>	<b>17</b>	<b>100.0</b>	<b>1,893</b>	<b>100.0</b>

In 2002, ACB extended six consumer loans (33.3%) for a total of \$329 thousand (14%) in moderate-income tracts within the assessment area. During 2003, the number of loans originated in moderate-income tracts declined to four (23.5%); however, the dollar volume of those originations increased to \$511 thousand, or 27%, of assessment area lending.

**Distribution by Borrower Characteristics: “Outstanding”**

The bank’s small business and consumer lending distribution based on borrower characteristics reflects excellent penetration among businesses with revenues of \$1 million or less and among LMI individuals.

**Small Business Loans**

The chart on the following page summarizes ACB’s distribution of small business loans based on borrower revenues. According to data from the 1990 and 2000 Censuses, a majority (61.2% and 64.2%, respectively) of all businesses within ACB’s assessment area reported gross annual revenues of \$1 million or less, while only 5.4% and 5.1%, respectively, of businesses reported revenues greater than \$1 million. The remaining businesses did not report their gross annual revenues.

In 2002, the bank’s penetration ratios were significantly higher than those of the aggregate. ACB originated 85.2% (23) of its loans and 85.5% (\$2.5 million) of its dollar volume to businesses with annual revenues of \$1 million or less, while the aggregate’s percentages were 33.6% and 41.3%, respectively. During 2003, the number and dollar volume of ACB’s loans declined by 39.2% and 9.8%, respectively. Thus, the bank reported 14 loans (93.3%), totaling \$2.3 million (95.8%), to businesses with revenues of \$1 million or less.

Distribution of ACB's Small Business Loans by Business Revenue Size								
2002								
Revenue Size	Bank				Aggregate			
	#	%	\$(000's)	%	#	%	\$(000's)	%
\$1 Million or Less	23	85.2	2,503	85.5	821	33.6	25,423	41.3
Over \$1 Million	4	14.8	425	14.5				
No Revenue Info	0	0.0	0	0.0				
<b>Total</b>	<b>27</b>	<b>100.0</b>	<b>2,928</b>	<b>100.0</b>	<b>2,447</b>	<b>100.0</b>	<b>61,490</b>	<b>100.0</b>
2003								
Revenue Size	Bank				Aggregate			
	#	%	\$(000's)	%	#	%	\$(000's)	%
\$1 Million or Less	14	93.3%	2,258	95.8%				
Over \$1 Million	1	6.7%	100	4.2%				
No Revenue Info	0	0.0%	0	0.0%				
<b>Total</b>	<b>15</b>	<b>100.0%</b>	<b>2,358</b>	<b>100.0%</b>				

### Consumer Loans

The overall distribution of consumer loans reflects reasonable penetration among individuals of different income levels.

Distribution of Consumer Loans by Borrower Income Level*								
Borrower Income Level	2002				2003			
	#	%	\$(000's)	%	#	%	\$(000's)	%
Low	2	11.1	301	12.8	5	29.4	625	33.0
Moderate	3	16.7	148	6.3	7	41.2	459	24.2
Middle	4	22.2	810	34.4	1	5.9	225	11.9
Upper	4	22.2	407	17.3	2	11.8	530	28.0
N/A	5	27.8	689	29.3	2	11.8	54	2.9
<b>Total</b>	<b>18</b>	<b>100.0</b>	<b>2,355</b>	<b>100.0</b>	<b>17</b>	<b>100.0</b>	<b>1,893</b>	<b>100.0</b>

\* Borrower income level is based upon the Department of Housing and Urban Development's annual estimate of the median family income ("MFI") for the MSA in which the mortgaged property is located.

During 2002, ACB extended 27.8% of its loans, and 19.1% of its dollar volume, to LMI borrowers. The following year, the bank extended 70.6% of its loans, and 57.2% of its dollar volume, to LMI borrowers. Between 2002 and 2003, ACB's consumer lending to LMI individuals increased by 140% (7 loans) based on number of loans and 141% (\$635 thousand) based on dollar volume.

### Action Taken In Response to Written Complaints With Respect to CRA

Since ACB's previous CRA evaluation on September 30, 2001, neither the bank nor the New York State Banking Department has received any written complaints regarding ACB's CRA performance.

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## **Discrimination and other Illegal Practices**

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

Examiners noted no practices 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 and fair lending examinations of ACB indicate satisfactory adherence to anti-discrimination and other applicable laws and regulations. No evidence of prohibited discriminatory or other illegal credit practices was noted.

## **Process Factors**

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

The bank made community involvement a priority by reaching out to community groups and community leaders that focus on serving low- and moderate-income individuals. The bank has formed relationships with Harbor Child Care Center, La Fuerza Unida, and the Interagency Council of Glen Cove, among others. ACB's president serves on the board of La Fuerza Unida, a not-for-profit community development corporation. In addition, the bank is actively involved with the Interagency Council of Glen Cove, which has a mission to "enhance the delivery of human services through collaboration and communication." The Council, which serves as a clearinghouse for information about the community and its needs, includes more than 60 participating non-profit organizations.

### ***The extent of the banking institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the banking institution.***

ACB advertises its credit products and services through local newspapers, fliers, website listings and word of mouth. Bank employees participate in community programs and attend monthly meeting with different organizations.

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

ACB's board of directors strongly supports management's increased attention to CRA initiatives. Several board members are also members of ACB's CRA committee.

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**Other Factors**

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

None

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## **GLOSSARY**

### **Aggregate**

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

### **Community Development**

The term “community development” is defined to mean:

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

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

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

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

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

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

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

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

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

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

### **Loans to Small Businesses**

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

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

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

### **LMI Borrowers**

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

### **LMI Individuals/Persons**

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

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**LMI Penetration Rate**

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

**Small Business Loans**

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