



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

PUBLIC SUMMARY
Off-site Evaluation

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: December 31, 2003

Institution: The Berkshire Bank
4 East 39th Street
New York, NY 10016

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.

TABLE OF CONTENTS

	Section
General Information	1
Overview of Institution's Performance	2
Performance Context	3
Institution's Profile	
Assessment Area	
Performance Tests and Assessment Factors	4
Lending Test	
Investment Test	
Service Test	
Discrimination or Other Illegal Practices	
Process Factors	
Other Factors	
Glossary	5

GENERAL INFORMATION

This document is an “off-site” evaluation of the Community Reinvestment Act (“CRA”) performance of The Berkshire Bank (“TBB”) 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, 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 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

The Berkshire Bank is rated "2," indicating a satisfactory record of helping to meet the credit needs of the community.

Lending Test: "Low Satisfactory"

- **Lending Activity:** Berkshire Bank lending levels reflect adequate responsiveness to community credit needs.

During the evaluation period, TBB originated 520 HMDA-reportable and small business loan inside the assessment area, an increase of 49% (171) from the prior evaluation. HMDA-reportable loans increased 36.6% and small business loans increased 116.7% between evaluation periods.

According to the market share report TBB ranked 99th out of 541 mortgage lenders and 40th out of 263 small business lenders.

An analysis of the bank's lending pattern indicated that a substantial majority of the bank's loans were originated in Orange County which has the least number of LMI tracts. TBB does not have any branches in Bronx County although that county is included in its assessment area.

- **Assessment Area Concentration:** A substantial majority of the bank's loans were originated in the assessment area.

During the evaluation period, the bank extended 90.6% of the loans by number and 89.0% by dollar volume in the assessment area. Nearly, 90.0% of the bank's HMDA-reportable loans by number and 87.0% by dollar volume were originated inside the assessment area. As for small business loans, nearly 94.0% by number and 96.0% by dollar volume were originated inside the assessment area.

- **Geographic Distribution:** The geographic distribution of loans reflects poor penetration throughout the assessment area.

During the evaluation period the bank extended 2.7% of its HMDA-reportable loans by number and 4.9% by dollar volume in LMI areas. This was much lower than the aggregate's 22.0% and 21.0% respectively. The bank's penetration rate was also poor in comparison to the rate of owner occupied housing units in LMI geographies, which was 18.0% in 2002 and 23.0% in 2003.

During the evaluation period, the bank extended 14.5% of its small business loans by number and 26.1% by dollar volume to businesses in LMI geographies.

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- ***Borrower Characteristics:*** The distribution of loans based on borrower characteristics reflects adequate penetration among individuals of different income levels and businesses of different sizes.

During the evaluation period, the bank extended 9.2% of its HMDA-reportable loans by number and 4.9% by dollar volume to LMI borrowers, slightly below the aggregate's 9.9% by number and slightly above the 4.1% by dollar volume. Between 2002 and 2003, the bank's LMI penetration rate by number and dollar volume decreased substantially to 5.1% from 12.5% and to 2.3% from 7.1% respectively. Although the aggregate's penetration rate also decreased, the rate of decrease was not as much as the bank's; the aggregate's rate went from 12.8 to 7.9% by number and from 5.3% to 3.2% by dollar volume.

During the evaluation period, the bank extended 58.0% of its small business loans to businesses with gross annual revenues of \$1 million or less. Between 2002 and 2003, the bank's LMI penetration rate increased substantially, from 32.7% in 2002 to 76.5% in 2003. The penetration rate for 2003 was better than the distribution rate (over 60%) of non-farm businesses with revenues of \$1 million or less.

- ***Community Development Lending:*** During the evaluation period, TBB made a significant level of qualified community development loans.

Qualified community development activities consisted of nine loans totaling \$18.2 million all of which were new money. A majority (56%) of the loans were originated to revitalizing/stabilizing LMI geographies.

Investment Test: "Outstanding"

During the evaluation period, the bank provided an excellent level of qualified community development investments and grants. The bank's qualified community development investments and grants totaled \$9.3 million, of which approximately 81% were new money.

Service Test: "High Satisfactory"

- ***Accessibility of Delivery Systems:*** The bank's delivery systems are accessible to essentially all portions of the assessment area. Out of the nine full-service branch offices, three are located in moderate-income areas and one in a middle-income tract which is adjacent to an LMI area.
- ***Alternative Delivery Systems:*** The bank offers a variety of alternative delivery systems to serve its customers. In addition to the nine branches the bank has a network of seven automated teller machines (ATM), three of which are deposit taking. TBB provides Bank by Phone, Online banking service which facilitates inter-account funds transfer; basic banking service is also provided.

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- **Changes in Branch Location:** *The bank's record of opening and closing of branches has improved the accessibility of its delivery systems particularly to moderate income individuals.*
 - **Reasonableness of Business Hours and Services:** TBB's services and hours are tailored to the convenience and needs of the assessment area. Extended business hours are available at all branches; several of them are open on Saturday or Sunday.

Community Development Services: The bank did not provide any community development services.

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

PERFORMANCE CONTEXT

Institution's Profile:

The Berkshire Bank ("TBB") is an FDIC insured commercial bank headquartered in New York City operating under a New York State Banking charter issued in 1989. It is a wholly-owned subsidiary of Berkshire Bancorp Inc., a one-bank holding company. The bank was established to specialize in private banking to serve high net worth individuals.

In 2001, TBB's parent holding company, Berkshire Bancorp, Inc., acquired Goshen Savings Bank Financial Corporation ("GSBFC") and its subsidiary, Goshen Savings Bank ("GSB") which was originally founded in 1874 as a mutual savings bank serving Orange County. GSB was simultaneously merged with TBB. GSB retained its name and continues to serve the upstate customer base as a division of TBB.

TBB operates nine full-service banking offices, three in Orange County, three in Kings County, two in New York County and one in Sullivan County. Three branches are in moderate income census tracts and one is in a middle income tract which is adjacent to an LMI area. Supplementing the banking offices is an ATM network consisting of seven locations of which three are deposit-taking.

The Federal Deposit Insurance Corporation's ("FDIC") Consolidated Report of Condition (the Call Report) as of December 31, 2003 shows total assets of \$888.6 million, of which 285.9 million were net loans and leases. It also reported total deposits of \$614.2 million, resulting in a loan-to-deposit ratio of 46.5%. The current level of assets reflects an increase of 70.9% from \$520.1 million reported at the previous evaluation as of December 31, 2001.

The following is a summary of the bank's lending portfolio, based on Schedule RC-C of the bank's call reports as of December 31, 2001, December 31, 2002 and December 31, 2003.

Total Gross Loans Outstanding						
Loan Type	2001		2002		2003	
	\$000	%	\$000	%	\$000	%
1-4 Family Residential	164,970	67.1	180,730	67.5	169,590	58.6
Commercial Real Estate	47,087	19.2	56,831	21.2	76,485	26.4
Commercial & Industrial Loans	14,830	6.0	11,687	4.4	14,988	5.2
Multifamily Mortgages	11,186	4.6	8,958	3.3	6,608	2.3
Consumer	3,721	1.5	2,894	1.1	1,741	0.6
Construction	2,328	0.9	4,341	1.6	12,227	4.2
Other Loans	1,633	0.7	2,391	0.9	7,738	2.7
Total Gross Loans	245,755	100.0	267,832	100.0	289,377	100.0

Loan Portfolio

The bank offers a wide variety of loan products, such as residential 1-4 family and multifamily mortgages, Modifications Extensions and Consolidation Agreements (MECAs), home equity loans, commercial loans, commercial mortgages and letters of credit.

The bank is primarily a residential real estate lender. As of December 31, 2003, TBB reported 60.9% of its loan portfolio in residential loans, 31.6% in commercial loans and 4.2% in construction loans.

The following table depicts the amounts and percentages of deposits obtained from each county.

The Berkshire Bank Deposit Market Share Based on County						
As of June 30, 2003						
County	No. of Offices	Deposits (\$000)	% of Total	Market Share	Ranking	No. of Institutions
Kings	3	192,303	34.0	0.67	17	41
Orange	3	189,359	33.5	4.00	10	24
New York	2	166,216	29.4	0.06	46	93
Sullivan	1	17,618	3.1	1.87	11	11
Assessment Area	9	565,496	100.0	0.17	33	121

Deposit Market Share

According to the FDIC's Deposit Market Share Report as of June 30, 2003, the bank obtained a market share of 0.17%, or \$565.5 million inside its market, ranking it 33rd among 121 deposit-taking institutions in its assessment area. The bank received 34.0% of its deposits from Kings County and 29.4% from New York County, which is its home county.

At its previous Performance Evaluation, conducted by the New York State Banking Department as of December 31, 2001, the bank received a rating of "2," reflecting a "Satisfactory" record of helping to meet community credit needs.

There is no legal or financial impediment that impacts the institution's ability to meet the credit needs of its assessment area.

Assessment Area

Since the previous performance evaluation, there were no changes in the bank's assessment area. The assessment area consists of New York, Kings, Bronx and Orange counties in their entirety and the south eastern portion of Sullivan County; those tracts are located in the town of Fallsburgh, Mamakating, Thompson and Forestburgh. Although the bank incorporates Bronx County as part of its assessment area, it does not have any branch presence in the county.

The following table depicts the distribution of census tracts within the assessment area based on the 1990 U.S. Census.

Distribution of Census Tracts Inside The Bank's Assessment Area							
County	1990 U.S. Census						
	Low	Moderate	Middle	Upper	N/A	Total	LMI%
Kings	114	207	302	147	19	789	40.68
Bronx	126	65	88	61	15	355	53.80
New York	63	65	33	126	11	298	42.95
Orange	2	12	32	20	1	67	20.90
Sullivan	0	0	8	2	0	10	0.00
Assessment area	305	349	463	356	46	1,519	43.05

According to the 1990 U.S. Census, there were 1,519 census tracts within the assessment area. Of the total number of tracts, 654 or 43.1% were classified as LMI.

The following table depicts the distribution of census tracts inside the assessment area based on the 2000 U.S. Census.

Distribution of Census Tracts Inside The Bank's Assessment Area							
County	2000 U.S. Census						
	Low	Moderate	Middle	Upper	N/A	Total	LMI%
Kings	100	271	250	147	15	783	47.38
Bronx	117	99	72	53	14	355	60.85
New York	47	68	26	146	9	296	38.85
Orange	5	11	33	18	0	67	23.88
Sullivan	0	1	7	2	0	10	10.00
Assessment area	269	450	388	366	38	1,511	47.58

According to the 2000 U.S. Census, there were 1,511 census tracts within the assessment area. Of the total number of tracts, 719 or 47.6% were classified as LMI and this reflected an overall increase of 65 (9.9%), LMI tracts from the 1990 U.S. Census.

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

Demographic & Economic Data

The following is a listing of demographic charts for each county within the assessment area for the 1990 and 2000 U.S. Census. Economic and statistical data were derived from various sources; demographic data was obtained from the 1990 and 2000 U.S. Censuses. The updated median family income figures of 2002 and 2003 were obtained from Department of Housing and Urban Development (HUD) estimates.

Chart #1: Shows population and income.

Chart #2: Shows housing demographics.

Chart #3 Shows business demographics.

Bronx County

According to the U.S. Department of Labor, the annualized unemployment rates for Bronx County in 2002 and 2003 were 9.4% and 10.3%, respectively. These rates were significantly higher than the New York State's rates of 6.2% and 6.4% for the same years.

Kings County

According to the U.S. Department of Labor, the annualized unemployment rates for Kings County in 2002 and 2003 were 8.8% and 9.1%, respectively. These rates were significantly higher than the New York State's rates of 6.2% and 6.4% for the same years.

The Brooklyn Navy Yard, Sunset Park and Red Hook neighborhoods are designated as Economic Development Zones (EDZ).

New York County

According to the U.S. Department of Labor, the annualized unemployment rates for New York County in 2002 and 2003 were 8.5% and 8.1%, respectively. These rates were significantly higher than the New York State's rates of 6.2% and 6.4% for the same years.

Orange County

According to the U.S. Department of Labor, the annualized unemployment rates for Orange County in 2002 and 2003 were 4.4% and 4.9%, respectively. These rates were lower than the New York State's rates of 6.2% and 6.4% for the same years.

Sullivan County

According to the U.S. Department of Labor, the annualized unemployment rate for Sullivan County in 2002 and 2003 was 5.1% and 5.3%, respectively. These rates were lower than the New York State's rates of 6.2% and 6.4% for the same years.

The Berkshire Bank

CHART # 1 - 2002

ASSESSMENT AREA POPULATION AND INCOME CHARACTERISTICS BY COUNTY																					
County	Total Population**	Age over 65		Age under 16		Median Family Income(MFI)	HUD MSA MFI	# of Households	# of HH below poverty level		Total Families	Low income		Moderate income		Middle income		Upper income		LMI families in LMI tracts	
		#	%	#	%				#	%		#	%	#	%	#	%	#	%	#	%
Kings	2,300,664	286,911	12.5	539,743	23.5	31,470	62,800	827,679	178,077	22.0	563,283	182,474	32.4	99,106	17.6	106,575	18.9	175,128	31.1	175,382	62.3
New York	1,487,536	198,188	13.3	221,138	14.9	48,582	62,800	716,811	120,121	17.0	305,368	87,958	28.8	42,268	13.8	43,772	14.3	131,370	43.0	99,684	76.5
Bronx	1,203,789	139,484	11.6	297,870	24.7	27,178	62,800	423,191	114,004	27.0	291,978	113,170	38.8	52,329	17.9	52,100	17.8	74,379	25.5	127,740	77.2
Orange	307,647	32,152	10.5	76,646	24.9	44,318	58,700	101,730	8,606	8.0	77,895	13,763	17.7	13,541	17.4	19,574	25.1	31,017	39.8	8,514	31.2
Sullivan	34,565	4,192	12.1	7,557	21.9	34,480	43,600	11,753	1,417	12.0	8,250	1,273	15.4	1,409	17.1	1,919	23.3	3,649	44.2	0	0.0
TOTAL A/A*	5,334,201	660,927	12.4	1,142,954	21.4	35,479	62,493	2,081,164	422,225	20.3	1,246,774	398,638	32.0	208,653	16.7	223,940	18.0	415,543	33.3	411,320	67.7

* Assessment Area; ** In thousands

CHART # 1 - 2003

ASSESSMENT AREA POPULATION AND INCOME CHARACTERISTICS BY COUNTY																					
County	Total Population**	Age Over 65		Age Under 16		Median Family Income(MFI)	HUD MSA MFI	# of Households	# of HH below poverty level		Total Families	Low income		Moderate income		Middle income		Upper income		LMI families in LMI tracts	
		#	%	#	%				#	%		#	%	#	%	#	%	#	%	#	%
Kings	2,465,326	282,658	11.5	587,575	23.8	39,349	51,900	881,006	211,538	24.0	588,870	199,851	33.9	100,237	17.0	98,099	16.7	190,683	32.4	206,724	68.9
New York	1,537,195	186,776	12.2	229,772	14.9	71,629	51,900	739,167	123,037	17.0	306,220	84,445	27.6	39,739	13.0	38,302	12.5	143,734	46.9	95,683	77.0
Bronx	1,332,650	133,948	10.1	356,895	26.8	33,099	51,900	463,242	134,404	29.0	317,248	126,457	39.9	57,091	18.0	51,600	16.3	82,100	25.9	150,948	82.2
Orange	341,367	35,185	10.3	88,699	26.0	61,313	63,500	114,809	10,461	9.0	85,028	16,150	19.0	14,389	16.9	19,549	23.0	34,940	41.1	10,004	32.8
Sullivan	38,258	4,703	12.3	8,486	22.2	44,347	47,300	13,846	2,281	16.0	9,217	1,945	21.1	1,578	17.1	1,788	19.4	3,906	42.4	351	10.0
TOTAL A/A*	5,714,796	643,270	11.3	1,271,427	22.2	46,861	52,384	2,212,070	481,721	21.8	1,306,583	428,848	32.8	213,034	16.3	209,338	16.0	455,363	34.9	463,710	72.2

* Assessment Area; ** In thousands

The Berkshire Bank

CHART # 2 - 2002

ASSESSMENT AREA HOUSING CHARACTERISTICS BY COUNTY																			
COUNTY	Total Housing Units	1-4 family Units		Multifamily Units		Owner-Occupied Units (O-O)		O-O Units in Low-income Tracts		O-O Units in Mod-income Tracts		O-O Units in Midd-income Tracts		O-O Units in Upp-income Tracts		Rental Units		Vacant/Boarded-up Units	
		#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%
Kings	873,671	404,725	46.00	455,748	52.00	215,843	25.00	10,835	5.02	44,701	20.71	101,835	47.18	58,493	27.1	637,074	73.00	48,856	5.59
New York	785,127	22,555	3.00	751,448	96.00	127,973	16.00	2,572	2.01	9,828	7.68	9,099	7.11	106,448	83.18	623,203	79.00	71,151	9.06
Bronx	440,955	103,092	23.00	329,226	75.00	75,820	17.00	6,331	8.35	8,788	11.59	31,913	42.09	28,781	37.96	359,646	82.00	17,504	3.97
Orange	110,814	92,705	84.00	12,504	11.00	68,474	62.00	835	1.22	6,142	8.97	37,674	55.02	23,822	34.79	35,369	32.00	9,590	8.65
Sullivan	19,667	14,903	76.00	2,161	11.00	7,548	38.00	0	0.00	0	0.00	5,003	66.28	2,545	33.72	5,021	26.00	8,103	41.20
TOTAL A/A*	2,230,234	637,980	28.61	1,551,087	69.55	495,658	22.22	20,574	4.15	69,459	14.01	185,523	37.43	220,090	44.40	1,660,313	74.45	155,204	6.96

* Assessment Area

CHART # 2 - 2003

ASSESSMENT AREA HOUSING CHARACTERISTICS BY COUNTY																			
COUNTY	Total Housing Units	1-4 family Units		Multifamily Units		Owner-Occupied Units (O-O)		O-O Units in Low-income Tracts		O-O Units in Mod-income Tracts		O-O Units in Midd-income Tracts		O-O Units in Upp-income Tracts		Rental Units		Vacant/Boarded-up Units	
		#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%
Kings	930,866	455,859	49.00	474,122	51.00	238,290	26.00	10,032	4.21	67,293	28.24	94,577	39.69	66,388	27.86	670,996	72.00	50,139	5.39
New York	798,144	28,178	4.00	769,392	96.00	148,695	19.00	2,587	1.74	13,115	8.82	7,717	5.19	125,261	84.24	616,053	77.00	59,500	7.45
Bronx	490,659	132,650	27.00	357,495	73.00	90,522	18.00	8,790	9.72	19,571	21.62	33,575	37.09	28,569	31.56	391,918	80.00	27,447	5.59
Orange	122,754	104,229	85.00	14,868	12.00	76,948	63.00	1,916	2.49	5,733	7.45	43,776	56.89	25,524	33.17	40,353	33.00	7,966	6.49
Sullivan	22,054	17,107	78.00	2,579	12.00	8,696	39.00	0	0.00	463	5.32	5,083	58.45	3,150	36.22	6,124	28.00	8,241	37.37
TOTAL A/A*	2,364,477	738,023	31.21	1,618,456	68.45	563,151	23.82	23,325	4.14	106,174	18.85	184,728	32.80	248,890	44.20	1,725,444	72.97	153,293	6.48

* Assessment Area

The Berkshire Bank

CHART # 3 - 2002

BUSINESS DEMOGRAPHICS BY COUNTY											
COUNTY	Number of Businesses	Businesses with Rev. of \$1 million or less		Businesses with Rev. of more than \$1 million		Businesses with no revenues reported		Businesses with less than 50 employees		Operating from a single location	
		#	%	#	%	#	%	#	%	#	%
Kings	99,639	64,334	64.57	5,257	5.28	30,048	30.16	68,835	69.08	92,867	93.20
New York	210,964	136,710	64.80	23,859	11.31	50,395	23.89	149,510	70.87	181,446	86.01
Bronx	34,661	23,794	68.65	1,855	5.35	9,012	26.00	24,514	70.73	31,627	91.25
Orange	22,695	16,706	73.61	1,185	5.22	4,804	21.17	17,185	75.72	20,012	88.18
Sullivan	2,424	1,651	68.11	107	4.41	666	27.48	1,684	69.47	2,192	90.43
Total A/A	370,383	243,195	65.66	32,263	8.71	94,925	25.63	261,728	70.66	328,144	88.60

CHART # 3 - 2003

BUSINESS DEMOGRAPHICS BY COUNTY											
COUNTY	Number of Businesses	Businesses with Rev. of \$1 million or less		Businesses with Rev. of more than \$1 million		Businesses with no revenues reported		Businesses with less than 50 employees		Operating from a single location	
		#	%	#	%	#	%	#	%	#	%
Kings	106,517	69,497	65.24	5,235	4.91	31,785	29.84	77,928	73.16	99,599	93.51
New York	221,146	131,056	59.26	23,366	10.57	66,724	30.17	163,025	73.72	190,918	86.33
Bronx	37,871	24,644	65.07	1,855	4.90	11,372	30.03	27,926	73.74	34,750	91.76
Orange	23,149	15,418	66.60	1,153	4.98	6,578	28.42	18,164	78.47	20,424	88.23
Sullivan	2,643	1,730	65.46	105	3.97	808	30.57	1,967	74.42	2,401	90.84
Total A/A	391,326	242,345	61.93	31,714	8.10	117,267	29.97	289,010	73.85	348,092	88.95

PERFORMANCE TESTS AND ASSESSMENT FACTORS

The Banking Department assesses a large bank's CRA performance by evaluating its lending, investment and service activities within the assessment area as described in Parts 76.8, 76.9 and 76.10 of the General Regulations of the Banking Board.

This performance evaluation incorporated a review of Berkshire's lending, investment and service activities in the bank's assessment area during 2002 and 2003. When reviewing the bank's loan products, the examiners considered the bank's HMDA-reportable and small business loans. For purposes of this evaluation, HMDA-reportable loans were given more weight because they constitute 77.5% of the portfolio by number and 76.3% by dollar volume. The Berkshire Bank is being evaluated as a large bank for the first time.

Statistics used in this evaluation were derived 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 from PCi Corporation's CRA Wiz[®] software. Demographic data were taken from the 1990 and 2000 U.S. Censuses, with updated median income estimates provided by HUD. In 2002, TBB did not report its small business loans; therefore, their loan data was not part of the aggregate's data.

I. Lending Test: "Low 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) Innovative or Flexible Lending Practices.

Lending Activity: "Low Satisfactory"

TBB's lending levels reflect adequate responsiveness to the assessment area credit needs.

During the evaluation period, the bank originated a total of 520 HMDA-reportable and small business loans, which represents an increase of 49.0% (171) over the prior evaluation period. This increase in loan volume was primarily due to the acquisition of Goshen Savings Bank which has a well established lending operation in Orange County.

The analysis of the bank's lending throughout the assessment area indicated that 86.7% of the bank's total HMDA-reportable and small business loans were originated in Orange County.

HMDA-reportable loans:

According to the 2003 Lenders Market Share Report, based on loan volume TBB ranked 99th among the 541 HMDA-reportable lenders with a market share of 0.14% by number of loans and 0.08% by dollar volume of loans.

The following chart provides a summary of the bank's HMDA-reportable lending activity at the county level for 2002 and 2003.

HMDA Lending Activity by County								
County	2002				2003			
	#	%	\$('000)	%	#	%	\$('000)	%
Bronx	4	1.8	570	1.7	1	0.6	1,100	3.7
Kings	8	3.6	2,257	6.5	3	1.7	2,300	7.8
New York	5	2.2	3,367	9.7	8	4.5	5,548	18.9
Orange	203	90.6	28,034	81.2	158	88.3	19,488	66.4
Sullivan	4	1.8	307	0.9	9	5.0	924	3.1
Total	224	100.0	34,535	100.0	179	100.0	29,360	100.0

In 2002, 90.6% of the bank's HMDA-reportable loans by number and 81.2% by dollar volume were originated in Orange County. In 2003, the number of HMDA-reportable loans originated in Orange County declined by 22.2%, reflecting a penetration rate of 88.3% by number and 66.4% by dollar volume.

The tables below summarize the bank's HMDA-reportable loan distribution by product type and by county.

HMDA-reportable Lending Activity By Loan Type								
County	2002							
	Home purchase		Home Improvement		Refinancing		Total	
	#	\$('000)	#	\$('000)	#	\$('000)	#	\$('000)
Bronx	4	570	0	0	0	0	4	570
Kings	2	520	0	0	6	1,737	8	2,257
New York	2	2,106	0	0	3	1,261	5	3,367
Orange	56	9,351	22	620	125	18,063	203	28,034
Sullivan	1	60	0	0	3	247	4	307
Total	65	12,607	22	620	137	21,308	224	34,535

HMDA-reportable Lending Activity By Loan Type										
County*	2003									
	Home purchase		Home Improvement		Refinancing		Multifamily		Total	
	#	\$('000)	#	\$('000)	#	\$('000)	#	\$('000)	#	\$('000)
Bronx	0	0	0	0	0	0	1	1,100	1	1,100
Kings	1	450	0	0	1	800	1	1,050	3	2,300
New York	4	2,087	2	1,099	2	2,362	0	0	8	5,548
Orange	31	5,340	42	1,219	85	12,929	0	0	158	19,488
Sullivan	4	574	1	41	4	309	0	0	9	924
Total	40	8,451	45	2,359	92	16,400	2	2,150	179	29,360

Since 2001, home purchase and refinance loans reflected a steady downward trend. Home purchase loans declined 29.3% (27) and refinance loans declined 23.5% (42) between 2001 and 2002. The trend continued in 2003, home purchase loans declined 38.5% (25) and refinance loans declined 32.8% (45) between 2002 and 2003. Home improvement loans, on the other hand, increased steadily since 2001 reflecting a 266.7% (16) increase between 2001 and 2002 and a 104.5% (23) increase between 2002 and 2003.

Small business loans:

In 2003, the bank achieved a market share of 0.05% based on number of loans and 0.29% based on dollar volume; this level of activity ranked the bank 40th among 263 small business lenders within the assessment area. The top four lenders accounted for 58.8% of the market share based on number of loans and 34.6% based on dollar volume.

The total number of small business loans increased by 6.5% (3) between 2001 and 2002, and by 38.8% (19) between 2002 and 2003.

The following is a summary of the bank’s small business lending activity at the county level.

Small Business Lending Activity by County								
County	2002				2003			
	#	%	\$('000)	%	#	%	\$('000)	%
Bronx	0	-	0	-	1	1.5	649	5.2
Kings	11	22.5	1,855	25.4	10	14.7	4,790	38.2
New York	1	2.0	36	0.5	2	2.9	270	2.1
Orange	35	71.4	4,921	67.5	55	80.9	6,830	54.5
Sullivan	2	4.1	480	6.6	0	-	0	-
Total	49	100.0	7,292	100.0	68	100.0	12,539	100.0

In 2002, the bank originated 71.4% of small business loans by number and 67.5% by dollar volume in Orange County. In 2003, the penetration rate increased to 80.9% by number of loans and 54.5% by dollar volume in Orange County.

Assessment Area Concentration: “Outstanding”

During the evaluation period, TBB originated a substantial majority of its loans within the assessment area.

For the evaluation period, the bank originated 90.6% of its HMDA-reportable and small business loans by number and 89.0% by dollar volume inside the assessment area. For HMDA-reportable loans, the ratios were 89.8% by number and 86.9% by dollar volume. For small business loans, the ratios were 93.6% by number and 96.3% by dollar volume.

The following table illustrates the assessment area distribution of TBB's HMDA-reportable and small business loans during 2002 and 2003.

Distribution of Loans Inside and Outside the Assessment Area										
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		(\$000)	%	(\$000)	%	
Home Mortgage										
2002	224	88.2	30	11.8	254	34,535	85.6	5,818	14.4	40,353
2003	179	91.8	16	8.2	195	29,360	88.5	3,799	11.5	33,159
Subtotal	403	89.8	46	10.2	449	63,895	86.9	9,617	13.1	73,512
Small Business										
2002	49	94.2	3	5.8	52	7,292	97.2	213	2.8	7,505
2003	68	93.2	5	6.8	73	12,539	95.8	549	4.2	13,088
Subtotal	117	93.6	8	6.4	125	19,831	96.3	762	3.7	20,593
Total	520	90.6	54	9.4	574	83,726	89.0	10,379	11.0	94,105

Geographic Distribution: "Needs to Improve"

The geographic distribution of TBB's HMDA-reportable and small business loans reflects poor penetration throughout the assessment areas.

An analysis of TBB's loan originations within the assessment area during the evaluation period revealed that Orange County with 2.2% of the total LMI tracts accounted for 89.6% of the total HMDA-reportable loans. Kings County with 51.6% of the LMI tracts accounted for 2.7% of the total HMDA-reportable loans. The majority (76.9%), of all small business loans was originated in Orange County; however, the majority (70.6%) of the small business loans originated in LMI tracts were originated in Kings County.

HMDA-reportable loans

The following chart provides a summary of the bank's HMDA-reportable lending for 2002 and 2003.

Distribution of HMDA-reportable Loans by Income Category of the Census Tract						
2002						
Census Tract Income Level	% Owner-occupied Housing Units	Bank				Aggregate Lending Data (% of #)
		#	%	(\$'000)	%	
Low	4.2	2	0.9	232	0.7	6.7
Moderate	14.0	4	1.8	455	1.3	14.0
LMI	18.2	6	2.7	687	2.0	20.7
Middle	37.4	103	46.0	12,814	37.1	32.5
Upper	44.4	115	51.3	21,034	60.9	46.6
N/A	0.0	0	0.0	0	0.0	0.2
Total	100.0	224	100.0	34,535	100.0	100.0
2003						
Census Tract Income Level	% Owner-occupied Housing Units	Bank				Aggregate Lending Data (% of #)
		#	%	(\$'000)	%	
Low	4.2	1	0.6	1,100	3.7	5.0
Moderate	18.9	4	2.2	1,324	4.5	17.9
LMI	23.1	5	2.8	2,424	8.3	22.9
Middle	32.7	88	49.2	10,438	35.6	28.8
Upper	44.2	84	46.9	14,773	50.3	47.8
N/A	0.0	2	1.1	1,725	5.9	0.5
Total	100.0	179	100.0	29,360	100.0	100.0

*Geography income level for 2002 and 2003 individually is based upon 1990 and 2000 U.S. 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%.

During the evaluation period, the bank extended 2.7% of its HMDA-reportable loans by number and 4.9% by dollar volume in LMI areas, far below the aggregate's ratios of 21.9% and 20.7%, respectively.

In 2002, the bank's LMI penetration rate of 2.7% by number was far below the aggregate's 20.7% and much lower than the 18.2% of owner occupied housing units in LMI geographies. In 2003, the bank's LMI penetration rate showed a slight increase to 2.8%. However, it remained significantly below the aggregate's 22.9% by number and also below the owner occupied housing units in the LMI geographies of 23.1%.

The following charts shows distribution of HMDA loans among the counties.

County	Distribution of HMDA-reportable Loans by County									
	2002									
	Low		Moderate		Middle		Upper		Total	
#	\$('000)	#	\$('000)	#	\$('000)	#	\$('000)	#	\$('000)	
Bronx	0	0	0	0	0	0	570	4	570	
Kings	0	0	1	270	3	1,030	4	957	8	2,257
New York	0	0	0	0	1	111	4	3,256	5	3,367
Orange	2	232	3	185	96	11,418	102	16,199	203	28,034
Sullivan	0	0	0	0	3	255	1	52	4	307
Total	2	232	4	455	103	12,814	115	21,034	224	34,535

County	Distribution of HMDA-reportable Loans by County											
	2003											
	Low		Moderate		Middle		Upper		N/A		Total	
#	\$('000)	#	\$('000)	#	\$('000)	#	\$('000)	#	\$('000)	#	\$('000)	
Bronx	1	1,100	0	0	0	0	0	0	0	0	0	1,100
Kings	0	0	1	1,050	1	450	1	800	0	0	3	2,300
New York	0	0	0	0	0	0	6	3,823	2	1,725	8	5,548
Orange	0	0	3	274	86	9,896	69	9,318	0	0	158	19,488
Sullivan	0	0	0	0	1	92	8	832	0	0	9	924
Total	1	1,100	4	1,324	88	10,438	84	14,773	2	1,725	179	29,360

The number of loans originated between 2002 and 2003 declined by 20%. Every income tract reflected a decline except for the moderate-income tract, which remained the same.

Small business loans

The following charts provide a summary of the bank's small business lending distribution for 2002 and 2003.

Distribution of Small Business Loans Census Tract Income Level					
Census Tract Income Level	Distribution of total business (% of #)	2002			
		#	%	(\$000)	%
Low	9.6	1	2.0	45	0.6
Moderate	19.9	8	16.4	1,042	14.3
LMI	29.5	9	18.4	1,087	14.9
Middle	21.9	19	38.8	3,030	41.6
Upper	45.6	20	40.8	3,150	43.2
N/A	3.0	1	2.0	25	0.3
Total	100.0	49	100.0	7,292	100.0

During the evaluation period the bank originated 14.5% of its small business loans by number and 26.1% by dollar volume in LMI areas. The bank's small business data was not part of the aggregate in 2002, therefore, a comparison to the aggregate could not be made.

In 2002, the bank's LMI penetration rate for small business loans was 18.4%, which was less than the 29.5% distribution rate of non-farm businesses within the assessment areas but above its 2001 penetration rate of 12.5%.

Distribution of Small Business Loans by Census Tract Income Level						
Census Tract Income Level	Distribution of total business (% of #)	Aggregate Lending Data (% of #)	2003			
			#	%	(\$'000)	%
Low	8.4	7.0	2	2.9	900	7.2
Moderate	18.8	17.6	6	8.8	3,190	25.4
LMI	27.2	24.6	8	11.7	4,090	32.6
Middle	18.5	19.7	33	48.5	4,278	34.1
Upper	52.5	54.2	26	38.2	3,969	31.7
N/A	1.8	1.5	1	1.5	202	1.6
Total	100.0	100.0	68	100.0	12,539	100.0

In 2003, the bank's LMI penetration rate decreased from 18.4% to 11.7%, and was substantially less than the aggregate's 24.6% and the 27.2% distribution rate of non-farm businesses within the assessment areas.

The following charts summarize the geographic distribution of lending activity by county.

Small Business Lending Activity By County												
County	2002											
	Low		Moderate		Middle		Upper		NA		Total	
	#	\$('000)	#	\$('000)	#	\$('000)	#	\$('000)	#	\$('000)	#	\$('000)
Bronx	0	0	0	0	0	0	0	0	0	0	0	0
Kings	0	0	5	920	3	590	2	320	1	25	11	1855
New York	0	0	0	0	0	0	1	36	0	0	1	36
Orange	1	45	3	122	14	1960	17	2794	0	0	35	4921
Sullivan	0	0	0	0	2	480	0	0	0	0	2	480
Total	1	45	8	1,042	19	3,030	20	3,150	1	25	49	7,292
County	2003											
	Low		Moderate		Middle		Upper		NA		Total	
	#	\$('000)	#	\$('000)	#	\$('000)	#	\$('000)	#	\$('000)	#	\$('000)
Bronx	0	0	0	0	0	0	1	649	0	0	1	649
Kings	1	750	6	3,190	2	648	0	0	1	202	10	4790
New York	0	0	0	0	0	0	2	270	0	0	2	270
Orange	1	150	0	0	31	3,630	23	3,050	0	0	55	6830
Sullivan	0	0	0	0	0	0	0	0	0	0	0	0
Total	2	900	6	3,190	33	4,278	26	3,969	1	202	68	12,539

In 2002, 71.4% of TBB's small business loans were originated in Orange County. However, the highest LMI penetration rate was in Kings County (55.6%) and the second highest was Orange County with 44.4%. The level of concentration increased in 2003; to 80.9% and the LMI penetration rate in Kings County increased to 87.5%.

Borrower Characteristics: “Low Satisfactory”

The distribution of loans based on borrower characteristics reflects adequate penetration among customers of different income levels and businesses of different sizes.

During the evaluation period, the bank extended 9.2% of its HMDA-reportable loans to LMI borrowers, which was slightly lower than the aggregate’s 9.9%. For small business loans, however, the bank achieved a penetration rate of approximately 58% of loans to businesses with gross annual revenues of \$1 million or less.

HMDA-reportable Loans

In 2002, the bank’s LMI penetration rates were 12.5% by number and 7.1% by dollar volume, which was slightly lower than the aggregate’s 12.8% by number of loans but higher than the aggregate’s 5.3% by dollar volume.

In 2003, the bank’s LMI penetration rate by number of loans decreased substantially from 12.5% to 5.1% and from 7.1% to 2.3% by dollar volume. Although the aggregate’s LMI penetration rate also declined the rate of decline was much less, from 12.8% to 7.9% by number and from 5.3% to 3.2% by dollar volume which is much better than the bank’s rate.

The following table shows the bank’s HMDA lending distribution during the evaluation period.

Distribution of HMDA-reportable Loans by Income Category of the Borrower						
Census Tract Income Level	% of Total Families	Aggregate Lending Data (% of #)	2002			
			#	%	(\$000)	%
Low	32.0	2.6	5	2.2	469	1.4
Moderate	16.7	10.2	23	10.3	1,975	5.7
LMI	48.7	12.8	28	12.5	2,444	7.1
Middle	18.0	20.7	49	21.9	5,349	15.5
Upper	33.3	54.6	141	62.9	23,047	66.7
N/A		11.9	6	2.7	3,695	10.7
Total	100.0	100.0	224	100.0	34,535	100.0

Census Tract Income Level	% of Total Families	Aggregate Lending Data (% of #)	2003			
			#	%	(\$000)	%
Low	32.8	1.4	1	0.6	90	0.3
Moderate	16.3	6.5	8	4.5	575	2.0
LMI	49.1	7.9	9	5.1	665	2.3
Middle	16.0	17.1	32	17.9	3,742	12.7
Upper	34.9	64.1	135	75.4	22,353	76.1
N/A		10.9	3	1.6	2,600	8.9
Total	100.0	100.0	179	100.0	29,360	100.0

*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%.

Small business loans

The following table shows the bank's small business lending distribution during the evaluation period.

Small Business Lending					
2002					
Gross Annual Revenues (000s)	% of Non-farm Businesses with Revenues <=\$1,000	#	%	(\$000)	%
<=\$1,000	65.6	16	32.7	2,071	28.4
>\$1,000	34.4	33	67.3	5,221	71.6
Total	100.0	49	100.0	7,292	100.0

Small Business Lending						
2003						
Gross Annual Revenues (000s)	% of Non-farm Businesses with Revenues <=\$1,000	Aggregate Lending Data (% of #)	#	%	(\$000)	%
<=\$1,000	61.8	40.0	52	76.5	8,574	68.4
N/A	38.2	60.0	16	23.5	3,965	31.6
Total	100.0	100.0	68	100.0	12,539	100.0

The distribution of the bank's small business lending reflects adequate penetration among businesses of different sizes.

In 2002, 32.7% of small business lending was to businesses with annual revenues of \$1 million or less. In contrast, 65.6% of the businesses in the assessment area had annual revenues of \$1 million or less. A comparison with the aggregate could not be made because the bank was not part of the aggregate.

In 2003, the bank extended approximately 77% of its small business loans to businesses with annual revenues of \$1 million or less, this rate is more favorable than the aggregate's rate of 40%. Furthermore, the bank's ratio of 77% compared favorably with the 61.8% distribution rate of businesses with annual revenues of \$1 million or less in the assessment area.

Community Development Lending: "Outstanding"

TBB's is a leader in making community development loans.

Total commitments consisted of nine loans totaling \$18.2 million, all of which were new money. One (10.0%) of the loans was for affordable housing initiatives, five (50.0%) for revitalizing/stabilizing projects and four (40.0%) for community services.

The following chart summarizes the bank's community development lending for the evaluation period.

County/ Assessment Area	Affordable Housing		Revitalization/ Stabilization		Community Service		Total	
	#	(\$000's)	#	(\$000's)	#	(\$000's)	#	(\$000's)
Brooklyn	1	1,050	4	9,750	3	4,500	8	15,300
New York			1	1,750	0	0	1	1,750
Bronx					1	1100	1	1,100
Total	1	1,050	5	11,500	4	5,600	10	18,150
% of Total	10.0	5.8	50.0	63.4	40.0	30.9	100.0	100.0

The following are some examples of the community development lending:

- In June 2002, the bank extended a loan for \$2.8 million to a home for adults. The borrower is located in a low-income neighborhood providing an assisted-living facility for individuals receiving supplemental and social security benefits.
- In July 2002, the bank granted a loan for \$1.5 million to a nursing home in Brooklyn, which operates a 79-bed facility to serve LMI individuals.
- In May 2003, the bank provided a \$3 million loan to finance the construction of a condominium project. The property is located in a moderate-income area in Crown Heights.
- In June of 2003 the bank granted a loan for \$2.8 million to an assisted living program in a low-income area in Brooklyn.

II. Investment Test: “Outstanding”

The investment test evaluates the bank’s record of helping to meet the credit needs of community in the assessment area through qualified investments. Investment performance is evaluated pursuant to the following criteria: 1) the dollar amount of qualified investments; 2) the innovativeness or complexity of qualified investments; 3) the of responsiveness of qualified investment to credit and community development needs and 4) the degree to which the qualified investments are not routinely provided by private investors.

During the evaluation period, the bank provided a significant level of qualified community development investments and responded to the economic development needs of the community.

TBB acquired \$9.3 million worth of qualified investments during the evaluation period and of that 81.3% was new money. The investments were primarily Government National Mortgage Association (GNMA) mortgage backed securities and represented 89.3% of the investment portfolio. An IDA Bond and an affordable housing project with the Federal Home Loan Bank of New York accounted for the remaining 10.7% of the investment portfolio and those funds were used to revitalization/stabilization LMI communities.

The following table depicts the bank's qualified community development investments for 2002 and 2003.

Qualified Community Development Investments						
County/ Assessment Area	Affordable Housing		Revitalization/ Stabilization		Total	
	#	(\$000)	#	(\$000)	#	(\$000)
Brooklyn	2	1,100	0	0	2	1,100
Bronx	5	4,151	0	0	5	4,151
New York	3	3,090	0	0	3	3,090
Orange	0	0	1	1,000	1	1,000
State-wide	1	4	0	0	1	4
Total	11	8,345	1	1,000	12	9,345

The following are some examples of the bank's qualified community development investment. The securities are qualified CRA investments with 100% financing of Section 8 housing projects.

- In April 2003, the bank invested \$1.2 million in a GNMA project loan, all of which is used for affordable housing in the Bronx.
- In May 2002, the bank invested \$2.5 million in a GNMA mortgage-backed security. This investment provided financing for a multifamily affordable housing project in the Bronx.
- In October 2003, the bank invested \$1.4 million in a pool of GNMA mortgage-back securities to finance an affordable housing development project located in the Bronx.
- In December 2003, the bank bought a GNMA mortgage-back security for \$585 thousand. This loan pool financed housing in a moderate-income census tract in Brooklyn.

III. Service Test: "High Satisfactory"

The service test evaluates the bank's record of helping to meet the credit needs of its assessment area. The evaluation is based on both the availability and effectiveness of the bank's systems for delivering retail banking services, and the extent and innovativeness and responsiveness of its community development services.

Retail Banking Services: "High Satisfactory"

Accessibility of Delivery Systems: The bank's delivery systems are accessible to essentially all portions of the assessment area. The bank has nine full-service branch offices; three are located in moderate-income areas and one in a middle-income tract which is adjacent to an LMI area.

Alternative Delivery Systems: Supplementing the nine branches is an ATM network of seven ATMs, three of which are deposit taking. Online banking services, which allow access to account balances and inter-account funds transfers and Bank by Phone are also provided. In addition, basic banking services are offered, pursuant to part 9 of the General Regulations of the Banking Board and Section 14-f of the Banking Law.

Change in Branch Locations: The bank's record of opening and closing branches has improved the accessibility of its delivery systems to customers in moderate-income geographies. In 2003, the bank opened two new branches in moderate-income neighborhoods in Kings County.

Reasonableness of Business hours and Services: The bank tailors its business hours and services to the convenience and needs of the assessment area. All branches, except the main office, offer extended hours. Four branches are open on Saturday and three on Sunday. In addition, three branches have drive-up facility which operates from Monday through Saturday.

Community Development Services: "Substantial Noncompliance"

The bank does not provide community development services and none of the bank personnel participate in any such activities.

IV. Discrimination or Other Illegal Practices

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

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

Evidence of prohibited discriminatory or other illegal credit practices.

The most recent regulatory compliance examination conducted concurrent with this evaluation indicates satisfactory adherence to antidiscrimination or other applicable laws and regulations. No evidence of prohibited discrimination or other illegal credit practices was noted.

V. **Process Factors**

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

There were no programs or efforts to ensure that the credit needs of the community are being addressed. Nevertheless, management has recently appointed two business development officers to explore potential lending opportunities to small businesses in Kings and New York Counties.

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.

In the New York City metropolitan area, the bank promotes its residential lending two or three times a year through media, primarily in the New York City Housing Authority newsletter and the Jewish Press. In the Goshen area, the bank promotes residential real estate loans through media, such as Times-Herald Record, The Chronicle, The Photo News and other local publications.

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

The CRA evaluation report is presented to the board of directors during one of their regularly scheduled meetings. The Board reviews the basis for the rating and discusses areas in which the bank fell short and efforts to improve the performance.

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.

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;
 - ❖ Developing secondary market vehicles or programs;
 - ❖ Assisting in marketing financial services, including the development of

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

Demand-Adjusted Penetration Rate

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

Demand-Adjusted Penetration Ratio

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

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

Home Mortgage Disclosure Act (“HMDA”)

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

Loans to Small Businesses

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

Low or Moderate Income (“LMI”) Geographies

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

LMI Borrowers

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

LMI Individuals/Persons

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

Small Business Loans

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