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: Bank of Akron
46 Main Street
Akron, NY 14001

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 Bank of Akron ("BOA") 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 an institution's 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 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. These 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.

OVERVIEW OF INSTITUTION’S PERFORMANCE

Bank of Akron is rated “2,” indicating a satisfactory record of helping to meet the credit needs of its community. 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. The bank’s average LTD ratio for the eight consecutive calendar quarters ending December 31, 2003 was 66.4%, which is somewhat below the average LTD ratio of 77.6% for its nationwide peer group.

- ***Assessment Area Concentration***

  The bank extended a majority of its loans within the assessment area during the evaluation period. Overall, the bank originated 71.2% by number and 68.9% by dollar volume of its HMDA-reportable loans inside the assessment area.

- ***Geographic Distribution of Loans***

  The bank’s geographic distribution of loans reflected reasonable dispersion among census tracts of different income levels. As of 2003, the assessment area only contains a single LMI census tract, and lending opportunities in that tract were limited by the low number of owner-occupied housing units (130) there. As a result, examiners focused their analysis on BOA’s lending in middle-income geographies.

  In 2002, the bank originated a total of 93 HMDA-reportable loans, amounting to $7.2 million, within the assessment area. Lending in middle-income areas accounted for 72% (67 loans) of that total based on number of loans and 66.3% ($4.8 million) based on dollar volume. BOA’s penetration ratios are well above the market aggregate’s ratios of 53.6% and 38.1%, respectively.

  The bank’s middle-income penetration ratios declined slightly in 2003, when it originated 100 HMDA-reportable loans totaling $8.6 million, including 70 (70%) loans totaling $5.2 million (60.0%) in middle-income census tracts. Aggregate lending data for 2003 was not yet available for comparison when this evaluation was conducted. In addition, comparisons to lending patterns from 2002 are not possible because the income coding for HMDA-reportable loans from 2002 is based on data from a different (i.e., 1990) Census.

- ***Distribution by Borrower Characteristics***

  Bank of Akron’s lending within its assessment area reflects reasonable dispersion among individuals of different income levels.

In 2002, the bank's LMI penetration ratios of 29.1% by number of loans and 20.7% by dollar volume were well above the aggregate's ratios of 17.5% and 9.7%, respectively.

In 2003, BOA's ratios declined significantly to 17.0% and 6.2%, respectively.

Neither Bank of Akron nor the New York State Banking Department received any complaints with respect to the bank'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.

PERFORMANCE CONTEXT

Institution's Profile

Bank of Akron was founded in 1900 as Wickware National Bank of Akron. In 1919, the bank switched to a state charter and was renamed Bank of Akron ("BOA"). BOA is an independent community-oriented commercial bank located in the northeastern section of Erie County, New York. The bank owns 95% of the voting stock of Akron Safe Deposit Company, which provides safe deposit box rentals exclusively to the customers of BOA.

On its year-end Call Report for 2003, BOA reported total assets of $144.6 million, including $81.8 million in loans and lease finance receivables. BOA also reported total deposits of $122.8 million, resulting in a loan-to-deposit ratio of 66.6%.

According to the latest deposit market statistics published by the FDIC[1], BOA holds $123.9 million in deposits out of market total of $19 billion, giving the bank a market share of market share of 0.65% and ranking it 13th out of 19 deposit-taking institutions in Erie County. Even though BOA's assessment area extends into portions of Niagara and Genesee Counties, 100% of its banking offices are located in Erie County.

The following table summarizes BOA's lending portfolio based on Schedule RC-C of its year-end Call Reports for 2001, 2002, and 2003:

Gross Loans Outstanding ($ Shown in Thousands)						
	12/31/2001		12/31/2002		12/31/2003	
LOAN TYPE	**$**	**%**	**$**	**%**	**$**	**%**
Residential Mortgage Loans	50,661	58.2	43,924	53.1	40,708	49.8
Commercial Mortgage Loans	16,033	18.4	19,054	23.0	23,858	29.2
Commercial & Industrial Loans	6,788	7.8	6,371	7.7	4,881	6.0
Consumer Loans	8,949	10.3	8,234	10.0	7,013	8.6
Construction Loans	3,637	4.2	4,135	5.0	3,570	4.4
Multifamily Loans	440	0.5	426	0.5	1,338	1.6
Farm Loans	521	0.6	359	0.4	326	0.4
Other Loans	41	0.0	187	0.2	117	0.1
Gross Loans	**87,070**	**100.0**	**82,690**	**100.0**	**81,811**	**100.0**

As illustrated in the above chart, BOA is primarily a residential mortgage lender, with 49.8% of its loan portfolio in residential mortgage loans, 29.2% in commercial loans, 8.6% in consumer loans and 6.0% in commercial and industrial loans.

BOA operates three banking offices, including its main office in the village of Akron. The bank's two branch offices are located in the town of Clarence and Clarence Center. All

[1] Report based on deposits as of June 30, 2003.

three offices provide teller and drive-up facilities. The two branch offices in Clarence also provide ATMs that are accessible 24 hours per day, seven days a week.

The bank operates three offsite ATMs that are available during regular business hours and are linked to the NYCE, MoneyMaker and Cirrus networks. These three ATMs do not accept deposits.

The bank participates in several government-guaranteed and government-sponsored loan programs; however, BOA did not generate any loans under these programs during the evaluation period. Programs in which the bank participates include:

- U.S. Small Business Administration ("SBA") Loans
- New York State Business Development Loans
- Empire State Development "Linked Deposit" Program
- New York "Energy Smart" Loans.

At its prior evaluation, conducted by the New York State Banking Department as of January 1, 2002, Bank of Akron received a rating of "2," indicating a satisfactory record of helping to meet the credits 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.

Assessment Area

Bank of Akron's assessment area includes portions of Erie, Niagara and Genesee Counties. The municipalities contained within BOA's assessment area are identified in the table below:

Cities, Towns and Villages within Bank of Akron's Assessment Area		
Location	**Municipality**	**MSA Name**
Erie County	Akron	Buffalo-Niagara Falls (MSA 1280)
	Alden	Buffalo-Niagara Falls (MSA 1280)
	Clarence	Buffalo-Niagara Falls (MSA 1280)
	Newstead	Buffalo-Niagara Falls (MSA 1280)
Niagara County	Lockport	Buffalo-Niagara Falls (MSA 1280)
	Royalton	Buffalo-Niagara Falls (MSA 1280)
Genesee County*	Alabama	Rochester (MSA 6840)
	Corfu	Rochester (MSA 6840)
	Pembroke	Rochester (MSA 6840)

*Note: Genesee County was removed from the Rochester MSA during 2003; however, for HMDA reporting purposes, the county was treated as part of the MSA for the entire year.

The assessment area also includes the Tonawanda Indian Reservation, which spans across portions of Erie, Niagara and Genesee counties.

Based on data from the 1990 Census, BOA's assessment area consists of 13 census tracts, including two (14.1%) LMI tracts. Both LMI tracts were located on the Tonawanda Indian Reservation. One of the two tracts was a low-income census tract in Erie County and the second tract was a moderate-income block numbering area ("BNA") in Genesee County.

According to updated information from the 2000 Census, the assessment area now consists of 14 census tracts, including one (7.1%) moderate-income tract; six (42.9%) middle-income tracts, four (28.6%) upper-income tracts and three (21.4%) zero-income tracts. As of 2003, when updated income data from the 2000 Census were introduced for HMDA reporting purposes, the assessment area's sole moderate-income tract is located on the Tonawanda Indian Reservation.

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

Details of the Assessment Area

Unless otherwise indicated, the following details are based on the 2000 Census.

Population: The assessment area has a total population of 57.9 thousand. Approximately 14% of the population was over the age of 65 and almost 23% was under the age of 16.

Families and Households: BOA's assessment area is home to 15.6 thousand families, including 1.6 thousand (10.1%) low-income, 2.5 thousand (15.9%) moderate-income, 3.6 thousand (23.5%) middle-income and 7.9 thousand (50.5%) upper-income families.

The vast majority (98.5%) of the assessment area's 4.1 thousand LMI families reside in non-LMI census tracts. This phenomenon reflects the fact that there is only one LMI census tract within the assessment area. Within the area's single LMI tract, 60 of the 81 families residing there are LMI.

Housing Units: The assessment area contains 21.2 thousand housing units, including 19.1 thousand units (90.0%) in 1-4 family structures, 753 units (4.0%) in multifamily buildings and 1.3 thousand units (6.0%) in mobile homes or trailers.

Approximately 81% (17.2 thousand) of the assessment area's housing units were owner occupied, while 15% (3.1 thousand) were renter-occupied and 4.0% (910) were vacant. Owner-occupied units in LMI areas accounted for only 130 units in the assessment area, which makes it difficult for BOA to make HMDA-reportable loans in LMI areas.

Median Family Income: In 2000, the weighted average median family income for BOA's assessment area was $63.6 thousand. By comparison, the median family income levels for the Rochester and Buffalo-Niagara Falls MSAs were $53.6 and $49.1 thousand, respectively.

PERFORMANCE TESTS AND ASSESSMENT FACTORS

Bank of Akron'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 of Loans 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 HMDA-reportable lending in evaluating factors (2), (3), and (4), as noted above.

Statistics included in this evaluation were derived from various sources. In addition to bank-specific loan information submitted by BOA, aggregate data for HMDA-reportable originations during 2002 were obtained from the Federal Financial Institutions Examination Council ("FFIEC") and PCi Corporation's CRA Wiz® software. Demographic data were obtained from the 1990 and 2000 U.S. Censuses. Updated median family income levels for 2003 were obtained from HUD.

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

The bank's loan-to-deposit ("LTD") ratio is reasonable considering the bank's size, financial condition and the credit needs of its assessment area.

For the eight consecutive calendar quarters ending December 31, 2003, the bank's average LTD ratio was 66.4%, which is below the nationwide peer group's average of 77.6%. Since the prior evaluation, BOA's average loan-to-deposit ratio has dropped by 8.4 percentage points, from 74.8% to 66.4%. This change represents a proportional decrease of 11.2%. By comparison, the peer group's average LTD ratio increased by 1.8 percentage points, from 77.1% to 78.9%, during the same timeframe. The change in the aggregate's LTD ratio represents a proportional increase of 2.3%.

- **Assessment Area Concentration – "Satisfactory"**

During the evaluation period, BOA made a majority of its HMDA-reportable loans within the assessment area. Specifically, originations within the assessment area accounted for 71.2% of the total number and 68.9% of the total dollar volume of loans originated by BOA.

The table below summarizes the distribution of BOA's loans inside and outside of its assessment area during 2002 and 2003.

Distribution of HMDA Loans Inside and Outside of the Assessment Area										
	Number of Loans					Dollar Volume ($ Shown in Thousands)				
	Inside		Outside			Inside		Outside		
Year	#	%	#	%	Total	$	%	$000's	%	Total
2002	93	71.0	38	29.0	131	7,239	70.1	3,089	29.9	10,328
2003	100	71.4	40	28.6	140	8,637	67.9	4,088	32.1	12,725
Total	**193**	**71.2**	**78**	**28.8**	**271**	**15,876**	**68.9**	**7,177**	**31.1**	**23,053**

- **<u>Geographic Distribution of Loans</u> - “Satisfactory”**

The geographic distribution of BOA’s loans reflects reasonable dispersion among census tracts of different income levels. Please note that the LMI portion of the assessment area is located on the Tonawanda Indian Reservation, where tribal law places additional restrictions on mortgage lending. Aggregate data for all HMDA-reporting lenders in the area indicates that there were only two HMDA-reportable loans originated on the Reservation in 2002. These two loans accounted for 0.09% by number and 0.02% by dollar volume of the market aggregate’s total lending. This low volume of HMDA-reportable lending also is consistent with the low number of owner-occupied housing units within the LMI portion of the assessment area.

<u>HMDA Loans</u>

Given the demographics of BOA’s assessment area, the geographic distribution of its HMDA-reportable loans reflects reasonable dispersion among census tracts of different income levels.

As indicated above, there were very few opportunities for BOA to lend in the LMI portion of its assessment area. Based on the low opportunity for lending in LMI tracts, examiners focused their analysis on BOA’s lending in middle-income geographies.

In 2002, the bank originated 72.0% by number and 66.3% by dollar amount of its HMDA reportable loans in middle-income areas, which compares favorably to the aggregate’s ratios of 53.5% and 38.1%, respectively.

Distribution of HMDA Reportable Loans by Geography Income Level								
2002								
Geography	**Bank**				**Aggregate**			
	#	**% by #**	**$**	**% by $**	**#**	**% by #**	**$**	**% by $**
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	2	0.1	57	0.0
Middle	67	72.0	4,800	66.3	1,231	53.5	104,540	38.1
Upper	26	28.0	2,439	33.7	1,070	46.5	169,551	61.8
N/A	0	0.0	0	0.0	0	0.0	0	0.0
Total	**93**	**100.0**	**7,239**	**100.0**	**2,303**	**100.0**	**274,148**	**100.0**
2003								
Geography	**Bank**				**Aggregate**			
	#	**% by #**	**$**	**% by $**	**#**	**% by #**	**$**	**% by $**
Low	0	0.0	0	0.0				
Moderate	0	0.0	0	0.0				
Middle	70	70.0	5236	60.6				
Upper	30	30.0	3401	39.4				
N/A	0	0.0	0	0.0				
Total	**100**	**100.0**	**8,637**	**100.0**				

During 2003, the bank’s penetration ratio for middle-income areas declined slightly to 70.0% by number and 60.6% by dollar amount. As described earlier in the report, it is difficult to compare performance between 2002 and 2003 because demographic updates were adopted in 2003. In addition, as mentioned previously, aggregate lending data for 2003 was not available for comparison at the time this evaluation was prepared.

The chart above provides a summary of the bank's HMDA- reportable loans by geography income level for 2002 and 2003.

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

The distribution of loans based on borrower characteristics reflects reasonable penetration among individuals of different income levels.

In 2002, the bank's LMI penetration ratios of 29.1% by number and 20.7% by dollar volume were well above the aggregate's ratios of 17.5% and 9.7%, respectively. BOA's 2002 LMI penetration ratios reflected a proportionate increase of 10.6% by number and 26.2% by dollar volume over its 2001 performance levels.

During 2003, the bank's LMI borrower penetration ratios declined significantly to 17.0% by number and 6.2% by dollar volume. When this evaluation was conducted, aggregate data for 2003 were not yet available for comparison.

The following chart shows the distribution of BOA's HMDA-reportable lending based on borrower income levels:

Distribution of HMDA Reportable Loans by Borrower Income Level ($ Shown in Thousands)								
2002								
Borrower Income	**Bank**				**Aggregate**			
	#	**% of #**	**$**	**% by $**	**#**	**% by #**	**$**	**% by $**
Low	5	5.4	186	2.6	84	3.6	4,087	1.5
Moderate	22	23.7	1,308	18.1	321	13.9	22,607	8.2
Middle	27	29.0	1,773	24.5	501	21.8	43,381	15.8
Upper	38	40.9	3,912	54.0	1,277	55.4	190,138	69.4
N/A	1	1.1	60	0.8	120	5.2	13,935	5.1
Total	**93**	**100.0**	**7,239**	**100.0**	**2,303**	**100.0**	**274,148**	**100.0**
2003								
Borrower Income	**Bank**				**Aggregate**			
	#	**% by #**	**$**	**% by $**	**#**	**% by #**	**$**	**% by $**
Low	5	5.0	147	1.7				
Moderate	12	12.0	392	4.5				
Middle	37	37.0	2,656	30.8				
Upper	45	45.0	4,718	54.6				
N/A	1	1.0	724	8.4				
Total	**100**	**100.0**	**8,637**	**100.0**				

- **<u>Action Taken In Response to Written Complaints With Respect to CRA</u>**

Neither BOA nor the New York State Banking Department received any written complaints about the bank's CRA performance during the evaluation period.

- **<u>Discrimination or Other Illegal Practices</u>**

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

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

Evidence of prohibited discriminatory or other illegal credit practices.

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

- **<u>Process Factors</u>**

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

The bank ascertains the credit needs of its assessment area through the direct involvement of its management and employees in a variety of governmental and civic organizations. For example, the bank's president is a member of the Village of Akron Board of Trustees. In addition, bank staff members are actively involved in leadership position in civic organizations such as the Chamber of Commerce, the Salvation Army, Meals-On-Wheels, and Erie County's Board of Cooperative Educational Services ("BOCES").

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

The bank advertises the availability of its credit services in local newspapers and on billboards. The bank also promotes awareness of its products through employees' active involvement in local government and community organizations.

Furthermore, the bank sponsors and/or participates in local trade fairs where it distributes brochures regarding its credit products and other topics such as financial literacy.

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.

BOA's president presents a CRA performance report to the board of directors at the board's monthly meetings. In addition, a portion of each board meeting is dedicated to discussing the bank's CRA related activities.

Other Factors

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

None noted.

GLOSSARY

Aggregate

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

Community Development

The term “community development” is defined to mean:

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

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

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

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

- Financial intermediaries (including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds, micro-finance institutions and low-income or community development credit unions) that primarily lend or facilitate lending in LMI areas or to LMI individuals in order to promote community development;

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

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

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

- ❖ Contributing accounting/bookkeeping services; and
- ❖ Assisting in fund raising, including soliciting or arranging investments.

Demand-Adjusted Penetration Rate

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

Demand-Adjusted Penetration Ratio

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

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

Home Mortgage Disclosure Act ("HMDA")

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

Loans to Small Businesses

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

Low or Moderate Income ("LMI") Geographies

Those census tracts or block numbering areas ("BNAs"), where according to the 2000 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.