



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

PUBLIC SUMMARY

COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION
OFF-SITE EVALUATION

Date of Evaluation: December 31, 2003

Institution: Bank of Millbrook
3263 Franklin Avenue
Millbrook, NY 12545

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 Standards and Assessment Factors | 4 |
| Loan-to-Deposit Analysis and Other | |
| Lending-Related Activities | |
| Assessment Area Concentration | |
| Geographic Distribution of Loans | |
| Distribution by Borrowers Characteristics | |
| Action Taken in Response to Written Complaints with Respect to CRA | |
| 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 Bank of Millbrook ("BOM") 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 ("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 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. 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

BOM 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.

BOM's average LTD ratio for the eight consecutive quarters ending December 31, 2003, was 61.30%, which is below the peer group's average of 78.97%.

- ***Assessment Area Concentration:*** BOM granted a majority of its loans inside the assessment area.

During the evaluation period, the bank extended 79.4% of its total number of HMDA-reportable loans inside the assessment area. Based on dollar volume, BOM made 82.5% of its loans inside the assessment area.

- ***Geographic Distribution of Loans:*** The geographic distribution of BOM's loans reflects reasonable dispersion throughout the assessment area.

In 2002, the bank's LMI penetration rates were 11.5% based on number of loans and 7.9% based on dollar volume. By comparison, the market aggregate's LMI penetration rates by number and dollar volume were 11.3% and 12.5%, respectively.

In 2003, BOM's LMI penetration rates of 4.2% based on number of loans and 2.3% based on dollar volume was lower than the aggregate's 4.7% by number and 4.3% by dollar volume.

- ***Distribution by Borrower Characteristics:*** The bank's HMDA-reportable lending within the assessment area reflects reasonable penetration among individuals of different income levels.

In 2002, the bank extended seven loans (27.0%) totaling \$946 thousand (19.1%) to LMI borrowers. By comparison, the market aggregate made 20.2% of its total number, and 12.1% of its total dollar volume, of loans to LMI borrowers.

In 2003, the bank extended three loans (12.5%) totaling \$340 thousand (6.0%) to LMI borrowers. The bank's LMI penetration rates were lower than the aggregate's rates of 19.1% by number and 11.9% by dollar volume of loans.

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

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:

Bank of Millbrook (BOM) was chartered in 1891 as a commercial bank. BOM's headquarters are in Millbrook, New York, in Dutchess County. In April 1998, BOM became a subsidiary of its newly formed bank holding company, Millbrook Bank System, Inc.

On its year-end Call Report for calendar year 2003, Bank of Millbrook reported total assets of \$125.1 million, including \$67.6 million in net loans. The bank also reported total deposits of \$106.5 million, resulting in a loan-to-deposit ratio of 63.5%.

According to the FDIC's most recent deposit market report, compiled as of June 30, 2003, BOM's deposits account for 3.15% of all deposits in Dutchess County, ranking the bank 9th among 18 FDIC-insured deposit-taking institutions in the county.

In 2002, BOM ranked 18th out of 156 HMDA-reporting lenders within its assessment area. This ranking reflects a market share of 1.36% based on number of loans (26 loans) and 1.49% in terms of dollar volume (\$5.0 million). In 2003, BOM ranked 21st out of 179 HMDA-reporting lenders in the assessment area, with a 0.92% market share based on number of loans and 1.16% share based on dollar volume.

The following table summarizes BOM's year-end loan portfolio based on data reported in the bank's year-end Call Reports for 2001, 2002 and 2003:

| GROSS LOANS OUTSTANDING | | | | | | |
|--------------------------------|---------------|--------------|---------------|--------------|---------------|--------------|
| LOAN TYPE | 12/31/2001 | | 12/31/2002 | | 12/31/2003 | |
| | \$000 | % | \$000 | % | \$000 | % |
| 1-4 Residential Mortgage Loans | 30,242 | 48.5 | 33,765 | 51.5 | 36,060 | 51.5 |
| Commercial & Industrial Loans | 7,559 | 12.1 | 7,850 | 12.0 | 6,344 | 9.1 |
| Commercial Mortgages | 12,954 | 20.8 | 12,209 | 18.6 | 15,180 | 21.7 |
| Consumer Loans | 10,282 | 16.5 | 11,474 | 17.5 | 10,807 | 15.4 |
| Agricultural Loans | 368 | 0.6 | 265 | 0.4 | 383 | 0.5 |
| Construction Loans | 989 | 1.6 | 0 | 0.0 | 991 | 1.4 |
| Other Loans | 10 | 0.0 | 10 | 0.0 | 201 | 0.3 |
| Total: Gross Loans | 62,404 | 100.0 | 65,573 | 100.0 | 69,966 | 100.0 |

As illustrated in the above chart, BOM is primarily a residential mortgage lender, with one- to four-family residential mortgages accounting for 51.5% of the portfolio at the end of calendar year 2002. Over the entire evaluation period, one- to four-family mortgages grew by 19.2%, compared to 12.1% for the portfolio as a whole. As of December 31, 2003, commercial mortgages represented 21.7% of the portfolio, compared to 15.4% for consumer loans.

BOM did not close any branches during the evaluation period; however, the bank opened a

new branch in the town of Amenia in October 2003. The bank now operates two full service branches. BOM's corporate offices and its main branch are located in the town of Millbrook, NY.

BOM's branches are open from 8:30am to 3:00pm Monday through Thursday and from 8:30am until 6:00pm on Fridays. Additional hours are provided on Mondays from 4:00pm to 6:00pm via the bank's drive-up windows, and on Saturdays at both branches' lobbies from 9:00am until noon.

In addition to its branch network, BOM operates four ATMs, including three full-service machines located at the bank's branches (2 at the main office, 1 at the branch in Amenia). The fourth machine, a cash-dispensing-only ATM, is located at The Fountains at 560 Flint Road in Millbrook. All of BOM's branches and ATMs are located in middle-income census tracts.

The bank does not participate in any government guaranteed or government sponsored loan programs.

The bank's previous Performance Evaluation was conducted by the New York State Banking Department as of December 31, 2001. This Evaluation resulted in a rating of "2," reflecting the bank's satisfactory record of helping to meet the credit needs of its community.

There are no known financial or legal impediments affecting the bank's ability to meet the credit needs of its assessment area.

Assessment Area:

BOM's assessment area includes a portion of Dutchess County that comprises the following townships: Northeast, Pleasant Valley, Clinton, Stanford, Lagrange, Union Vale, Dover and Amenia.

For calendar year 2002, in accordance with regulatory requirements, the bank's assessment area was defined using Census boundaries from the 1990 Census. During 2003, updated information from the 2000 Census was adopted for regulatory purposes and the bank updated its assessment area accordingly. Due to this change, the number of census tracts within BOM's assessment area, and the income categorization of those tracts, changed between 2002 and 2003. The table below shows the effect of the Census update. Most notably, LMI-designated tracts fell from 27.3% to 10.0% of total tracts in the assessment area.

| Distribution of Assessment Area Census Tracts by Income Level | | | | | | | |
|---|------|-----|----------|--------|-------|-------|-------|
| Census Year | Zero | Low | Moderate | Middle | Upper | Total | LMI % |
| 1990 | 0 | 0 | 3 | 8 | 0 | 11 | 27.3 |
| 2000 | 0 | 0 | 1 | 8 | 1 | 10 | 10.0 |

Population: According to data from the 2000 Census, the assessment area is home to 41.7 thousand residents, 12.2% of whom are over 65 years of age and 10.33% of whom are under the age of 16. The assessment area contains 11.2 thousand families, including 1.9 thousand low-income (16.7%), 2.1 thousand moderate-income (19.1%), 3.0 thousand middle-income (26.5%) and 4.2 thousand upper-income (37.7%) families. Of the 15.5 thousand households in the assessment area, 910 (6.0%) were living below the poverty level.

Between 1990 and 2000, Dutchess County's population increased by 8.0%, from 259.5 thousand to 280.2 thousand residents. Between 2000 and 2003, the county's population increased an estimated 3.8%.

Income: As of the 2000 Census, the median family income within the assessment area was \$64.0 thousand, while the median family income for the Poughkeepsie-Newburgh-Middletown, NY Metropolitan Statistical Area (MSA 39100) was \$63.3 thousand. As of 2003, HUD estimated the MSA's median family income to be \$67.8 thousand.

Housing: BOM's assessment area contains 17.1 thousand housing units, including 14.8 thousand units (86.0%) in one- to four-family buildings and 892 units (5.0%) in multi-family buildings of five or more units. A majority (67%) of the area's 15.4 thousand occupied housing units are owner occupied, while 23% were rental units. The median housing price in the assessment area is \$161 thousand and the average age of the housing stock is 34 years.

Housing in moderate-income areas accounts for 1.4 thousand units (7.9%), while housing in middle- and upper-income areas accounts for 14.5 thousand (85.2%) and 1.2 thousand (6.9%) units, respectively.

Unemployment Rate: According to the New York State Department of Labor, Dutchess County's average unemployment rate was 4.1% in 2002 and 3.8% in 2003. By comparison, New York State's average unemployment rates for those years were 6.1% and 6.3%, respectively.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

BOM performance was evaluated according to the Small Bank Performance Criteria, which include the following: (1) Loan-to-Deposit Ratio (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 covers calendar years 2002 and 2003. Examiners considered BOM's HMDA-reportable loans in evaluating factors (2), (3) and (4), as noted above.

The demographic data contained in this report are based on the 1990 and 2000 U.S. Censuses. Updated median family income figures for 2002 and 2003 were obtained from the U.S. Department of Housing and Urban Development ("HUD").

- **Loan-to-Deposit Ratio Analysis: "Satisfactory"**

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

The bank's average LTD ratio for the eight consecutive quarters ending December 31, 2003, was 61.30%, which is below the peer group's average of 78.97%.¹

As shown in the table below, the bank's LTD ratio fluctuated very little during the evaluation period. Similarly, the peer group's LTD was stable, ranging from a low of 78.02% in the first quarter of 2002 to a high of 80.90% in fourth quarter of 2003.

| Loan-to-Deposit Ratios | | | | | | | | | |
|-------------------------------|---------|---------|---------|----------|---------|---------|---------|----------|--------------|
| | 3/31/02 | 6/30/02 | 9/30/02 | 12/31/02 | 3/31/03 | 6/30/03 | 9/30/03 | 12/31/03 | Average LTD |
| Bank | 60.23 | 60.02 | 60.93 | 60.79 | 62.72 | 62.79 | 59.44 | 63.44 | 61.30 |
| Peer | 78.02 | 79.09 | 79.48 | 78.58 | 78.51 | 78.23 | 78.98 | 80.90 | 78.97 |

- **Assessment Area Concentration: "Satisfactory"**

BOM originated a majority of its loans within the assessment area. In 2002, the bank's originations within the assessment area accounted for 83.9% of its total number of HMDA-reportable loans. Based on dollar volume, the bank made 87.3% of its loans inside the assessment area during 2002.

¹ The peer group comprises all insured savings banks having assets between \$100 million and \$300 million in a metro area with two or fewer full service offices. These ratios were taken from information shown in the Uniform Bank Performance Report ("UBPR") prepared by the Federal Deposit Insurance Corporation ("FDIC").

In 2003, the bank's total number of HMDA-reportable loans increased by one loan, but its originations within the assessment area fell from 26 loans to 24 loans. As a result, the percentage of BOM's lending occurring within the assessment area declined to 75.0% based on number of loans. A similar pattern is evident when the bank's lending is reviewed by dollar volume rather than number of loans. While the overall dollar volume of BOM's lending increased between 2002 and 2003, the percentage of that lending falling within the assessment area dropped to 78.7%.

| Distribution of HMDA-reportable Loans | | | | | | | | | | |
|--|-----------------|-------------|------------|-------------|-----------|----------------------------|-------------|--------------|-------------|---------------|
| Year | Number of Loans | | | | | Dollar Volume in Thousands | | | | |
| | Inside AA | | Outside AA | | Total # | Inside AA | | Outside AA | | Total \$ |
| | # | % | # | % | | # | % | # | % | |
| 2002 | 26 | 83.9 | 5 | 16.1 | 31 | 4,954 | 87.3 | 718 | 12.7 | 5,672 |
| 2003 | 24 | 75.0 | 8 | 25.0 | 32 | 5,736 | 78.7 | 1,557 | 21.3 | 7,293 |
| Total | 50 | 79.4 | 13 | 20.6 | 63 | 10,690 | 82.5 | 2,275 | 17.5 | 12,965 |

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

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

The following chart summarizes the geographic distribution of BOM's HMDA-reportable loans by tract income level during the evaluation period:

| Distribution of HMDA-Reportable Loans by Geographic Income Level | | | | | | | | |
|---|-----------|--------------|--------------|--------------|--------------|--------------|----------------|--------------|
| Geographic Income Level | Year 2002 | | | | | | | |
| | Bank | | | | Aggregate | | | |
| | # | % | \$000 | % | # | % | \$000 | % |
| Low | NA | NA | NA | NA | NA | NA | NA | NA |
| Moderate | 3 | 11.5 | 392 | 7.9 | 215 | 11.3 | 41,626 | 12.5 |
| Middle | 23 | 88.5 | 4,562 | 92.1 | 1,691 | 88.7 | 290,149 | 87.5 |
| Upper | NA | NA | NA | NA | NA | NA | NA | NA |
| Total | 26 | 100.0 | 4,954 | 100.0 | 1,906 | 100.0 | 331,775 | 100.0 |
| Geographic Income Level | Year 2003 | | | | | | | |
| | Bank | | | | Aggregate | | | |
| | # | % | \$000 | % | # | % | \$000 | % |
| Low | NA | NA | NA | NA | NA | NA | NA | NA |
| Moderate | 1 | 4.2 | 132 | 2.3 | 124 | 4.7 | 21,301 | 4.3 |
| Middle | 22 | 91.7 | 5,404 | 94.2 | 2,165 | 82.7 | 406,356 | 81.9 |
| Upper | 1 | 4.2 | 200 | 3.5 | 328 | 12.5 | 68,688 | 13.8 |
| Total | 24 | 100.0 | 5,736 | 100.0 | 2,617 | 100.0 | 496,345 | 100.0 |

During the evaluation period, BOM originated four loans totaling \$524 thousand in LMI geographies. This lending volume matches the total number of LMI-area loans made by BOM during the prior evaluation period, but reflects a 45.4% drop in dollar volume.

In 2002, the bank originated three loans (11.5%) totaling \$392 thousand (7.9%) in LMI geographies. By comparison, the market aggregate originated 11.3% of its total number and 12.5% of its total dollar volume of loans in LMI areas.

When updated data from the 2000 Census was adopted for regulatory reporting purposes in 2003, the total number of tracts in the bank's assessment area declined by one tract, but the count of LMI tracts fell from three tracts to one tract. Accordingly, the bank's opportunity to lend in LMI census tracts fell by 66.7% between 2002 and 2003. Mirroring this change, BOM's actual LMI-area lending decreased 66.7% based on number of loans and 66.3% based on dollar volume between 2002 and 2003.

In 2003, BOM made one loan (4.2%) in an LMI area, for \$132 thousand (2.3%). By comparison, the market aggregate's LMI penetration rate for 2003 was 4.7% based on number of loans and 4.3% based on dollar volume.

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

The distribution of BOM's loans reflects reasonable penetration among individuals of different income levels, including low- and moderate-income borrowers.

The following chart summarizes the distribution of BOM's HMDA-reportable lending to borrowers of different income levels during the evaluation period:

| Distribution of HMDA-Reportable Loans by Borrower Income Level | | | | | | | | |
|--|-----------|--------------|--------------|--------------|--------------|--------------|----------------|--------------|
| Borrower Income Level | Year 2002 | | | | | | | |
| | Bank | | | | Aggregate | | | |
| | # | % | \$000 | % | # | % | \$000 | % |
| Low | 1 | 3.8 | 207 | 4.2 | 72 | 3.8 | 6,052 | 1.8 |
| Moderate | 6 | 23.1 | 739 | 14.9 | 313 | 16.4 | 34,129 | 10.3 |
| Middle | 2 | 7.7 | 516 | 10.4 | 481 | 25.2 | 65,880 | 19.9 |
| Upper | 12 | 46.2 | 2,733 | 55.2 | 861 | 45.2 | 196,476 | 59.2 |
| N/A | 5 | 19.2 | 759 | 15.3 | 179 | 9.4 | 29,238 | 8.8 |
| Total for 2002 | 26 | 100.0 | 4,954 | 100.0 | 1,906 | 100.0 | 331,775 | 100.0 |
| Borrower Income Level | Year 2003 | | | | | | | |
| | Bank | | | | Aggregate | | | |
| | # | % | \$000 | % | # | % | \$000 | % |
| Low | 1 | 4.2 | 175 | 3.1 | 78 | 3.0 | 7,104 | 1.4 |
| Moderate | 2 | 8.3 | 165 | 2.9 | 421 | 16.1 | 51,122 | 10.3 |
| Middle | 4 | 16.7 | 659 | 11.5 | 688 | 26.3 | 108,141 | 21.8 |
| Upper | 13 | 54.2 | 3,301 | 57.5 | 1,217 | 46.5 | 293,227 | 59.1 |
| N/A | 4 | 16.7 | 1,436 | 25.0 | 213 | 8.1 | 36,751 | 7.4 |
| Total for 2003 | 24 | 100.0 | 5,736 | 100.0 | 2,617 | 100.0 | 496,345 | 100.0 |

BOM's lending to LMI borrowers during the current evaluation period is more than triple the

number and dollar amount of LMI loans reported during the previous evaluation period. Between January 2002 and December 2003, BOM originated 10 loans (20.0%) to LMI borrowers for a total of \$1.3 million (12.0%). By comparison, the bank made three loans (5.5%) totaling \$388 thousand (3.9%) to LMI borrowers during the prior 2-year evaluation period.

During 2002, the bank originated seven loans (27.0%) totaling \$946 thousand (19.1%) to LMI borrowers. This performance exceeded the market aggregate's LMI penetration rates of 20.2% based on number of loans and 12.1% based on dollar volume dollar.

In 2003, BOM's lending to LMI borrowers dropped significantly, falling to three loans (12.5%) totaling \$340 thousand (6.0%). These penetration rates were below the aggregate's penetration rates of 19.1% based on number of loans and 11.7% based on dollar volume.

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

Since the bank's previous CRA evaluation, conducted as of December 31, 2003, neither BOM nor the New York State Banking Department has received any written complaints regarding the bank's CRA performance.

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 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 and fair lending examinations were conducted concurrently with this evaluation. These examinations 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.

Management maintains its awareness of the assessment area's credit needs through direct

contact with local business owners, community leaders, local government officials and religious leaders. In addition, officers of the bank serve in leadership roles in various local organizations, including the Millbrook Rotary and Lions Clubs; St. Francis Hospital board of directors; the Cardinal Hayes Home for Children board of directors; the Millbrook Free Library board of directors and other such community groups.

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.

BOM advertises its credit products and services in the Millbrook Round Table, a local weekly newspaper. In addition, directors and officers of the bank are active in the community through a variety of religious and service 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.

BOM's board of directors monitors and reviews the bank's CRA activities annually.

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.

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;

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- Making ATM “training machines” available for extended periods at LMI community sites or at community facilities that serve LMI individuals; and
 - Technical assistance activities to community development organizations such as:
 - Serving on a loan review committee;
 - Developing loan application and underwriting standards;
 - Developing loan processing systems;
 - Developing secondary market vehicles or programs;
 - Assisting in marketing financial services, including the development of advertising and promotions, publications, workshops and conferences;
 - Furnishing financial services training for staff and management;
 - Contributing accounting/bookkeeping services; and
 - Assisting in fund raising, including soliciting or arranging investments.

Home Mortgage Disclosure Act (“HMDA”)

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

Loans to Small Businesses

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

Low or Moderate Income (“LMI”) Geographies

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

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.