



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: Victory State Bank
3155 Amboy Road
Staten Island, NY 10306

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 Victory State Bank ("VSB") 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. 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

Victory State Bank is rated "1," indicating an outstanding 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: "Satisfactory"***

Victory State Bank's LTD ratio is less than reasonable given the bank's size, financial condition and the credit needs of its assessment area; however, its low LTD ratio is somewhat mitigated by the bank's efforts to enhance the availability of credit within its assessment area by originating 10 community development loans totaling over \$1.4 million.

VSB's average LTD ratio for the eight consecutive calendar quarters ending December 31, 2003, was 46.1%, which is approximately 31 percentage points lower than the national peer group's average of 77.5%.

- ***Assessment Area Concentration: "Outstanding"***

A substantial majority of the bank's loans were extended in the assessment area.

During the evaluation period, VSB originated 86.4% by number and 87.3% by dollar volume of its small business loans inside the assessment area. The number of loans extended during 2002 and 2003 remained flat in comparison to the prior evaluation period; however, the dollar volume of lending decreased by 25.7%.

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

The bank's geographic distribution of loans reflects excellent dispersion throughout the assessment area.

In 2002, the bank extended 10.1% by number and 9.6% by dollar volume of its small business loan within LMI areas. By comparison, LMI tracts accounted for 5.9% of total census tracts within the assessment area during 2002.

In 2003, the percentage of VSB's loans made to businesses in LMI areas decreased to 8.1% based on number of loans, but increased to 13.0% based on dollar volume. Due to changes implemented by the U.S. Census Bureau, LMI census tracts increased to 9.1% of all census tracts in the assessment area during 2003.

VSB is not subject to HMDA reporting requirements, so comparisons can not be made to aggregated market data for HMDA-reporting lenders.

- ***Distribution by Borrowers Characteristics: "Outstanding"***

The bank's small business lending reflects excellent penetration among businesses of different sizes.

During the evaluation period, 100% of the bank's small business loans were extended to businesses with revenues of \$1 million or less.

Neither VSB 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 and Part 76 of the General Regulations of the Banking Board.

PERFORMANCE CONTEXT

Institution's Profile

Victory State Bank ("VSB") was chartered in 1997 and is a commercial bank located at 3155 Amboy Road, Staten Island, New York. With the creation of VSB Bancorp in 2003, Victory State Bank became a subsidiary of VSB Bancorp.

VSB's primary market area is Staten Island, where home building is the largest industry. As a result, VSB has a high concentration of loans to construction companies and related industries. The bank's products include secured and unsecured commercial loans, consumer loans and lines of credit.

Notwithstanding the bank's size and competitive environment, VSB was the second largest small business lender on Staten Island in 2002, according to bank management. In 2002, real estate values and family incomes increased modestly. Staten Island has also seen gradual increases in the birth of new businesses. These factors have contributed to the bank's success; however, the low interest rate environment during 2003 reduced the bank's net interest margin.

VSB faces competition for deposits from other banks as well as from non-bank institutions such as brokerage firms and insurance companies that offer short-term money market funds, corporate and government securities funds, mutual funds and annuities.

According to an FDIC Deposit Market Share report, as of June 30, 2003, VSB held total deposits of \$164.3 million, giving the bank a market share of 2.1% and ranking VSB 9th among the 11 FDIC-insured institutions within the assessment area. All of VSB's deposits are attributable to customers on Staten Island (Richmond County).

On its Call Report for December 31, 2003, VSB reported total assets of \$185.5 million, including \$66.8 million in net loans and lease finance receivables. As of that date, VSB also reported total deposits of \$169.0 million, resulting in a loan-to-deposit ratio of 39.5%.

The following table summarizes VSB's loan portfolio as of year end for calendar years 2001 through 2003:

GROSS LOANS OUTSTANDING						
LOAN TYPE	12/31/2001		12/31/2002		12/31/2003	
	\$000	%	\$000	%	\$000	%
1-4 Residential Mortgage Loans	377	0.7	494	0.8	1,382	2.0
Commercial & Industrial Loans	15,301	30.3	15,337	24.2	10,802	15.9
Commercial Mortgage Loans	21,554	42.7	31,358	49.4	32,416	47.7
Consumer Loans	885	1.8	1,180	1.9	950	1.4
Construction Loans	12,280	24.4	14,877	23.5	22,261	32.7
Other Loans	244	0.5	509	0.8	511	0.8
Unearned Income	(216)	(0.4)	(340)	(0.5)	(341)	(0.5)
Gross Loans	50,425	100.0	63,415	100.0	67,981	100.0

As illustrated above, VSB is primarily a business lender, with 63.6% of its loan portfolio in commercial and industrial loans and commercial mortgage loans and 32.7% in construction loans as of December 31, 2003.

The bank did not close any branches during the evaluation period; however, the bank opened a new branch in December 2002 on Hylan Boulevard. The bank now operates a total of four banking offices, all of which are on Staten Island in Richmond County. Three of the branches (including the new branch) are located in upper-income census tracts and one branch is located in a middle-income census tract. Two branches are located in census tracts adjacent to LMI areas.

The bank supplements its brick-and-mortar branches with Internet banking, bank-by-phone and automated clearinghouse ("ACH") services. VSB does not operate any automated teller machines ("ATMs"), but the bank issues ATM cards that can be used at any ATM that is connected to the MAC, Cirrus or NYCE network.

The bank is a certified Small Business Administration ("SBA") lender; however, VSB did not originate any SBA loans during the current evaluation period.

VSB's prior Performance Evaluation was conducted by the New York State Banking Department as of December 31, 2001. That evaluation resulted in a rating of "2," indicating a "Satisfactory" record of helping to meet community credit needs.

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

Assessment Area

The bank's assessment area comprises Richmond County in its entirety. Portions of Richmond County have been designated Empire Zones (EZ) by the State of New York based on local economic distress.² The north shore and west shore of Staten Island were designated as EZs in 1994 and 2001, respectively. The combined area of these two EZs is approximately 1,980 acres. Businesses that locate or expand in these zones may qualify for financial incentives, including various tax credits.

According to data from the 1990 Census, the assessment area contains 101 census tracts, including four low-income, two moderate-income, 25 middle-income, 66 upper-income and four zero-income tracts. Following the 2000 Census, the number and distribution of tracts within VSB's assessment area changed. Most notably, the number of moderate-income tracts increased from two tracts in 1990 to seven tracts in 2000. Based on data from the 2000 Census, the assessment area now contains 110 census tracts, including three low-income, seven moderate-income, 25 middle-income, 73 upper-income and two zero-income tracts.

² Empire Zones were formerly known as Economic Development Zones.

Distribution of Census Tracts by Income Level – Richmond County							
Census Year	Zero	Low	Moderate	Middle	Upper	Total	LMI %
1990	4	4	2	25	66	101	5.94
2000	2	3	7	25	73	110	9.09
Variance	(2)	(1)	5	0	7	9	3.15

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

Details of Assessment Area

Please note that updated information from the 2000 Census was unavailable prior to 2003. As a result, regulatory reports and analyses through calendar year 2002 were based on data from the 1990 Census. With the release of data from the 2000 Census during calendar year 2003, the federal government made several changes affecting the New York MSA. Due to these changes, direct comparisons between 2002 and 2003 data for the New York MSA cannot be made easily, if at all.

Families and Households: According to data from the U.S. Census, the assessment area’s population increased by 17.1% between 1990 and 2000. As of 2000, the area’s population totaled 443.7 thousand residents. Approximately 22.7% of the area’s population in 2000 was under the age of 16, while 11.6% was over the age of 65.

During the 10-year period between Censuses, the number of families within the assessment area increased by 15.3%, to 114.7 thousand families. The income distribution of these families as of 2000 can be summarized as follows: 16.0 thousand (13.9%) low-income; 12.6 thousand (11.0%) moderate-income, 19.3 thousand (16.8%) middle-income and 66.9 thousand (58.3%) upper-income families. Of the 28.5 thousand LMI families in the assessment area, 1.2 thousand (4.2%) lived in low-income areas and 12.6 thousand (11.0%) lived in moderate-income areas.

Housing: The number of housing units in the assessment area increased from 139.7 thousand units in 1990 to 164.0 thousand units in 2000. As of the 2000 Census, housing in one- to four-family structures accounted for 84% of total units, while the remaining 14% of all units were in multi-family buildings.

Income: As of 2002, the median family income for the assessment area was estimated at \$50.5 thousand by the U.S. Department of Housing and Urban Development (“HUD”). In 2003, the HUD-estimated median family income for the assessment area was 64.5 thousand.

Employment: According to the U.S. Bureau of Labor Statistics, the average unemployment rate for Richmond County was 7.4% during 2003. By comparison, the statewide unemployment rate for that year was 6.4%.

Business Demographics: According to business demographic data from PCi Corporation's CRA Wiz[®] software, the number of businesses in the assessment area increased by 12.4% between 2002 and 2003, to 22.9 thousand businesses. Nearly 100% of the companies on Staten Island are non-farm businesses. Approximately 38% (8.6 thousand) of all firms were service providers, 16% (3.8 thousand) were in the retail trade, 10% (2.4 thousand) were in construction and 7% (1.6 thousand) were in finance, insurance and real estate.

As of 2003, 15 thousand businesses in the assessment area had revenues of \$1.0 million or less, 882 had revenues of more than \$1.0 million and 7.1 thousand did not report their revenues. Approximately 73% (16.8 thousand) of all businesses in the county had fewer than 50 employees and 93% (21.4 thousand) operated from a single location.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

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

The assessment period included calendar years 2002 and 2003. Examiners considered VSB's small business lending in evaluating factors (2), (3) and (4), as noted above. The institution originated a minimal quantity of HMDA-reportable and consumer loans. This lending activity is inconsequential to the bank's overall CRA performance and is not included in this evaluation.

The demographic data referred to in this report was obtained from the 1990 and 2000 U.S. Censuses. Estimated 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 and other Lending-Related Activities: "Satisfactory"

VSB's loan-to-deposit ratio is less than reasonable considering the bank's size, financial condition and the credit needs of the assessment area; however, the bank's community development lending provides a degree of mitigation for the low LTD ratio, resulting in a marginal "Satisfactory" rating for this performance measure.

The bank's average LTD ratio was 46.1% for the eight consecutive calendar quarters ending December 31, 2003. This ratio is 31.4 percentage points below the peer group's average of 77.5%. Since the prior evaluation period, the bank's average LTD ratio has fallen 13.5 percentage points.¹

The following table depicts average loan-to-deposit ratios for the eight quarters ending December 31, 2003. For comparison the peer group averages are included:

Loan-to-Deposit Ratios									
	2002 (Q1)	2002 (Q2)	2002 (Q3)	2002 (Q4)	2003 (Q1)	2003 (Q2)	2003 (Q3)	2003 (Q4)	Aver.* LTD
Bank	55.65	54.28	47.04	49.90	41.29	41.21	40.00	39.55	46.12
Peer	77.08	77.54	77.20	77.51	76.99	77.26	77.92	78.83	77.54

* Average

As shown in the table above, the bank's LTD ratios displayed a downward trend during the evaluation period, ranging from a high of 55.65% at the end of the first quarter of

¹ The loan-to-deposit data referred to in this report was obtained from a Uniform Bank Performance Report issued by the Federal Financial Institutions Examination Council ("FFIEC").

2002, to a low of 39.55% at the end of the fourth quarter of 2003.

Community Development Lending: VSB enhanced the availability of credit within its assessment area by making 10 community development loans (“CDLs”) totaling more than \$1.4 million. As of the evaluation date, 65.9% of the bank’s CDL originations supported affordable housing, 28.8% helped provide community development services and 5.3% supported economic development.

Some of the bank’s CDLs are described below:

- VSB originated a \$350 thousand real estate loan for the purchase of a four-story rooming house located in the North Shore Empire Zone. As of the end of the evaluation period, this loan had an outstanding balance of \$321 thousand.
- The bank originated a loan for \$600 thousand to finance low- and moderate-income housing.
- VSB contributed \$9.7 thousand to the New York Business Development Corporation.

Assessment Area Concentration: “Outstanding”

VSB originated a substantial majority of its loans within the assessment area.

Distribution of Small Business Loans Inside and Outside the Assessment Area										
Year	Inside		Outside		Total #	Inside		Outside		Total \$000
	#	%	#	%		\$000	%	\$000	%	
2002	782	90.1	86	9.9	868	52,812	87.1	7,853	12.9	60,665
2003	738	82.8	153	17.2	891	15,481	88.4	2,038	11.6	17,519
Total	1,520	86.4	239	13.6	1,759	68,293	87.3	9,891	12.7	78,184

The bank originated 1,759 small business loans, totaling \$78.2 million, during the evaluation period. This total includes 1,520 loans (86.4%), with a combined dollar volume of \$68.3 million (87.3%), originated within the assessment area. During the prior evaluation period, the bank originated 83.6% of its total number, and 80.3% of its total dollar volume, of loans inside the assessment area.

Geographic Distribution of Loans: “Outstanding”

The geographic distribution of VSB’s loans reflects excellent dispersion among census tracts of different income levels.

Since LMI census tracts represent a small portion of the bank’s assessment area, an analysis of VSB’s lending distribution across middle- and upper-income census tracts

was also performed as part of this evaluation.

During the evaluation period, the bank extended 9.1% by number and 10.4% by dollar volume of its small business loans in LMI geographies. These penetration rates are excellent considering that the assessment area contained only six LMI tracts (5.9%) in 2002 and 10 LMI tracts (9.1%) in 2003. Furthermore, only 3.4% of all businesses within the assessment area are located in LMI geographies. Further analysis indicates the distribution of VSB's loans in middle-income geographies was also strong, representing 19.3% by number and 18.4% by dollar volume of the bank's total small business lending. Lending in upper-income areas accounted for 71.5% of VSB's loans by number and 71.2% by dollar volume.

During 2002, the bank achieved an LMI penetration rate of 10.1% by number of loans and 9.6% by dollar volume. This performance compares well to the distribution of businesses within the assessment area. Of further note, the bank extended 20.3% of its small business loans by number and 17.3% by dollar volume in middle-income areas; and 69.4% by number and 73.1% by dollar volume in upper-income areas. These ratios compared favorably to the distribution of business within the different geographies.

The following charts summarize the bank's small business lending distributions during calendar years 2002 and 2003:

Distribution of Small Business Loans by Income Category of the Census Tract						
Census Tract Income Level	2002					
	Distribution of Businesses		Victory State Bank's Small Business Loans			
	#	%	#	%	\$(000)	%
Low	496	2.5	19	2.4	992	1.9
Moderate	201	1.0	60	7.7	4,089	7.7
Subtotal: LMI	697	3.4	79	10.1	5,081	9.6
Middle	3,522	17.4	159	20.3	9,129	17.3
Upper	15,992	79.1	543	69.4	38,592	73.1
N/A	13	0.1	1	0.1	10	0.0
Total	20,224	100.0	782	100.0	52,812	100.0

Distribution of Small Business Loans by Geographic Income Level						
Census Tract Income Level	2003					
	Distribution of Businesses		Loans			
	#	%	#	% by \$	\$000	% by \$
Low	150	0.7	47	6.4	218	1.4
Moderate	611	2.7	13	1.8	1,786	11.5
Subtotal: LMI	761	3.4	60	8.1	2,004	13.0
Middle	4,203	18.5	134	18.2	3,423	22.1
Upper	17,738	78.1	544	73.7	10,054	64.9
N/A	3	0.0	0	0.0	0	0.0
Total	22,705	100.0	738	100.0	15,481	100.0

Distribution by Borrower Characteristics: “Outstanding”

The distribution of VSB’s loans based on borrower characteristics reflects excellent penetration among businesses of different sizes.

During the evaluation period, 100% of the bank’s small business loans were made to businesses with revenues of \$1 million or less. Between 2002 and 2003, VSB’s lending declined 5.6% based on number of loans.

The following chart provides a summary of the bank’s small business lending distribution based on borrower revenues during the evaluation period:

Distribution of Small Business Loans by Business Revenues						
Revenue Size	2002		2003		Total	
	#	%	#	%	#	%
\$1 million or less	782	100.00	738	100.00	1,520	100.00
Over \$1 million	0	0.00	0	0.00	0	0.00
Total	782	100.00	738	100.00	1,520	100.00

Action Taken In Response to Written Complaints With Respect to CRA

Neither the VSB nor the New York State Banking Department has received any written complaints regarding the bank’s CRA performance since the previous evaluation.

Services

On May 20, 2002, VSB participated in “Small Business Information Day” sponsored by the Internal Revenue Service’s Taxpayer Education & Communication Division. In addition, the bank’s chief lending officer has made presentations at several programs sponsored by the West Brighton Local Development Corporation.

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 institution's efforts to communicate with members of its community regarding the credit services being provided by the banking institution.

The bank's board of directors and senior managers are actively involved in many organizations within the assessment area. These individuals' involvement in the community helps VSB promote its products and ascertain the credit needs of its assessment area. Bank management also gathers data on new businesses from local print media and follows up by sending letters to the companies. Furthermore, the bank's president and chief executive officer call on local organizations to inquire about their credit needs.

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

The bank ensures that its officers and directors remain actively involved in local community activities and organizations. Representatives of the bank also provide financial guidance to various community organizations and make them aware of the bank's products and services.

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 board of directors includes local business people and professionals who are familiar with the bank's marketplace and are involved in the operations of the bank.

Since the prior evaluation, VSB has hired an experienced CRA officer to ensure that its CRA policies and programs effectively promote the bank's CRA objectives.

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.

During the evaluation period the bank contributed \$40.3 thousand to various community service organizations, including the following entities:

Project Hospitality - Project Hospitality is the largest social service agency on Staten Island. For 21 years, the agency has helped hungry, homeless or otherwise needy members of the community achieve self-sufficiency.

Latino Civic Association, Inc. - The Latino Civic Association is a local community organization that provides various services to LMI residents. For example, the organization conducts an annual coat drive to obtain winter clothing for people who might not otherwise be able to afford proper winter attire.

Seamen's Society of Children and Families - Founded in 1846, this organization is a member of the Child Welfare League of America, the Council of Family and Child Caring Agencies and the Federation of Protestant Welfare Agencies.

GLOSSARY

Aggregate

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

Community Development

The term “community development” is defined to mean:

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

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

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

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

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

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

- Providing technical assistance on financial matters to nonprofit, tribal or government organizations serving LMI housing or economic revitalization and development needs;
- Providing technical assistance on financial matters to small businesses or community development organizations;
- Lending employees to provide financial services for organizations facilitating affordable housing construction and rehabilitation or development of affordable housing;
- Providing credit counseling, home buyers and home maintenance counseling, financial planning or other financial services education to promote community development and affordable housing;
- Establishing school savings programs for LMI individuals;
- Providing seminars for LMI persons on banking and bank account record-keeping;
- Making ATM “Training Machines” available for extended periods at LMI community sites or at community facilities that serve LMI individuals; and

-
- Technical assistance activities to community development organizations such as:
 - ❖ Serving on a loan review committee;
 - ❖ Developing loan application and underwriting standards;
 - ❖ Developing loan processing systems;
 - ❖ Developing secondary market vehicles or programs;
 - ❖ Assisting in marketing financial services, including the development of advertising and promotions, publications, workshops and conferences;
 - ❖ Furnishing financial services training for staff and management;
 - ❖ Contributing accounting/bookkeeping services; and
 - ❖ Assisting in fund raising, including soliciting or arranging investments.

Home Mortgage Disclosure Act (“HMDA”)

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

Loans to Small Businesses

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

Low or Moderate Income (“LMI”) Geographies

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