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: January 1, 2004

Institution: Bank of Richmondville
857 East Main Street
Cobleskill, NY 12043

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 the Bank of Richmondville ("BOR") 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 January 1, 2004.

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

BOR 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:** The bank's LTD ratio is reasonable in light of the bank's size, financial condition and the credit needs of the assessment area.

  The bank's marginal LTD ratio of 59.6% is 15.3% percentage points lower than the peer group's ratio of 74.9%; however, some degree of mitigation is provided by the bank community development lending activities. During the evaluation period, BOR originated $1.3 million in community development loans.

- ***Assessment Area Concentration**:* The bank extended a substantial majority of its HMDA-reportable loans inside the assessment area.

  Over the entire evaluation period, BOR made 87.6% by number and 89.1% by dollar volume of its HMDA-reportable loans inside the assessment area. By comparison, the bank originated 80.6% of its total number of loans in the assessment area during the prior evaluation period. BOR improved its performance pertaining to this component even as its total volume of HMDA-reportable loans nearly doubled compared to the prior evaluation period.

- ***Geographic Distribution of Loans**:* The bank's geographic distribution of loans reflects excellent dispersion among census tracts of different income levels.

  During the evaluation period, BOR originated 44.9% of its HMDA-reportable loans by number and 43.7% by dollar volume in moderate-income areas. By comparison, the market aggregate's LMI penetration rates for the evaluation period were 33.2% and 33.1%, respectively.

- ***Distribution by Borrowers Characteristics**:* The bank's lending distribution in the assessment area reflects reasonable penetration among individuals of different income levels.

  During the evaluation period, BOR extended 32.7% by number and 21.1% by dollar volume of its HMDA-reportable loans to LMI borrowers. This level of LMI lending was lower than the aggregate's LMI penetration rates of 37.0% and 29.3%, respectively. Compared to the previous evaluation, the bank's LMI penetration rates increased approximately four percentage points by both number and dollar volume, even as its total number of loan originations increased substantially.

- **Service:**

The bank's retail and community development services are tailored to meet the needs of its assessment areas.

- **Complaints**

Neither BOR 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:

The Bank of Richmondville ("BOR") was established in 1881 as a privately owned bank and, in 1893, obtained a commercial bank charter from the State of New York. Until 1982, the bank operated from a single location in Richmondville, New York. Then, in 1982, the bank opened an office in Cobleskill. In 1998, BOR opened a third office that is located in Schoharie.

BOR is a community bank that offers financial products and services to personal, commercial, non-profit and municipal customers. As described above, the bank operates three banking offices. These branches serve communities in Schoharie County and surrounding areas. Each branch offers extended hours Monday through Friday, as well as a drive-thru or walk-up facility. The branch in Schoharie also provides service for half a day on Saturdays via the branch's drive-thru teller window.

According to the most recent FDIC Deposit Market Share report, compiled as of June 30, 2003, BOR holds 26.0% of all deposits within its market, ranking the bank second among eight deposit-taking institutions in Schoharie County.

On its year-end Call Report for 2003, BOR reported total assets of $99.8 million, including $55.3 million in net loans. As of the same date, BOR reported total deposits of $90.6 million, resulting in a loan-to-deposit ratio of 61.0%.

The following table summarizes the bank's lending portfolio as of the end of calendar years 2001, 2002, and 2003:

GROSS LOANS OUTSTANDING						
LOAN TYPE	**2001**		**2002**		**2003**	
	$000	**%**	**$000**	**%**	**$000**	**%**
1-4 Residential Mortgage Loans	25,819	54.9	27,849	53.1	30,949	55.2
Commercial & Industrial Loans	7,884	16.8	7,523	14.3	6,084	10.8
Commercial Mortgage Loans	7,017	14.9	9,445	18.0	11,377	20.3
Multifamily Mortgages	1,121	2.4	1,137	2.2	1,364	2.4
Consumer Loans	4,255	9.0	4,206	8.0	3,887	7.0
Secured by Farmland	645	1.4	1,310	2.5	1,022	1.8
Construction Loans	266	0.6	1,008	1.9	1,400	2.5
Gross Loans	**47,007**	**100.0**	**52,478**	**100.0**	**56,083**	**100.0**

Source: Call Report data

As illustrated above, BOR is primarily a mortgage lender that had 77.9% of its loan portfolio invested in residential (57.6%) and commercial (20.3%) mortgage loans as of year-end 2003. One notable change in the bank's loan portfolio was a shift away from commercial & industrial loans towards commercial mortgage loans.

The bank offers a broad range of consumer and commercial loan products, including:

- Residential and commercial real estate loans
- Construction loans
- Farm loans
- Small Business Administration ("SBA") loans
- Farmers Home Administration loans
- Home equity loans
- Home improvement loans
- Mobile home loans
- Personal consumer loans

Peer Comparison: In 2002, BOR's HMDA-reportable lending ranked the bank second out of 108 lenders in its assessment area. For that year, the bank's market share was 10.7% based on number of loans and 11.1% based on dollar volume.

In 2003, the bank maintained its high rank among other HMDA lenders within the assessment area. During 2003, BOR ranked third out of 126 lenders based on number of loans (8.3% market share) and second based on dollar volume (9.2% market share).

Branch Openings or Closures: During the evaluation period, BOR did not open or close any branches.

Government Loan Programs: The bank participates in two types of government-sponsored or government-guaranteed loan programs:

1. *Farmers Home Administration (FmHA):* During the evaluation period the bank made one FmHA loan for $82 thousand.

2. *U.S. Small Business Administration (SBA):* BOR participates in the SBA's Section 7(a) loan program; however, the bank did not originate any SBA loans during the evaluation period.

BOR's previous CRA evaluation was conducted by the New York State Banking Department as of January 1, 2002, and resulted in a rating of "2". This rating reflected the bank's 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 includes the eastern portion of Otsego County (i.e., Roseboom, Decatur, Westford, Worcester, and Maryland) and almost all of Schoharie County (i.e., the municipalities of Sharon, Carlisle, Esperance, Seward, Summit, Fulton, Jefferson, Blenheim, Middleburgh, Wright, Cobleskill, Schoharie and Richmondville). The

bank does not include the southernmost section of Schoharie County in its assessment area.

As of the 1990 U.S. Census, there were nine census tracts in the assessment area, including one zero-income, four moderate-income and four middle-income tracts. According to updated information from the 2000 Census, the assessment area still contains nine census tracts, but the income classifications of those tracts has changed significantly. To be specific, the assessment area now contains only two moderate-income census tracts - - a 50% decrease. At the same time, the number of middle-income tracts increased by 50%, from four tracts to six tracts. The ninth tract remained categorized as a zero-income census tract.

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

Details of Assessment Area:

Population & Income: As of the 1990 Census, the assessment area had a total population of approximately 34.5 thousand residents. When the 2000 Census was conducted, the assessment area's population had increased to nearly 34.7 thousand, reflecting a net increase of 213 residents.

As of 2000, approximately 14.7% of the assessment area's residents were over the age of 65 and 20.8% were under the age of 16. These percentages are similar to those observed in 1990, when 14.5% of the area's residents were over the age of 65 and 21.5% were under the age of 16.

Income: The median family income was $43.4 thousand according to the 2000 census. The weighted average of updated MSA median family income, reported by U.S. Housing and Urban Development Corporation (HUD), was estimated at $57 thousand. Based on the 1990 census data, the median family income was $30.3 thousand and the weighted average of updated MSA median family income was $52.9 thousand.

Households & Families: According to data from the 2000 Census, the assessment area is home to 9.1 thousand families, including approximately 2.1 thousand (23.5%) low-income, 2.2 thousand (24.7%) moderate-income, 2.3 thousand (24.8%) middle-income and 2.5 thousand (27.1%) upper-income families.

Using a different measure, the assessment area was home to 13.3 thousand households, *including 1.5 thousand households (*11%) with incomes below the poverty level and 200 households (2%) receiving public assistance. A substantial percentage (32.0%) of the assessment area's households receives social security payments.

Housing Units: In 2000, there were 16.8 thousand housing units in the assessment area. The vast majority of these units (81%) were located in 1-4 family structures, while only 4% were located in multi-family buildings.

Approximately 59% of the assessment area's housing units are owner occupied, while 23% were rental units and 21% were vacant or boarded-up units. These rates have not changed much since the 1990 Census, when the respective percentages were 59%, 22% and 20%. Nonetheless, the distribution of owner-occupied housing units between moderate- and middle-income tracts has changed significantly between Censuses.

As of the 1990 Census, 51.3% of the assessment area's owner-occupied units were located in moderate-income tracts and 48.7% were in middle-income tracts. However, when updated income designations from the 2000 Census were announced in 2003, the percentage of owner-occupied housing in moderate-income tracts fell to 21.3%. In contrast, the percentage of owner-occupied housing in middle-income tracts jumped to 78.7%. These changes mirror the previously described shift in tract income classifications for the assessment area's nine census tracts. To be specific, the results of the 2000 Census caused moderate-income tracts to decrease from 44.4% to 22.2% of total tracts in the assessment area, while middle-income tracts increased from 44.4% to 66.7% of all tracts in the assessment area.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

The 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 evaluation period includes calendar years 2002 and 2003. Aggregated loan information data were obtained from the Federal Financial Institution Examination Council ("FFIEC") and PCi Corporation's CRA Wiz® software. The demographic data referenced in this evaluation were obtained from the 1990 and 2000 U.S. Censuses. Updated median family income ("MFI") figures for 2002 and 2003 were obtained from the U.S. Department of Housing and Urban Development ("HUD").

Examiners considered HMDA-reportable loans from the bank's loan application register in evaluating factors (2), (3) and (4), as noted above.

- **Loan-to-Deposit Ratio & Other Lending-Related Activities: "Outstanding"**

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

The bank's average LTD ratio of 59.6% for the eight consecutive quarters ending December 31, 2003, is marginally acceptable. The ratio is well below the average of 74.9% reported by the bank's peer group.[1] As shown in the table below, the quarterly LTD ratios for both the bank and the peer group were relatively stable during the evaluation period.

	2002 (Q1)	2002 (Q2)	2002 (Q3)	2002 (Q4)	2003 (Q1)	2003 (Q2)	2003 (Q3)	2003 (Q4)	Average LTD
Bank	59.11	59.80	59.24	60.74	57.14	58.68	61.13	61.01	59.61
Peer	75.11	75.81	75.47	74.92	72.77	73.98	75.18	75.99	74.90

Concern about BOR's LTD ratio is partially mitigated by the bank's significant community development lending activities.

Community Development Loans: During the evaluation period, the bank enhanced credit availability in its assessment area by originating community development loans totaling approximately $1.3 million. The bank's community development lending includes the following transactions:

- $1.2 million in loans to support community development services such as a Head

[1] The peer group is defined as insured commercial banks with assets between $50 million and $100 million. These ratios were calculated from information shown in the bank's Uniform Bank Performance Report ("UBPR") prepared by the Federal Deposit Insurance Corporation ("FDIC").

Start program for LMI families and the Women-Infant-Children Supplemental Feeding and Nutritional Program

- A $140 thousand loan to help a non-profit organization provide affordable housing for LMI families in Schoharie County

- $9 thousand in economic development loans to small and midsize businesses.

- **<u>Assessment Area Concentration</u>: "Outstanding"**

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

Distribution of Loans Inside and Outside of the Assessment Area										
Year	Number of Loans					Dollar Volume (in Thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		$	%	$	%	
2002	100	91.7	9	8.3	109	7,503	92.0	651	8.0	8,154
2003	105	84.0	20	16.0	125	9,265	86.8	1,407	13.2	10,672
Total	**205**	**87.6**	**29**	**12.4**	**234**	**16,768**	**89.1**	**2,058**	**10.9**	**18,826**

During 2002, the bank originated 109 HMDA-reportable loans totaling $8.2 million. Included in this total are 100 loans (91.7%), totaling $7.5 million (92.0%), originated within the assessment area. During 2003, the percentage of loans made within the assessment area declined slightly, to 87.6% by number and 89.1% by dollar volume.

Even though the bank's assessment area concentration declined between 2002 and 2003, its performance over the two-year evaluation period improved by seven percentage points compared to the prior two-year evaluation period. Additionally, the bank maintained its performance through a period of significant growth in its HMDA-reportable loan volume. During the previous evaluation period, BOR made 124 HMDA-reportable loans, which included 100 loans inside the assessment area. As shown in the table above, BOR made 234 HMDA-reportable loans during the current evaluation period, including 205 loans within the assessment area.

- **<u>Geographic Distribution of Loans</u>: "Outstanding"**

The geographic distribution of BOR's HMDA-reportable lending reflects excellent dispersion among census tracts of different income levels.

During the evaluation period, the bank originated 205 HMDA-reportable loans totaling $16.8 million inside its assessment area. This includes 92 loans (44.9%) totaling $7.3 million (43.7%) in LMI census tracts. BOR's LMI penetration rates compare favorably to the aggregate's rates of 33.2% and 33.1%, respectively.

During 2002, BOR made 58 loans (58.0%) totaling $4.3 million (57.3%) in LMI geographies.

The bank's LMI penetration rates exceeded the market aggregate's penetration rates of 48.6% based on number of loans and 50.0% based on dollar volume. BOR's performance also exceeded the 2002 demographic benchmark for owner-occupied housing located in LMI census tracts (51.3%).

In 2003, updated information from the 2000 Census was adopted for regulatory reporting purposes. One impact of these changes was a 50% decrease in the number of LMI-designated geographies within BOR's assessment area. As would be expected, this loss of LMI-designated census tracts reduced BOR's opportunity to lend in LMI areas, and the bank's originations in LMI areas fell 71% by number of loans between 2002 and 2003. Since the Census changes affected all lenders in the market, BOR's 2003 LMI penetration rate of 32.4% remained well above the market aggregate's penetration rate of 21.7% and the percentage of owner-occupied housing located in LMI areas (21.3%).

The following table summarizes the geographic distribution of BOR's HMDA-reportable loans across census tracts of different income levels:

Distribution of HMDA-reportable Loans by Geographic Income Level									
Geographic Income Level	Percent of Owner-Occupied Units	2002							
		Bank				Aggregate			
		#	%	$000	%	#	%	$000	%
Low	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	51.3	58	58.0	4,296	57.3	456	48.6	33,807	50.0
Middle	48.7	42	42.0	3,207	42.7	481	51.2	33,684	49.8
Upper	0.0	0	0.0	0	0.0	0	0.0	0	0.0
N/A	0.0	0	0.0	0	0.0	2	0.2	80	0.1
Total	**100.0**	**100**	**100.0**	**7,503**	**100.0**	**939**	**100.0**	**67,571**	**100.0**
Geographic Income Level	Percent of Owner-Occupied Units	2003							
		Bank				Aggregate			
		#	%	$000	%	#	%	$000	%
Low	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	21.3	34	32.4	3,034	32.7	273	21.7	21,748	21.7
Middle	78.7	71	67.6	6,231	67.3	984	78.2	78,634	78.3
Upper	0.0	0	0.0	0	0.0	0	0.0	0	0.0
N/A	0.0	0	0.0	0	0.0	2	0.2	44	0.0
Total	**100.0**	**105**	**100.0**	**9,265**	**100.0**	**1,259**	**100.0**	**100,426**	**100.0**

- **<u>Distribution by Borrower Characteristics</u>: "Satisfactory"**

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

During the evaluation period, BOR extended 67 loans (32.7%) totaling $3.5 million (21.1%) to LMI borrowers. The bank's LMI penetration rates were lower than the aggregate's penetration rates of 37.0% and 29.3%, respectively.

The following chart shows the distribution of BOR's HMDA-reportable loans by borrower

income level during each year of the evaluation period:

Distribution of HMDA-Reportable Loans by Borrower Income Level									
Borrower Income Level	Percent of Families	2002							
		Bank				Aggregate			
		#	%	$000	%	#	%	$000	%
Low	25.7	15	15.0	485	6.5	111	11.8	4,945	7.3
Moderate	24.7	19	19.0	1,016	13.5	235	25.0	14,412	21.3
LMI	*50.4*	*34*	*34.0*	*1,501*	*20.0*	*346*	*36.8*	*19,357*	*28.6*
Middle	24.9	27	27.0	1,825	24.3	255	27.2	18,127	26.8
Upper	24.7	35	35.0	3,553	47.4	294	31.3	26,532	39.3
N/A	0.0	4	4.0	624	8.3	44	4.7	3,555	5.3
Total	**100.0**	**100**	**100.0**	**7,503**	**100.0**	**939**	**100.0**	**67,571**	**100.0**
Borrower Income Level	Percent of Families	2003							
		Bank				Aggregate			
		#	%	$000	%	#	%	$000	%
Low	23.5	9	8.6	406	4.4	142	11.3	7,412	7.4
Moderate	24.6	24	22.9	1,626	17.5	325	25.8	22,453	22.4
LMI	*48.1*	*33*	*31.4*	*2,032*	*21.9*	*467*	*37.1*	*29,865*	*29.7*
Middle	24.8	30	28.6	2,328	25.1	361	28.7	28,877	28.8
Upper	27.1	32	30.5	3,798	41.0	352	28.0	35,444	35.3
N/A	0.0	10	9.5	1,107	11.9	79	6.3	6,240	6.2
Total	**100.0**	**105**	**100.0**	**9,265**	**100.0**	**1,259**	**100.0**	**100,426**	**100.0**

In 2002, the bank's LMI penetration rates of 34.0% by number of loans and 20.0% by dollar volume were lower than the aggregate's penetration rates of 36.8% and 28.6%, respectively. In 2003, the bank's LMI penetration rates of 31.5% by number and 21.9% by dollar volume continued to lag the aggregate's penetration rates of 37.1% and 29.7%, respectively.

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

Since the prior CRA evaluation, neither BOR nor the New York State Banking Department has received any written complaints regarding the bank's CRA performance.

- **Services**

In addition to providing tradition and electronic banking services, BOR offers a wide range of financial products and services and participates in and/or promotes activities that foster community development. Examples of the bank's efforts include:

  - An automated clearinghouse ("ACH") service allows small business customers to transfer payroll funds directly to their employees' accounts. If an employee's account is held by BOR, there is no fee for this service. For accounts at other banks, the small business pays a nominal fee for the transfer of funds.
  - At its Richmondville and Cobleskill branches, BOR offers free school and

public library tax collection services for the Richmondville-Cobleskill school district.

- In 2002, the bank began offering debit card services through Visa Check Cards.

- During the evaluation period, the bank provided community development services to a large number of organizations in the assessment area. Some of the organizations that received community development services from the bank include:
  - Cobleskill-Richmondville Central School
  - Cobleskill Agricultural Society
  - Cobleskill Village Youth Board
  - Schoharie County Chamber of Commerce
  - Schoharie County Community Action Program

- **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 Banking Department's 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 bank 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 ascertains the credit needs of and informs the community about its products and services through community outreach efforts. Bank representatives are involved in a combination of community outreach activities, promotional campaigns, and membership organizations that serve the bank's assessment area.

The extent of the bank's marketing and special credit-related programs to make members of the community aware of the credit services it offers.

The bank's marketing and special credit-related programs include advertising through local media, such as radio, internet and publications. In addition, the bank uses other methods, such as lobby brochures, bank statements, information packets and speeches to local groups to increase the visibility of its product and services.

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

BOR's board of directors reviews the bank's CRA programs regularly and receives program updates at its monthly board meetings.

- **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.

Special Loan Program - Mobile Home Loans:

The bank's mobile home loan program offers competitive rates with terms of up to 10 years. In addition, the bank is one of the few institutions in the area that offers home mortgages for mobile homes attached to real estate. During the evaluation period, the bank originated 17 mobile home loans totaling $244.3 thousand.

Donations:

During the evaluation period, the bank contributed $25.5 thousand to various not-for-profit organizations within the assessment area, including:

- Habitat for Humanity
- Schoharie County Chamber of Commerce
- Middleburgh Central School
- Richmondville Youth Organization

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.