



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: Cattaraugus County Bank
116-120 Main Street
Little Valley, NY 14755

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 Cattaraugus County Bank ("CCB") 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

Cattaraugus County Bank 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 considered reasonable in light of the bank's size, financial condition and the credit needs of its assessment area. The average ratio for the eight quarters in the evaluation period is 68.6%, which is lower than the peer group's average ratio of 76.4%.

The bank enhanced the availability of credit in its assessment area with community development loans totaling \$2.8 million, including \$2.1 million originated during the evaluation period.

- ***Assessment Area Concentration:*** The bank extended a substantial majority of its loans in the assessment area. During the evaluation period, the bank extended 91.4% by number, and 89.4% by dollar volume, of its Home Mortgage Disclosure Act ("HMDA") reportable loans within the assessment area.
- ***Geographic Distribution of Loans:*** The geographic distribution of CCB's lending reflects excellent dispersion among census tracts of different income levels. In 2002, the bank extended 15.7% of its HMDA-reportable loans in LMI areas, far exceeding the market aggregate's LMI penetration ratio of 3.6%. In 2003, the bank maintained an excellent LMI-area lending rate of 14.5%, well above the aggregate's 4.5%.
- ***Distribution by Borrowers' Characteristics:*** The bank's lending distribution in the assessment area reflects reasonable penetration among individuals of different income levels. In 2002, the bank extended 29.8% of its HMDA-reportable loans to LMI borrowers, which was slightly higher than the aggregate's 28.6%. In 2003, the bank's LMI borrower penetration rate of 31.3% exceeded the aggregate's rate of 28.4%.
- Neither CCB 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

Chartered in 1902, Cattaraugus County Bank is a commercial bank located in Little Valley, New York. The bank operates five branches, including four in Cattaraugus County and one in Erie County. Each branch offers an on-site automated teller machine ("ATM"). In addition, CCB operates a single off-site, non-deposit-taking ATM on the premises of a local employer.

CCB has not opened or closed any branches since the prior evaluation.

Loans - On its year-end Call Report for 2003, CCB reported total assets of \$122.6 million, including \$68.8 million in loans. The following table summarizes CCB's loan portfolio based on Schedule RC-C of the bank's Call Reports for December 31, 2002, and December 31, 2003:

GROSS LOANS OUTSTANDING (\$ in Thousands)				
LOAN TYPE	12/31/2002		12/31/2003	
	\$	%	\$	%
1-4 Family Residential Mortgage Loans	40,415	56.0	39,943	58.1
Commercial & Industrial Loans	7,669	10.6	9,304	13.5
Commercial Mortgage Loans	11,572	16.0	11,964	17.4
Multifamily Mortgages	460	0.6	488	0.7
Consumer Loans	11,350	15.7	5,831	8.5
Agricultural Loans	180	0.2	138	0.2
Construction Loans	466	0.6	1,023	1.5
Other Loans	40	0.1	88	0.1
Total Gross Loans	72,152	100.0	68,779	100.0

As illustrated in the table above, CCB is primarily a one- to four-family residential real estate lender, with 58.1% of its loan portfolio in mortgage loans of this type. Nonetheless, CCB offers a variety of other products, including multifamily residential mortgages, construction loans, home improvement loans, consumer loans, agricultural loans and commercial loans.

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

Deposits - CCB reported total deposits of \$105.4 million on its Call Report for December 31, 2003, resulting in a loan-to-deposit ratio of 64.6% as of that date.

Based on comparative market data compiled by the FDIC, as of June 30, 2003, the bank achieved a market share of 12.03% inside its market, ranking it third among nine deposit-taking institutions in Cattaraugus County.

CCB's previous performance evaluation was conducted by the New York State Banking Department as of January 1, 2002. That evaluation resulted in a rating of "2," reflecting 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

CCB's assessment area comprises portions of Cattaraugus and Erie Counties. During the evaluation period, management expanded the assessment area to include Allegany Township in Cattaraugus County. With this change, the assessment area now includes all of Cattaraugus County except the townships of Hinsdale, Olean and Portville. In Erie County, the assessment area includes the townships of Colden, Holland, Concord, Sardinia and Collins.

This evaluation covers calendar years 2002 and 2003 in their entirety. In 2003, the demographic data used for analyzing an institution's CRA lending performance changed when 2000 Census data were adopted for regulatory reporting purposes. In accordance with regulatory reporting requirements, loan data from calendar year 2002 have been geocoded and analyzed based data from the 1990 Census, whereas loan data from 2003 have been geocoded and evaluated based on data from the 2000 Census.¹

As of year-end 2003, there were 23 census tracts in CCB's assessment area, including one low-income, four moderate-income and 18 middle-income census tracts. The table below shows the geographic distribution of these census tracts:

Distribution of Assessment Area Census Tracts by Income Level (2000 Census)						
County	Low	Moderate	Middle	Upper	Total	LMI %
Cattaraugus	1	2	12	0	15	20.0
Erie	0	2	6	0	8	25.0
Total	1	4	18	0	23	21.7

Using data from the 1990 Census, the assessment area would include 24 census tracts, including three low-income; two moderate-income and 19 middle-income tracts. The following chart shows the geographic distribution of these census tracts by income level:

Distribution of Assessment Area Census Tracts by Income Level (1990 Census)						
County	Low	Moderate	Middle	Upper	Total	LMI %
Cattaraugus	2	2	12	0	16	25.0
Erie	1	0	7	0	8	12.5
Total	3	2	19	0	24	20.8

¹ Geocoding is the process by which loans are assigned to specific geographic territories called census tracts. Census tracts boundaries change from time to time, as determined by the U.S. Office of Management and Budget. In 2003, new boundaries were adopted for regulatory reporting purposes, making comparisons between 2002 and 2003 data difficult.

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

Details of Assessment Area

Cattaraugus County

According to the New York State Department of Labor, Cattaraugus County's unemployment rate averaged 6.1% during 2004. By comparison, the statewide unemployment rate for that year averaged 5.8%.

Please refer to the following charts for additional demographic details pertaining to each partial county included in the assessment area:

Chart #1: Population and Income Demographics

Chart #2: Housing Demographics

Chart # 1A (Based on 2000 U.S. Census Data)

CATTARAUGUS COUNTY BANK																					
ASSESSMENT AREA POPULATION AND INCOME CHARACTERISTICS BY COUNTY																					
COUNTY	Total Population	Age 66 and over		Age 15 and less		Median Family Income(MFI)	HUD MSA MFI	# of Households	# of HH below poverty level		Total Families	Low income		Moderate income		Middle income		Upper income		LMI families in LMI tracts	
		#	%	#	%				#	%		#	%	#	%	#	%	#	%	#	%
Cattaraugus*	60,050	8,313	13.8	13,977	23.3	39,591	47,300	22,256	2,613	12.0	15,516	3,154	20.3	3,301	21.3	3,909	25.2	5,152	33.2	1,001	15.5
Erie*	26,451	3,037	11.5	5,123	19.4	49,878	52,500	8,583	581	7.0	6,211	1,022	16.5	1,258	20.2	1,612	26.0	2,319	37.3	157	6.9
TOTAL A/A**	86,501	11,350	13.1	19,100	22.1	42,532	49,109	30,839	3,194	10.0	21,727	4,176	19.2	4,559	21.0	5,521	25.4	7,471	34.4	1,158	13.3

Chart # 1B (Based on 1990 U.S. Census Data)

CATTARAUGUS COUNTY BANK																					
ASSESSMENT AREA POPULATION AND INCOME CHARACTERISTICS BY COUNTY																					
COUNTY	Total Population	Age 66 and over		Age 15 and less		Median Family Income(MFI)	HUD MSA MFI	# of Households	# of HH below poverty level		Total Families	Low income		Moderate income		Middle income		Upper income		LMI families in LMI tracts	
		#	%	#	%				#	%		#	%	#	%	#	%	#	%	#	%
Cattaraugus*	58,385	7,809	13.4	14,525	24.9	28,118	43,600	20,284	2,504	12.0	14,824	3,085	20.8	3,379	22.8	3,733	25.2	4,627	31.2	1,078	16.7
Erie*	23,533	2,992	12.7	5,196	22.1	35,417	50,800	7,917	659	8.0	5,956	878	14.7	1,215	20.4	1,663	27.9	2,200	37.0	10	0.5
TOTAL A/A**	81,918	10,801	13.2	19,721	24.1	30,210	46,000	28,201	3,163	11.0	20,780	3,963	19.1	4,594	22.1	5,396	26.0	6,827	32.8	1,088	12.7

* Partial County; ** Assessment Area

CHART # 2A (Based on 2000 U.S. Census Data)

CATTARAUGUS COUNTY BANK																			
ASSESSMENT AREA HOUSING CHARACTERISTICS BY COUNTY																			
COUNTY	Total Housing Units	1-4 family Units		Multifamily Units		Owner-Occupied Units										Rental Units		Vacant/ Boarded-up Units	
						Total		Low-income Tracts		Moderate-income Tracts		Middle-income Tracts		Upper-income Tracts					
		#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%
Cattaraugus*	28,904	27,735	96.0	1,169	4.0	17,292	59.8	2	0.0	1,755	10.2	15,535	89.8	0	0.0	5,726	19.8	6,672	23.1
Erie*	9,095	8,674	95.4	421	4.6	6,686	73.5	0	0.0	256	3.8	6,430	96.2	0	0.0	2,057	22.6	539	5.9
TOTAL A/A**	37,999	36,409	95.8	1,590	4.2	23,978	63.1	0	0.0	2,012	8.4	21,964	91.6	0	0.0	7,783	20.5	7,211	19.0

CHART # 2B (Based on 1990 U.S. Census Data)

CATTARAUGUS COUNTY BANK																			
ASSESSMENT AREA HOUSING CHARACTERISTICS BY COUNTY																			
COUNTY	Total Housing Units	1-4 family Units		Multifamily Units		Owner-Occupied Units										Rental Units		Vacant/ Boarded-up Units	
						Total		Low-income Tracts		Moderate-income Tracts		Middle-income Tracts		Upper-income Tracts					
		#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%
Cattaraugus*	25,914	20,497	79.1	772	3.0	15,676	60.5	44	0.3	1,859	11.9	13,773	87.9	0	0.0	5,081	19.6	5,693	22.0
Erie*	8,530	7,512	88.1	379	4.4	6,011	70.5	6	0.1	0	0.0	6,005	99.9	0	0.0	2,017	23.6	633	7.4
TOTAL A/A**	34,444	28,009	81.3	1,151	3.3	21,687	63.0	50	0.2	1,859	8.6	19,779	91.2	0	0.0	7,098	20.6	6,326	18.4

* Partial County; ** Assessment Area

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

CCB's performance was evaluated using 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 covers calendar years 2002 and 2003 in their entirety. The bank's HMDA-reportable lending was considered in evaluating factors (2), (3) and (4), as noted above.

As noted in the Performance Context section of this report, demographic data referred in this report were obtained from the 1990 Census for calendar year 2002 and the 2000 U.S. Census for calendar year 2003. In accordance with regulatory guidelines, borrower income levels were determined using annually updated median income figures from the U. S. Department of Housing and Urban Development ("HUD").

- **LTD Ratio Analysis and Other Lending-Related Activities: "Satisfactory"**

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

For the eight consecutive quarters ending December 31, 2003, the bank's average LTD ratio was 68.6%, which is below the peer group's average of 76.4%.² As shown in the table below, the bank's LTD ratio declined during the evaluation period while the peer group's ratio remained relatively stable.

Loan-to-Deposit Ratios									
Year	2002 (Q1)	2002 (Q2)	2002 (Q3)	2002 (Q4)	2003 (Q1)	2003 (Q2)	2003 (Q3)	2003 (Q4)	Average
Bank	72.85	75.20	70.25	70.81	65.23	66.71	62.94	64.55	68.57
Peer	75.87	77.40	77.62	76.36	75.10	75.81	76.63	75.98	76.35

Community Development Loans

The bank enhanced the availability of credit in its assessment area by providing community development loans totaling \$2.8 million. This total includes \$2.1 million in originations during the evaluation period. Brief descriptions of CCB's community development loans are provided below:

² The bank's peer group includes commercial banks with assets between \$100 million and \$300 million, with three or more full service offices operating in a non-metropolitan area. These ratios were calculated from information shown in the bank's Uniform Bank Performance Report prepared by the FDIC.

- *Nonprofit Social Service Organization* - In 2002, CCB extended two loans totaling \$1.7 million to a local nonprofit organization that provides a variety of social service programs such as clinical case management, crisis intervention and parenting training. In addition, the organization also offers foster care and adoption services as well as non-secure detention and community group homes.
- *Small Farm Development and Preservation Organization* - In 2003, the bank extended two term loans totaling \$54 thousand to a local nonprofit organization that seeks to maintain the visibility and viability of small farms in Cattaraugus County.
- *Local Development Organization* - In 2002, the bank approved a \$400 thousand line of credit for a nonprofit economic development organization in Cattaraugus County. The organization's programmatic efforts address a variety of economic issues but focus on relieving and reducing unemployment in the area.
- *Small Business Development Organization* - During a prior evaluation period, CCB granted two loans to a local small business development organization. As of December 31, 2003, the outstanding balance of these loans was \$672 thousand. The organization in question provides financing and technical assistance for start-up or existing small businesses in Allegany, Cattaraugus and Chautauqua Counties. In addition, the organization helps train the local labor force and assists borrowers in their efforts to develop or expand their businesses.

● **Assessment Area Concentration: "Outstanding"**

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

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Loans in Dollars (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
HMDA-Reportable										
2002	121	87.1	18	12.9	139	5,251	83.6	1,027	16.4	6,278
2003	166	94.8	9	5.2	175	7,939	93.7	531	6.3	8,470
Total	287	91.4	27	8.6	314	13,190	89.4	1,558	10.6	14,748

During the evaluation period, the bank originated 314 loans totaling 14.7 million dollars. CCB's lending within the assessment area accounted for 287 of these loans (91.4%) and \$13.2 million (89.4%) of the total dollar volume.

Between 2002 and 2003, the bank's overall HMDA-reportable lending increased both by number of loans and by dollar volume. Even with this growth, the bank managed to

improve its percentage of lending within the assessment area from 87.1% to 94.8% based on number of loans, and from 83.6% to 93.7% based on dollar volume.

- **Geographic Distribution of Loans: “Outstanding”**

The geographic distribution of HMDA-reportable loans reflects an excellent dispersion among census tracts of different income levels.

In 2002, the bank’s LMI area penetration ratio was 15.7%, well above the aggregate’s penetration rate of 3.6%. In 2003, the bank maintained an excellent LMI area lending rate of 14.5%, significantly above the aggregate’s 4.5%.

The following chart provides a summary of the geographic distribution of CCB’s HMDA-reportable lending within the assessment area during the evaluation period:

Distribution of HMDA-Reportable Loans by Geographic Income Level*								
Geographic Income Level	2002							
	Bank				Aggregate			
	#	%	\$**	%	#	%	\$**	%
Low	0	0.0	0	0.0	1	0.1	54	0.0
Moderate	19	15.7	557	10.6	69	3.5	1,939	1.5
Middle	102	84.3	4,694	89.4	1,910	96.5	130,387	98.5
Upper	0	0.0	0	0.0	0	0.0	0	0.0
Total	121	100.0	5,251	100.0	1,980	100.0	132,380	100.0
Geographic Income Level	2003							
	Bank				Aggregate			
	#	%	\$	%	#	%	\$	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	24	14.5	807	10.2	116	4.5	4,483	2.4
Middle	142	85.5	7,132	89.8	2,467	95.5	185,363	97.6
Upper	0	0.0	0	0.0	0	0.0	0	0.0
Total	166	100.0	7,939	100.0	2,583	100.0	189,846	100.0

* Geography income levels for 2002 are based upon 1990 census data on median family income figures for the MSA of the mortgaged property. Geography income levels for 2003 are based upon 2000 census data. Low-income is defined as <50% of the MSA median, moderate-income is 50% to <80% of the MSA median income, middle-income is 80% to <120% and upper-income is at least 120%.

** Dollar amounts are shown in thousands.

- **Distribution by Borrower Characteristics: “Satisfactory”**

The distribution of CCB’s HMDA-reportable lending based on borrower characteristics reflects reasonable penetration among individuals of different income levels.

In 2002, the bank’s lending within its assessment area included 36 loans (29.8%) to LMI borrowers. By comparison, the market aggregate’s LMI penetration rate was 28.6% in 2002. During 2003, the bank extended 31.3% of its assessment area loans to LMI borrowers, outperforming the market aggregate’s LMI penetration ratio of 28.4%.

The following table summarizes CCB's distribution of HMDA-reportable loans to borrowers of different income levels within the assessment area:

Distribution of HMDA-Reportable Loans by Borrower Income Level*								
Borrower Income Level	2002							
	Bank				Aggregate			
	#	%	\$**	%	#	%	\$**	%
Low	11	9.1	186	3.5	130	6.6	4,311	3.3
Moderate	25	20.7	751	14.3	436	22.0	20,497	15.5
Middle	39	32.2	1,246	23.7	577	29.1	33,705	25.5
Upper	46	38.0	3,068	58.4	754	38.1	66,688	50.4
N/A	0	0.0	0	0.0	83	4.2	7,179	5.4
Total	121	100.0	5,251	100.0	1,980	100.0	132,380	100.0
Borrower Income Level	2003							
	Bank				Aggregate			
	#	%	\$	%	#	%	\$	%
Low	15	9.0	280	3.5	171	6.6	5,858	3.1
Moderate	37	22.3	1,234	15.5	562	21.8	29,792	15.7
Middle	49	29.5	1,956	24.6	747	28.9	50,157	26.4
Upper	63	38.0	4,359	54.9	964	37.3	92,138	48.5
N/A	2	1.2	110	1.4	139	5.4	11,901	6.3
Total	166	100.0	7,939	100.0	2,583	100.0	189,846	100.0

* Borrower income level is based upon HUD's annual estimate of median family income figures for the MSA of the mortgaged property. Low-income is defined as <50% of the MSA MFI, moderate-income is 50% to <80%, middle-income is 80% to <120% and upper-income is at least 120%.

** Dollar amounts are shown in thousands.

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

During the evaluation period, neither CCB nor the New York State Banking Department 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 did not note any practices 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.

Many of CCB's officers are members of local community groups or civic organizations. Through these memberships, the bank maintains regular contact with residents of the assessment area, which allows management to ascertain local credit needs.

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.

CCB makes the community aware of its credit services through newspaper, radio and television advertisements. Additionally, the bank uses statement inserts, posters in branch lobbies and billboards to advertise its products.

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.

CCB's board of directors formulates the bank's CRA policies and reviews its CRA performance. CCB's directors participate in a range of community activities, serving local governments and community service organizations in various capacities. Through their outreach activities, the directors remain aware of community needs and have an opportunity to identify new initiatives for the bank's CRA program.

- **Other Factors**

To accommodate the members of the local Amish and Mennonite communities, the bank has made some exceptions to its loan underwriting policy for real estate loans. These exceptions recognize that the Amish and Mennonite communities do not have electricity and running water in their homes. Due to the limited marketability of such properties, the loan-to-value is limited to 50%. In lieu of standard hazard insurance, the bank requires a certificate of "Good Standing" completed by a representative of the borrower's Church.

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.