



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

**PUBLIC SUMMARY**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**Date of Evaluation:** December 31, 2004

**Institution:** First Tier Bank & Trust  
220 Liberty Street, P.O. Box 227  
Warsaw, New York 14569

**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 First Tier Bank & Trust (“First Tier”) 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, 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 are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Sections 76.8 – 76.13. These tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York State Banking Law.

For explanation of technical terms used in this report, please consult the **GLOSSARY** at the back of this document.

## OVERVIEW OF INSTITUTION'S PERFORMANCE

### Overall Rating

First Tier is rated "1," indicating an outstanding record of helping to meet community credit needs. This rating is based on the following factors.

### **Lending Test: "High Satisfactory"**

- During the evaluation period, First Tier extended a total of 2,833 HMDA-type, small business and consumer loans inside the assessment area. This activity included 362 HMDA-type loans, 498 small business loans and 1,973 consumer loans.
- First Tier originated a high percentage of its HMDA-type, small business and consumer loans inside the assessment area.
- The distribution of First Tier's loans throughout the assessment area is good, reflecting an adequate distribution of HMDA-type loans, and a good distribution of small business loans and consumer loans.
- First Tier's lending performance based on borrower characteristics is good, reflecting an excellent distribution of small business loans among businesses of different sizes, and an adequate distribution of HMDA-type loans and a good distribution of consumer loans among customers of different income levels.
- Given the bank's size, capacity and the credit needs of the assessment area, First Tier's level of community development lending is excellent. As of the evaluation date, qualified community development loans totaled \$1.6 million, of which \$1.3 million, or approximately 80%, is new money.
- The bank makes limited use of innovative or flexible lending practices in serving the credit needs of its assessment area.

### **Investment Test: "Outstanding"**

- The level of First Tier's qualified investment activity reflects excellent responsiveness to the needs of its community. As of the evaluation date, the bank's qualified community development investments totaled \$1.9 million, including \$1,000 in qualified grants. The entire amount of qualified investments is new money.

### **Service Test: "Outstanding"**

- The bank's delivery systems are readily accessible to all portions of the assessment area. More than 80 % of the bank's branches are either within or adjacent to an LMI area.
- Alternative delivery systems include 24-hour telephone and internet banking service.

- The bank's record of opening and closing branches has not adversely affected the accessibility of its retail banking delivery systems, particularly to LMI geographies and/or LMI individuals. During the evaluation period, the bank opened one branch office located in an upper-income area.
- Business hours and services are tailored to the convenience and needs of the assessment area, particularly LMI geographies and/or LMI individuals. First Tier offers extended hours at least one day a week at all of its branches and drive-up facilities. All of its drive-up facilities are open on Saturdays.
- The bank provides a relatively high level of community development services.

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:

First Tier, located in the City of Salamanca, is a New York State-chartered commercial bank. The bank operates six full-service branches, including four offices in Cattaraugus County and one office each in Allegany and Chautauqua Counties.

First Tier is a wholly-owned subsidiary of Financial Institutions, Inc., ("FII"), a four-bank holding company located in Warsaw, New York. In addition to First Tier, FII owns Wyoming County Bank, National Bank of Geneva and Bath National Bank.

According to the bank's Call Report for December 31, 2004, as filed with the Federal Deposit Insurance Corporation ("FDIC"), the bank had total assets of \$244.1 million at the end of 2004. The bank's balance sheet included net loans of \$111.2 million and deposits of \$204.6 million.

The following table shows the First Tier's loan portfolio based on Schedule RC-C of the bank's year-end Call Reports for calendar years 2002, 2003 and 2004:

<b>FIRST TIER GROSS LOANS OUTSTANDING</b>						
<b>LOAN TYPE</b>	12/31/2002		12/31/2003		12/31/2004	
	\$(000)	%	\$(000)	%	\$(000)	%
1-4 Family Residential Mortgage Loans	33,071	30.6	32,846	31.6	40,050	35.4
Commercial & Industrial Loans	22,249	20.5	17,711	17.1	20,703	18.3
Commercial Mortgage Loans	25,933	23.9	32,393	31.2	29,786	26.3
Multifamily Mortgages	290	0.3	221	0.2	223	0.2
Consumer Loans	19,590	18.1	17,205	16.6	18,604	16.5
Agricultural Loans	424	0.4	93	0.1	0	0.0
Construction Loans	4,872	4.5	2,966	2.9	3,233	2.9
Other Loans	1,878	1.7	353	0.3	474	0.4
<b>Gross Loans</b>	108,307	100.0	103,788	100.0	113,073	100.0

First Tier is primarily a commercial and residential mortgage lender. As of December 31, 2004, 44.6% of the bank's loan portfolio comprised commercial loans and 35.4% comprised one- to four-family residential mortgages.

According to the FDIC's Deposit Market Share Report, compiled as of June 30, 2004, First Tier achieved a market share of 9.2% and ranked fifth among 13 deposit-taking institutions operating in Allegany, Cattaraugus and Chautauqua counties. The table below provides additional details regarding the bank's deposit market share:

First Tier Bank Deposit Market Share by County						
County	As of June 30, 2004					Number of Institutions
	Number of Offices	Deposits \$000's	% Total	Market Share	Ranking	
Allegany	1	25,544	11.5	6.8	3	4
Cattaraugus	4	179,053	81.0	23.5	2	9
Chautauqua	1	16,486	7.5	1.3	8	9
<b>Assessment Area</b>	<b>6</b>	<b>221,083</b>	<b>100.0</b>	<b>9.2</b>	<b>5</b>	<b>13</b>

First Tier's previous CRA evaluation by the New York State Banking Department was conducted as of January 1, 2002 and resulted in a rating of "1," indicating an outstanding record of helping to meet community credit needs.

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

**Assessment Area:**

First Tier's assessment area comprises 18 census tracts and includes portions of Allegany, Cattaraugus and Chautauqua Counties. Management expanded the assessment area into Chautauqua County in September 2003 when the bank opened a branch in the township of Lakewood.

As of the 1990 U.S. Census, 22.2% of the assessment area's 18 census tracts were LMI. The following table shows the distribution and characteristics of census tracts inside the assessment based on 1990 census data, which was used to geocode lending activity in 2002:

Distribution of Census Tracts within the Assessment Area (Based on 1990 U.S. Census)								
County	Low	Moderate	Middle	Upper	N/A	Total	LMI	
	#	#	#	#	#	#	#	%
Allegany	0	1	2	0	1	4	1	25.0
Cattaraugus	1	2	11	0	0	14	3	21.4
<b>Total</b>	<b>1</b>	<b>3</b>	<b>13</b>	<b>0</b>	<b>1</b>	<b>18</b>	<b>4</b>	<b>22.2</b>

According to the 2000 U.S. Census, the assessment area still contains 18 census tracts; however, LMI tracts now account for only 11.1% of the area's tracts. As of 2000, the assessment area contains two moderate-income tracts and no low-income tracts.

The loss of one census tract within the Cattaraugus County portion of the assessment area was offset by the gain of one census tract in Chautauqua County. The following table shows the distribution of census tracts within the assessment area based on 2000 census data, which is used to geocode lending activity beginning in 2003.

Distribution of Census Tracts within the Assessment Area (Based on 2000 U.S. Census)								
County	Low	Moderate	Middle	Upper	N/A	Total	LMI	
	#	#	#	#	#	#	#	%
Allegany	0	0	3	0	1	4	0	0.0
Cattaragus	0	2	10	1	0	13	2	15.4
Chautauqua	0	0	0	1	0	1	0	0.0
<b>Total</b>	<b>0</b>	<b>2</b>	<b>13</b>	<b>2</b>	<b>1</b>	<b>18</b>	<b>2</b>	<b>11.1</b>

The assessment area appears reasonable based on 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.

Demographic and Economic Data

Economic and statistical data used in this evaluation were derived from various sources. Demographic data were obtained from the 1990 and 2000 U.S. Censuses. Updated median family income figures were obtained from the U.S. Department of Housing and Urban Development’s (“HUD”) annual estimates.

The charts on the following pages show the demographic and economic data for each partial county comprising the bank’s assessment area:

- Chart 1: Shows population and income.
- Chart 2: Shows housing demographics.
- Chart 3: Shows business demographics.

Unemployment Data

The table below shows unemployment trends in the counties that include the bank’s assessment area. Statewide rates are shown for comparison.

Unemployment Rates					
	Statewide	Allegany	Cattaraugus	Chautauqua	County Average
2003 Annual	6.4	6.4	5.9	5.8	6.0
2004 Annual	5.8	6.1	6.0	5.5	5.9

**CHART # 1 - Based on 1990 U.S. Census**

<b>FIRST TIER BANK &amp; TRUST</b>																													
<b>ASSESSMENT AREA POPULATION AND INCOME CHARACTERISTICS BY COUNTY</b>																													
COUNTY	Total Population		Age 65 and over		Age 16 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		
	#	#	%	#	%	\$	\$	#	#	%	#	#	%	#	#	%	#	%	#	%	#	%	#	%	#	%	#	%	
<b>Allegany*</b>	12,971	1,836	14.2	3,480	26.8	26,866	43,600	4,647	716	15.4	3,517	864	24.6	749	21.3	908	25.8	996	28.3	506	31.4								
<b>Cattaraugus*</b>	56,726	8,332	14.7	13,306	23.5	28,139	43,600	20,914	3,038	14.5	14,657	3,168	21.6	3,214	21.9	3,631	24.8	4,644	31.7	1,555	24.4								
<b>Total A/A**</b>	69,697	10,168	14.6	16,786	24.1	27,892	43,600	25,561	3,754	14.7	18,174	4,032	22.2	3,963	21.8	4,539	25.0	5,640	31.0	2,061	25.8								

\* Partial County \*\* Assessment Area

**CHART # 1 - Based on 2000 U.S. Census**

<b>FIRST TIER BANK &amp; TRUST</b>																													
<b>ASSESSMENT AREA POPULATION AND INCOME CHARACTERISTICS BY COUNTY</b>																													
COUNTY	Total Population		Age 65 and over		Age 16 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		
	#	#	%	#	%	\$	\$	#	#	%	#	#	%	#	#	%	#	%	#	%	#	%	#	%	#	%	#	%	
<b>Allegany*</b>	13,326	1,875	14.1	3,258	24.4	37,194	47,900	5,121	705	13.8	3,612	793	22.0	792	21.9	884	24.5	1,143	31.6	0	0.0								
<b>Cattaraugus*</b>	54,963	8,435	15.4	11,853	21.6	39,667	47,900	21,406	2,750	12.8	14,214	2,933	20.6	2,855	20.1	3,303	23.2	5,123	36.0	1,424	24.6								
<b>Chautauqua*</b>	4,082	781	19.1	797	19.5	50,443	47,900	1,840	95	5.2	1,195	108	9.1	261	21.8	222	18.6	604	50.5	0	0.0								
<b>Total A/A**</b>	72,371	11,091	15.3	15,908	22.0	39,875	47,900	28,367	3,550	12.5	19,021	3,834	20.2	3,908	20.5	4,409	23.2	6,870	36.1	1,424	18.4								

\* Partial County \*\* Assessment Area

**CHART # 2 - Based on 1990 U.S. Census**

<b>FIRST TIER BANK &amp; TRUST</b>																				
<b>ASSESSMENT AREA HOUSING CHARACTERISTICS BY COUNTY</b>																				
<b>COUNTY</b>	<b>Total Housing Units</b>		<b>1-4 Family Units</b>		<b>Multifamily Units</b>		<b>Owner-Occupied Units (O-O)</b>		<b>O-O Units in Low-income Tracts</b>		<b>O-O Units in Mod-income Tracts</b>		<b>O-O Units in Mid-income Tracts</b>		<b>O-O Units in Upp-income Tracts</b>		<b>Rental Units</b>		<b>Vacant/ Boarded-up Units</b>	
	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%
<b>Allegany*</b>	6,945	79.0	5,468	2.2	152	3,615	52.0	0	0.0	1,096	30.3	2,519	69.7	0	0.0	1,161	16.7	2,274	32.7	
<b>Cattaraugus*</b>	25,337	80.5	20,400	5.7	1,437	14,793	58.4	2	0.0	2,587	17.5	12,204	82.5	0	0.0	6,605	26.1	4,401	17.4	
<b>Total A/A**</b>	<b>32,282</b>	<b>80.1</b>	<b>25,868</b>	<b>4.9</b>	<b>1,589</b>	<b>18,408</b>	<b>57.0</b>	<b>2</b>	<b>0.0</b>	<b>3,683</b>	<b>20.0</b>	<b>14,723</b>	<b>80.0</b>	<b>0</b>	<b>0.0</b>	<b>7,766</b>	<b>24.1</b>	<b>6,675</b>	<b>20.7</b>	

\* Partial County \*\* Assessment Area

**CHART # 2 - Based on 2000 U.S. Census**

<b>FIRST TIER BANK &amp; TRUST</b>																				
<b>ASSESSMENT AREA HOUSING CHARACTERISTICS BY COUNTY</b>																				
<b>COUNTY</b>	<b>Total Housing Units</b>		<b>1-4 family Units</b>		<b>Multifamily Units</b>		<b>Owner-Occupied Units (O-O)</b>		<b>O-O Units in Low-income Tracts</b>		<b>O-O Units in Mod-income Tracts</b>		<b>O-O Units in Mid-income Tracts</b>		<b>O-O Units in Upp-income Tracts</b>		<b>Rental Units</b>		<b>Vacant/ Boarded-up Units</b>	
	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%
<b>Allegany*</b>	7,957	75.0	5,967	2.0	159	4,042	50.8	0	0.0	0	0.0	4,040	100.0	0	0.0	1,208	15.2	2,870	36.1	
<b>Cattaraugus*</b>	26,860	79.7	21,413	6.5	1,755	15,377	57.2	0	0.0	2,333	15.2	12,259	79.7	786	5.1	7,064	26.3	5,486	20.4	
<b>Chautauqua*</b>	2,428	82.4	2,001	9.9	241	1,328	54.7	0	0.0	0	0.0	0	0.0	1,328	100.0	672	27.7	594	24.5	
<b>Total A/A**</b>	<b>37,245</b>	<b>78.9</b>	<b>29,381</b>	<b>5.8</b>	<b>2,155</b>	<b>20,747</b>	<b>55.7</b>	<b>0</b>	<b>0.0</b>	<b>2,332</b>	<b>11.2</b>	<b>16,299</b>	<b>78.6</b>	<b>2,114</b>	<b>10.2</b>	<b>8,944</b>	<b>24.0</b>	<b>8,950</b>	<b>24.0</b>	

\* Partial County \*\* Assessment Area

**CHART # 3 - 2002**

<b>FIRST TIER BANK &amp; TRUST</b>											
<b>BUSINESS DEMOGRAPHICS BY COUNTY</b>											
<b>COUNTY</b>	<b>Number of Businesses</b>	<b>Businesses with Rev. of \$1 million or less</b>		<b>Businesses with Rev. of more than \$1 million</b>		<b>Businesses with no revenues reported</b>		<b>Businesses with less than 50 employees</b>		<b>Operating from a single location</b>	
		<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Allegany*</b>	556	440	79.1	23	4.1	93	16.7	465	83.6	480	86.3
<b>Cattaraugus*</b>	3,011	2,342	77.8	166	5.5	503	16.7	2,403	79.8	2,452	81.4
<b>Total A/A**</b>	3,567	2,782	78.0	189	5.3	596	16.7	2,868	80.4	2,932	82.2

\* Partial County \*\* Assessment Area

**CHART # 3 - 2004**

<b>FIRST TIER BANK &amp; TRUST</b>											
<b>BUSINESS DEMOGRAPHICS BY COUNTY***</b>											
<b>COUNTY</b>	<b>Number of Businesses</b>	<b>Businesses with Rev. of \$1 million or less</b>		<b>Businesses with Rev. of more than \$1 million</b>		<b>Businesses with no revenues reported</b>		<b>Businesses with less than 50 employees</b>		<b>Operating from a single location</b>	
		<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Allegany*</b>	539	366	67.9	21	3.9	152	28.2	434	80.5	479	88.9
<b>Cattaraugus*</b>	3,440	2,234	65.2	168	4.9	1,029	29.9	2,757	80.1	2,857	83.1
<b>Chautauqua*</b>	408	235	57.6	21	5.2	152	37.3	338	82.8	299	73.3
<b>Total A/A**</b>	4,387	2,844	64.8	210	4.8	1,333	30.4	3,529	80.4	3,635	82.9

\* Partial County \*\* Assessment Area \*\*\* Business demographics for 2003 and 2004 are similar.

**PERFORMANCE TESTS AND ASSESSMENT FACTORS**

*This performance evaluation incorporates a review of the bank’s lending, investment and service activities within the assessment area, as provided for in Part 76.8, 76.9 and 76.10 of the General Regulations of the Banking Board. The evaluation period covers the years 2002, 2003 and 2004. The bank is evaluated under the “Large Bank” performance criteria, as it is a wholly-owned subsidiary of a bank holding company with assets exceeding \$1 billion in each of the three prior calendar years.*

Bank management submitted the loan information used in this report. Aggregate data for small business loans was obtained from the Federal Financial Institutions Examination Council (“FFIEC”) and PCi Services’ CRA Wiz software. Since First Tier is not subject to the loan reporting requirements of the Home Mortgage Disclosure Act (“HMDA”), the bank’s residential lending performance cannot be compared to aggregate data in this evaluation. Aggregate data on consumer loans is not available.

**I. Lending Test: “High Satisfactory”**

*A bank’s lending performance is evaluated pursuant to the following criteria: (1) Lending activity; (2) Assessment area lending; (3) Geographic distribution of loans; (4) Borrower characteristics; (5) Community development lending; and (6) Innovative or flexible lending practices.*

**Lending Activity: “High Satisfactory”**

The number and dollar amount of the bank’s lending activity reflect good responsiveness to assessment area credit needs.

During the evaluation period, First Tier extended a total of 2,833 HMDA-type, small business and consumer loans inside the assessment area. This activity included 362 HMDA-type loans, 498 small business loans and 1,973 consumer loans.

**HMDA-Type Loans**

First Tier extended 362 HMDA-type loans inside the assessment area, which included 159 home purchase loans totaling \$13.2 million and 203 refinance loans totaling \$17.8 million. The table below shows the bank’s HMDA-type lending activity during the evaluation period:

Summary of First Tier’s HMDA-Type Loan Originations						
	12/31/02		12/31/03		12/31/04	
Loan Type	#	\$000	#	\$000	#	\$000
Home Purchase	53	3,974	60	5,154	46	4,089
Refinance	90	8,340	98	8,418	15	1,090
<b>Total</b>	<b>143</b>	<b>12,314</b>	<b>158</b>	<b>13,572</b>	<b>61</b>	<b>5,179</b>

An analysis of the bank's HMDA-type lending shows that, between 2002 and 2003, loan originations increased approximately 10% by both number and dollar volume. However, between 2003 and 2004, loan originations declined substantially, namely 61.4% by number and 61.8% by dollar volume.

### Small Business Loans

The bank's market share of small business loans declined during the evaluation period but remains acceptable in light of increased competition from significantly larger lenders. In 2002, First Tier ranked fifth among 40 small business lenders in the assessment area, achieving a market share of 7.39%. In 2003, the bank's rank declined to tenth among 51 lenders, based on a market share of 3.10%. In 2004, First Tier ranked eighth among 52 lenders, based on a market share of 3.61%.

The number of small business loans originated by First Tier fluctuated between 147 loans and 177 loans during the evaluation period, declining by 16.9% between 2002 and 2003 and then increasing by 18.4% in 2004. The corresponding dollar volume of about \$22 million reflected only minor changes of less than 3% from year to year.

### Consumer Loans

The volume of the bank's consumer lending declined 20.6% between 2002 and 2003, then increased 17.2% in 2004. The corresponding dollar volume of approximately \$11 million also fluctuated, but at lower rates of 6.4% and 6.9%, respectively.

### **Assessment Area Lending: "High Satisfactory"**

Overall, First Tier originated a high percentage of its HMDA-type, small business and consumer loans inside the assessment area. The assessment area concentration was highest for the bank's HMDA-type loans, at 86.8% over during the evaluation period. Consumer loans reflected the lowest assessment area concentration at 70.6%. The following table illustrates the distribution of the bank's lending inside and outside the assessment area during the evaluation period:

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Dollar Volume (In thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
<b>HMDA-Type</b>										
2002	143	91.7	13	8.3	156	12,314	92.0	1,068	8.0	13,382
2003	158	86.3	25	13.7	183	13,572	85.5	2,299	14.5	15,871
2004	61	78.2	17	21.8	78	5,179	72.2	1,998	27.8	7,177
<b>Subtotal</b>	<b>362</b>	<b>86.8</b>	<b>55</b>	<b>13.2</b>	<b>417</b>	<b>31,065</b>	<b>85.3</b>	<b>5,365</b>	<b>14.7</b>	<b>36,430</b>
<b>Small Business</b>										
2002	177	80.5	43	19.5	220	21,492	80.9	5,063	19.1	26,555
2003	147	80.8	35	19.2	182	22,055	78.9	5,907	21.1	27,962
2004	174	76.3	54	23.7	228	21,507	76.5	6,602	23.5	28,109
<b>Subtotal</b>	<b>498</b>	<b>79.0</b>	<b>132</b>	<b>21.0</b>	<b>630</b>	<b>65,054</b>	<b>78.7</b>	<b>17,572</b>	<b>21.3</b>	<b>82,626</b>
<b>Consumer</b>										
2002	724	68.4	334	31.6	1,058	11,458	66.3	5,834	33.7	17,292
2003	575	75.9	183	24.1	758	10,726	78.7	2,897	21.3	13,623
2004	674	68.9	304	31.1	978	11,461	67.5	5,519	32.5	16,980
<b>Subtotal</b>	<b>1,973</b>	<b>70.6</b>	<b>821</b>	<b>29.4</b>	<b>2,794</b>	<b>33,645</b>	<b>70.2</b>	<b>14,250</b>	<b>29.8</b>	<b>47,895</b>
<b>Total</b>	<b>2,833</b>	<b>73.8</b>	<b>1,008</b>	<b>26.2</b>	<b>3,841</b>	<b>129,764</b>	<b>77.7</b>	<b>37,187</b>	<b>22.3</b>	<b>166,951</b>

## Geographic Distribution of Loans: “High Satisfactory”

Overall, the distribution of First Tier’s HMDA-type, small business and consumer loans throughout the assessment area is good.

### HMDA-Type Loans

The geographic distribution of HMDA-type loans reflects adequate penetration throughout the assessment area.

In 2002, the bank extended 14.0% of its HMDA-type loans in moderate-income areas. The bank’s performance was reasonable in relationship to local demographic data, which shows that 20.0% of owner-occupied housing units within the assessment area were in moderate-income areas. The absence of lending in low-income areas is understandable as there was only one low-income census tract within the assessment area in 2002 and this tract contained only two owner-occupied housing units.

In 2003, the bank extended 6.3% of its HMDA-type loans in moderate-income areas. This performance was weak given that, according to updated Census data, 11.2% of all owner-occupied housing units within the assessment area were located moderate-income tracts. In 2004, the bank’s performance in middle-income areas improved to 11.5%, which compared well against the demographic benchmark. As mentioned in the Performance Context section of this report, as of 2003, the no longer contained any low-income tracts.

The following table illustrates the geographic distribution of the bank's HMDA-type loans during the evaluation period compared to the level of owner-occupied housing units in the assessment area:

Distribution of HMDA-Type Loans by Geography Income Level*					
Geography Income Level	2002				
	% Owner-Occupied Housing Units	#	%	\$000	%
Low	0.0	0	0.0	0	0.0
Moderate	20.0	20	14.0	1,111	9.0
Middle	80.0	121	84.6	10,971	89.1
Upper	0.0	0	0.0	0	0.0
N/A	0.0	2	1.4	232	1.9
<b>Total</b>	<b>100.0</b>	<b>143</b>	<b>100.0</b>	<b>12,314</b>	<b>100.0</b>
Geography Income Level	2003				
	% Owner-Occupied Housing Units	#	%	\$000	%
Low	0.0	0	0.0	0	0.0
Moderate	11.2	10	6.3	520	3.8
Middle	78.6	134	84.9	11,869	87.5
Upper	10.2	13	8.2	1,062	7.8
N/A	0.0	1	0.6	121	0.9
<b>Total</b>	<b>100.0</b>	<b>158</b>	<b>100.0</b>	<b>13,572</b>	<b>100.0</b>
Geography Income Level	2004				
	% Owner-Occupied Housing Units	#	%	\$000	%
Low	0.0	0	0.0	0	0.0
Moderate	11.2	7	11.5	306	5.9
Middle	78.6	49	80.3	4,377	84.5
Upper	10.2	5	8.2	496	9.6
N/A	0.0	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>61</b>	<b>100.0</b>	<b>5,179</b>	<b>100.0</b>

\*Geography income level is based upon 1990 or 2000 census data on median family income figure for the MSA of the mortgaged property. 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%.

### Small Business Loans

The geographic distribution of First Tier's small business lending is good. In 2002, the bank extended 26.6% of its small business loans in moderate-income areas. This ratio was slightly higher than the market aggregate's penetration rate of 24.3%. In 2003, at 19.0%, the bank's ratio remained above the market aggregate's ratio of 17.1%. The bank's penetration rate declined to 16.1% in 2004, but still compared favorably to the market aggregate's performance of 18.5%.

The following table illustrates the geographic distribution of small business loans compared to the market aggregate operating in the bank's assessment area during the evaluation period:

Distribution of Small Business Loans by Geography Income Level*								
Geography Income Level	2002							
	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	47	26.6	6,990	32.5	295	24.3	12,628	25.8
Middle	129	72.9	14,494	67.4	917	75.6	36,256	74.2
Upper	0	0.0	0	0.0	0	0.0	0	0.0
N/A	1	0.6	8	1.0	1	0.1	8	0.0
<b>Total</b>	<b>177</b>	<b>100.0</b>	<b>21,492</b>	<b>100.0</b>	<b>1,213</b>	<b>100.0</b>	<b>48,892</b>	<b>100.0</b>
Geography Income Level	2003							
	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	28	19.0	4,857	22.1	229	17.1	9,883	17.8
Middle	108	73.5	15,374	69.7	936	70.1	36,751	66.4
Upper	9	6.1	1,797	8.1	167	12.5	8,713	15.7
N/A	2	1.4	27	0.1	4	0.3	33	0.1
<b>Total</b>	<b>147</b>	<b>100.0</b>	<b>22,055</b>	<b>100.0</b>	<b>1,336</b>	<b>100.0</b>	<b>55,380</b>	<b>100.0</b>
Geography Income Level	2004							
	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	28	16.1	3,798	17.7	258	18.5	10,517	21.1
Middle	143	82.2	17,456	81.2	950	68.0	34,074	68.4
Upper	3	1.7	253	1.1	189	13.4	5,222	10.5
N/A	0	0.0	0	0.0	1	0.1	1	0.0
<b>Total</b>	<b>174</b>	<b>100.0</b>	<b>21,507</b>	<b>100.0</b>	<b>1,398</b>	<b>100.0</b>	<b>49,814</b>	<b>100.0</b>

\*Geography income level is based upon 1990 or 2000 census data on median family income figure for the MSA where the business is located. 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%.

## Consumer Loans

The geographic distribution of First Tier's consumer loans is good. In 2002, the bank extended 26.7% of its consumer loans in moderate-income areas. This ratio was higher than the 24.1% of households residing in moderate-income communities. In both 2003 and 2004, the bank's lending penetration into moderate-income communities was reasonable relative to the demographic benchmarks.

The following chart illustrates the geographic distribution of the bank's consumer loans during the evaluation period. For comparison, the percentage of total households geocoded by census tract income level is included:

Distribution of Consumer Loans by Geography Income Level					
Geography Income Level	2002				
	% of Households	#	%	\$000	%
Low	0.0	0	0.0	0	0.0
Moderate	24.1	193	26.7	2,671	23.3
Middle	75.9	527	72.8	8,360	73.0
Upper	0.0	0	0.0	0	0.0
N/A	0.0	4	0.6	427	3.7
<b>Total</b>	<b>100.0</b>	<b>724</b>	<b>100.0</b>	<b>11,458</b>	<b>100.0</b>
Geography Income Level	2003				
	% of Households	#	%	\$000	%
Low	0.0	0	0.0	0	0.0
Moderate	15.7	86	15.0	1,066	9.9
Middle	73.9	460	80.0	7,939	74.0
Upper	10.4	24	4.1	1,136	10.6
N/A	0.0	5	0.9	585	5.5
<b>Total</b>	<b>100.0</b>	<b>575</b>	<b>100.0</b>	<b>10,726</b>	<b>100.0</b>
Geography Income Level	2004				
	% of Households	#	%	\$000	%
Low	0.0	0	0.0	0	0.0
Moderate	15.7	94	13.9	1,333	11.6
Middle	73.9	536	79.5	8,877	77.5
Upper	10.4	34	5.0	1,065	9.3
N/A	0.0	10	1.5	186	1.6
<b>Total</b>	<b>100.0</b>	<b>674</b>	<b>100.0</b>	<b>11,461</b>	<b>100.0</b>

\*Geography income level is based upon 1990 or 2000 census data on median family income figure for the MSA where the borrower resides. 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%.

## Borrower Characteristics: “High Satisfactory”

First Tier’s performance based on borrower characteristics reflects an excellent distribution of small business loans among businesses of different revenue sizes. For HMDA-type loans, the bank’s lending to borrowers of different income levels was adequate distribution. For consumer loans, the bank’s performance was good.

### HMDA-Type Loans

The distribution of First Tier’s HMDA-type loans among customers of different income levels is adequate. In 2002 and 2003, the bank’s LMI-borrower penetration ratios for HMDA-type loans were 17.5% and 15.2%, respectively. These ratios were substantially lower than the level of LMI families in the assessment area; however, in 2004, the bank’s HMDA-type lending to LMI borrowers improved substantially to 31.2%, somewhat mitigating the bank’s poor performance during the first two years of the evaluation period.

The following table depicts the distribution of the bank's HMDA-type loans by borrower income level during the evaluation period. For comparison, the distribution of families within the assessment area within each income category is included:

<b>Distribution of HMDA-Type Loans by Borrower Income Level*</b>					
<b>Borrower Income Level</b>	<b>2002</b>				
	<b>% of Families</b>	<b>#</b>	<b>%</b>	<b>\$000</b>	<b>%</b>
Low	22.2	4	2.8	110	0.9
Moderate	21.8	21	14.7	1,020	8.3
Middle	25.0	31	21.7	2,132	17.3
Upper	31.0	81	56.6	8,552	69.4
N/A	0.0	6	4.2	500	4.1
<b>Total</b>	<b>100.0</b>	<b>143</b>	<b>100.0</b>	<b>12,314</b>	<b>100.0</b>
<b>Borrower Income Level</b>	<b>2003</b>				
	<b>% of Families</b>	<b>#</b>	<b>%</b>	<b>\$000</b>	<b>%</b>
Low	20.9	3	1.9	96	0.7
Moderate	20.8	21	13.3	1,062	7.8
Middle	23.3	43	27.2	2,950	21.7
Upper	34.9	90	57.0	9,418	69.4
N/A	0.0	1	0.6	46	0.3
<b>Total</b>	<b>99.9</b>	<b>158</b>	<b>100.0</b>	<b>13,572</b>	<b>100.0</b>
<b>Borrower Income Level</b>	<b>2004</b>				
	<b>% of Families</b>	<b>#</b>	<b>%</b>	<b>\$000</b>	<b>%</b>
Low	20.2	5	8.2	518	10.0
Moderate	20.5	14	23.0	770	14.9
Middle	23.2	12	19.7	1,006	19.4
Upper	36.1	27	44.3	2,655	51.3
N/A	0.0	3	4.92	230	4.44
<b>Total</b>	<b>100.0</b>	<b>61</b>	<b>100.0</b>	<b>5,179</b>	<b>100.0</b>

\* Borrower income level is based upon HUD's annual estimate of median family income ("MFI") figure 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%.

### Small Business Loans

First Tier's lending to small businesses is excellent. In each year of the evaluation period, more than 70% of the bank's small business loans were originated to small businesses (i.e., businesses with gross annual revenues of \$1 million or less). This level of lending to small businesses was well above the market aggregate for each year of the evaluation period. The market aggregate's performance peaked at 44.2% in 2003.

The following table illustrates the distribution of the bank's small business loans by business revenue size compared to the market aggregate:

Distribution of Small Business Loans by Business Revenue Size								
Revenue Size	2002							
	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
\$1million or less	127	71.8	10,053	46.8	425	35.0	22,407	45.8
Over \$1 million	50	28.2	11,439	53.2				
No Revenue Info	0	0.0	0	0.0				
<b>Total</b>	<b>177</b>	<b>100.0</b>	<b>21,492</b>	<b>100.0</b>	<b>1,213</b>	<b>100.0</b>	<b>48,892</b>	<b>100.0</b>
Revenue Size	2003							
	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
\$1million or less	114	77.6	12,709	57.6	590	44.2	29,832	53.9
Over \$1 million	33	22.4	9,346	42.4				
No Revenue Info	0	0.0	0	0.0				
<b>Total</b>	<b>147</b>	<b>100.0</b>	<b>22,055</b>	<b>100.0</b>	<b>1,336</b>	<b>100.0</b>	<b>55,380</b>	<b>100.0</b>
Revenue Size	2004							
	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
\$1million or less	132	75.9	12,569	58.4	576	41.2	27,093	54.4
Over \$1 million	42	24.1	8,938	41.6				
No Revenue Info	0	0.0	0	0.0				
<b>Total</b>	<b>174</b>	<b>100.0</b>	<b>21,507</b>	<b>100.0</b>	<b>1,398</b>	<b>100.0</b>	<b>49,814</b>	<b>100.0</b>

### Consumer Loans

The distribution of First Tier's consumer loans among customers of different income levels is good. The bank's LMI-borrower penetration ratios for consumer loans reflected an upward trend, increasing from 31.0% in 2002, to 35.8% in 2003 and then to 40.0% in 2004. This performance is reasonable compared to demographics for the assessment area after taking the poverty rate into account.

The following chart depicts the bank's distribution of consumer loans based on borrower income level. As a reference point, the income distribution of households within the assessment area is included in the table:

<b>Distribution of Consumer Loans by Borrower Income*</b>					
<b>Borrower Income Level</b>	<b>2002</b>				
	% of Households	#	%	\$000	%
Low	27.2	70	9.7	685	6.0
Moderate	19.0	154	21.3	1,950	17.0
Middle	20.9	194	26.8	3,148	27.5
Upper	32.9	225	31.1	4,716	41.2
N/A	0.0	81	11.2	959	8.4
<b>Total</b>	<b>100.0</b>	<b>724</b>	<b>100.0</b>	<b>11,458</b>	<b>100.0</b>
<b>Borrower Income Level</b>	<b>2003</b>				
	% of Households	#	%	\$000	%
Low	24.9	84	14.6	713	6.6
Moderate	18.2	122	21.2	1,589	14.8
Middle	20.2	115	20.0	1,788	16.7
Upper	36.7	161	28.0	4,853	45.2
N/A	0.0	93	16.2	1,783	16.6
<b>Total</b>	<b>100.0</b>	<b>575</b>	<b>100.0</b>	<b>10,726</b>	<b>100.0</b>
<b>Borrower Income Level</b>	<b>2004</b>				
	% of Households	#	%	\$000	%
Low	24.9	86	12.8	970	8.5
Moderate	18.2	184	27.2	2,430	21.2
Middle	20.2	155	23.0	2,391	20.8
Upper	36.7	204	30.3	4,948	43.2
N/A	0.0	45	6.7	722	6.3
<b>Total</b>	<b>100.0</b>	<b>674</b>	<b>100.0</b>	<b>11,461</b>	<b>100.0</b>

\* Borrower income level is based upon HUD's annual estimate of median family income ("MFI") figure for the MSA of the borrower's residence. 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%.

### **Community Development Lending: "Outstanding"**

Given its size, capacity and the credit needs of its assessment area, First Tier's level of community development lending is excellent. As of the evaluation date, qualified community development loans totaled \$1.6 million, including \$1.3 million (approximately 80%) in new money.

Examples of the bank's new community development lending activity are provided below:

- In 2002, the bank extended a loan for \$230 thousand to a not-for-profit entity involved in providing community development services to LMI individuals and families within the assessment area. In 2004, the bank extended an additional \$68 thousand loan to this organization.
- In 2004, the bank extended two loans totaling \$401 thousand to a not-for-profit agency to refinance several mortgaged properties that provide housing for LMI families and individuals. The agency's mission is to enable children and adults with disabilities to

achieve independence and allow them to contribute as fully as possible to their communities.

- In 2004, the bank extended a \$250 thousand loan to allow a hospital to refinance its bond debt and continue to operate. New jobs were also created because of this loan.
- In 2004, the bank extended a \$220 thousand loan to a private corporation. The loan provided financing for the purchase of a vacant property, renovations and the start up of a new business. The new business is expected to have a positive economic impact on the community.

### **Innovative or Flexible Lending Practices: “Low Satisfactory”**

The bank makes limited use of innovative or flexible lending practices in serving the credit needs of its assessment area.

In August 2004, the bank launched a new small business initiative. The goal was to provide a quicker turn-around and a simplified process for underwriting loan requests of less than \$100 thousand. Bank management designed a simple one-page brochure/application for this process.

### **II. Investment Test: “Outstanding”**

*The Investment Test evaluates a bank’s record of helping its assessment area through qualified investments, which are evaluated based on the dollar amount, their innovativeness or complexity, and their responsiveness to community development needs.*

The level of First Tier’s qualified investment activity reflects excellent responsiveness to the needs of its community. As of the evaluation date, the bank’s qualified community development investments totaled \$1.9 million, including \$1,000 in qualified grants. The entire amount is new money.

The bank’s qualified investments are all debt instruments, consisting of statutory installment bonds and bond anticipation notes issued by local municipalities where the bank has a presence.

### **III. Service Test: “Outstanding”**

*The Service Test evaluates a bank’s record of helping to meet the credit needs of its assessment area by analyzing both the availability and effectiveness of the bank’s systems for delivering retail banking services, and the extent and innovativeness of its community development services.*

#### **Retail Banking Services: “Outstanding”**

##### Accessibility of Delivery Systems

The bank’s delivery systems for retail banking are readily accessible to all portions of the assessment area.

Of the bank’s six branch offices, two are in moderate-income areas, three are in middle-income areas that are adjacent to LMI census tracts, and one branch is located in an upper-income census tract. Overall, more than 80% of the bank’s branches are either in or adjacent to an LMI area.

##### Alternative Delivery Systems

The bank’s alternative delivery systems include 24-hour telephone and internet banking and on-line bill payment services at no cost to customers. Automated teller machines (“ATMs”) are available at five on-site and four off-site locations. In addition, free ATM access is offered at six participating stores in the bank’s Lakewood market area. The bank’s customers also have access to the holding company’s ATMs with no access fee. This network includes 68 ATMs across Western New York. Further enhancing the bank’s delivery systems are drive-up facilities at each branch office.

##### Changes in Branch Location

The bank’s record of opening and closing branches has not adversely affected the accessibility of its retail banking delivery systems, particularly to LMI geographies and/or LMI individuals. During the evaluation period, the bank opened one branch office located in an upper-income area.

##### Reasonableness of Business Hours and Services

Business hours and services are tailored to the convenience and needs of the assessment area, including LMI geographies and/or LMI individuals. First Tier offers extended hours at least one day a week at all of its branches and drive-up facilities. Additionally, three of the bank’s branches and all of its drive-up facilities are open on Saturdays.

First Tier offers free personal checking accounts and free business checking accounts targeted to LMI individuals and small businesses, respectively.

## **Community Development Services: “High Satisfactory”**

The bank provides a relatively high level of community development services. The bank’s community development services include the following examples:

- The bank conducted seminars to introduce its small business deposit and loan products. At these seminars, the bank’s investment advisor also spoke about retirement products for small business owners.
- The bank provided mortgage processing and underwriting training to a local Native American community.

In addition, members of the bank’s board of directors, management and staff provided community development services benefiting many organizations within the assessment area. These qualified services included functioning as chairperson, board member or treasurer of various organizations. Examples of the organizations to which employees of the bank have provided community development services include:

- Local chambers of commerce;
- Chautauqua County Health Network;
- Southern Tier Enterprise Development Organization;
- Center for Family Unity; and,
- Ellicottville Development Corporation.

## **IV. Discrimination or Other Illegal Practices**

**Any practices intended to discourage applications for types of credit set forth in the banking institutions CRA Public File.**

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

**Evidence of Prohibited discriminatory of other illegal practices.**

The most recent regulatory compliance report was conducted concurrently with this evaluation and found satisfactory performance in terms of adherence to anti-discrimination and other applicable laws and regulations. No evidence of discrimination or other illegal credit practices was noted.

## **V. 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.**

The bank ascertains the credit needs of its community by the direct involvement of its directors, officers and staff members with local business, social and religious organizations in the community.

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

The bank advertises on the radio and in local newspapers, including local "penny savers." The bank also sponsors free investment and small business seminars that are advertised in local newspapers. The bank's advertisements covered consumer loan products and small business products.

**The extent of participation by the banking institution's board of directors 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 reviews the bank's CRA statement annually.

#### **VI. 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.**

The bank's Lakewood office initiated a collection site to assist two local schools with school supplies for needy students.

## GLOSSARY

### Aggregate

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

### Community Development

The term “community development” is defined to mean:

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

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

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

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

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

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

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

- ❖ advertising and promotions, publications, workshops and conferences;
- ❖ Furnishing financial services training for staff and management;
- ❖ Contributing accounting/bookkeeping services; and
- ❖ Assisting in fund raising, including soliciting or arranging investments.

### **Demand-Adjusted Penetration Rate**

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

### **Demand-Adjusted Penetration Ratio**

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

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

### **Home Mortgage Disclosure Act (“HMDA”)**

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

### **Loans to Small Businesses**

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

### **Low or Moderate Income (“LMI”) Geographies**

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

### **Small Business Loans**

Loans to businesses with original amounts of \$1 million or less.