



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: Genesee Regional Bank
3380 Monroe Avenue
Rochester, New York 14618

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 Genesee Regional bank ("GRB") 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 the 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 be made available to the public ("Evaluation"). 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. The 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

GRB 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 more than reasonable considering the bank's size, financial condition and the credit needs of the assessment area. The bank's average LTD ratio for the eight quarters ending December 31, 2003, was 78.2%, well above the national peer average of 70.4%.

Enhancing the availability of credit in its assessment area, GRB provided community development loans totaling \$676.8 thousand.

- ***Assessment Area Concentration:*** GRB extended a substantial majority of its small business and home improvement loans within its assessment area, achieving excellent responsiveness to the credit needs of the assessment area.

In 2002, the bank originated all of its small business loans within the assessment area. In 2003, the percent of loans extended within the assessment area was 84.8% by number and 68% by dollar volume. In addition, in 2002 the bank originated 85% by number and 90.7% by dollar volume of its home improvement loans within the assessment area. In 2003, the ratios improved to 95% and 95.7%, respectively.

- ***Geographic Distribution of Loans:*** The geographic distribution of the bank's small business and home improvement loans reflects reasonable dispersion throughout the assessment area. In 2002, the bank originated two small business loans (11.8%) in LMI geographies, and in 2003, the number of loans improved to 14 (35.9%). For home improvement loans, the bank originated two loans (11.8%) in LMI areas in 2002 and six loans (15.8%) in 2003.
- ***Distribution by Borrowers Characteristics:*** The distribution of GRB's lending based on borrowers' characteristics reflects reasonable penetration among individuals of different income levels and businesses of different sizes. In 2002, 64.7% of small business loans originated by the bank were in loan amounts of \$100 thousand or less, and in 2003, the ratio was 61.5%. In 2002, two home improvement loans (11.8%) extended to LMI borrowers. In 2003, the number of home improvement loans extended to LMI borrowers increased to 10 loans (26.4%).

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- **Services:** To further enhance the availability credit within the assessment area, the bank provided technical assistance to a community development organization.
 - Neither the bank nor the New York State Banking Department received any complaints with respect to its 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:

GRB was originally chartered in August 1985 as Lyndon Guaranty Bank of New York. In April 2002, the bank changed its name to Genesee Regional Bank. The bank is a commercial bank located in Greece, a northern suburb of the City of Rochester in Monroe County, New York. Initially the bank was established as a limited service bank with non-demand deposit activity and was a wholly owned subsidiary of ITT Financial Corporation ("ITTFC"). In May 1996, two private investors acquired the bank (50% each) from ITTFC and later in the same year, the New York State Banking Department granted the bank approval to operate as a full service institution.

GRB operates four branches located in Monroe County. The main office is located in an upper-income census tract in Pittsford, a suburb of Rochester. The location of the remaining three branches are: one in a middle-income census tract in Greece, one in a low-income census tract in downtown Rochester and one in a middle-income geography in East Rochester. Supplementing the banking offices is an Automated Teller Machine ("ATM") network consisting of two machines. The bank has not opened or closed any branch since the previous evaluation.

As per the Federal Deposit Insurance Corporation's ("FDIC") Consolidated Report of Condition (the Call Report) at December 31, 2003, the bank reported total assets of \$46.3 million, of which \$31.9 million were loans and lease finance receivables, and \$41.2 million in deposits, resulting in a loan-to-deposit ratio of 77.4%. According to the latest available comparative deposit data dated June 30, 2003, the bank obtained a market share of 0.21% (\$41.5 million) out of \$19.7 billion inside its market, ranking it 12th out of 15 deposit-taking institutions.

GRB faces intense competition from large regional and national banks operating within its assessment area, including Citibank, JP Morgan Chase Bank, HSBC, M&T, Fleet National Bank and Key Bank National Association.

The following is a summary of the bank's loan portfolio, based on Schedule RC-C of the bank's December 31, 2001, December 31, 2002 and December 31, 2003 Call Reports:

TOTAL GROSS LOANS OUTSTANDING						
LOAN TYPE	12/31/2001		12/31/2002		12/31/2003	
	\$(000's)	%	\$(000's)	%	\$(000's)	%
1-4 Residential Mortgage Loans	2,869	7.0	2,136	6.5	1,834	5.7
Multifamily Mortgages	1,975	4.8	2,955	8.9	3,331	10.4
Commercial & Industrial Loans	11,980	29.4	9,351	28.3	10,457	32.7
Commercial Mortgage Loans	10,546	25.9	9,106	27.5	10,531	33.0
Consumer Loans	11,231	27.6	7,158	21.6	4,171	13.1
Construction Loans	2,062	5.1	2,364	7.1	635	2.0
Other Loans	65	0.2	23	0.1	1,000	3.1
Total Gross Loans	40,728	100.0	33,093	100.0	31,959	100.0

As illustrated in the above chart, GRB is primarily a commercial lender, with 32.7% of its portfolio in commercial and industrial loans and 33% in commercial mortgage loans.

The bank is a participating lender in the Small Business Administration (“SBA”) guaranteed loan program. During the evaluation period, the bank originated one SBA loan totaling \$104 thousand.

The bank is also a participating lender in the New York State Energy Research and Development Authority (“NYSERDA”) Energy Smart loan program. This program provides reduced interest loans for energy efficient home equipment. In 2003, the bank made loans totaling \$95.1 thousand under the NYSERDA loan program.

The bank received a rating of “2,” reflecting a satisfactory record of helping to meet community credit needs at its prior Performance Evaluation conducted by the New York State Banking Department as of January 1, 2002.

There are no known financial or legal impediments that adversely impacted the bank’s ability to meet the credit needs of its community.

Assessment Area:

The bank’s assessment area is comprised of Monroe County in its entirety.

According to the 1990 census Monroe County had 184 census tracts, of which 32 (17.4%) were low, 32 (17.4%) were moderate, 75 (40.7%) were middle, 41 (22.3%) were upper and 4 (2.2%) were zero-income tracts.

According to the 2000 census, there are 186 census tracts in the assessment area of which 37 (19.9%) are low-income, 31 (16.6%) are moderate-income, 63 (33.9%) are middle-income, 52 (28%) are upper-income and 3 (1.6%) are zero-income tracts. Between 1990 and 2000, the proportion of LMI geographies in the assessment area changed from 34.8% to 36.5%.

According to the 2000 U.S. Census, the total population of the assessment area was 735.3 thousand of which 95.8 thousand (13%) were over the age of 65 and 167.6 thousand (22.8%) were under the age of 16.

There were 185.8 thousand families in the assessment area, of which approximately 36 thousand (19.4%) were low-income, 31.3 thousand (16.8%) moderate-income, 40.1 thousand (21.6%) middle-income, and 78.4 thousand (42.2%) upper income families.

There were 286.8 thousand households in the assessment area, of which about 31 thousand (11%) had incomes below the poverty level and 15.4 thousand (5%) received public assistance.

There were 304.4 thousand housing units in the assessment area, of which 251.8 thousand (83%) were 1 to 4 family units and almost 50.4 thousand (17%) were multi- family units.

Nearly 186.5 thousand (61%) of the housing units were owner occupied, 100 thousand (33%) were rental-occupied and nearly 17.9 thousand (6%) were vacant. In 2003, the median home value in the assessment area was \$99.2 thousand.

Based on estimates by the U.S. Department of Housing and Urban Development (“HUD”), the median family income for the assessment area increased to almost \$56.9 thousand in 2003, from \$53.6 thousand reported for the 2000 census.

According to PCI Service Inc. Business Demographic Data, in 2002, nearly 16.8 thousand (40.1%) of all firms were service providers, 6.5 thousand (15.6%) were in retail trade, 3.2 thousand (7.7%) in construction, 3 thousand (7.3%) in finance, insurance and real estate and almost 2 thousand (4.7%) each in wholesale trade and manufacturing. In 2003, 19 thousand (43.1%) of all firms were service providers, 6.9 thousand (15.7%) were in retail trade, 3.6 thousand (8.2%) in construction, 3.4 thousand (7.7%) in finance, insurance and real estate and about 2.1 thousand (4.7%) in manufacturing and 2 thousand (4.6%) in wholesale trade.

According to the New York Department of Labor, the average unemployment rate for Monroe County was 5.6% in 2003, below 6.3% for New York State for the same year.

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

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

GRB'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. Based on information provided by the bank, community development loans, community development services and retail services were also considered.

The assessment period included calendar years 2002 and 2003. The examiner considered the bank's home improvement and small business loans in evaluating the bank's performance based on the criteria outlined above, since the bank does not originate conventional, refinance or multifamily mortgages.

The demographic data referred in this report was obtained from the 1990 and 2000 U.S. Census, with the estimated median family income figures for 2002 and 2003 provided by HUD.

- **Loan-to-Deposit Ratio Analysis and other Lending-Related Activities: "Outstanding"**

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

Based on the Uniform Bank Performance Report ("UBPR"), the bank's average LTD ratio for the eight quarters ending December 31, 2003 was 78.2%, well above the national peer average of 70.4%. The national peer includes all insured commercial banks having assets between \$50 million and \$100 million operating in a metropolitan area with three or more full service branches.

To enhance the availability of credit within the assessment area, GRB provided community development loans and qualified investments totaling \$676.8 thousand. The following are brief descriptions of GRB's community development loans and qualified investments:

- During the evaluation period, GRB provided loan capital totaling \$253.8 thousand to Catholic Family Center ("CFC"). CFC is a nonprofit organization that provides a financing source for LMI individuals who are not able to obtain conventional bank financing, but have serious financial needs.
- In February and October 2001, the bank extended a \$100 thousand line of credit and a \$306 thousand commercial mortgage, respectively, to Veterans Outreach Center, Inc. ("VOC"). The purpose of the mortgage loan was for the rehabilitation of a building donated to the corporation. Voc is a nonprofit corporation that provides assistance to veterans and their families. Services provided by the center include outreach to the homeless, counseling for stress disorder, family difficulties, chemical dependency, Persian Gulf illness and referrals to other community resources. VOC derives its

revenues from contributions, special events and subsidies from state and federal veterans affair departments, and the United Way.

- The bank is a participant in the New York Business Development Corporation’s (“NYBDC”) loan fund. NYBDC is a privately owned entity created under New York State statute and funded by commercial and savings banks under lines of credit that are utilized to provide a broad range of financing to small and mid-sized businesses located in New York State. The bank contributed \$17 thousand to the NYBDC, during the evaluation period.
- **Assessment Area Concentration: “Outstanding”**

The bank originated a substantial majority of its loans within the assessment area, achieving an excellent responsiveness to the credit needs of its community.

Small Business Loans

In 2002, the bank originated all of its 17 small business loans within the assessment area. In 2003, the volume of loans the bank originated more than doubled to 46 loans totaling \$9.5 million, of which 39 loans (84.8%) totaling \$6.5 million (68%) were made in the assessment area.

Home Improvement Loans

In 2002, GRB originated 20 home improvement loans totaling \$86 thousand, of which 17 loans (85%) totaling \$78 thousand (90.7%) were extended in the assessment area. In 2003, the bank’s home improvement loan originations doubled to 40 loans totaling \$163 thousand, of which 38 loans (95%) totaling \$156 thousand (95.7%) were made in assessment area.

The following table shows the distribution of the bank’s small business and home improvement loans originated during the evaluation period:

Distribution of Small Business and Home Improvement Loans Inside and Outside of the Assessment Area										
Small Business	Number of Loans					Loans in Dollars				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$(000's)	%	\$(000's)	%	
(2002)	17	100.0	0	0.0	17	2,719	100.0	0	0.0	2,719
(2003)	39	84.8	7	15.2	46	6,471	68.0	3,045	32.0	9,516
Subtotal	56	88.9	7	11.1	63	9,190	75.1	3,045	24.9	12,235
Home Imprvment										
(2002)	17	85.0	3	15.0	20	78	90.7	8	9.3	86
(2003)	38	95.0	2	5.0	40	156	95.7	7	4.3	163
Subtotal	55	91.7	5	8.3	60	234	94.0	15	6.0	249

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

The overall, geographic distribution of the bank’s loans reflects reasonable dispersion throughout the assessment area.

Small Business Loans

The geographic distribution of small business loans reflects reasonable penetration throughout the assessment area, considering the size of the bank. In 2002, the bank originated two loans (11.8%) totaling \$81 thousand (3%) in moderate-income areas. In 2003, originations in low-income areas increased substantially to 14 (35.9%) loans totaling nearly \$3.2 million (48.9%). The LMI penetration ratios for 2003 compared reasonably to the 36.5% level of LMI census tracts and the 26.8% level of small businesses located in LMI areas within the assessment area. There are no similarly situated institutions within the assessment area with which to compare GRB’s performance.

The following tables show the geographic distribution of the bank’s small business loans in 2002 and 2003. The distribution level of small businesses by census tract income level is included for comparison:

Distribution Of Small Business Loans By Geography Income Level					
Geography Income Level	% of Small Businesses	2002			
		#	%	\$(000's)	%
Low	6.4	0	0.0	0	0.0
Moderate	11.3	2	11.8	81	3.0
Middle	45.4	12	70.6	1,921	70.7
Upper	34.0	2	11.8	217	8.0
N/A	2.9	1	5.9	500	18.4
Total	100.0	17	100.0	2,719	100.0

Distribution Of Small Business Loans By Geography Income Level					
Geography Income Level	% of Small Businesses	2003			
		#	%	\$(000's)	%
Low	13.7	14	35.9	3,163	48.9
Moderate	13.1	0	0.0	0	0.0
Middle	36.8	10	25.6	1,749	27.0
Upper	36.3	15	38.5	1,558	24.1
N/A	0.1	0	0.0	0	0.0
Total	100.0	39	100.0	6,470	100.0

Home Improvement Loans

The geographic distribution of GRB’s home improvement loans reflects reasonable dispersion throughout the census tracts in the assessment area.

In 2002, the bank originated two (11.8%) home improvement loans totaling \$9 thousand (11.5%) in LMI geographies. In 2003, originations in LMI areas improved to six loans (15.8%) totaling \$22 thousand (14.1%).

The following tables show the 2002 and 2003 geographic distribution of the bank's home improvement loans. For comparison, the level of owner-occupied housing units in each census tract income level is shown:

Distribution Of Home Improvement Loans By Geography Income Level					
Geography Income Level	% Owner-occupied Housing Units	2002			
		#	%	\$(000's)	%
Low	3.8	1	5.9	4	5.1
Moderate	9.8	1	5.9	5	6.4
Middle	49.6	8	47.1	38	48.7
Upper	36.9	7	41.2	31	39.8
Total	100.0	17	100.0	78	100.0

Distribrution Of Home Improvement Loans By Geography Income Level					
Geography Income Level	% Owner-occupied Housing Units	2003			
		#	%	\$(000's)	%
Low	4.9	1	2.6	1	0.6
Moderate	10.4	5	13.2	21	13.5
Middle	42.0	16	42.1	56	35.9
Upper	42.7	16	42.1	78	50.0
Total	100.0	38	100.0	156	100.0

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

The distribution of GRB's loans based on borrowers' characteristics reflects reasonable penetration among individuals of different income levels and businesses of different sizes.

Small Business Loans

The distribution of small business loans according to loan size indicates an adequate record of serving small businesses. Since borrowers' revenue information was not available loans of less than or equal to \$100 thousand as a proxy for loans to small businesses.

The table below illustrates the bank's distribution of small business loans by loan size. The information presented shows that the bank is meeting the credit needs of small businesses located in the assessment area. In 2002, 64.7% of the 17 small business loans originated by the bank within its assessment area were in amounts of \$100 thousand or less. In 2003, while the number of small business loans in the \$100 thousand or less category more than doubled, the percentage of loans decreased to 61.5%. As noted previously there are no similarly situated banks with which to compare the bank's performance.

Distribution of Small Business Loans by Loan Size				
Loan Size	2002			
	#	%	\$	%
\$(000's)				
<= \$100	11	64.7	391	14.4
>\$100 - <=\$250	1	5.9	200	7.4
>\$250 - <\$1,000	5	29.4	2,128	78.2
Total	17	100.0	2,719	100.0
Loan Size	2003			
	#	%	\$	%
<=\$100	24	61.5	1,191	18.4
>\$100 - <=\$250	7	17.9	1,216	18.8
>\$250 - <\$1,000	8	20.5	4,063	62.8
Total	39	100.0	6,470	100.0

Home Improvement Loans

The bank's distribution of the bank's loans reflects reasonable penetration among individuals of different income levels, including LMI borrowers, considering that GRB is a small bank operating in a highly competitive banking environment.

The distribution of the bank's home improvement loans originated in 2002 and 2003 is shown in the following table. For comparison, the percentage of households based on income level is also shown.

Distribution Of Home Improvement Loans By Borrower Income Level					
Borrower Income Level	% of Households	2002			
		#	%	\$(000's)	%
Low	8.6	0	0.0	0	0.0
Moderate	13.5	2	11.8	7	9.0
Middle	48.3	14	82.3	67	85.9
Upper	29.6	1	5.9	4	5.1
Total	100.0	17	100.0	78	100.0

Distribution Of Home Improvement Loans By Borrower Income Level					
Borrower Income Level	% of Households	2003			
		#	%	\$(000's)	%
Low	11.5	2	5.3	5	3.2
Moderate	14.6	8	21.1	25	16.0
Middle	39.7	15	39.4	64	41.1
Upper	34.2	13	34.2	62	39.7
Total	100.0	38	100.0	156	100.0

In 2002, the bank extended 11.8% of its home improvement loans to LMI individuals. In 2003, the number of loans extended to LMI individuals increased from two to 10, and the LMI borrower penetration ratio increased to 26.4%. For comparison, in 2002, 22.1% of

households in the assessment area were LMI households. In 2003, the level of LMI households rose to 26.1%.

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

Since the prior CRA evaluation as of January 1, 2002, neither the bank nor the New York State Banking Department has received any written complaints regarding the bank's CRA performance.

- **Services**

Retail Banking Services

GRB is a member of the SUM program, a selective surcharge program designed to help consumers minimize the costs associated with using their ATM cards to make withdrawals. ATM owners that join the SUM program agree to allow all other program members' customers to use SUM-designated ATMs without paying a surcharge.

In addition, the bank provides the following alternative delivery systems to enhance service availability:

- Basic Banking account
- Direct deposit by Automated Clearing House ("ACH")
- Internet Banking that offers customers the opportunity to view accounts and make transfers between accounts.
- Mastercard Debit Cards
- Drive-thru Banking
- Night Depository.

Community Development Services

GRB provides loan-servicing assistance to Catholic Family Center, a not-for-profit agency that serves LMI individuals. In addition, the bank personnel are actively involved with various organizations in the community, including but not limited to:

- Progressive Neighborhood Federal Credit Union – Member of Executive and Asset & Liability Management Committees ("ALCO")
- Advent House – Member Finance Committee
- Webster Chamber of Commerce
- Service Corps Of Retired Executives ("SCORE") – Counseling Clients
- Community Micro-enterprise Center
- Webster Nursery School

- **Discrimination and other Illegal Practices**

Any practices intended to discourage applications for types of credit set forth in the banking institution's CRA Public File.

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

Evidence of prohibited discriminatory or other illegal credit practices.

The most recent regulatory compliance and fair lending examinations conducted concurrently with this evaluation 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.

To ascertain the credit needs of its community, directors and officers of the bank are members of various community organizations, including but not limited to, Progressive Neighborhood Federal Credit Union, Advent House, Webster Chamber of Commerce, Community Micro-enterprise Center and Webster Nursery School.

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 relies on referrals and personal contacts to promote its products and services.

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

The board of directors oversees and monitors the CRA activities of the bank. CRA matters are discussed during 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.

None.

GLOSSARY

Aggregate

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

Community Development

The term “community development” is defined to mean:

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

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

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

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

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- 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;

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- ❖ 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 100 loans to LMI geographies or borrowers.

Small Business Loans

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