



**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: Redwood Bank
1000 Coffeen Street
Watertown, New York 13601

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 Redwood Bank ("Redwood") 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 also requires that the CRA rating and 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 General Regulations of the Banking Board. 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

Redwood Bank is rated "2," indicating a satisfactory record of meeting the credit needs of its assessment area. This rating is based on the following factors:

- ***Loan-to-Deposit ("LTD") Ratio:*** The bank's LTD ratio is reasonable given the bank's size, financial condition and the credit needs of its assessment area. The bank's average LTD ratio was 54.3% for the eight consecutive calendar quarters ending December 31, 2004. This ratio is below the average ratio for the bank's peer group.
- ***Assessment Area Concentration:*** Redwood originated a substantial majority (94.4%) of its loans within the assessment area. During the evaluation period, Redwood made 774 loans, including 731 loans inside the assessment area. The bank's assessment area concentration by product category was: 98.3% for HMDA-reportable loans; 91.8% for small business loans; and 94.6% for consumer loans.
- ***Geographic Distribution of Loans:*** The bank's geographic distribution of small business, HMDA-reportable and consumer loans reflects reasonable dispersion among census tracts of different income levels. The bank's lending in LMI areas accounted for 8.9% of its small business loans, 6.9% of its HMDA-reportable loans and 5.5% of its consumer loans.
- ***Distribution by Borrower Characteristics:*** The bank's lending within the assessment area reflects excellent penetration among individuals of different income levels. A high percentage of Redwood's small business loans were granted to businesses with revenues of \$1 million or less and approximately one-third of the bank's HMDA-reportable loans were extended to LMI borrowers. Income data is not reported for consumer loans, so an analysis of borrower characteristics for this product category was not conducted during the evaluation.
- ***CRA-Related Complaints:*** Neither the bank nor the New York State Banking Department received any written complaints regarding Redwood 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 the requirements of Part 76 of the General Regulations of the Banking Board.

PERFORMANCE CONTEXT

Institution Profile:

Chartered in 1913, Redwood Bank is a commercial bank headquartered in Watertown, New York. It is a wholly-owned subsidiary of Northern New York Bancorp ("NNYB"), which is not a publicly traded entity. The bank converted from a federal charter to a New York State charter in 2003. The bank is actively engaged in residential mortgage, commercial and consumer lending.

Redwood maintains a total of eight branches, including seven offices in Jefferson County and one office in Oswego County. The branches in Jefferson County are located in the following municipalities: Alexandria Bay, Adams, Watertown, Clayton, Redwood, LaFargeville and Theresa. The bank's only branch in Oswego County is located at Central Square, inside a Wal-Mart store. Redwood has not opened or closed any branches since the prior evaluation.

To supplement its branch network, Redwood offers service through automated teller machines ("ATMs"). The bank's ATMs offer 24-hour service at the following locations: Alexandria Bay, Central Square, Clayton and Watertown.

Redwood is a community-oriented bank that offers a variety of credit products including: personal loans, residential mortgage loans, construction loans and small business loans. The bank does not participate in any government-insured, government-guaranteed or government-subsidized programs for housing, small businesses or small farms.

On its year-end Call Report for calendar year 2004, Redwood reported total assets of \$91.1 million, including net loans of \$44.7 million. As of that same date, the bank reported total deposits of \$83.2 million, resulting in an LTD ratio of 53.8%.

The table below summarizes Redwood's loan portfolio based on Schedule RC-C of the bank's year-end Call Reports for calendar years 2002, 2003 and 2004.

TOTAL LOANS OUTSTANDING						
LOAN TYPE	12/31/2002		12/31/2003		12/31/2004	
	\$000	%	\$000	%	\$000	%
1-4 Residential Mortgage Loans	17,303	40.3	15,375	34.0	16,372	36.2
Commercial & Industrial Loans	10,516	24.5	11,110	24.5	9,018	19.9
Commercial Mortgage Loans	9,773	22.7	14,487	32.0	15,612	34.5
Multifamily Mortgages	684	1.6	599	1.3	850	1.9
Consumer Loans	4,179	9.7	3,067	6.8	2,794	6.2
Agricultural Loans	22	0.1	33	0.1	49	0.1
Construction Loans	236	0.5	309	0.7	437	1.0
Obligations of states & municipalities	90	0.2	0	0.0	0	0.0
Other Loans	170	0.4	278	0.6	155	0.3
Lease financing	0	0.0	0	0.0	0	0.0
Total Loans	42,973	100.0	45,258	100.0	45,287	100.0

Redwood Bank is primarily a one- to four-family residential mortgage lender; however, commercial mortgages increased to nearly equal significance within the portfolio during 2004.

According to deposit data collected annually by the Federal Deposit Insurance Corporation (“FDIC”), Redwood’s total deposits of \$83.2 million as of June 30, 2004, placed the bank in 9th place among 14 deposit-taking institutions within the assessment area. Redwood generates the vast majority of its deposits (98.9%) in Jefferson County, with the remaining deposits coming from the bank’s single branch in Oswego County.

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

Assessment Area:

Redwood has defined its assessment area to include Jefferson and Oswego Counties in their entireties. The two counties contain a combined total of 52 census tracts consisting of 14 (26.9%) moderate-income, 35 (or 67.3%) middle-income and 3 (5.8%) upper-income tracts. The following chart shows the distribution of census tracts:

Distribution of Census Tracts by Geographic Income Level					
<i>County</i>	<i>Income Level</i>				
	<i>Low</i>	<i>Moderate</i>	<i>Middle</i>	<i>Upper</i>	<i>Total</i>
Oswego	0	8	19	2	29
Jefferson	0	6	16	1	23
Total #	0	14	35	3	52
Percent	0.0	26.9	67.3	5.8	100.0

Details of the Assessment Area

Total Population

According to data from the 2000 Census, the assessment area has a population of approximately 234.1 thousand residents, including 26.5 thousand people (11.3%) over the age of 64 and 55.3 thousand people (23.6%) under the age of 17.

Families

The assessment area’s 59.5 thousand families displayed the following income distribution: 25.5 thousand (42.9%) LMI families; 14.1 thousand (23.7%) middle-income families; and 19.9 thousand (33.4%) upper-income families.

Households

The assessment area's 85.6 thousand households are spread across census tracts of different income levels as follows: 25.7% live in moderate-income census tracts, 69.9% live in middle-income tracts, and 4.4% live in upper-income tracts. As noted above, the assessment area does not contain any low-income census tracts.

Housing

The area's 106.9 thousand housing units can be classified by occupancy as follows: 53.4% owner occupied; 26.7% renter occupied; and 19.9% vacant. A solid majority (76.2%) of the area's housing units can be found within one- to four-family buildings. Another 7.8% of total units are in multi-family structures and 16.0% are mobile homes.

Income

As of the 2000 Census, the median family income for the assessment area was \$42,132. According to updated estimates from the U.S. Department of Housing and Urban Development, the median family income for the area had risen to \$53,087 as of 2004. The median housing value in the assessment area is \$67,515.

Businesses

There are 11.2 thousand businesses in the assessment area, of which 65.2% had revenues of \$1 million or less, 5.4% had revenues of more than \$1 million and 29.4% had undisclosed revenues. The major industries in the assessment area are: Services at 36.5% of total businesses and Retail Trade at 19.4%.

Jefferson County

Jefferson County is not part of a metropolitan statistical area ("MSA"). In 2004, there were 28.2 thousand families living in the county. Among these families, 20.7% were low-income, 20.1% were moderate-income, 24.0% were middle-income and 35.2% were upper-income.

Jefferson County's 54 thousand housing units can be broken down by occupancy in the following manner: 44.3% owner occupied; 29.8% renter occupied; and 25.9% vacant. Grouped by housing type, 76.6% of total units were in one- to four-family buildings, 14.2% were mobile homes and 9.2% were in multi-family structures. The median housing in the county is \$65,289.

As of the 2000 U.S. Census, Jefferson County's population was 111.7 thousand. The New York State Department of Labor reported that Jefferson County's average unemployment rate in 2004 was 6.9%, which is notably higher than the statewide average of 5.8%.

Oswego County

Oswego County is a part of the Syracuse Metropolitan Statistical Area (MSA 45060). This portion of the assessment area contains 31.3 thousand families, of which 23.6% were low-income, 21.1% moderate-income, 23.3% middle-income and 32.0% upper-income.

The county's 52.8 thousand housing units are mostly (62.7%) owner occupied, with another 23.5% occupied by renters, and 13.8% vacant. Roughly two-thirds (75.8%) of the county's housing units are located in one- to four-family buildings, while 17.7% are mobile homes and 6.5% are contained in multi-family structures. The median housing in Oswego County is \$69,792.

As of the 2000 Census, Oswego County had a population of 122.4 thousand residents. The New York State Department of Labor reported that Oswego County's average unemployment rate for 2004 was 6.9%, which is notably higher than the statewide average of 5.8%.

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 from the assessment area.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

Redwood's performance was evaluated according to the Small Bank Performance Criteria, which include the following: (1) Loan-to-Deposit ("LTD") Ratio Analysis; (2) Assessment Area Concentration; (3) Geographic Distribution of Loans; (4) Distribution by Borrower Characteristics; and (5) Action Taken in Response to Written CRA-related Complaints.

Performance ratings for factors 2, 3 and 4 above, are based on HMDA-reportable, small business and consumer loans originated by the bank during calendar years 2003 and 2004.

Greater emphasis is placed on Redwood's small business lending, which represented 57.6% (\$17.1 million) of the bank's total lending in the assessment area during the evaluation period. HMDA-reportable and consumer loans represented 23.2% (\$6.9 million) and 19.1% (\$5.7 million) of total originations, respectively.

Since Redwood Bank operates a branch office within an MSA, the bank is subject to the data reporting requirements of the federal Home Mortgage Disclosure Act ("HMDA"). Aggregate data for 2003 HMDA-reportable loans was obtained from the Federal Financial Institutions Examination Council ("FFIEC") and PCi Corporation's CRA Wiz[®] software. As of the date this evaluation was written, aggregate data for 2004 was not yet available.

Comparisons to aggregate data on small business lending and consumer loans will not be made in this report. Redwood is not part of the aggregate for small business lending because small banks are exempt from reporting this particular information. In contrast, data submissions regarding consumer lending are not required of any institution.

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

Redwood Bank's LTD ratio is reasonable based on the bank's size, financial condition and the credit needs of the assessment area. The bank's average LTD ratio was 54.3% for the eight consecutive calendar quarters ending December 31, 2004. This ratio was well below the average of 74.9% for the bank's peer group.

Redwood's quarterly LTD ratios, along with those of the peer group, are shown in the table below:

Loan-to-Deposit Ratios									
	2003 (Q1)	2003 (Q2)	2003 (Q3)	2003 (Q4)	2004 (Q1)	2004 (Q2)	2004 (Q3)	2004 (Q4)	Average
Bank	59.2	54.0	48.9	53.7	57.4	55.7	51.3	53.8	54.3
Peer	73.6	75.0	74.9	73.7	73.5	75.7	77.0	75.4	74.9

- **Assessment Area Concentration: “Outstanding”**

During the evaluation period, Redwood originated a substantial majority of its loans within the assessment area. The following charts show the concentration of the bank’s lending within the assessment area by loan type:

Entire Evaluation Period

Lending in the Assessment Area ("AA")								
2003 & 2004 Combined	Small Business		HMDA		Consumer		Total	
	#	\$000	#	\$000	#	\$000	#	\$000
Total Lending	196	19,185	118	7,342	460	5,969	774	32,496
Lending in AA	180	17,101	116	6,902	435	5,681	731	29,684
% in AA	91.8	89.1	98.3	94.0	94.6	95.2	94.4	91.3

Calendar Year 2003

Lending in the Assessment Area								
2003	Small Business		HMDA-Reportable		Consumer		Total	
	#	\$000	#	\$000	#	\$000	#	\$000
Total Lending	90	10,049	56	3,038	235	2,901	381	15,988
Lending in AA	85	9,094	55	2,638	220	2,723	360	14,455
% In AA	94.4	90.5	98.2	86.8	93.6	93.9	94.5	90.4

Calendar Year 2004

Lending in the Assessment Area								
2004	Small Business		HMDA-Reportable		Consumer		Total	
	#	\$000	#	\$000	#	\$000	#	\$000
Total Lending	106	9,136	62	4,304	225	3,068	393	16,508
Lending in AA	95	8,007	61	4,264	215	2,958	371	15,229
% in AA	89.6	87.6	98.4	99.1	95.6	96.4	94.4	92.3

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

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

Small Business Loans

During the evaluation period, 16 small business loans were extended in LMI areas. These loans represented 8.9% of Redwood’s total small business lending during the evaluation period.

Geographic Distribution of Small Business Loans by Tract Income								
Geographic Income Level	2003				2004			
	#	%	\$000	%	#	%	\$000	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	8	9.4	673	7.4	8	8.4	811	10.1
Middle	73	85.9	7,962	87.6	85	89.5	7,090	88.6
Upper	4	4.7	459	5.0	2	2.1	106	1.3
Total	85	100.0	9,094	100.0	95	100.0	8,007	100.0

HMDA- Reportable Loans

Based on number of loans, Redwood Bank originated 7.3% of its HMDA-reportable loans in LMI areas during 2003, which compares unfavorably to the market aggregate's LMI penetration rate of 18.6%. However, based on dollar volume, Redwood achieved an LMI penetration rate of 20.2%, which outperformed the aggregate's rate of 15.8%.

Distribution of HMDA-Reportable Loans by Geographic Income Level*								
2003								
Geographic Income Level	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	4	7.3	534	20.2	1,184	18.6	71,830	15.8
Middle	49	89.1	1,982	75.1	4,823	75.8	351,792	77.5
Upper	2	3.6	122	4.6	353	5.6	30,091	6.6
Total	55	100.0	2,638	100.0	6,360	100.0	453,713	100.0
2004								
Geographic Income Level	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
Low	0	0.0	0	0.0	Not Available			
Moderate	4	6.6	720	16.9				
Middle	55	90.2	3,316	77.8				
Upper	2	3.3	228	5.3				
Total	61	100.0	4,264	100.0				

* Geographic income level is based upon 2000 Census data using the median family income level for the MSA. In which the mortgaged property 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

Redwood originated 435 consumer loans during the evaluation period, including 24 loans (5.5%) in LMI areas. The bank's geographic distribution of consumer loans is shown in the table below.

Distribution of Consumer Loans by Geographic Income Level					
Geographic Income Level	% of Total Households in the AA	2003			
		#	%	\$000	%
Low	0.0	0	0.0	0	0.0
Moderate	28.3	15	6.8	196	7.2
Middle	67.2	198	90.0	2,466	90.6
Upper	4.5	7	3.2	61	2.2
Total	100.0	220	100.0	2,723	100.0
Geographic Income Level	% of Total Households in the AA	2004			
		#	%	\$000	%
Low	0.0	0	0.0	0	0.0
Moderate	25.7	9	4.2	161	5.4
Middle	69.8	199	92.6	2,716	91.8
Upper	4.5	7	3.3	81	2.7
Total	100.0	215	100.0	2,958	100.0

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

The distribution of loans based on borrower characteristics reflects an excellent penetration among individuals of different income levels and businesses of different sizes.

Small Business Loans

The bank extended 81.1% of its total small business loans to businesses with revenues of \$1 million or less. The following chart shows the bank’s distribution of small business loans based on borrower revenues:

Distribution of Small Business Loans by Business Revenue Size								
Gross Annual Revenues	2003				2004			
	#	%	\$000	%	#	%	\$000	%
\$1 million or less	72	84.7	7,433	81.7	74	77.9	5,999	74.9
Over \$1 million	13	15.3	1,661	18.3	21	22.1	2,008	25.1
Total	85	100.0	9,094	100.0	95	100.0	8,007	100.0

During the evaluation period, a majority of Redwood’s small business loans were originated for amounts less than \$100 thousand. During 2003, the bank made 69.4% of its small business loans for amounts less than \$100 thousand, compared to 81.0% in 2004.

Distribution of Small Business Loans by Loan Size								
Loan Size	2003				2004			
	#	%	\$000	%	#	%	\$000	%
<=\$100K	59	69.4	2,068	22.7	77	81.0	2,869	35.8
>\$100K to <=\$250K	19	22.4	3,100	34.1	13	13.7	2,170	27.1
>\$250K to \$1 Million	7	8.2	3,926	43.2	5	5.3	2,968	37.1
Total	85	100.0	9,094	100.0	95	100.0	8,007	100.0

HMDA-Reportable Loans

Redwood’s HMDA-reportable lending within the assessment area reflects an excellent distribution of loans to individuals of different income levels. During the evaluation period, the bank originated 32.8% (116) of its HMDA-reportable loans to LMI borrowers.

In 2003, Redwood made 30.9% of its HMDA-reportable loans to LMI borrowers, which outperformed the aggregate’s LMI penetration rate of 28.4%. In 2004, Redwood made 34.4% of its HMDA-reportable loans to LMI borrowers. At the time this report was prepared, aggregate data for 2004 was not yet available for comparison.

The table at the top of the next page contains a summary distribution of Redwood’s HMDA-reportable lending based on borrower income level.

Distribution of HMDA-reportable Loans by Borrower Income Level*								
2003								
Borrower Income Level	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
Low	5	9.1	82	3.1	500	7.9	19,545	4.3
Moderate	12	21.8	289	11.0	1,309	20.6	67,624	14.9
Middle	13	23.6	368	13.9	1,712	26.9	108,166	23.8
Upper	16	29.1	953	36.1	2,500	39.3	228,124	50.3
Not Available	9	16.4	946	35.9	339	5.3	30,254	6.7
Total	55	100.0	2,638	100.0	6,360	100.0	453,713	100.0
2004								
Borrower Income Level	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
Low	7	11.5	124	2.9	Not Available			
Moderate	14	23.0	681	16.0				
Middle	11	18.0	743	17.4				
Upper	19	31.1	1,304	30.6				
Not Available	10	16.4	1,412	33.1				
Total	61	100.0	4,264	100.0				

* Borrower income level is based upon the Department of Housing and Urban Development's annual estimate of median family income ("MFI") for the MSA in which the mortgaged property is located. Low-income is defined as less than 50% of the area MFI, moderate-income is 50% to <80%, middle-income is 80% to <120%, and upper-income is 120%+ of MFI.

Consumer Loans

As mentioned earlier in this evaluation, banks are not required to compile and report borrower income information for consumer loan originations. Consequently, no analysis of borrower income data for consumer loans was conducted during this evaluation.

- **Action Taken In Response to Written CRA-Related Complaints**

Since the Banking Department's previous CRA evaluation, conducted as of December 31, 2002, neither the bank nor the New York State Banking Department has received any written complaints regarding Redwood's CRA performance.

- **Discrimination and other Illegal Practices**

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

The Banking Department's most recent fair lending and compliance examinations were conducted concurrently with this evaluation, and found no practices that would tend to discourage applications for the types of credit offered by the institution.

Evidence of prohibited discriminatory or other illegal credit practices.

No evidence of prohibited discriminatory or other illegal credit practices was noted.

- **Process Factors**

Activities conducted by the banking institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the bank.

Bank representatives meet regularly with individuals from the Clayton Improvement Association to discuss the community's credit needs.

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

Redwood participates in a local housing grant program through the Clayton Improvement Association. This program provides grants to LMI borrowers who are buying their first home. The grants take several forms, including subsidized fees, waived closing costs and reduced interest rates.

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

The bank's CRA officer reports to the board of directors periodically (usually quarterly) on Redwood's CRA performance and related issues.

- **Other Factors**

None Noted.

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

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- 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 2000 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.