



**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:** The Seneca Falls Savings Bank  
19 Cayuga Street  
Seneca Falls, NY 13148

**Note:** This evaluation is not an assessment of the financial condition of this institution. The rating assigned does not represent an analysis, conclusion or opinion of the New York State Banking Department concerning the safety and soundness of this financial institution.

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## **GENERAL INFORMATION**

This document is an evaluation of the Community Reinvestment Act ("CRA") performance of The Seneca Falls Savings Bank ("SFSB") 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 written summary ("evaluation") be made available to the public. Evaluations of small banking institutions are primarily based on a review of the performance tests and standards described in Section 76.3, and detailed in Section 76.12, of the Regulation. These tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York State Banking Law.

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

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## **OVERVIEW OF INSTITUTION'S PERFORMANCE**

SFSB is rated "2," indicating a "Satisfactory" record of helping to meet community credit needs. This rating is based on the following factors:

- **Loan-to-Deposit ("LTD") Ratio and Other Lending-Related Activities:** The bank's LTD ratio is considered reasonable in light of the bank's size, financial condition and the credit needs of its assessment area. The bank's LTD ratio averaged 69.8% over the eight consecutive calendar quarters ending December 31, 2004. According to management, the bank's LTD ratios were affected by a loan sale program started in 2003.
- **Assessment Area Concentration:** The bank extended a substantial majority of its loans within the assessment area. During the evaluation period, SFSB made 93.4% by number -- and 92.7% by dollar volume -- of its HMDA-reportable loans within the assessment area.
- **Geographic Distribution of Loans:** SFSB's geographic distribution of loans reflects a marginally reasonable dispersion among census tracts of different income levels. The bank's lending penetration rate in LMI geographies was below the market aggregate's performance during the evaluation period.
- **Distribution of Loans by Borrower Characteristics:** The bank's lending distribution in the assessment area reflects a marginally reasonable penetration among individuals of different income levels. During the evaluation period, the bank's LMI penetration rates for HMDA-reportable loans made to LMI borrowers were well below the market aggregates' LMI penetration rates.

Neither the bank nor the Banking Department received any complaints concerning SFSB'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, as implemented through Part 76 of the General Regulations of the Banking Board.

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## PERFORMANCE CONTEXT

### **Institution Profile:**

Chartered in May 1870, SFSB is a savings bank located in Seneca Falls, New York. The bank converted to federal charter in 2000 and reverted back to NYS charter in 2004. The bank is a wholly-owned subsidiary of Seneca-Cayuga Bancorp, Inc., which is owned by The Seneca Falls Savings Bank, MHC.

SFSB is a community-oriented financial institution offering financial products and services to meet the needs of the communities it serves. The bank faces competition from smaller community banks, larger financial institutions, mortgage bankers, finance companies, credit unions, insurance companies and brokerage firms. In the assessment area, there are no similar lending institutions that can be used for comparative analyses.

According to the bank's year-end Call Report for 2004, SFSB has total assets of \$150.9 million, including \$69.9 million in net loans and lease finance receivables. SFSB also reported total deposits of \$111.1 million, resulting in a loan-to-deposit ratio of 62.9%.

According to the latest available market-level deposit data, compiled by the FDIC as of June 30, 2004, SFSB holds a market share of 4.3% based on deposits of \$101.5 million in a market with \$2.4 billion in total deposits. SFSB ranks sixth among the area's 18 deposit-taking institutions. SFSB's market share in Seneca County is 22.3% (\$78.9 million), placing it third among eight deposit-taking institutions.

The following table summarizes SFSB's lending portfolio based on the bank's year-end Call Reports for calendar years 2002 through 2004:

<b>GROSS LOANS OUTSTANDING (\$ in Thousands)</b>						
<b>LOAN TYPE</b>	<b>12/31/2002</b>		<b>12/31/2003</b>		<b>12/31/2004</b>	
	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>
1-4 Residential Mortgage Loans	62,057	85.7	57,447	85.1	61,139	87.0
Commercial & Industrial Loans	500	0.7	731	1.1	0	0.0
Commercial Mortgage Loans	1,891	2.6	1,733	2.6	1,671	2.4
Multifamily Mortgages	1,003	1.4	852	1.3	794	1.1
Consumer Loans	3,416	4.7	2,211	3.3	1,763	2.5
Agricultural Loans		0.0		0.0		0.0
Construction Loans	3,564	4.9	4,500	6.7	4,035	5.7
Obligations of states & municipalities		0.0		0.0		0.0
Other Loans		0.0		0.0	851	1.2
Lease financing		0.0		0.0		0.0
<b>Gross Loans</b>	<b>72,431</b>	<b>100.0</b>	<b>67,474</b>	<b>100.0</b>	<b>70,253</b>	<b>100.0</b>

As illustrated in the above chart, the bank is primarily a one- to four-family residential real estate lender, with 87% of its loan portfolio in residential real estate loans.

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The bank does not participate in any government programs except those sponsored by the Federal Home Loan Bank (“FHLB”). In September 2005, SFSB obtained approval to sell loans to Fannie Mae.

The bank operates in a rural area and has four offices. The corporate office and a branch are located in Seneca Falls, while the remaining branches are located in Auburn, Waterloo and Geneva, New York. Aside from the bank’s loan department in Seneca Falls, SFSB has a loan production office in Skaneateles, NY.

Branch hours are tailored to meet the needs of the bank’s customers. All branches have extended hours during the week and are open on Saturdays. In addition, the Auburn office is open on Sundays.

Supplementing SFSB’s brick-and-mortar branches is an automated teller machine (“ATM”) network consisting of four machines. One ATM is located in each branch and there is a single off-site ATM located at the Hillside Children’s Center in Romulus, NY. All branch-based ATMs are accessible 24 hours per day, seven days per week.

In January 2004, the bank opened a full-service branch in Geneva, NY (Ontario County). SFSB did not close any branches during the evaluation period.

SFSB’s most recent federal CRA evaluation was conducted as of February 5, 2001, by examiners from the Office of Thrift Supervision. This evaluation resulted in a rating of “2,” reflecting the bank’s “Satisfactory” record of helping to meet community credit needs.

There are no known financial or legal impediments affecting the bank’s ability to meet the credit needs of its assessment area (“AA”).

**Assessment Area:**

The bank’s AA comprises Seneca, Cayuga and Ontario Counties in their entirety.

There are 53 census tracts in the AA, including: one low-income, four moderate-income, 40 middle-income, seven upper-income and one zero-income tracts.

The chart below summarizes the distribution of census tracts within the bank’s AA at the end of the evaluation period. This distribution reflects changes implemented by the U.S. Office of Management and Budget in 2003. Before the changes were implemented, Cayuga County had four (20%) moderate income tracts.

Distribution of Assessment Area Census Tracts by Income Level							
County	Zero	Low	Moderate	Middle	Upper	Total	LMI %
Seneca	0	0	0	9	1	10	0.0
Cayuga	1	0	1	14	4	20	5.0
Ontario	0	1	3	17	2	23	17.4
Total	1	1	4	40	7	53	9.4

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

### **Details of the Assessment Area**

#### Unemployment Rates:

In 2003, the average unemployment rates for Ontario, Cayuga and Seneca Counties were 5.6%, 5.4% and 5.2%, respectively. In 2004, Ontario and Cayuga Counties' average unemployment rates decreased to 5.3% and 4.9%, respectively, while Seneca County's rate remained stable at 5.2%.

According to the New York State Department of Labor, the annual average unemployment rate in New York State was 6.4% in 2003 and 5.8% in 2004. The average unemployment rates in Seneca, Cayuga and Ontario Counties were well below the statewide average in both years of the evaluation period.

#### Population:

According to data from the U.S. Census Bureau, the population in Ontario and Seneca Counties increased by 3.3% and 5.2%, respectively, during 2004; however, Cayuga County's population did not change materially during that year.

The following charts present additional demographic data pertaining to the assessment area:

- Chart #1: Population and Income
- Chart #2: Housing.

CHART # 1

<b>ASSESSMENT AREA POPULATION AND INCOME CHARACTERISTICS BY COUNTY (Based on OMB 2004 Revision)</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	
		#	%	#	%				#	%		#	%	#	%	#	%	#	%	#	%
Seneca	33,342	5,050	15.2	7,360	22.1	45,467	47,900	12,619	1,306	10.3	8,628	1,418	16.4	1,548	17.9	1,849	21.4	3,813	44.2		
Cayuga	81,963	11,809	14.4	17,955	21.9	45,384	52,700	30,589	3,307	11.0	20,972	3,374	16.1	3,448	16.4	5,034	24.0	9,116	43.5	388	5.7
Ontario	100,224	13,200	13.2	22,404	22.4	53,620	61,700	38,392	2,829	7.0	26,537	4,693	17.7	5,344	20.1	6,754	25.5	9,746	36.7	1,538	15.3
<b>TOTAL A/A*</b>	<b>215,529</b>	<b>30,059</b>	<b>14.0</b>	<b>47,719</b>	<b>22.1</b>	<b>49,290</b>	<b>53,889</b>	<b>81,600</b>	<b>7,442</b>	<b>9.0</b>	<b>56,137</b>	<b>9,485</b>	<b>16.9</b>	<b>10,340</b>	<b>18.4</b>	<b>13,637</b>	<b>24.3</b>	<b>22,675</b>	<b>40.4</b>	<b>1,926</b>	<b>9.7</b>

\* Assessment Area

**CHART # 2**

<b>ASSESSMENT AREA HOUSING CHARACTERISTICS BY COUNTY (Based on OMB 2004 Revision)</b>																			
<b>COUNTY</b>	Total Housing Units	1-4 family Units		Multifamily Units		Owner-Occupied Units (O-O)		O-O Units in Low-income Tracts		O-O Units in Mod-income Tracts		O-O Units in Mid-income Tracts		O-O Units in Upp-income Tracts		Rental Units		Vacant/ Boarded-up Units	
		#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%
<b>Seneca</b>	14,794	11,793	80.0	873	6.0	9,311	63.0	0	0	0	0	8,175	87.8	1,136	12.2	3,897	26.0	2,164	15.0
<b>Cayuga</b>	35,477	28,449	80.0	2,561	7.0	22,005	62.0	0	0	447	2.0	17,076	77.6	4,481	20.4	9,704	27.0	4,919	14.0
<b>Ontario</b>	42,647	34,391	81.0	4,194	10.0	28,230	66.0	406	1.4	1,675	5.9	20,814	73.7	5,334	18.9	11,191	26.0	4,277	10.0
<b>TOTAL A/A*</b>	92,918	74,633	80.0	7,628	8.0	59,546	64.0	406	0.7	2,123	3.6	46,065	77.4	10,951	18.4	24,792	27.0	11,360	12.0

\* Assessment Area

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## **PERFORMANCE STANDARDS AND ASSESSMENT FACTORS**

SFSB'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 of Loans by Borrower Characteristics; and (5) Action Taken in Response to Written Complaints Regarding CRA.

The evaluation period included calendar years 2003 and 2004 in their entirety. Examiners considered the bank's HMDA-reportable lending in evaluating factors (2), (3) and (4), as noted above.

Unless noted otherwise, demographic data cited in this report were obtained from the 2000 U.S. Census. Updated median family income figures for calendar years 2003 and 2004 were obtained from HUD.

- **Loan-to-Deposit Ratio Analysis: "Satisfactory"**

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

For the eight calendar quarters ending December 31, 2004, the bank's average LTD ratio was 69.8%. As shown in the table below, the bank's LTD ratios generally declined during the evaluation period, falling from 76.4% at the first quarter of 2003 to 62.9% at the end of 2004. According to management, this downward trend is explained by the bank's entry into a loan sale program in 2003.

The LTD ratios shown below generally were calculated from the bank's Thrift Financial Reports, as filed with the Office of Thrift Supervision. The ratios for the final three quarters of the evaluation period were taken from institution's Uniform Bank Performance Report ("UBPR"), as prepared by the Federal Deposit Insurance Corporation ("FDIC").

<b>Loan-to-Deposit Ratios</b>									
	3/31/03	6/30/03	9/30/03	12/31/03	3/31/04	6/30/04	9/30/04	12/31/04	Average
Bank	76.43	73.65	72.83	74.25	68.03	66.40	63.90	62.92	69.80
Peer	N/A	N/A	N/A	N/A	N/A	77.6	79.1	79.3	N/A

- **Assessment Area Concentration: "Outstanding"**

The table below shows that SFSB originated a substantial majority of its loans within the assessment area.

<b>Distribution of HMDA Loans Inside and Outside of the Assessment Area</b>										
<b>Loan Type</b>	<b>Number of Loans</b>					<b>Dollar Volume (\$ in thousands)</b>				
	<b>Inside</b>		<b>Outside</b>		<b>Total</b>	<b>Inside</b>		<b>Outside</b>		<b>Total</b>
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
2003	334	93.3	24	6.7	358	32,123	92.3	2,696	7.7	34,819
2004	221	93.5	15	6.4	236	22,217	93.4	1,570	6.6	23,787
<b>Total</b>	<b>555</b>	<b>93.4</b>	<b>39</b>	<b>6.6</b>	<b>594</b>	<b>54,340</b>	<b>92.7</b>	<b>4,266</b>	<b>7.3</b>	<b>58,606</b>

As illustrated in the chart, SFSB originated more than 92% of its HMDA-reportable loans within the assessment area during 2003, whether measured by loan count or dollar volume. The total number and dollar volume of loan originations decreased 33.8% in 2004; however, the percentage of loan originations occurring within the assessment area remained almost unchanged during the two-year evaluation period. According to management, the decline in loan originations can be attributed to rising interest rates in 2004, which affected the refinance business.

In 2004, SFSB ranked ninth out of 230 home mortgage lenders in the AA by posting a market share of 3.1% by number of loans and 3.6% by dollar volume.

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

The geographic distribution of loans reflects a marginally reasonable dispersion among census tracts of different income levels.

During the evaluation period, the bank achieved a marginally adequate penetration of HMDA-reportable loans in LMI geographies compared to the market aggregate’s LMI penetration rates.

In 2003, the bank originated 6.6% by number and 4.5% by dollar volume of its total loan originations in LMI geographies. By comparison, the market aggregate’s LMI penetration rates were 10.1% by number and 8.7% by dollar volume.

In 2004, the bank continued to demonstrate a low penetration of loans in LMI geographies, with a significant decrease in the number and dollar volume of loans originated in the AA.

The bank’s LMI penetration rates of 6.6% and 1.4% for 2003 and 2004, respectively, compared unfavorably with the distribution of owner-occupied housing units within the AA. During 2004, SFSB’s volume of HMDA-reportable loans originated in LMI geographies dropped 86% by number of loans and 88% by dollar volume. As stated earlier, rising interest rates accounted for the decline in loan originations.

When the bank opened its Geneva branch in 2004, Ontario County was added to its AA.

The following chart provides a summary of the bank's HMDA-reportable lending during the evaluation period:

Distribution of HMDA-reportable Loans by Geographic Income Level*								
2003								
Geographic Income Level	Bank				Aggregate			
	#	%	\$**	%	#	%	\$**	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	22	6.6	1,454	4.5	430	10.1	26,491	8.7
Middle	265	79.3	25,576	79.6	3,426	80.8	241,144	79.5
Upper	47	14.1	5,093	15.9	384	9.1	35,588	11.7
<b>Total</b>	<b>334</b>	<b>100.0</b>	<b>32,123</b>	<b>100.0</b>	<b>4,240</b>	<b>100.0</b>	<b>303,223</b>	<b>100.0</b>
2004								
Geographic Income Level	Bank				Aggregate			
	#	%	\$	%	#	%	\$	%
Low	1	0.5	64	0.3	53	0.7	2,578	0.4
Moderate	2	0.9	103	0.5	274	3.8	17,414	2.8
Middle	160	72.4	14,638	65.9	5,294	73.8	401,313	65.2
Upper	58	26.2	7,412	33.4	1,545	21.6	193,628	31.5
N/A	0	0.0	0	0.0	3	0.0	420	0.1
<b>Total</b>	<b>221</b>	<b>100.0</b>	<b>22,217</b>	<b>100.0</b>	<b>7,169</b>	<b>100.0</b>	<b>615,353</b>	<b>100.0</b>

\* Geographic income level for 2003 is based upon 2000 Census data. Low-income is defined as <50% of the area median income, moderate-income is 50% to <80% of the area median income, middle-income is 80% to <120%, and upper-income is at least 120%. For 2004, income levels reflect OMB revisions adopted late in 2003.

\*\* In thousands.

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

The distribution of loans based on borrower characteristics reflects a marginally reasonable penetration among individuals of different income levels.

During the evaluation period, the bank's HMDA-reportable loans to LMI borrowers were well below the market aggregate's penetration rates. In 2003, the bank's HMDA-reportable loans within the assessment area included 68 loans (20.4%) to LMI borrowers, compared to the aggregate's LMI penetration rate of 28.1%. In 2004, the bank's LMI penetration remained at 20.4%, while the aggregate's penetration rate rose to 31.7%.

According to demographic data for 2003, LMI families accounted for 39.6% of all families in the assessment area. In 2004, this percentage declined to 35.3%. While LMI families represented a slightly lower percentage of total families within the assessment area in 2004, the number and dollar volume of loans extended by SFSB to LMI borrowers decreased significantly, by 33.8% and 44.6% respectively, due to rising interest rates.

The following chart summarizes SFSB's HMDA-reportable lending during the evaluation period:

Distribution of HMDA-reportable Loans by Borrower Income Level*								
2003								
Borrower Income Level	Bank				Aggregate			
	#	%	\$**	%	#	%	\$**	%
Low	15	4.5	852	2.7	317	7.5	11,748	3.9
Moderate	53	15.9	3,791	11.8	875	20.6	44,909	14.8
Middle	93	27.8	7,226	22.5	1,195	28.2	76,089	25.1
Upper	173	51.8	20,254	63.1	1,646	38.8	151,174	49.9
N/A	0	0.0	0	0.0	207	4.9	19,303	6.4
<b>Total</b>	<b>334</b>	<b>100.0</b>	<b>32,123</b>	<b>100.0</b>	<b>4,240</b>	<b>100.0</b>	<b>303,223</b>	<b>100.0</b>
2004								
Borrower Income Level	Bank				Aggregate			
	#	%	\$	%	#	%	\$	%
Low	7	3.2	249	1.1	632	8.8	28,873	4.7
Moderate	38	17.2	2,323	10.5	1,641	22.9	102,073	16.6
Middle	54	24.4	4,137	18.6	2,005	28.0	153,305	24.9
Upper	122	55.2	15,508	69.8	2,602	36.3	293,988	47.8
N/A	0	0.0	0	0.0	289	4.0	37,114	6.0
<b>Total</b>	<b>221</b>	<b>100.0</b>	<b>22,217</b>	<b>100.0</b>	<b>7,169</b>	<b>100.0</b>	<b>615,353</b>	<b>100.0</b>

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

Neither the bank nor the Banking Department received any written complaints regarding the bank's CRA performance during the evaluation period.

- **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 might tend to discourage applications for the types of credit offered by the institution.

**Evidence of prohibited discriminatory or other illegal credit practices**

The most recent regulatory compliance and fair lending examinations were conducted concurrently with this evaluation and indicated satisfactory adherence to anti-discrimination and other applicable laws and regulations. No evidence of prohibited discriminatory or other illegal credit practices was noted.

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- **Process Factors**

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

SFSB ascertains the credit needs of its community through the efforts of its Board of Trustees, senior management and employees, all of whom are active in a significant number of community organizations. The bank continues to give its full support to a wide range of organizations that support and enhance the quality of life in the AA, including such organizations as Kiwanis, the Chamber of Commerce, United Way, Red Cross, etc. SFSB's staff members are encouraged to help management obtain information about the credit needs of local consumers.

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

The bank uses newspaper, radio and limited television advertising to promote its products and services. SFSB advertises monthly through the cover of The Real Estate Guide, which is distributed mostly in Cayuga County. The bank's lending officer teaches a class/seminar every Monday night for first-time homebuyers and gives periodic seminars regarding construction loans and other products at the community college in Auburn, NY.

**The extent of participation by the banking institution's board of directors or 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 policy is reviewed and approved by the Board annually. CRA-related matters are discussed during monthly board and management committee's meetings.

- **Other Factors**

**Other factors that, in the judgment of the Superintendent and the Banking Board, bear upon the extent to which a bank institution is helping to meet the credit needs of its entire community.**

None noted.

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## 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;

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

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

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

### **Home Mortgage Disclosure Act ("HMDA")**

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

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### **Loans to Small Businesses**

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

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

Those census tracts or block numbering areas (“BNAs”), where according to the 1990 US Census, the median family income is less than 80% of the area median family income. In the case of tracted areas that are part of a Metropolitan Statistical Area (“MSA”) or Primary Metropolitan Statistical Area (“PMSA”), this would relate to the median family income for the MSA or PMSA in which the tracts are located. In the case of BNAs and tracted areas that are not part of a MSA or PMSA, the area median family income would be the statewide non-metropolitan median family income.

### **LMI Borrowers**

Borrowers whose income, as reported on the loan application which the lender relied upon in making the credit decision, is less than 80% of the area median family income. In the case where the residential property is located in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure borrower income levels are updated annually by the U.S. Department of Housing and Urban Development (“HUD”).

### **LMI Individuals/Persons**

Those individuals, whose income is less than 80% of the area median family income. In the case where the individual resides in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure individual income levels are updated annually by HUD.

### **LMI Penetration Rate**

A number that depicts the percentage of a bank’s total loans (for a particular product) that was extended to LMI geographies or borrowers. For example, an LMI penetration rate of 20% would indicate that the bank made 20 out of a total of 100 loans to LMI geographies or borrowers.

### **Small Business Loans**

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