



NEW YORK STATE BANKING DEPARTMENT
Consumer Services Division
One State Street Plaza
New York, NY 10004

PUBLIC SUMMARY

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Evaluation Date: December 31, 2004

Institution: Solvay Bank
1537 Milton Avenue
Solvay, NY 13209

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.

TABLE OF CONTENTS

	Section
General Information	1
Overview of Institution's Performance	2
Performance Context	3
Institution's Profile	
Assessment Area	
Performance Standards and Assessment Factors	4
Lending Test	
Loan-to-Deposit Analysis	
Assessment Area Concentration	
Geographic Distribution of Loans	
Distribution of Loans by Borrowers Characteristics	
Community Development Test	
Community Development Lending	
Community Development Investment	
Community Development Services	
Action Taken in Response to Written, CRA-Related Complaints	
Discrimination and/or Other Illegal Practices	
Process Factors	
Other Factors	
Glossary	5

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act ("CRA") performance of Solvay Bank ("Solvay") prepared by the New York State Banking Department. The evaluation represents the Banking Department's current assessment and rating of the institution's CRA performance based on an evaluation conducted as of December 31, 2004.

Section 28-b of the New York State Banking Law, as amended, requires that when evaluating certain applications, the Superintendent of Banks shall assess a banking institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income ("LMI") areas, consistent with safe and sound operations.

Part 76 of the General Regulations of the Banking Board implements Section 28-b and further requires that the Banking Department assess the CRA performance records of regulated financial institutions. Part 76 establishes the framework and criteria by which the Department will evaluate an institution's performance. Section 76.5 further provides that the Banking Department will prepare a written report summarizing the results of such assessment and will assign to each institution a numerical CRA rating based on a 1 to 4 scoring system. The numerical scores represent an assessment of CRA performance as follows:

- (1) Outstanding record of meeting community credit needs;
- (2) Satisfactory record of meeting community credit needs;
- (3) Needs to improve record of meeting community credit needs; and
- (4) Substantial noncompliance in meeting community credit needs.

Section 76.5 further requires that the CRA rating and the written summary ("Evaluation") be made available to the public. Evaluations 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. 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

Solvay Bank is rated “2”, indicating a satisfactory record of helping to meet community credit needs. This rating is based on the following factors:

I. Lending Test – “Satisfactory”

- Solvay’s loan-to-deposit (“LTD”) ratio is reasonable considering the bank’s size, financial condition and the credit needs of the assessment area.
- Solvay extended a substantial majority of its HMDA-reportable and small business loans within the assessment area. Of the total loans originated by the bank, 95.3% were originated within the assessment area.
- The geographic distribution of Solvay’s HMDA-reportable and small business loans reflected reasonable dispersion throughout the assessment area. Solvay’s LMI penetration rates for HMDA-reportable loans were lower than those of the market aggregate; however, Solvay outperformed the aggregate in terms of both number and dollar volume of small business loans extended in LMI areas.
- The borrower characteristics of Solvay’s HMDA-reportable and small business loans reflected a reasonable dispersion among borrowers of different incomes and businesses of different revenue sizes. Solvay’s LMI penetration rates for HMDA-reportable loans are comparable to those of the market aggregate. The bank’s distribution of small business loans is consistent with the assessment area’s business demographics and well above the aggregate.

II. Community Development Test – “Satisfactory”

- During the evaluation period, Solvay Bank’s community development loans and loan commitments totaled \$3.5 million, including \$1.7 million in new money.
- Solvay’s qualified investments during the evaluation period totaled more than \$900 thousand.
- Solvay provides a high level of community development services in its assessment area. The bank’s officers and employees assist several local organizations by serving on their respective boards of directors.

Neither the bank nor the New York State Banking Department received any complaints with respect to Solvay’s CRA performance during the evaluation period.

This evaluation was conducted based on a review of the 12 assessment factors set forth in Section 28-b of the New York State Banking Law and Part 76 of the General Regulations of the Banking Board.

PERFORMANCE CONTEXT

Institution Profile

Chartered in 1917, Solvay Bank is a full-service commercial bank and a wholly-owned subsidiary of Solvay Bank Corporation (“Corporation”), a one-bank holding company. Located near Syracuse in the Village of Solvay in Onondaga County, Solvay Bank has seven branch offices, including the head office and a branch that opened in May 2005. The branch offices are located in Solvay (main office), Westvale, Camillus, downtown Syracuse, Fairmount, North Syracuse and Liverpool (new).

Solvay Bank supplements its brick-and-mortar branches with an automated teller machine (“ATM”) network consisting of nine ATMs. These machines are located at the main office (2 ATMs) and at the bank’s offices in Camillus, Fairmount, downtown Syracuse, North Syracuse and Liverpool. An off-site ATM is located at the New York State Fairgrounds and only provides cash dispersal services.

Each of Solvay Bank’s branches is located in Onondaga County. The six branches that were available during the evaluation period are distributed among geographies of different income levels as follows: one branch in an LMI geography and five branches in upper-income geographies.

Solvay Bank did not open or close any branches during the evaluation period; however, the bank’s new Liverpool branch was opened in a moderate-income area in May 2005.

Solvay offers a wide variety of lending products, including:

- One- to four-family residential mortgage loans
- Multi-family residential mortgage loans
- Commercial mortgage loans
- Consumer loans
- Commercial and industrial loans.

Solvay Bank also functions as a trust company and has two wholly-owned subsidiaries: Solvay Bank Insurance Agency, Incorporated and Solvay Bank Realty Corporation.

On its year-end Call Report for 2004, the bank reported total assets of \$438.1 million, including \$315.6 million in net loans and leases. As of the time frame, the bank’s total deposits were \$396.1 million, resulting in a loan-to-deposit ratio of 77.15%.

Solvay Bank is primarily a residential mortgage lender. As of December 31, 2004, the major components of the bank’s loan portfolio included one- to four-family residential mortgages. During the evaluation period, residential mortgages increased as a percentage of the portfolio while commercial and industrial loans declined.

The following chart summarizes Solvay Bank's lending portfolio, based on Schedule RC-C of the bank's year-end Call Reports for calendar years 2002, 2003 and 2004:

TOTAL GROSS LOANS OUTSTANDING						
LOAN TYPE	12/31/2002		12/31/2003		12/31/2004	
	\$000	%	\$000	%	\$000	%
1-4 Family Residential Mortgages	152,930	54.8	173,194	58.3	180,787	57.9
Commercial & Industrial Loans	58,271	20.9	53,625	18.0	54,853	17.6
Commercial Mortgage Loans	34,062	12.2	33,550	11.3	37,993	12.2
Consumer Loans	19,331	6.9	18,865	6.3	16,581	5.3
Construction and Land Development Loans	12,153	4.4	14,975	5.0	19,611	6.3
Multi-family Mortgages	2,122	0.8	2,459	0.8	2,031	0.7
Other Loans	209	0.1	453	0.2	504	0.2
Total Gross Loans	279,078	100.0	297,121	100.0	312,360	100.0

The following tables show the bank's market share of loans and overall market ranking based on the Federal Deposit Insurance Corporation's ("FDIC's") market share reports for HMDA-reportable and small business loans:

HMDA-Reportable Loans

Year	# of loans	Market Share %	Amount \$000	Market Share %	Ranking	#of institutions
2003	484	2.36	33,411	1.73	14	199
2004	359	2.46	23,625	1.72	11	244

Small Business Loans

Year	# of loans	Market Share %	Amount \$000	Market Share %	Ranking	# of Institutions
2003	630	5.44	54,700	11.13	6	61
2004	641	5.36	64,805	12.42	6	58

Market Share of Deposits

According to the FDIC's 2004 Deposit Market Share Report, compiled as of June 30, 2004, Solvay Bank holds approximately 6.16% of the \$6 billion on deposit in Onondaga County. This level of deposits places Solvay sixth among 19 FDIC-insured institutions in the county.

Examination Performance Criteria

The Banking Department's previous evaluation of Solvay Bank was conducted as of December 31, 2002 and resulted in a rating of "Satisfactory." The 2002 evaluation was based on a review of the Large Bank performance criteria described in Part 76 of the General Regulations of the Banking Board ("Part 76"). Due to subsequent revisions to Part 76, Solvay Bank is now categorized as an Intermediate Small Bank. Thus, the current Performance Evaluation of Solvay Bank is based on a review of the Intermediate Small Bank performance criteria set forth in Part 76.

There are no known financial or legal impediments affecting Solvay Bank's ability to meet the credit needs of its community.

Assessment Area

The bank's assessment area includes all 144 census tracts within Onondaga County. The county is part of Metropolitan Statistical Area 45060, known as the Syracuse MSA. The following table shows a breakdown of the census tracts within Onondaga County based on the median income level for each tract.

Distribution of Assessment Area Census Tracts by Income Level							
	Zero	Low	Moderate	Middle	Upper	Total	LMI
Onondaga County	0	21	23	56	44	144	44
% of Total	0	14.6	16.0	38.9	30.5	100	30.6

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

Details of Assessment Area

According to 2000 U.S. Census, the assessment area has a population of 458.3 thousand residents, including 63.3 thousand (13.8%) people over the age of 65 and 105.2 thousand (23%) people below the age of 16. The assessment area's population is contained within 116.1 thousand families, 181.4 thousand households and 196.6 thousand housing units.

Of the 196.6 thousand housing units in the assessment area, 156.8 thousand units (80%) are located in one- to four-family houses, 37.1 thousand units (18.9%) are located in multi-family structures, and 2.7 thousand units (1.1%) are mobile homes or trailers.

The area's count of housing units includes: 116.8 thousand (59.4%) owner-occupied units; 64.3 thousand (32.7%) renter-occupied units; and, 15.5 thousand (7.9%) vacant units.

Among the 181.4 thousand households living in the assessment area are 50.3 thousand households (27.8%) receiving social security benefits, 6.2 thousand households (3.4%) receiving public assistance and 22.2 thousand households (12.2%) living below the poverty level.

The area's 116.1 thousand families include: 22.8 thousand (19.6%) low-income families; 19.9 thousand (17.1%) moderate-income families; 24.5 thousand (21.1%) middle-income families; and, 49 thousand (42.2%) upper-income families. The assessment area has 15.8 thousand (13.6%) LMI families living in the LMI tracts.

As of the 2000 Census, the median family income in Onondaga County was \$53,569. As of 2004, the HUD-estimated median family income for the Syracuse MSA was \$57,200.

Within the assessment area, the housing stock has an average age of 46 years and a median value was \$84,771.

Business Demographics

There are 30.9 thousand businesses inside the assessment area, including 19.9 thousand companies (64.4%) with revenues of \$1 million or less. An additional 6.8% of companies in the assessment area have revenues greater than \$1 million, while 28.0% of firms in the area did not report their revenues. A high percentage (83.5%) of the area's businesses operate from a single location and 80% employ fewer than 50 employees.

The composition of businesses in the assessment area can be summarized as follows: 12.7 thousand companies (41.1%) in the service industry; 5.2 thousand firms (17%) engaged in retail trade; 2.7 thousand (8.6%) non-classified establishments; 2.6 thousand (8.5%) construction companies; and, 2.3 thousand (7.5%) finance, insurance and/or real estate businesses.

Unemployment Rates

In 2003, Onondaga County's average unemployment rate was 5.1%, which was well below the statewide average of 6.4%. In 2004, Onondaga County's average unemployment rate remained at 5.1%, while the statewide average unemployment rate decreased to 5.8%.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

The Banking Department assesses an Intermediate Small Bank's CRA performance under the Lending and Community Development tests. These two tests are established in Part 76.11 and 76.12 of the General Regulations of the Banking Board. The Lending Test is evaluated according to the following criteria: (1) Loan-to-Deposit Ratio, (2) Assessment Area Concentration, (3) Geographic Distribution of Loans, (4) Distribution of Loans by Borrower Characteristics and (5) Action Taken in Response to Written, CRA-related Complaints. The Community Development Test is evaluated according to the following criteria: (1) Community Development Loans, (2) Qualified Investments and (3) Community Development Services.

The evaluation period for this report covers calendar years 2003 and 2004. Aggregate loan data for 2003 was obtained from the Federal Financial Institutions Examination Council ("FFIEC") and PCi Corporation's CRA Wiz[®] software. The demographic data referenced in this evaluation were obtained from the 2000 U.S. Census. Updated median family income ("MFI") figures for 2003 and 2004 were obtained from the U.S. Department of Housing and Urban Development ("HUD").

Examiners considered both HMDA-reportable loans and small business loans in evaluating factors (2), (3) and (4) of the Lending Test.

I. Lending Test: "Satisfactory"

Solvay Bank's small business and HMDA-reportable lending activities are reasonable in light of the assessment area's credit needs.

Loan-to-Deposit Ratio ("LTD"): "Satisfactory"

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

As of December 31, 2004, Solvay's LTD ratio was 77.15%. However, the average LTD ratio for the eight consecutive calendar quarters ending December 31, 2004, was 74.68%. This LTD is below the peer group average ratio of 82.40%.¹

The following table shows quarterly comparative percentages of the average LTD ratios of Solvay Bank and the peer group during the evaluation period:

¹ These ratios were calculated from information shown in the bank's Uniform Bank Performance Report ("UBPR") as prepared by the FDIC. The bank's peer group includes all insured commercial banks having assets between \$300 million and \$1 billion. The UBPR peer group is a national peer group and includes banks that may be operating in very different economic environments.

Loan-to-Deposit Ratios									
	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	73.76	73.95	72.62	73.32	74.75	75.69	76.18	77.15	74.68
Peer	80.30	80.80	81.02	81.77	82.20	83.63	84.49	84.98	82.40

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

Solvay originated a substantial majority of its HMDA-reportable and small business loans within the assessment area. During the evaluation period, Solvay originated an average of 95.3% and 94.3% of its loans inside the assessment area, by number and dollar volume, respectively. Details are provided in the table below:

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Loans in Dollars				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$000	%	\$000	%	
HMDA-Reportable										
(2003)	484	95.1	25	4.9	509	33,411	93.1	2,485	6.9	35,896
(2004)	359	90.2	39	9.8	398	23,625	88.1	3,183	11.9	26,808
Subtotal	843	92.9	64	7.1	907	57,036	91.0	5,668	9.0	62,704
Small Business										
(2003)	630	98.3	11	1.7	641	54,700	97.7	1,270	2.3	55,970
(2004)	641	95.7	29	4.3	670	64,805	94.6	3,702	5.4	68,507
Subtotal	1,271	97.0	40	3.0	1,311	119,505	96.0	4,972	4.0	124,477
Total	2,114	95.3	104	4.7	2,218	176,541	94.3	10,640	5.7	187,181

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

The geographic distribution of HMDA-reportable and small business loans reflects a reasonable dispersion throughout the assessment area.

HMDA-Reportable Loans

In 2003, Solvay’s LMI penetration rates (7.2% by number and 4.0% by dollar volume) were slightly lower than the penetration rates achieved by the market aggregate. Consistent with 2004 market trends, the bank’s total loan originations decreased by 25.8% and its LMI penetration rates decreased correspondingly, which compared unfavorably with the aggregate’s performance.

The following chart provides details of the HMDA- reportable loans originated by the bank in its assessment area during the evaluation period:

Distribution of HMDA-Reportable Loans by Geography Income Level *								
2003								
Geography Income Level	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
Low	6	1.2	416	1.2	408	2.0	28,397	1.5
Moderate	29	6.0	929	2.8	1,254	6.1	71,484	3.7
Middle	227	46.9	13,148	39.4	8,368	40.8	661,748	34.3
Upper	222	45.9	18,918	56.6	10,487	51.1	1,170,434	60.5
Total	484	100.0	33,411	100.0	20,517	100.0	1,932,063	100.0
2004								
Geography Income Level	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
Low	1	0.3	45	0.2	394	2.7	39,713	2.9
Moderate	24	6.7	649	2.8	1,140	7.8	66,844	4.9
Middle	215	59.9	12,225	51.7	6,792	46.6	557,517	40.5
Upper	119	33.1	10,706	45.3	6,228	42.7	708,890	51.6
NA	0	0.0	0	0.0	23	0.2	1,996	0.1
Total	359	100.0	23,625	100.0	14,577	100.0	1,374,960	100.0

* Geography income level is based upon 1990 Census data on median family income figure for the MSA of the mortgaged property. Low income is defined as <50% of the MSA median, moderate income is 50% to <80%, middle income is 80% to <120%, and upper income is at least 120%.

Small Business Loans

During the evaluation period, Solvay's percentage of small business lending in LMI areas outperformed the aggregate based on both number and dollar volume of loans. In 2003, the bank originated 32.4% of its small business loans in LMI areas compared to 25.2% for the aggregate. In 2004, the bank continued to surpass the aggregate's LMI penetration rates based on number and dollar volume of originations.

The following chart shows the geographic distribution of Solvay's small business loans during the evaluation period:

Distribution of Small Business Loans by Geography Income Level								
2003								
Geography Income Level	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
Low	125	19.8	11,832	21.6	1,798	16.2	95,481	19.9
Moderate	79	12.6	6,569	12.0	995	9.0	43,298	9.0
Middle	302	47.9	26,359	48.2	4,878	44.1	228,775	47.8
Upper	124	19.7	9,940	18.2	3,403	30.7	111,469	23.3
Total	630	100.0	54,700	100.0	11,074	100.0	479,023	100.0
2004								
Geography Income Level	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
Low	127	19.8	14,806	22.8	1,926	16.7	96,888	19.3
Moderate	77	12.0	7,141	11.1	999	8.7	45,022	8.9
Middle	306	47.8	30,330	46.8	5,184	45.1	244,277	48.6
Upper	131	20.4	12,528	19.3	3,396	29.5	116,657	23.2
Total	641	100.0	64,805	100.0	11,505	100.0	502,844	100.0

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

The distribution of HMDA-reportable and small business loans by borrower characteristics reflects a reasonable dispersion among borrowers of different income levels and businesses of different revenue sizes.

HMDA-Reportable Loans

In 2003, the bank’s percentage of HMDA- reportable loans to LMI borrowers (22.3%) was comparable to the aggregate’s penetration rate (22.2%). While Solvay’s LMI penetration rate increased to 26.4% in 2004, it remained lower than the aggregate’s improved rate of 29.5%.

The following chart summarizes Solvay Bank’s distribution of HMDA-reportable loans to borrowers of different income levels:

Distribution of HMDA Reportable Loans by Borrower Characteristics*								
2003								
Borrower	Bank				Aggregate**			
Income Level	#	%	\$000	%	#	%	\$000	%
Low	28	5.8	728	2.2	1,051	5.1	50,625	2.6
Moderate	80	16.5	3,041	9.1	3,507	17.1	223,385	11.6
Middle	106	21.9	5,575	16.7	5,008	24.4	392,032	20.3
Upper	259	53.5	23,383	70.0	9,436	46.0	1,086,658	56.2
NA	11	2.3	684	2.0	1,515	7.4	179,363	9.3
Total	484	100.0	33,411	100.0	20,517	100.0	1,932,063	100.0
2004								
Geography	Bank				Aggregate**			
Income Level	#	%	\$000	%	#	%	\$000	%
Low	32	8.9	678	2.9	1,183	8.1	60,326	4.4
Moderate	63	17.5	2,041	8.6	3,121	21.4	209,426	15.2
Middle	83	23.1	4,325	18.3	3,971	27.2	323,180	23.5
Upper	157	43.7	15,324	64.9	5,493	37.7	659,643	48.0
NA	24	6.7	1,257	5.3	809	5.5	122,385	8.9
Total	359	100.0	23,625	100.0	14,577	100.0	1,374,960	100.0

* Borrower income level is based upon the Department of Housing and Urban Development’s annual estimate of median family income figure for the MSA of the mortgaged property. Low income is defined as <50% of the MSA median, moderate income is 50% to <80%, middle income is 80% to <120%, and upper income is at least 120%.

** The term “Aggregate” refers to loans originated in the bank’s assessment area by all HMDA reporting lenders.

Small Business Loans

The distribution of Solvay’s small business loans is consistent with the business demographics in the assessment area and superior to that of the market aggregate. In 2003, the bank extended 66.0% of its small business loans to businesses with revenues of \$1 million or less. During 2004, the bank’s penetration rate increased to 68.6%. In comparison, the aggregate’s penetration rates were 36.1% and 33.0% during 2003 and 2004, respectively.

The following chart shows the bank's small business lending distribution during the evaluation period based on borrower revenues:

Distribution of Small Business Loans by Business Revenue Size								
2003								
Revenue Size	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
\$1million or less	416	66.0	22,837	41.7	4,000	36.1	172,701	36.1
Over \$1 million	214	34.0	31,863	58.3	7,074	63.9	306,322	63.9
Total	630	100.0	54,700	100.0	11,074	100.0	479,023	100.0
2004								
Revenue Size	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
\$1million or less	440	68.6	31,650	48.8	3,819	33.0	158,584	31.4
Over \$1 million	201	31.4	33,155	51.2	7,764	67.0	346,969	68.6
Total	641	100.0	64,805	100.0	11,583	100.0	505,553	100.0

II. Community Development Test: "Satisfactory"

Solvay's community development performance demonstrates an adequate responsiveness to the community development needs of its assessment area.

Community Development Loans

During the evaluation period, Solvay Bank's community development loans and commitments totaled \$3.5 million, including \$1.7 million in new money. The loans and commitments were all granted to organizations engaged in creating or rehabilitating affordable housing, promoting economic development and/or providing community development services. Some of the community development loans made by the bank are described below:

- A \$1.2 million term loan was approved for the construction of a new body shop adjoining an existing operation in Syracuse. This loan supported the creation of jobs in LMI census tracts and benefited an area designated as an Economic Development Zone by New York State.
- A \$240 thousand construction mortgage was granted in 2004 to a registered non-profit organization that develops affordable housing and helps administer local community revitalization efforts.
- A \$2.3 million construction loan was granted to a real estate company. Solvay's share comes to \$768 thousand of the remaining balance. The loan promoted economic development in the assessment area.

-
- A \$146 thousand line of credit was granted to a non-profit organization that serves LMI individuals and aids developmentally disabled residents in the bank's assessment area. The majority of this organization's funding comes from Medicaid. The line of credit helps maintain the organization's operations when State funding is delayed.

Qualified Investments

Solvay made a total commitment of \$881 thousand in qualified investments to Community Preservation Corporation and the Village of Solvay. In addition, the bank made a total contribution of \$44 thousand to various organizations during the evaluation period.

Community Services

Solvay Bank provides a high level of community development services in its assessment area. Several officers and employees of the bank help local organizations in various ways, such as serving on the boards of these organizations. For example, a branch manager has participated in several bank-sponsored programs and is a board member for the Microcredit Corporation and Appleseed Trust and Rebuilding. The same individual also is a member of the Home Headquarters loan committee.

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

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

- **Discrimination and other Illegal Practices**

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

Examiners 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 institution's efforts to communicate with members of its community regarding the credit services being provided by the bank.

Solvay ascertains the credit needs of its local community mainly through routine involvement with various community organizations, committees, and non-profit organizations. More than 20 officers and employees of the bank hold board or executive positions at community organizations.

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 bank.

The bank advertises regularly in local newspapers and its employees participate in various community organizations and events.

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

The board of directors is directly involved in the community and is kept informed of the bank's CRA programs through quarterly updates from the bank's CRA Officer. The CRA Officer is responsible for administering the bank's technical CRA compliance and performance programs. The board performs its oversight function through a number of committees that regularly review different aspects of the bank's operations.

- **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 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
 - 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.