



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, 2005

Institution: Bank of Millbrook
3263 Franklin Avenue
Millbrook, NY 12545

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 Bank of Millbrook (“BOM”) prepared by the New York State Banking Department. The Banking Department’s current assessment and rating of the institution’s CRA performance is based on an evaluation conducted as of December 31, 2005.

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

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

- (1) outstanding record of meeting community credit needs;
- (2) satisfactory record of meeting community credit needs;
- (3) needs to improve record of meeting community credit needs; and
- (4) substantial noncompliance in meeting community credit needs.

Section 76.5 further requires that the CRA rating and the written summary be made available to the public (“Evaluation”). Evaluations of small banking institutions are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Section 76.12. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York State Banking Law.

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

OVERVIEW OF INSTITUTION'S PERFORMANCE

Bank of Millbrook 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:*** BOM's LTD ratio is reasonable considering its size, financial condition and the credit needs of its assessment area. BOM's average LTD ratio for the eight consecutive quarters ended December 31, 2005, was 63.0%, which was lower than the peer group's average of 83.2%.
- ***Assessment Area Concentration:*** BOM originated a substantial majority of its loans inside the assessment area. During the evaluation period, BOM extended 88.9% of its HMDA-reportable, small business and consumer loans within its assessment area.
- ***Geographic Distribution of Loans:*** The geographic distribution of BOM's HMDA-reportable and small business loans is excellent. Consumer loans reflect a reasonable dispersion among census tracts of different income levels.
- ***Distribution by Borrowers Characteristics:*** The distribution of BOM's loans based on borrower characteristics reflects reasonable penetration of HMDA-reportable loans and excellent penetration of consumer loans among individuals of different income levels. The distribution of BOM's small businesses loans among businesses of different sizes was reasonable.
- ***Complaints:*** Neither BOM nor the New York State Banking Department received any complaints with respect to BOM'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's Profile:

BOM is a commercial bank located in the town of Millbrook, in Dutchess County, New York. BOM was chartered by the New York State Banking Department in 1891.

BOM has two full service offices, including its main office in the town of Millbrook and a branch in Amenia. In addition to its regular banking hours, BOM provides extended hours of service including on Saturdays. Supplementing the banking offices is an automated teller machine ("ATM") network consisting of three machines, including two at the main office and one at the branch located in Amenia. In addition, BOM operates an off-site ATM that only dispenses cash.

BOM has not opened or closed any offices during the evaluation period.

The FDIC's latest available comparative deposit data, dated June 30, 2005, shows BOM obtained a market share of 4.1% or \$144.4 million out of \$3.5 billion inside its market, ranking it 9th among 17 deposit-taking institutions in Dutchess County.

BOM competes against larger institutions with more resources and more branches inside the assessment area. Combined, the three largest banks inside the assessment area had 38 branches, more than \$1.4 billion in deposits and a market share of 40.0%.

In 2004, BOM ranked 28th out of 204 HMDA-reporting lenders within its assessment area. This ranking reflects a market share of 0.87% based on number of loans. In 2005, BOM ranked 22nd out of 216 HMDA-reporting lenders in the assessment area, with a 1.35% market share based on number of loans.

According to BOM's December 31, 2005 Consolidated Report of Condition (the "Call Report") filed with the Federal Deposit Insurance Corporation ("FDIC"), BOM reported total assets of \$137.7 million, of which \$82.9 million were net loans and lease finance receivables. It also reported deposits of \$117.7 million, resulting in a LTD ratio of 70.5%.

The following table illustrates BOM's loan portfolio based on Schedule RC-C of BOM's 2003, 2004 and 2005 year-end Call Reports:

TOTAL GROSS LOANS OUTSTANDING						
LOAN TYPE	12/31/2003		12/31/2004		12/31/2005	
	\$*	%	\$*	%	\$*	%
1-4 Family Residential Mortgage Loans	36,060	51.5	40,243	51.6	47,801	56.0
Commercial & Industrial Loans	6,344	9.1	8,145	10.4	7,716	9.0
Commercial Mortgage Loans	15,180	21.7	17,486	22.4	19,812	23.2
Consumer Loans	10,807	15.4	8,670	11.1	7,654	9.0
Agricultural Loans	383	0.5	868	1.1	853	1.0
Construction Loans	991	1.4	2,260	2.9	1,312	1.5
Other Loans	201	0.3	271	0.3	277	0.3
Total Gross Loans	69,966	100.0	77,943	100.0	85,425	100.0

* In thousands.

BOM is primarily a 1-4 family residential mortgage lender. As of December 31, 2005, BOM had 56.0% of its loan portfolio in 1-4 family residential mortgage loans. Other significant categories include commercial mortgage loans (23.2%), commercial and industrial loans (9.0%) and consumer loans (9.0%).

The type of credit products offered by BOM includes the following:

- Residential mortgages on 1-4 family dwellings
- Home improvement loans
- Installment loans for personal and business needs
- Small business loans
- Commercial loans
- Commercial Mortgages
- Credit cards
- Home equity loans
- Overdraft line-of-credit protection

BOM does not currently participate in any government guaranteed or sponsored loan programs.

BOM received a rating of “2,” reflecting a satisfactory record of helping to meet community credit needs at its prior CRA Performance Evaluation conducted by the New York State Banking Department as of December 31, 2003.

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

Assessment Area:

BOM expanded its assessment area since the prior evaluation. The assessment area is now comprised of the northern and eastern portions of Dutchess County. The area contains 18 census tracts, two of which are moderate-income, 15 are middle-income and one is upper-income. There are no low-income tracts in the assessment area.

At the prior evaluation, BOM's assessment area contained 10 tracts.

Distribution of Assessment Area Census Tracts by Income Level							
Period	Zero	Low	Moderate	Middle	Upper	Total	LMI %
Current Evaluation	0	0	2	15	1	18	11.1
Prior Evaluation	0	0	1	8	1	10	10.0

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

Details of Assessment Area

Population: According to the 2000 U.S. Census Bureau, the assessment area had a population of 75.5 thousand. About 12.5% of the population was over the age of 65 and 22.0% was under the age of 16.

Families/Households: The assessment area contained 19.2 thousand families including 3.2 thousand (16.7%) low-income, 3.6 thousand (18.6%) moderate-income, 5.0 thousand (26.3%) middle-income and 7.4 thousand (38.4%) upper-income families. Of the 26.9 thousand households in the assessment area, 1.8 thousand (7.0%) lived below the poverty level. Of the 6.8 thousand LMI families living in the assessment area, 780 (11.5%) reside in moderate-income geographies.

Income: According to the 2000 Census, the median family income within the assessment area was \$62.7 thousand. The U.S. Department of Housing and Urban Development ("HUD") estimated median family income for the area was \$70.7 thousand in 2004 and \$71.7 thousand in 2005.

Housing: There were 29.8 thousand housing units within the assessment area, including 28.2 thousand (94.0%) one- to four-family units and 1.6 thousand (6.0%) multifamily units. A majority (67.0%) of the area's housing units were owner-occupied, while 25.0% were rental units. The median housing price in the assessment area was \$158.2 thousand. Within the assessment area, 7.4% of owner-occupied housing units were in moderate-income areas, 87.5% were in middle-income areas and 5.1% were located in upper-income areas.

Businesses: There were five thousand businesses in the assessment area. Of these 71.3% were businesses with reported revenues of less than or equal to \$1 million, 3.8% reported revenues of more than \$1 million and 24.9% did not report their revenues. Of all the businesses in the assessment area, 92.5% operated from a single location. The largest industries in the area were service providers (34.3%), followed by retail trade companies (16.6%) and construction firms (12.5%), while non-classified establishments accounted for 12.1% of the businesses in the assessment area.

Unemployment Rate: According to the U.S. Department of Labor, Bureau of Labor Statistics, Dutchess County's average unemployment rate was 4.2% in 2004 and 3.9% in 2005. In comparison, the average unemployment rate in New York State was 5.8% in 2004 and 5.0% in 2005.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

BOM's performance was evaluated according to the small bank performance criteria, which include the following: (1) Loan-to-Deposit Ratio and Other Lending-Related Activities; (2) Assessment Area Concentration; (3) Geographic Distribution of Loans; (4) Distribution by Borrower Characteristics; and (5) Action Taken in Response to Written Complaints Regarding CRA.

The evaluation period covers calendar years 2004 and 2005. Examiners used a statistical sample of BOM's HMDA-reportable, small business and consumer loans in evaluating factors (2), (3) and (4), as noted above. Of the three products, HMDA-reportable loans received the greatest emphasis, as this is BOM's primary product.

Aggregate data for HMDA-reportable loans was obtained from FFIEC and PCI Services, Inc.'s CRA Wiz[®], an external vendor. Since BOM is not required to report small business lending data, its small business loan activity is not part of aggregate data and comparisons to aggregate small business loan data will not be made in this evaluation report. Aggregate data is normally not available for consumer lending activity.

The demographic data referred to in this report was obtained from the 2000 U.S. Census, with the updated median family income figures provided by HUD.

- **LTD Ratio Analysis: "Satisfactory"**

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

BOM's average LTD ratio for the eight consecutive quarters ended December 31, 2005 was 63.0%, which is below the peer group's average of 83.2%.

BOM's LTD ratio exhibits an overall upward trend during the eight quarters of the evaluation period. However, during the first two quarters of 2005, BOM's LTD ratio declined by approximately five percentage points from the previous quarters' ratios to a low of 55.1% as of June 30, 2005. BOM's LTD ratio then increased to a high of 70.5% at year-end 2005. In comparison, the peer group's LTD ratio reflects marginal fluctuations, while showing an upward trend for the same period.

Please refer to the following table for additional information regarding BOM's LTD:

Loan-to-Deposit Ratios									
	3/31/04	6/30/04	9/30/04	12/31/04	3/31/05	6/30/05	9/30/05	12/31/05	Average
Bank	60.98	62.56	63.11	65.07	60.10	55.14	66.79	70.50	63.03
Peer	81.56	82.78	83.42	83.84	83.89	83.60	83.61	83.03	83.22

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

BOM originated a substantial majority of its loans inside its assessment area. During the evaluation period, based on the 235 loans in the sample, BOM extended 88.9% of its HMDA-reportable, small business and consumer loans inside the assessment area.

HMDA-Reportable Loans

In 2004, BOM originated 85.7% of its 35 HMDA-reportable loans within its assessment area. In 2005, the number of loans originated increased to 49 and 91.8% of these were extended within the assessment area.

Small Business Loans

During 2004, BOM originated all of its 20 small business loans within the assessment area. However, in 2005, the total number of loans increased to 32 and 26 were originated within the assessment area, causing the assessment area ratio to decline to 81.3%.

Consumer Loans

In 2004, BOM originated 91.1% of its 45 consumer loans within its assessment area. In 2005, the total number of loans increased to 54; however, the percentage of consumer loans originated within the assessment area declined to 87.0%.

The following table shows the distribution of BOM's HMDA-reportable, small business and consumer loans extended inside and outside of the assessment area during the evaluation period:

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Dollar Volume				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$*	%	\$*	%	
HMDA-Reportable										
2004	30	85.7	5	14.3	35	6,797	89.7	777	10.3	7,574
2005	45	91.8	4	8.2	49	9,561	89.1	1,166	10.9	10,727
Subtotal	75	89.3	9	10.7	84	16,358	89.4	1,943	10.6	18,301
Small Business										
2004	20	100.0	0	0.0	20	3,550	100.0	0	0.0	3,550
2005	26	81.3	6	18.8	32	4,139	69.0	1,860	31.0	5,999
Subtotal	46	88.5	6	11.5	52	7,689	80.5	1,860	19.5	9,549
Consumer										
2004	41	91.1	4	8.9	45	1,135	89.8	129	10.2	1,264
2005	47	87.0	7	13.0	54	1,137	86.0	185	14.0	1,322
Subtotal	88	88.9	11	11.1	99	2,272	87.9	314	12.1	2,586
Total	209	88.9	26	11.1	235	26,319	86.5	4,117	13.5	30,436

* In thousands

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

The geographic distribution of BOM’s HMDA-reportable and small business loans is excellent; consumer loans reflect reasonable dispersion among census tracts of different income levels.

HMDA-Reportable Loans

During the evaluation period, BOM extended 22.7% of its HMDA-reportable loans in moderate-income areas. BOM’s performance was substantially above the market aggregate which extended 7.2% of its HMDA-reportable loans in moderate-income areas.

In 2004, BOM originated 10.0% of its HMDA-reportable loans in moderate-income geographies. This percentage was above the market aggregate’s moderate-income penetration ratio of 6.4%. In addition, BOM’s lending in moderate-income areas was more than reasonable compared to the 7.4% owner-occupied housing units located in such areas.

In 2005, BOM originated 31.1% of its HMDA-reportable loans in moderate-income geographies. This percentage was substantially above the market aggregate’s moderate-income penetration ratio of 8.0%. Similar to 2004, BOM’s lending in moderate-income areas was exceptional compared to housing demographics.

The following table shows the geographic distribution of BOM’s HMDA-reportable loans extended within its assessment area:

Distribution of HMDA-Reportable Loans by Geography Income Level*								
Geography Income Level	Bank				Aggregate			
	#	%	\$**	%	#	%	\$**	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	3	10.0	505	7.4	220	6.4	36,902	5.3
Middle	27	90.0	6,292	92.6	3,044	88.3	616,860	89.3
Upper	0	0.0	0	0.0	180	5.2	36,905	5.3
N/A	0	0.0	0	0.0	2	0.1	330	0.1
Total	30	100.0	6,797	100.0	3,446	100.0	690,997	100.0
Geography Income Level	Bank				Aggregate			
	#	%	\$**	%	#	%	\$**	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	14	31.1	2,140	22.4	265	8.0	50,966	7.0
Middle	31	68.9	7,421	77.6	2,871	86.3	632,266	87.0
Upper	0	0.0	0	0.0	187	5.6	42,793	5.9
N/A	0	0.0	0	0.0	4	0.1	659	0.1
Total	45	100.0	9,561	100.0	3,327	100.0	726,684	100.0

* Geography income level is based upon 2000 census data on median family income figure for the MSA of the mortgaged property. Low-income is defined as <50% of the MSA median, moderate-income is 50% to <80% of the MSA median income, middle-income is 80% to <120% and upper-income is at least 120%.

** In thousands

Small Business Loans

During the evaluation period, BOM extended 13.0% of its small business loans in moderate-income areas.

In 2004, BOM extended 15.0% of its small business loans in moderate-income areas. This compared very well with the 8.6% of total businesses located in moderate-income areas. In 2005, BOM's moderate-income area penetration ratio declined to 11.5%. Nonetheless, this was an excellent performance in light of the assessment area's demographics.

The table below reflects the geographic distribution of the 46 small business loans extended by BOM within its assessment area during the evaluation period:

Distribution of Small Business Loans by Geography Income Level										
Geography Income Level	% Total Businesses	2004				% Total Businesses	2005			
		#	%	\$*	%		#	%	\$*	%
Low	0.0	0	0.0	0	0.0	0.0	0	0.0	0	0.0
Moderate	8.6	3	15.0	258	7.3	8.3	3	11.5	269	6.5
Middle	86.2	17	85.0	3,292	92.7	86.1	22	84.6	3,770	91.1
Upper	5.2	0	0.0	0	0.0	5.6	1	3.8	100	2.4
Total	100.0	20	100.0	3,550	100.0	100.0	26	100.0	4,139	100.0

*In thousands

Consumer Loans

During the evaluation period, BOM extended 4.5% of its consumer loans in moderate-income areas.

In 2004, BOM extended all of its consumer loans in middle-income areas. This performance is less than reasonable as 8.0% of households in the assessment area reside in moderate-income areas, and opportunities to originate consumer loans existed in these areas. In 2005, BOM's distribution of consumer loans in moderate-income areas improved to 8.5%. This level of lending compared reasonably to the demographics of the assessment area.

The following table depicts the distribution of the consumer loans extended by BOM within the assessment area during the evaluation period:

Distribution of Consumer Loans by Geography Income Level*									
Geography	%	2004				2005			
Income Level	Households	#	%	\$**	%	#	%	\$**	%
Low	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	8.0	0	0.0	0	0.0	4	8.5	47	4.1
Middle	87.7	41	100.0	1,135	100.0	42	89.4	1,073	94.4
Upper	4.3	0	0.0	0	0.0	1	2.1	17	1.5
Total	100.0	41	100.0	1,135	100.0	47	100.0	1,137	100.0

* Geography income level is based upon 2000 Census data on median family income figure for the MSA of the mortgaged property. Low-income is defined as <50% of the MSA median, moderate-income is 50% to <80% of the MSA median income, middle-income is 80% to <120%, and upper-income is at least 120%.

** In thousands.

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

The distribution of BOM’s loans based on borrower characteristics reflects reasonable penetration of HMDA-reportable loans and excellent penetration of consumer loans among individuals of different income levels. The distribution of BOM’s small businesses loans among businesses of different sizes was reasonable.

HMDA-Reportable Loans

During the evaluation period, BOM originated 26.7% of its HMDA-reportable loans to LMI borrowers. This ratio was six percentage points higher than the market aggregate’s 20.7%.

In 2004, BOM originated 30.0% of its HMDA-reportable loans to LMI borrowers. This percentage was higher than the market aggregate’s LMI penetration ratio of 21.4%. In addition, BOM’s lending to LMI borrowers was reasonable compared to the 35.3% of total LMI families living in the assessment area.

In 2005, BOM’s LMI-borrower penetration ratio declined to 24.4% for its HMDA-reportable loans. Notwithstanding this decline, BOM’s performance was still better than the market aggregate’s ratio of 20.0%. As in 2004, BOM’s level of lending to LMI borrowers was reasonable in light of the level of families that were LMI.

The following table depicts the borrowers’ characteristics of BOM’s HMDA-reportable loans originated in BOM’s assessment area during the evaluation period:

Distribution of HMDA-reportable Loans by Borrower Income Level*								
2004								
Borrower	Bank				Aggregate			
Income Level	#	%	\$**	%	#	%	\$**	%
Low	3	10.0	385	5.7	149	4.3	13,821	2.0
Moderate	6	20.0	490	7.2	588	17.1	79,389	11.5
Middle	4	13.3	553	8.1	1,085	31.5	182,685	26.4
Upper	11	36.7	3,385	49.8	1,437	41.7	377,153	54.6
N/A	6	20.0	1,984	29.2	187	5.4	37,949	5.5
Total	30	100.0	6,797	100.0	3,446	100.0	690,997	100.0
2005								
Borrower	Bank				Aggregate			
Income Level	#	%	\$	%	#	%	\$	%
Low	5	11.1	517	5.4	121	3.6	9,849	1.4
Moderate	6	13.3	922	9.6	546	16.4	77,301	10.6
Middle	11	24.4	2,030	21.2	981	29.5	176,248	24.3
Upper	21	46.7	5,593	58.5	1,522	45.7	411,459	56.6
N/A	2	4.4	499	5.2	157	4.7	51,827	7.1
Total	45	100.0	9,561	100.0	3,327	100.0	726,684	100.0

* Borrower income level is based upon HUD's annual estimate of median family income ("MFI") figures for the MSA of the mortgaged property. Low-income is defined as <50% of the MSA MFI, moderate-income is 50% to <80%, middle-income is 80% to <120%, and upper-income is at least 120%.

** In thousands

Small Business Loans

During the evaluation period, BOM extended 78.3% of its small business loans to small businesses operating within the assessment area.

In 2004, BOM extended 80.0% of its small business loans to small businesses. This ratio was reasonable when compared to the 73.1% of total businesses that were classified as small businesses. In 2005, BOM extended 76.9% of its small business loans to small businesses. This was also a good distribution and compared to area demographics.

The following table shows the distribution of BOM's small business loans, based on business revenue size:

Distribution of Small Business Loans by Business Revenue Size								
Revenue Size	2004				2005			
	#	%	\$*	%	#	%	\$*	%
\$1 million or less	16	80.0	1,963	55.3	20	76.9	2,389	57.7
Over \$1 million	3	15.0	1,127	31.7	6	23.1	1,750	42.3
No Revenue Info	1	5.0	460	13.0	0	0.0	0	0.0
Total	20	100.0	3,550	100.0	26	100.0	4,139	100.0

* In thousands

Consumer Loans

Overall, the distribution of BOM's consumer loans among borrowers of different income levels is excellent considering the demographics of the assessment area. BOM extended 47.7% of its consumer loans to LMI individuals residing within the assessment area during the evaluation period.

In 2004, BOM extended 31.7% of its consumer loans to low-income borrowers. This was well above the 20.7% of households classified as low-income. At 22.0%, BOM also had a good level of lending to moderate-income borrowers compared to the 17.7% of households that are moderate-income.

In 2005, BOM's origination of consumer loans to low-income borrowers declined to 14.9%. On the other hand, BOM's origination of consumer loans to moderate-income borrowers increased to 27.7%.

The table below shows the distribution of BOM's consumer loans based on borrower income level:

Distribution of Consumer Loans by Borrowers Income Level*									
Borrower	% Total Household	2004				2005			
Income Level		#	%	\$**	%	#	%	\$**	%
Low	20.7	13	31.7	138	12.2	7	14.9	51	4.5
Moderate	17.7	9	22.0	149	13.1	13	27.7	128	11.3
Middle	20.5	7	17.1	295	26.0	8	17.0	194	17.1
Upper	41.1	9	22.0	489	43.1	12	25.5	425	37.4
NA	0.0	3	7.3	64	5.6	7	14.9	339	29.8
Total	100.0	41	100.0	1,135	100.0	47	100.0	1,137	100.0

* Borrower income level is based upon HUD's annual estimate of median family income ("MFI") for the MSA. Low-income is defined as <50% of the MSA MFI, moderate-income is 50% to <80%, middle-income is 80% to <120% and upper-income is at least 120%.

** In thousands.

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

Since the latest CRA evaluation as of December 31, 2003, neither BOM nor the New York State Banking Department has received any written complaints regarding BOM'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 indicated satisfactory adherence to anti-discrimination and other applicable laws and regulations. No evidence of prohibited discriminatory or other illegal credit practices was noted.

- **Process Factors**

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

BOM ascertains the credit needs of its community through the involvement of its officers, directors and staff in community affairs and projects, and service organizations. This involvement facilitates communications between BOM and its community.

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

BOM advertises its product and credit services in the regular weekly newspapers of the surrounding areas.

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

In 2004, BOM's board of directors revised and approved the CRA statement.

- **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:

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

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

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

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- ❖ Developing secondary market vehicles or programs;
 - ❖ Assisting in marketing financial services, including the development of advertising and promotions, publications, workshops and conferences;
 - ❖ Furnishing financial services training for staff and management;
 - ❖ Contributing accounting/bookkeeping services; and
 - ❖ Assisting in fund raising, including soliciting or arranging investments.

Home Mortgage Disclosure Act (“HMDA”)

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

Loans to Small Businesses

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

Low or Moderate Income (“LMI”) Geographies

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