



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 Utica
222 Genesee Street
Utica, NY 13502

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 Utica (“BU”) 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, 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 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 are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Sections 76.8 – 76.13. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York State Banking Law.

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

OVERVIEW OF INSTITUTION'S PERFORMANCE

Overall Rating

Bank of Utica ("BU") is rated "2", indicating a satisfactory record of helping to meet community credit needs.

- **Lending Test**- "High Satisfactory"
 - Lending Activity: BU's lending activity reflects good responsiveness to its assessment area credit needs. During the evaluation period BU originated 385 small business loans totaling \$19.3 million. BU was ranked 10th in small business lending among 35 institutions with a market share of 3.6% based on number of loans and 5.9% by dollar volume. BU also extended 378 consumer loans totaling \$4.5 million.
 - Assessment Area Lending: BU originated a high percentage of small business and consumer loans in the assessment area.
 - Geographic Distribution of Loans: The geographic distribution of loans reflects excellent dispersion for small businesses and good dispersion for consumers among census tracts of different income levels.
 - In 2004, BU originated 46.6% by number and 59.6% by dollar volume of its small business loans in LMI geographies, which are well above the aggregate's 30.5% and 33.6%, respectively. In 2005, the small business loans increased to 53.6% by number and to 52.7% by dollar volume. The aggregate's penetration rates for 2005 were not available.
 - In 2004, 27.6% by number of its consumer loans were extended in LMI areas. This ratio did not compare favorably with the households located in LMI census tracts (32.0%). In 2005, only 29.2% of BU's loans were extended in LMI geographies despite 32% of the households being located in LMI census tracts. It should be noted, however, that 7,500 or 16% of households are living below the poverty level in the assessment area.
 - Distribution by Borrower Characteristics: The distribution of loans based on borrower characteristics reflects excellent penetration among businesses of different sizes and good penetration among individuals of different income levels and businesses of different sizes.
 - In 2004, BU extended 90.1% by number and 81.7% by dollar volume of its small business loans to businesses with gross annual revenues ("GARs") of \$1 million or less, which ratios were well above the market aggregate's 35.9% and 36.6%, respectively. In 2005, however BU's ratios declined to

88.4% by number and 74.5% by dollar volume for borrowers with GARs of \$1 million or less. The aggregate's penetration rates for 2005 were not available.

- In 2004 BU originated 44.5% of its consumer loans to LMI borrowers. This penetration rate exceeded the percentage (38.6%) of total LMI family distribution in the assessment area. In 2005, BU's ratios for LMI borrowers declined to 43.3% by number from the 2004 levels, but exceeded the percentage (38.6%) of total family distribution in the assessment area.
- Community Development Lending: BU is a leader in making community development loans. During the evaluation period BU's loans and commitments increased to \$10.3 million from \$9.0 million in the previous evaluation. New initiatives amounted to \$6.3 million or 61.2% of the total.

- **Investment Test-** "High Satisfactory"

BU has maintained a good level of qualified community development investments. As of the evaluation date, BU has a total of approximately \$2.0 million qualified investments including new investments and grants of \$567 thousand.

- **Service Test-** "High Satisfactory"

BU's delivery systems are accessible to the geographies and individuals of different income levels in its assessment area. BU operates a single full service office complemented by two non-deposit taking ATMs and provides telephone and internet banking 24 hours a day.

BU's board of directors and senior officers volunteer their time and financial expertise to provide an excellent level of community development services to many non-profit organizations.

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:

Chartered in 1927, BU is a commercial bank located in the City of Utica, Oneida County, New York. BU reported total assets of \$797.2 million, as of December 31, 2005. As of June 30, 2005 BU ranks second among 18 deposit-taking institutions in Oneida County with a market share of 20.9% (\$794.0 million out of \$3.8 billion.).

BU is primarily a commercial real estate lender. BU reported 76.3% of its loan portfolio in commercial loans while residential mortgages accounted for 12.2% and consumer loans accounted for 11.1%.

The following is a summary of BU's lending portfolio, based on Schedule RC-C of the BU's 2003, 2004 and 2005 year-end Call Reports:

GROSS LOANS OUTSTANDING						
LOAN TYPE	12/31/2003		12/31/2004		12/31/2005	
	\$000	%	\$000	%	\$000	%
Residential Mortgages	8,226	14.4	7,386	13.8	6,168	12.2
Commercial Mortgages	21,875	38.3	19,872	37.2	19,344	38.4
Commercial & Industrial	21,723	38.0	21,168	39.6	19,098	37.9
Consumer Loans	5,085	8.9	4,880	9.1	5,591	11.1
Other	232	0.4	118	0.2	204	0.4
Total Gross Loans	57,141	100.0	53,424	100.0	50,405	100.0

The decline in BU's lending portfolio reflects the changes within the communities in which it conducts business. Oneida County has experienced declining economic conditions coupled with an aging population with fewer credit needs. Additionally, the economic downturn in the area has caused young adults aged 20 to 34 to seek opportunities outside of BU's lending area.

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

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

Assessment Area:

BU's assessment area comprises a portion of Oneida County, which is within the Utica-Rome, New York Metropolitan Statistical Area ("MSA"). This area includes the City of Utica and towns of New Hartford, Clinton, Kirkland, Deerfield, Marcy, Whitestown, Whitesboro, New York Mills, Yorkville and Oriskany.

The assessment area consists of 42 census tracts, of which 9 tracts (21.4%) are low-income, 8 (19.1%) moderate-income, 14 (33.3%) middle income and 11 (26.2%) upper-income.

Details of Assessment Area:

Population and Income- According to the 2000 U.S. Census Bureau, the assessment area had a population of 124 thousand of which about 23 thousand (18.5%) were over 65 years of age and approximately 25 thousand (19.8%) were under the age of 16. There were almost 30 thousand families in the assessment area of which 21.8 % were low income, 16.8% were moderate-income, 21.2% were middle-income and 40.2% were upper income families. Out of the 11 thousand LMI families in the county, 46.2% lived in LMI tracts. There were 48 thousand households in the area of which 7,500 (16.0%) had incomes below the poverty level.

Housing Characteristics- There were 53 thousand housing units in the assessment area comprised of 46 thousand (87.0%) 1-4 family units and 7 thousand (13.0%) multifamily units. The owner-occupied units, or 55.4% of the total housing units included 7.1% in low-income tracts, (12.3%) moderate-income, (39.3%) middle-income and (41.3%) upper-income. There were 21 thousand (40.0%) rental occupied units and 5 thousand (10%) vacant units. The median housing value was \$68 thousand and the median age of the housing stock was 56 years.

The 2000 median family income for the country was approximately \$45 thousand and the median income for the MSA was about \$51 thousand in 2004 and 2005.

Business Demographics- In 2005 there were about 7,700 businesses located in the assessment area of which 62.6% had revenues of \$1 million or less, 6.5% had revenues of more than \$1 million and 30.9% did not report revenues. Businesses with less than 50 employees 78.3% in the area, and 83.8% operated from a single location.

The U.S. Department of Labor, Bureau of Labor Statistics annual unemployment rate for Oneida County was 5.2% for 2004 and 4.8% for 2005 compared to the state's annual rates of 5.8% and 5.0%, respectively.

The assessment area appears reasonable based upon the location of BU's only branch office and its lending patterns. There is no evidence that BU has arbitrarily excluded LMI census tracts from its assessment area.

PERFORMANCE TESTS AND ASSESSMENT FACTORS

The Banking Department assesses a large bank's CRA performance by evaluating its lending, investment and service activities using the lending, investment and service tests provided for in Parts 76.8, 76.9 and 76.10 of the General Regulations of the Banking Board.

This performance evaluation incorporates a review of BU's activities during 2004 and 2005.

Statistical data utilized in this evaluation were derived from various sources. In addition to loan information submitted by the bank, aggregate data for small business loans were obtained from the Federal Financial Institutions Examination Council ("FFIEC") and PCI Services, Inc. CRA Wiz© software. Lending comparisons were based on 2004 aggregate data. Aggregate data for 2005 were not available. The demographic data were obtained from the 2000 U.S. Census along with the updated HUD estimated median family income figures.

To evaluate BU's performance, the examiner reviewed BU's small business loans and consumer loans information submitted by BU.

I. Lending Test: "High Satisfactory"

The bank's lending performance is evaluated pursuant to the following criteria: (1) Lending Activity, (2) Assessment Area Lending, (3) Geographic Distribution, (4) Borrower Characteristics, (5) Community Development Lending, and (6) Flexible Lending Practices.

During this evaluation period, BU's small business and consumer lending were considered.

More emphasis was placed on small business lending because it is BU's primary product. HMDA-reportable loans were not considered because there had been a substantial drop from the previous year and they represent a minimal portion of BU's loan originations for 2004 and 2005.

Lending Activity: "High Satisfactory"

Lending levels reflect good responsiveness to assessment area credit needs.

Small Business Lending

In 2004, BU originated 161 small business loans totaling \$7.4 million and BU is ranked 10th among 35 institutions in the assessment area with a market share of 3.6% by number of loans and 5.9% by dollar volume.

In 2005, BU originated 224 small business loans, which is 39.1% more than it originated in 2004.

Consumer Lending

In 2004, BU originated 207 consumer loans totaling \$2.5 million, and in 2005 17.4% fewer consumer loans were extended in the assessment area.

- **Assessment Area Lending:** “High Satisfactory”

BU originated a high percentage of its loans within the assessment area. The following table shows the distribution of BU’s small business and consumer loans inside and outside the assessment area:

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Loans in Dollars (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$000	%	\$000	%	
Small Business										
2004	161	84.3	30	15.7	191	7,372	82.7	1,546	17.3	8,918
2005	224	84.5	41	15.5	265	11,903	79.7	3,026	20.3	14,929
Subtotal	385	84.4	71	15.6	456	19,275	80.8	4,572	19.2	23,847
Consumers										
2004	207	73.4	75	26.6	282	2,495	71.7	984	28.3	3,479
2005	171	73.7	61	26.3	232	1,991	59.8	1,341	40.2	3,332
Subtotal	378	73.5	136	26.5	514	4,486	65.9	2,325	34.1	6,811
Total	763	78.7	207	21.3	970	23,761	77.5	6,897	22.5	30,658

Small Business Loans

In 2005, lending in the assessment area increased by approximately 39%. BU originated 224 small business loans compared to 161 loans in 2004. BU originated 84.5% by number and 79.7% by dollar volume of its small business loans inside the assessment area. The 2005 ratio by number is slightly higher than the 84.3%, but lower than the 82.7% by dollar volume attained in 2004.

Consumer Loans

BU originated approximately 17.4% fewer of its consumer loans in 2005 than it did in 2004 in the assessment area, however, the consumer loans increased to 73.7% from 73.4% by number, but decreased to 59.8% from 71.7% by dollar volume.

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

The geographic distribution of loans reflects excellent dispersion among census tracts of different income levels.

Small Business Loans

BU’s geographic distribution of small business loans reflects excellent dispersion among census tracts of different income levels.

In 2004, BU originated 75 small business loans (46.6%) totaling \$4.4 million (59.6%) in LMI geographies which are well above the aggregate’s 30.5% by number and 33.6% by dollar volume, respectively. In 2005 the small business loans increased to 53.6% by number and to 52.7% by dollar volume.

The following chart provides a summary of BU’s small business lending distribution during the evaluation period:

Distribution of Small Business Loans by Geographic Income Level								
Geography Income Level	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
Low	55	34.2	3,383	45.9	494	19.0	21,325	25.3
Moderate	20	12.4	1,009	13.7	299	11.5	6,967	8.3
Middle	37	23.0	1,502	20.4	913	35.2	30,686	36.4
Upper	49	30.4	1,478	20.0	889	34.3	25,281	30.0
Total	161	100.0	7,372	100.0	2,595	100.0	84,259	100.0
Geography Income Level	Bank				Aggregate			
	#	%	\$000	%				
Low	94	42.0	4,797	40.3				
Moderate	26	11.6	1,473	12.4				
Middle	55	24.6	1,972	16.6				
Upper	49	21.9	3,661	30.8				
Total	224	100.0	11,903	100.0				

Consumer Loans

BU’s geographic distribution of consumer loans reflects good dispersion among census tracts of different income levels.

The following chart provides a summary of BU’s consumer lending distribution during the evaluation period:

Distribution of Consumer Loans by Geographic Income Level						
2004						
Geography	Bank				Distribution of Households	
Income Level	#	%	\$000	%	#	%
Low	20	9.7	322	12.9	7,751	16.1
Moderate	37	17.9	342	13.7	7,671	15.9
Middle	89	43.0	752	30.1	17,629	36.6
Upper	61	29.5	1,079	43.2	15,081	31.3
Total	207	100.0	2,495	100.0	48,132	100.0
2005						
Geography	Bank				Distribution of Households	
Income Level	#	%	\$000	%	#	%
Low	19	11.1	115	5.8	7,751	16.1
Moderate	31	18.1	196	9.8	7,671	15.9
Middle	70	40.9	782	39.3	17,629	36.6
Upper	51	29.8	898	45.1	15,081	31.3
Total	171	100.0	1,991	100.0	48,132	100

In 2004, BU extended 207 consumer loans totaling \$2.5 million in the assessment area. Only Fifty-seven loans (27.6%) totaling \$664 thousand were extended in LMI areas, which did not compare favorably with the amount of households located in LMI census tracts (32.0%). However, it should be noted that 7,500 or 16% of the households were living below the poverty level in the area.

In 2005, BU extended 17.4% fewer consumer loans in the assessment are. The 50 loans (29.2%) totaling \$311 thousand that were extended in LMI geographies did not compare favorably with the number of households located in LMI census tracts (32.0%).

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

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

Small Business Loans

BU’s small business lending distribution based on borrower characteristics reflects excellent penetration among businesses of different sizes.

The following chart provides a summary of BU’s small business lending distribution based on borrower revenues during the evaluation period:

Distribution of Small Business Loans by Business Revenue Size								
Revenue Size	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
\$1million or less	145	90.1	6,022	81.7	931	35.9	30,837	36.6
Over \$1 million	16	9.9	1,350	18.3				
No Revenue Info	0	0.0	0	0.0				
Total	161	100.0	7,372	100.0	2,595	35.9	84,259	36.6
Revenue Size	Bank							
	#	%	\$000	%				
\$1million or less	198	88.4	8,862	74.5				
Over \$1 million	26	11.6	3,041	25.5				
No Revenue Info	0	0.0	0	0.0				
Total	224	100.0	11,903	100.0				

In 2004, BU extended 145 loans (90.1%) amounting to \$6.0 million (81.7%) to small businesses with gross annual revenues (“GARs”) of \$1 million or less as compared to the market aggregate’s 35.9% by number and 36.6% by dollar value, respectively. In 2005, BU’s ratios declined to 88.4% by number and 74.5% by dollar volume for borrowers with GARs of \$1 million or less. These ratios still reflect excellent performance.

Consumer Loans

BU’s consumer lending distribution based on borrower characteristics reflects good penetration among individuals of different income levels.

The following chart provides a summary of BU’s consumer lending distribution based on borrower income level during the evaluation period:

Distribution of Consumer Loans by Borrower Income Level*						
Borrower Income Level	Bank				Distribution of Total Families	
	#	%	\$000	%	#	\$000
Low	66	31.9	350	14.0	6,516	21.8
Moderate	26	12.6	247	9.9	5,028	16.8
Middle	21	10.1	167	6.7	6,350	21.2
Upper	94	45.4	1,731	69.4	12,042	40.2
N/A	0	0.0	0	0.0	0	0.0
Total	207	100.0	2,495	100.0	29,936	100.0
Borrower Income Level	Bank				Distribution of Total Families	
	#	%	\$000	%	#	%
Low	47	27.5	220	11.0	6,516	21.8
Moderate	27	15.8	202	10.1	5,028	16.8
Middle	22	12.9	150	7.5	6,350	21.2
Upper	75	43.9	1,419	71.3	12,042	40.2
N/A	0	0.0	0	0.0	0	0.0
Total	171	100.0	1,991	100.0	29,936	100.0

In 2004, BU originated 207 consumer loans of which 92 (44.5%) were extended to LMI borrowers. This penetration rate exceeded the percentage (38.6%) of total LMI family distribution in the assessment area.

In 2005, BU originated 171 consumer loans. BU's ratios for LMI borrowers declined to 43.3% by number from the 2004 levels, but exceeded the percentage (38.6%) of total family distribution in the assessment area.

Community Development Lending “Outstanding”

BU is a leader in making community development loans.

During the evaluation period, community development loans increased to \$10.3 million from \$9.0 million at the prior evaluation. New initiatives amounted to \$6.3 million, or 61.2%, of the total.

The table below summarizes BU's community development lending activities during the evaluation period:

Loans Originated During the Current Evaluation Period				
Loan Type	Community Development Purpose			Original Commitment
	Economic Developmet	Affordable Housing	Revitalization/Stabilization	
Revolving	200			200
Revolving		50		50
Revolving			6,000	6,000
Subtotal	200	50	6,000	6,250
Loans Outstanding from the Prior Evaluation Period				
Loan Type	Community Development Purpose			Balance as of 12/31/05
	Economic Developmet	Affordable Housing	Revitalization/Stabilization	
Term		25		1
Term			1,000	401
Mortgage			4,000	3,648
Term	20			20
Subtotal	20	25	5,000	4,070
Total				10,320

Innovative/Flexible Lending

BU participates in New York State's Linked Deposit Program (“NYSLDP”); however, it did not originate any loans under this program during the evaluation period. BU uses this program whenever applicable; BU prefers to serve the needs of the community more efficiently through direct lending.

II. Investment Test: “High Satisfactory”

The bank’s investment performance is evaluated pursuant to the following criteria: 1) the dollar amount of qualified investments; 2) the innovativeness or complexity of qualified investments; 3) the responsiveness of qualified investments to credit and community development needs; 4) the degree to which the qualified investments are not routinely provided by private investors.

Although, BU has limited investment opportunities in its assessment area because of economic and demographic constraints, BU secures investments that will benefit the community it serves. BU has maintained a good level of qualified community development investments. As of the evaluation date, BU has qualified investments of approximately \$2 million, which is at the same level as the previous evaluation. New investments and grants totaled \$567 thousand. These investments consisted of two City of Utica bonds and contributions and grants to such organizations as Neighborworks Homeownership Center, United Way and Oneida County Habitat for Humanity.

The table below summarizes BU’s investments and grants for this evaluation period:

Qualified Investments and Grants (Dollar Amount in Thousands)						
Investments and Grants Originated During the Current Evaluation Period						
Name	Investment	Community Development Purpose				Total Original Commitment
	Type	Affordable Housing	Economic Development	Community Service	Revitalization /Stabilization	
City of Utica	Bonds				453	453
Grants		29	5	70	10	114
Subtotal- Current Period						567
Investments Outstanding from the Prior Evaluation Period						
Name	Investment	Community Development Purpose				Balance as of
	Type					12/31/2005
FHLMC	Bonds	4,164				200
FHLMC	Bonds	1,544				1,152
SZCC			200			200
Subtotal- Prior Period						1,552

III. Service Test: “High Satisfactory”

The Service Test evaluates the bank’s record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of a banking institution’s retail delivery systems and the extent and innovativeness of its community development services.

Retail Banking Services: “High Satisfactory”

Accessibility of Delivery Systems

BU provides services from a single location in a low income area that is accessible to all individuals and geographies within its assessment area. BU provides a walk-in and drive-up facilities including an ATM on premises. Another ATM is located in the lobby of nearby Hotel Utica.

Changes in Branch Locations:

Since the previous examination, BU has not closed or opened any offices.

Reasonableness of Business Hours and Services:

BU’s business hours are from 9:00AM to 5:00PM Monday through Friday. The drive-in teller service is open until 5:30PM on Fridays.

BU offers various banking services including the following that benefit the needs in its assessment area:

- 24 hour telephone and internet banking services- The telephone service allows customers to conduct banking transactions such as obtaining account balances, information on deposits and checks, and transferring of funds between accounts. BU’s internet banking allows customers to access their accounts on line to check balances, view account history, make transfers, obtain copies of checks and statements, etc. Both of these services are available free of charge.
- State of New York Electronics Benefits Transfer Program (“EBT”) - It allows low-income families with dependent children electronic access to food stamps and cash benefits by means of a state issued debit card that is accepted at the bank owned ATMs without surcharges.
- Free Personal Checking- This account is offered as an alternative to the Part 9 of the General Regulations of the Banking Board’s Basic Banking Account but with more favorable terms. It requires a minimum opening deposit of \$25, has no monthly service charge, no minimum balance and no limit on the number of checks that can be written per month. In addition, customers receive their first 50 checks for free and are not charged a fee to have their cancelled checks returned with their monthly statements.
- Visa Check/ATM Card-This is a debit card offered to all checking account customers free of charge that allows these customer to make purchases anywhere. VISA cards are accepted and have unlimited access to ATMs.

- Bank by Mail-Allows customers to bank by mail at no charge by providing them with postage paid envelopes and mailer.
- Other services: Utility bill payments and Credit Card Cash Advances.

Community Development Services: “Outstanding”

BU is a leader in providing community development services.

Bank management provides technical assistance regarding financial services to a variety of community development organizations that promote economic development or provide community services in LMI areas. Some of the organizations that have benefited from the bank’s activities include:

- Mohawk Valley Chamber of Commerce, Inc. (“MVCC”)-BU’s chairman is also a member of MVCC’s board of directors.
- Central Association of the Blind and Visually Impaired (“CABVI”)-This organization helps people who are blind or visually impaired achieve the highest feasible level of independence. BU’s president serves on CABVI’s board of directors.
- Emmaus House-This organization shelters women and children who are in crisis situations. Emmaus house provides food, clothing, and a variety of counseling services. One of BU’s directors serves on the board of this organization.

BU’s compliance officer is a board member of a social service organization serving the needs of LMI individuals and families.

The CRA officer serves on the loan decision committee of a local housing organization that supports home ownership in the community to LMI persons.

The internal auditor is on the funds allocation committee and is coordinator of the United Way of Greater Utica that funds member agencies serving LMI individuals and families in the community.

Representatives of BU also volunteer their time to provide financial technical assistance to various community development organizations in the assessment area including:

- Bank of Utica Foundation
- Utica Industrial Development Corporation
- Cosmopolitan Community Center
- Utica Rescue Mission
- Masonic Association of Utica
- Oneida County Habitat for Humanity

IV. Discrimination or Other Illegal Practices

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

There were no practices noted 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 concurrent regulatory compliance and fair lending examinations indicated satisfactory adherence to anti-discrimination and other applicable laws and regulations. No evidence of prohibited discriminatory or other illegal credit practices was noted.

V. 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.

BU's senior management and loan officers meet regularly with various political leaders, and business and civic leaders to discuss the credit needs of the community and identify ways BU can meet these needs. In addition, BU's officers and directors serve on the boards of various organizations where they provide technical assistance on financial issues. Examples of these organizations include Mohawk Valley Chamber of Commerce, Utica Rescue Mission, Emmaus House Women's Shelter and Hope House.

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

BU's advertising medium includes local newspapers, direct mailings and brochures. BU also publishes a monthly newsletter mailed with the depositor's monthly statements.

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

The CRA directors appoint a CRA management committee annually. The committee consists of the appointed CRA officer, two senior vice presidents, and BU's auditor. The CRA officer chairs the committee and submits an annual CRA report to the Board of Directors. The board also reviews and approves BU's CRA policy.

VI. 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.

BU demonstrates its willingness to promote economic development in the assessment area by maintaining loans extended to businesses in New York State Empire Zones. During the evaluation period, total loans extended to these businesses amounted to \$1.6 million.

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.

Demand-Adjusted Penetration Rate

The number of owner-occupied loans made by the institution (or aggregate as appropriate) in a geographic area per thousand owner-occupied housing units in that area. Mathematically, it is arrived at by dividing the number of owner-occupied housing units into the number of loans made and then multiplying by 1,000.

Demand-Adjusted Penetration Ratio

A ratio that depicts geographic penetration of loans by comparing demand-adjusted lending in LMI areas with non-LMI areas. Mathematically, it is arrived at by dividing the demand-adjusted penetration rate in non-LMI areas into the demand-adjusted penetration rate in LMI areas and then expressed as a percentage.

A ratio of 100% means that the institution (or aggregate as appropriate) made an equal number of loans proportionally in LMI and non-LMI areas. Less than 100 percent would indicate less lending in LMI areas on the same basis compared to non-LMI areas, whereas over 100 percent would indicate a greater level of lending in LMI areas versus non-LMI areas.

Home Mortgage Disclosure Act (“HMDA”)

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

Loans to Small Businesses

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

Low or Moderate Income (“LMI”) Geographies

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

income would be the statewide nonmetropolitan 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 nonmetropolitan 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 nonmetropolitan median family income. In all instances, the area median family incomes used to measure individual income levels are updated annually by HUD.

Small Business Loans

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