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: Hamptons State Bank
243 North Sea Road
Southampton, NY 11969

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 Hamptons State Bank ("Hamptons") 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 ("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

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

- ***Loan-to-Deposit ("LTD") Ratio and Other Lending-Related Activities:*** Hamptons' LTD ratio is considered marginally reasonable considering its size, financial condition and the credit needs of its assessment area.

- ***Assessment Area Concentration***: Hamptons extended a majority of its loans in the assessment area. During the evaluation period, Hampton extended 65.5% by number and 61.0% by dollar volume of its combined small business and consumer loans in the assessment area.

- ***Geographic Distribution of Loans***: Hamptons' geographic distribution of loans reflects a reasonable dispersion among census tracts of different income levels.

- ***Distribution by Borrowers Characteristics***: Hamptons' lending overall distribution in the assessment area reflects reasonable penetration among individuals of different income levels.

- Neither Hamptons nor the New York State Banking Department received any complaints with respect to its 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:

Chartered in 1998, Hamptons is a commercial bank headquartered in Southampton, New York. Hamptons operates a full service bank with a 24-hour Automated-Teller-Machine ("ATM") at its headquarters. It did not open or close any branch office since the prior evaluation.

As per the Federal Deposit Insurance Corporation's ("FDIC") Consolidated Report of Condition ("Call Report") as of December 31, 2005, Hamptons reported total assets of $54.9 million, of which $28.9 million were net loans and lease finance receivables. It also reported total deposits of $50.4 million, resulting in a loan-to-deposit ratio of 57.3%.

According to the deposit market share report dated June 30, 2005, Hamptons obtained a market share of 0.15%, or $50.7 million out of $33.0 billion inside its market, ranking it 23rd among 27 deposit-taking institutions in Suffolk County.

Hamptons competes against various large institutions with more resources and more branches inside the assessment areas. Its competitors include North Fork Bank, JP Morgan Chase, Astoria Federal and Savings Bank, Washington Mutual, Citibank and Bank of America.

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

TOTAL GROSS LOANS OUTSTANDING						
	12/31/2003		12/31/2004		12/31/2005	
LOAN TYPE	$*	%	$*	%	$*	%
1-4 Residential Mortgage Loans	7,860	34.9	6,952	24.4	7,243	24.8
Commercial & Industrial Loans	4,121	18.3	5,996	21.0	6,419	21.9
Commercial Mortgage Loans	8,793	39.0	13,831	48.5	14,534	49.7
Consumer Loans	1,758	7.8	1,286	4.5	612	2.1
Construction Loans	0	0.0	439	1.5	439	1.5
Total Gross Loans	22,532	100.0	28,504	100.0	29,247	100.0

In thousands.

As illustrated in the above chart, Hamptons is primarily a commercial mortgage lender, with 49.7% of its loan portfolio in commercial mortgage loans as of December 31, 2005, followed by 1-4 residential mortgage loans (24.9%) and commercial and industrial loans (21.9%).

Hamptons offers several types of credit products including secured and unsecured business loans, small business loans guaranteed by the Small Business Administration ("SBA"), commercial mortgages, letters of credit, construction loans, secured and unsecured loans to individuals, home equity loans and lines of credit, and residential mortgage loans.

Hamptons 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 adversely impacted Hamptons’ ability to meet the credit needs of its community.

Assessment Area:

Hamptons’ assessment area comprises a portion of Suffolk County encompassing the eastern sections of Southampton Township and the western sections of East Hampton Township, including the villages and hamlets of Southampton, Water Mill, North Sea, Sag Harbor, and Hampton Bays.

There are nine census tracts in the area consisting of one moderate-income and eight middle-income tracts. There are no low-income or upper-income census tracts in the assessment area.

The assessment area appears reasonable based upon the location of Hamptons’ office and its lending patterns. There is no evidence that LMI areas have been arbitrarily excluded.

Details of Assessment Area:

Population and Income: In 2000, the assessment area had a population of 38.2 thousand of which 6.9 thousand (18.0%) were over 65 years of age and 6.9 thousand (18.1%) were under the age of sixteen. There were 9.8 thousand families in the assessment area, of which 2.4 thousand (24.5 %) were low-income, 2.0 thousand (20.3%) moderate-income, 2.1 thousand (21.6%) middle-income and 3.3 thousand (33.6%) upper income families. Out of the total 4.4 thousand (44.8%) LMI families in the county, 0.5 thousand (10.4%) families lived in LMI tracts. There were 15.8 thousand households in the area, of which 1.2 thousand (7.0%) had incomes below poverty level.

Housing Characteristics: There were 31.5 thousand housing units in the assessment area consisting of 30.7 thousand (98.0%) 1-4 family units and 0.7 thousand (2.0%) multifamily units. Of the total housing units, 12.4 thousand (39.0%) were owner-occupied units. Of the total owner-occupied housing units, 0.9 thousand (7.6%) were in moderate-income tracts and 11.4 thousand units (92.4%) in middle-income tracts. There were no owner-occupied housing units located in low and upper-income tracts. There were 3.9 thousand (12.0%) rental occupied units and 15.7 thousand (50%) vacant and boarded-up units. The median housing value was $346.7 thousand and the median age was 33 years.

The 2000 median family income for the county was $67.4 thousand and the median income for the MSA was $87.4 thousand in 2004 and $88.9 thousand in 2005.

Business Demographics: In 2005, there were 7.0 thousand businesses located in the assessment area, of which 67.7% had revenues of $1 million or less, 4.5% had revenues of more than $1 million and 27.9% did not report revenues. Businesses with less than 50 employees totaled 5.5 thousand (77.0%) and 6.5 thousand (92.9%) operated from a single location.

In 2005, the major industries in Suffolk County consisted of 2,239 (32.0%) in services, 1,213 (17.3%) in retail trade, 1,139 (16.3) in non-classified establishments, and 841 (12.0%) in construction.

Unemployment Rates:

The U.S. Department of Labor, Bureau of Labor Statistics reported an average unemployment rate for Suffolk County of 4.6% for 2004 and 4.2% for 2005, which were lower than New York State's average unemployment rates of 5.8% and 5.0%, respectively.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

Hamptons' 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 assessment period included calendar years 2004 and 2005. Examiners considered small business and consumer lending in evaluating factors (2), (3) and (4), as noted above. The loan products considered received equal weight.

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

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

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

The average LTD ratio of Hamptons for the eight quarters ending December 31, 2005 was 55.89%, which is below the peer group's average of 76.73%. The peer group includes all insured commercial banks having assets between $50 million and $100 million in a metropolitan area with two or fewer full service offices. These ratios were calculated from information shown in the Uniform Bank Performance Report ("UBPR") prepared by the Federal Deposit Insurance Corporation ("FDIC"). Hamptons is a fairly new and growing bank that has been elevated to its new peer group since the previous evaluation. With total assets of $54.9 million, Hamptons is at low end of its peer group. During the evaluation period, Hamptons experienced a moderate growth in its total deposits and according to management, has made an effort to increase its lending activity.

As shown in the table below, Hamptons' LTD ratios have fluctuated moderately and consistently below the peer's during the evaluation period.

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 LTD
Bank	55.83	54.87	56.74	59.97	56.02	57.11	49.23	57.34	55.89
Peer	59.14	77.75	79.15	79.46	79.82	79.86	79.59	79.08	76.73

It should be noted that Hamptons had outstanding unused commitments and commercial standby letters of credit of approximately $7.5 million in 2004 and $8.8 million in 2005 that were not included in the calculation of the LTD ratio.

- **<u>Assessment Area Concentration</u>: "Satisfactory"**

Hamptons originated a majority of its loans within the assessment area. There were 110 loans originated during the evaluation period of which 65.5 % by number and 61.0% by dollar volume were made within 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**
	#	**%**	**#**	**%**		**$**	**%**	**$**	**%**	
Small Business										
2004	16	64.0	9	36.0	25	2,508	40.5	3,692	59.5	6,200
2005	20	76.9	6	23.1	26	3,800	81.0	893	19.0	4,693
Subtotal	**36**	**70.6**	**15**	**29.4**	**51**	**6,308**	**57.9**	**4,585**	**42.1**	**10,893**
Consumer										
2004	13	54.2	11	45.8	24	1,863	80.5	451	19.5	2,314
2005	23	65.7	12	34.3	35	1,887	57.7	1,382	42.3	3,269
Subtotal	**36**	**61.0**	**23**	**39.0**	**59**	**3,750**	**67.2**	**1,833**	**32.8**	**5,583**
Total	**72**	**65.5**	**38**	**34.5**	**110**	**10,058**	**61.0**	**6,418**	**39.0**	**16,476**

<u>Small Business Loans</u>

During the evaluation period, of the total small business loans originated by Hamptons, 70.6% were made inside the assessment area.

<u>Consumer Loans</u>

In 2005, the concentration of consumer loans originated inside the assessment area increased to 65.7% from 54.2% in 2004. However, in terms of dollar amount, concentration decreased to 57.7% from 80.5% in 2004.

<u>Geographic Distribution of Loans</u>: "Satisfactory"

Hamptons' geographic distribution of loans reflects a reasonable dispersion among census tracts of different income levels. As mentioned in the foregoing, there are no low-income and upper income census tracts in the assessment area.

<u>Small Business Loans</u>

The geographic distribution of Hamptons' small business loans reflects a reasonable dispersion among census tracts of different income levels.

The following chart provides a summary of Hamptons' small business lending distribution during the evaluation period:

Distribution of Small Business Loans by Geographic Income Level*						
Geography	**Bank**				**Distribution of Total Business**	
Income Level	#	%	$000	%	#	%
Low	0	0.0	0	0.0	0	0.0
Moderate	1	6.2	500	19.9	284	4.1
Middle	15	93.8	2,008	80.1	6,573	95.9
Upper	0	0.0	0	0.0	0	0.0
Total	16	100.0	2,508	100.0	6,857	100.0
	2005					
Geography	**Bank**				**Distribution of Total Business**	
Income Level	#	%	$000	%	#	%
Low	0	0.0	0	0.0	0	0.0
Moderate	1	5.0	130	3.4	256	3.7
Middle	19	95.0	3,670	96.6	6,751	96.3
Upper	0	0.0	0	0.0	0	0.0
Total	20	100.0	3,800	100.0	7,007	100.0

* Geography income level is based upon 2000 Census data on median family income figure for the MSA. 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 2004, of the 16 small business loans originated in the assessment area, one loan (6.2%) was extended in moderate-income area. This performance compares favorably with the 4.1% of the number of businesses in moderate-income areas. Hamptons' small business loans extended in middle-income areas was consistent with the demographics of the assessment area.

In 2005, while Hamptons extended the same number of small business loans in moderate-income areas, its penetration rate decreased to 5.0% because there were more small business loans originated within the assessment area as compared to 2004.

Consumer Loans

Hamptons' geographic distribution of consumer loans reflects a reasonable dispersion among census tracts of different income levels.

The following chart provides a summary of Hamptons' consumer lending distribution during the evaluation period:

Distribution of Consumer Loans by Geographic Income Level*						
Geography	**Bank**				**Distribution of Household**	
Income Level	#	%	$000	%	#	%
Low	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	1,310	8.3
Middle	13	100.0	1,863	100.0	14,446	91.7
Upper	0	0.0	0	0.0	0	0.0
Total	13	100.0	1,863	100.0	15,756	100.0
	2005					
Geography	**Bank**				**Distribution of Household**	
Income Level	#	%	$000	%	#	%
Low	0	0.0	0	0.0	0	0.0
Moderate	1	4.3	550	29.1	1,310	8.3
Middle	22	95.7	1,337	70.9	14,446	91.7
Upper	0	0.0	0	0.0	0	0.0
Total	23	100.0	1,887	100.0	15,756	100.0

* Geography income level is based upon 2000 Census data on median family income figure for the MSA. 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 2004, Hamptons did not extend any consumer loans in low and moderate-income geographies. In 2005, while Hamptons' penetration rate in moderate-income areas improved to 4.3%, it was below the percentage of household located in moderate-income areas. Hamptons' distribution of consumer loans in middle-income areas exceeded the demographics in both years.

- **<u>Distribution by Borrower Characteristics</u>: "Satisfactory"**

The overall distribution of loans based on borrower characteristics reflects a reasonable penetration among businesses of different sizes and reasonable among individuals of different income levels.

<u>Small Business Loans</u>

Hamptons' small business lending distribution based on borrower characteristics reflects an excellent penetration among businesses of different sizes.

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

Distribution of Small Business Loans by Business Revenue Size						
Revenue	**Bank**				**Distribution of Total Business**	
Size	#	%	$000	%	#	%
$1 million or less	13	81.2	1,928	76.9	4,685	68.3
Over $1 million	3	18.8	580	23.1	321	4.7
Not reported	0	0.0	0	0.0	1,851	27.0
Total	16	100.0	2,508	100.0	6,857	100.0
Revenue	**Bank**				**Distribution of Total Business**	
Size	#	%	$000	%	#	%
$1 million or less	14	70.0	2,635	69.3	4,743	67.7
Over $1 million	6	30.0	1,165	30.7	312	4.5
Not reported	0	0.0	0	0.0	1,952	27.9
Total	20	100.0	3,800	100.0	7,007	100.0

In 2004, Hamptons extended 81.2% of its small business loans to borrowers with gross annual revenues ("GARs") of $1million or less. This is well above the 68.3% of businesses with the same revenue size in the assessment area. In 2005, Hamptons' small business loans to borrowers with GARs of $1 million or less increased to 14 loans and remained above the 67.7% of businesses of the same revenue size in the assessment area.

Consumer Loans

Hamptons' consumer loans based on borrower characteristics reflect a reasonable penetration among individuals of different income levels.

The following chart provides a summary of Hamptons' consumer lending distribution based on borrower income:

Distribution of Consumer Loans by Borrower Income Level*						
Borrower	Bank				Distribution of Total Families	
Income Level	#	%	$000	%	#	%
Low	2	15.4	11	0.6	2,393	24.5
Moderate	4	30.8	50	2.7	1,981	20.3
Middle	5	38.5	627	33.7	2,108	21.6
Upper	2	15.4	1,175	63.1	3,278	33.6
N/A	0	0.0	0	0.0	0	0.0
Total	13	100.0	1,863	100.0	9,760	100.0
Borrower	Bank				Distribution of Total Families	
Income Level	#	%	$000	%	#	%
Low	2	8.7	41	2.2	2,393	24.5
Moderate	10	43.5	288	15.3	1,981	20.3
Middle	6	26.1	533	28.2	2,108	21.6
Upper	5	21.7	1,025	54.3	3,278	33.6
N/A	0	0.0	0	0.0	0	0.0
Total	23	100.0	1,887	100.0	9,760	100.0

* Borrower income level is based upon the Department of Housing and Urban Development's annual estimate of median family income ("MFI") figure for the MS. 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%.

During the evaluation period, Hamptons' LMI penetration rates exceeded the percentage of LMI families within the assessment area. Hamptons extended 46.2% and 52.2% of its consumer loans to moderate-income borrowers in 2004 and 2005, respectively. These ratios were well above the demographics of the assessment area. However, Hamptons'consumer loan originations to low-income borrowers were lower than the percentage of low-income families within the assessment area at 15.4% and 8.7%, in 2004 and 2005 respectively.

- **<u>Action Taken In Response to Written Complaints With Respect to CRA</u>**

Since the previous CRA evaluation as of December 31, 2003, neither Hamptons nor the New York State Banking Department has received any written complaints regarding the bank's CRA performance.

- **<u>Services</u>**

Hamptons offers free checking accounts and a savings account that requires a nominal deposit of $10 to encourage small savers.

- **<u>Discrimination and other Illegal Practices</u>**

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

There were no practices intended to discourage applications for the types of credit set forth in the banking institution's CRA Public File noted during the evaluation.

Evidence of prohibited discriminatory or other illegal credit practices

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

- **<u>Process Factors</u>**

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.

Hamptons ascertains the credit needs of its community through consultation with businesses, charitable organizations, consumer interest groups and local government, and field visits as well as customer surveys.

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.

Hamptons' marketing and advertising medium include local newspapers and journals published by charities, local radio, and informational brochures. It also has an informational and transactional website.

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.

Hamptons' directors review and discuss the CRA policies and performances at least once a year and more frequently as circumstances require.

- **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.

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.

<u>Home Mortgage Disclosure Act ("HMDA")</u>

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.

<u>Loans to Small Businesses</u>

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

<u>Low or Moderate Income ("LMI") Geographies</u>

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.

<u>LMI Borrowers</u>

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").

<u>LMI Individuals/Persons</u>

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.