



**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: North Country Savings Bank  
127 Main Street  
Canton, NY 13617**

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

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## GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act ("CRA") performance of The North Country Savings Bank ("NCSB") 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

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

- ***Loan-to-Deposit ("LTD") Ratio and Other Lending-Related Activities:*** "Outstanding"

NCSB's LTD ratio was more than reasonable in light of its size, financial condition and the assessment area's credit needs.

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

NCSB originated a substantial majority of its HMDA-type loans inside its assessment area. During the evaluation period, NCSB originated 97.9% by number and 98% by dollar volume of the total loans inside its assessment area.

- ***Geographic Distribution of Loans:*** "Satisfactory"

NCSB's geographic distribution of HMDA-type loans reflected a marginally reasonable dispersion of loans to census tracts of various income levels throughout its assessment area. Of the total HMDA-type loans originated inside the assessment area, 2.6% were made in LMI areas in 2003. This LMI penetration rate decreased to 1.9% and 1.7%, respectively in 2004 and 2005.

- ***Distribution by Borrowers Characteristics:*** "Satisfactory"

NCSB's lending distribution of HMDA-type loans in its assessment area reflected a reasonable penetration among borrowers of different income levels. Of the total HMDA-type loans originated inside the assessment area, 513 or 27.7% were extended to LMI borrowers during the evaluation period.

- ***Complaints related to CRA:*** Neither NCSB nor the New York State Banking Department has received any CRA-related complaint 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 1909, NCSB is a mutual savings bank headquartered in the town of Canton, St. Lawrence County, New York. NCSB's competitors include commercial banks, local credit unions as well as a broad range of non-bank financial institutions, such as mortgage brokers, and mortgage bankers etc.

NCSB offers a full range of banking services through its network of five branches and a lending office. All of the branches are located in St. Lawrence County.

During the evaluation period, NCSB opened a branch at St. Lawrence University Campus in Canton. No branch was closed during the evaluation period.

As reported by NCSB in its Consolidated Statement of Condition and Income as of December 31, 2005, it had total assets of \$235.8 million, of which \$190.2 million (80.7%) were net loans. On the same date, NCSB reported total deposits of \$178.9 million resulting in an LTD ratio of 106.3%.

According to the comparative deposit data as of June 30, 2005, NCSB obtained a market share of 16.5%, or \$177.2 million, ranking 2<sup>nd</sup> among nine deposit-taking institutions in the assessment area.

The following is a summary of NCSB's loan portfolio, based on the Consolidated Statement of Condition for the years ending, 2003, 2004 and 2005:

<b>TOTAL GROSS LOANS OUTSTANDING</b>						
LOAN TYPE	2003		2004		2005	
	\$000	%	\$000	%	\$000	%
1-4 family residential real estate loans	126,759	86.5	151,580	88.9	171,932	90.0
Commercial Mortgage Loans	3,546	2.4	3,018	1.8	2,797	1.5
Construction and land development loans	0	0.0	0	0.0	0	0.0
Commercial and industrial loans	899	0.6	865	0.5	1,118	0.6
Multifamily mortgages	1,608	1.1	1,067	0.6	749	0.4
Consumer loans	13,775	9.4	13,920	8.2	14,328	7.5
Other Loans	0	0.0	18	0.0	20	0.0
Total Gross Loans	146,587	100.0	170,468	100.0	190,944	100.0

As illustrated in the above chart, NCSB is primarily a mortgage lender. For the year ending December 31, 2005, 1-4 family residential loans accounted for 90% of its loan portfolio while commercial mortgage loans accounted for 1.5%.

At the prior CRA performance evaluation conducted by the New York State Banking Department as of December 31, 2002, NCSB received a "satisfactory" rating in helping to meet community credit needs.

**Assessment Area:**

NCSB’s assessment area covers 27 of the 28 census tracts found in St. Lawrence County. Of the 27 census tracts located in the assessment area, one tract was low-income, three tracts were moderate-income, 20 tracts were in middle-income, two tracts were in upper-income and one tract was in zero-income.

The change in the assessment area’s census information from 1990 to 2000 resulted in the following:

	1990	Percent	2000	Percent
Low-income tracts	3	10.7	1	3.7
Moderate-income tracts	6	21.4	3	11.1
Middle-income tracts	17	60.7	20	74.1
Upper-income tracts	1	3.6	2	7.4
Zero-income tracts	1	3.6	1	3.7
Total	28	100.0	27	100.0

The assessment area appears reasonable based upon the location of NCSB’s office 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, the assessment area had a population of approximately 109.1 thousand people, comprised of 26.3 thousand families, 39.3 thousand households, and 47.2 thousand housing units.

Of the 109.1 thousand people, 14.1 thousand (12.9%) were over the age of 65 and 22.5 thousand (20.6%) were below 16 years of age.

Families and Households: Of the 26.3 thousand families living in the assessment area, six thousand (22.7%) were low-income families, 5.1 thousand (19.5%) were moderate-income families, 5.8 thousand (22.0%) were middle-income families, and 9.4 thousand (35.8%) were upper-income families. Of the 11.1 thousand LMI families in the assessment area, 1.6 thousand families (14.4%) lived in LMI tracts.

Using a different measure, the assessment area was home to 39.3 thousand households including 6.3 thousand (16.1%) with income below the poverty level.

Housing Units: There were 47.2 thousand housing units in the assessment area. The majority of these housing units (92.9%) were located in 1-4 family structures while 7.1% were located in multifamily structures.

Median Family Income: As reported in the 2000 census data, the weighted average median family income for the assessment area was \$39 thousand. The updated weighted average median family income as reported by the U.S. Department of Housing and Urban

Development (HUD) was \$48.6 thousand. The weighted average price of housing was \$59.9 thousand and the median age of the housing stock was 43 years.

### **Unemployment**

According to the New York State Department of Labor, St. Lawrence County's average unemployment rate for 2004 and 2005 was 6.8% and 6.0% respectively compared with 5.8% and 5.0% respectively for the state.

### **Business Demographic Data**

According to Dun & Bradstreet's Business Demographic summary for 2005, there were 5.8 thousand businesses in the assessment area, of which 3.4 thousand businesses (59.4%) had annual revenue of \$1 million or less, 272 businesses (4.7%) had revenue of more than and 2.1 thousand businesses did not report their revenue information.

Of the total number of businesses, 4.4 thousand businesses (75.5%) had less than 50 employees and 4.9 thousand (84.3%) operated from a single location.

The service industry accounted for 32.9% of the businesses in the assessment area while retail trade represented 17.5%.

## **PERFORMANCE STANDARDS AND ASSESSMENT FACTORS**

NCSB's performance was evaluated according to the small bank's 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 2003 to 2005. During the evaluation period, NCSB originated a substantial majority of its loans as HMDA-type loans, therefore, the examiners considered these HMDA-type loans in evaluating factors (2), (3) and (4), noted above. NCSB is not required to report its residential lending activity under the Home Mortgage Disclosure Act ("HMDA") because none of its offices is located in an MSA. Consequently, NCSB's loan data is not included in the aggregate data.

The demographic data referenced in this report was obtained from the 2000 U.S. Census, with the updated median family income figures obtained from the U S Department of Housing and Urban Development ("HUD").

- **Loan-to-Deposit ("LTD") Ratio Analysis and other Lending-Related Activities: "Outstanding"**

NCSB's LTD ratio was more than reasonable considering its size, financial condition and the credit needs of the assessment area.

<b>Loan-to-Deposit Ratios</b>													
	2003 (Q1)	2003 (Q2)	2003 (Q3)	2003 (Q4)	2004 (Q1)	2004 (Q2)	2004 (Q3)	2004 (Q4)	2005 (Q1)	2005 (Q2)	2005 (Q3)	2005 (Q4)	Average LTD
Bank	77.6	77.1	79.0	82.6	84.6	86.2	93.1	96.7	97.4	99.6	105.0	106.3	90.4
Peer	75.3	74.6	75.6	76.6	76.8	77.6	79.1	79.3	80.2	81.3	82.1	84.3	78.6

NCSB's average LTD ratio for the twelve quarters ending December 31, 2005 was 90.4%, which is significantly higher than its peer group's LTD ratio of 78.6% for the same period. NCSB's LTD ratio has steadily increased during the evaluation period. NCSB's peer group consists of 28 banks with assets ranging between \$100 million and \$300 million.

NCSB participates in the Affordable Housing Program (AHS) of the Federal Home Loan Bank of New York (FHLBNY) and has contributed approximately \$20 thousand during the evaluation period.

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

During the evaluation period, NCSB originated a substantial majority of its HMDA-type loans within its assessment area. The details are provided in the chart below:

<b>Distribution of Loans Inside and Outside of the Assessment Area</b>										
<b>Loan Type</b>	<b>Number of Loans</b>					<b>Loans in Dollars (in thousands)</b>				
	<b>Inside</b>		<b>Outside</b>		<b>Total</b>	<b>Inside</b>		<b>Outside</b>		<b>Total</b>
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
HMDA (2003)	534	97.6	13	2.4	547	32,690	97.8	740	2.2	33,430
(2004)	685	97.9	15	2.1	700	46,289	97.9	994	2.1	47,283
(2005)	632	98.3	11	1.7	643	42,335	98.2	764	1.8	43,099
<b>Total</b>	<b>1,851</b>	<b>97.9</b>	<b>39</b>	<b>2.1</b>	<b>1,890</b>	<b>121,314</b>	<b>98.0</b>	<b>2,498</b>	<b>2.0</b>	<b>123,812</b>

During the evaluation period, NCSB originated approximately 98% of the total loans by number and dollar volume within its assessment area.

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

For the evaluation period, NCSB’s geographic distribution of its HMDA-type loans reflects a marginally reasonable dispersion amongst census tracts of different income levels. The details are given in the chart below:

Distribution of HMDA-Type Loans by Geographic Income Level*						
2003						
Geography Income Level	Bank				Owner Occupied Units	
	#	%	\$000	%	#	%
Low	1	0.2	35	0.1	0	0.0
Moderate	13	2.4	679	2.1	2,748	9.9
Middle	519	97.2	31,908	97.6	24,857	90.0
Upper	0	0.0	0	0.0	16	0.1
NA	1	0.2	68	0.2	0	0.0
<b>Total</b>	<b>534</b>	<b>100.0</b>	<b>32,690</b>	<b>100.0</b>	<b>27,621</b>	<b>100.0</b>
2004						
Geography Income Level	Bank				Owner Occupied Units	
	#	%	\$000	%	#	%
Low	1	0.1	22	0.0	0	0.0
Moderate	12	1.8	861	1.9	2,748	9.9
Middle	660	96.4	44,156	95.4	23,821	86.2
Upper	12	1.8	1,250	2.7	1,052	3.8
NA	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>685</b>	<b>100.0</b>	<b>46,289</b>	<b>100.0</b>	<b>27,621</b>	<b>100.0</b>
2005						
Geography Income Level	Bank				Owner Occupied Units	
	#	%	\$000	%	#	%
Low	0	0.0	0	0.0	0	0.0
Moderate	11	1.7	476	1.1	2,748	9.9
Middle	605	95.7	40,860	96.5	23,821	86.2
Upper	16	2.5	999	2.4	1,052	3.8
NA	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>632</b>	<b>100.0</b>	<b>42,335</b>	<b>100.0</b>	<b>27,621</b>	<b>100.0</b>

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

An analysis of the above data indicates that in 2003, NCSB originated 2.6% of its total HMDA-type loans in LMI geographies of its assessment area. In 2004, NCSB's LMI penetration rate decreased to 1.9% and further decreased to 1.7% in 2005.

It should be noted while NCSB made loans in LMI areas during the evaluation period, there are no owner-occupied housing units in the low-income tract.

### **Distribution by Borrower Characteristics: "Satisfactory"**

During the evaluation period, NCSB's distribution of HMDA-type loans reflects a reasonable penetration among borrowers of different income levels as shown in the chart below:

Distribution of HMDA-Type Loans by Borrower Characteristics*						
Borrower Income Level	Bank				Percentage of families by Income Level	
	#	%	\$000	%	#	%
Low	51	9.6	1,845	5.6	6,161	23.4
Moderate	103	19.3	4,894	15.0	5,261	20.0
Middle	134	25.1	7,236	22.1	5,818	22.1
Upper	218	40.8	15,999	48.9	9,083	34.5
NA	28	5.2	2,716	8.3	0	0.0
<b>Total</b>	<b>534</b>	<b>100.0</b>	<b>32,690</b>	<b>100.0</b>	<b>26,323</b>	<b>100.0</b>
Borrower Income Level	Bank				Percentage of families by Income Level	
	#	%	\$000	%	#	%
Low	52	7.6	1,913	4.1	5,966	22.7
Moderate	139	20.3	6,503	14.0	5,138	19.5
Middle	182	26.6	11,405	24.6	5,797	22.0
Upper	281	41.0	24,269	52.4	9,422	35.8
NA	31	4.5	2,199	4.8	0	0.0
<b>Total</b>	<b>685</b>	<b>100.0</b>	<b>46,289</b>	<b>100.0</b>	<b>26,323</b>	<b>100.0</b>
Borrower Income Level	Bank				Percentage of families by Income Level	
	#	%	\$000	%	#	%
Low	53	8.4	2,649	6.3	5,966	22.7
Moderate	115	18.2	4,826	11.4	5,138	19.5
Middle	171	27.1	9,927	23.4	5,797	22.0
Upper	253	40.0	21,293	50.3	9,422	35.8
NA	40	6.3	3,640	8.6	0	0.0
<b>Total</b>	<b>632</b>	<b>100.0</b>	<b>42,335</b>	<b>100.0</b>	<b>26,323</b>	<b>100.0</b>

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

During the evaluation period, NCSB extended 513 loans (27.7%) totaling \$22.6 million to LMI borrowers. Given the performance context, NCSB's distribution of loans to LMI borrowers compares favorably to the percentage of LMI families within its assessment area, especially those loans made to moderate-income borrowers.

NCSB's performance have been consistent throughout the evaluation period with 28.9%, 27.9% and 26.6% of its total loans made to LMI borrowers in 2003, 2004 and 2005, respectively.

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

Since the prior evaluation conducted as of December 31, 2002, neither NCSB nor the New York State Banking Department has received any written complaints regarding NCSB's CRA.

- **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.**

NCSB ascertains the credit needs of the community through regular participation in Chamber of Commerce events and housing related programs such as the County Real Estate Expo homebuyers workshops made available through the St. Lawrence County Housing Council Inc., the Cooperative Extension, local economic development agencies and events organized by NCSB.

The County Real Estate Expo draws people from all over the county for information related to credit opportunities. Various exhibitors also present workshops on subjects related to credit issues and home financing options. Through NCSB's participation in these events, NCSB also communicates to the community the credit services it provides.

In addition, NCSB contracted Research and Marketing Strategies, a market research firm, to assist them with potential market objectives.

Two employees of NCSB also hold executive positions in the St. Lawrence County Housing Council Inc.

**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.**

NCSB markets its credit products and banking services through active participation in community events.

**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.**

Currently, management presents its CRA report to the Board of Trustees via e-board website. However, the board makes no review of the CRA report.

- **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.

### **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.