



**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, 2006

**Institution:** Greater Buffalo Savings Bank  
2421 Main Street  
Buffalo, NY 14214

**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 onsite evaluation of the Community Reinvestment Act (“CRA”) performance of Greater Buffalo Savings Bank (“GBSB”) 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, 2006.

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 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**

GBSB is rated "2," indicating a satisfactory record of helping to meet community credit needs.

### **Lending Test** - "High Satisfactory"

- GBSB's lending levels reflect good responsiveness to assessment area credit needs. During the evaluation period, GBSB extended 1,288 loans with an aggregate value of \$192.9 million in the assessment area. Of these, HMDA loans represented 88.7% or 1,143 while small business loans accounted for 11.3% or 145 loans. While HMDA originations continue to decline, small business lending showed steady increases during the evaluation period.
- A substantial majority of loans were made in GBSB's assessment area. GBSB originated 89.4% by number and 83.9% by dollar volume of its loans within the assessment area.
- The geographic distribution of HMDA-reportable loans reflects adequate penetration throughout the assessment area. During the evaluation period, GBSB's penetration of HMDA-reportable loans in LMI areas increased to 10.6% in 2006, from 4.6% in 2004.

During the evaluation period, GBSB originated 145 small business loans in LMI areas with an aggregate value of \$8.3 million. In 2004 and 2005, GBSB's penetration ratios of 13.8% and 10.4% respectively, were above the 8.9% of businesses located in low-income areas. However, in 2006, GBSB's low-income area penetration declined to 5.9%. Nevertheless, all of GBSB's moderate-income area penetration ratios were above the 12.6% of businesses located in moderate-income tracts.

- GBSB's distribution of borrowers reflects, given the product lines offered, adequate penetration among customers of different income levels. GBSB improved its penetration ratios of loans to low and moderate income borrowers since the prior evaluation. However, these ratios are still below the market aggregates in both number and dollar volume, and below the percentage of families who are LMI in the assessment area.

GBSB's small business lending distribution based on borrower characteristics reflects adequate penetration among businesses of different sizes. During the evaluation period, GBSB extended approximately 44.0% of its business loans to businesses with gross revenues of \$ 1 million or less.

- Community development lending efforts are excellent and demonstrate GBSB's

leadership role in the origination of such lending. As of the evaluation date, GBSB had eight qualified community development loans totaling approximately \$17 million.

- GBSB makes limited use of innovative and/or flexible lending practices in order to serve assessment area credit needs.

### **Investment Test** -“High Satisfactory”

GBSB’s level of qualified community development investments reflects a good responsiveness to credit and community development needs. As of the evaluation date, qualified community development investments totaled \$1.2 million. This included qualified grants of \$107 thousand.

### **Services Test** - “Outstanding”

- GBSB’s delivery systems are readily accessible to essentially all portions of the assessment area.
- GBSB’s record of opening and closing branches has improved the accessibility of its delivery systems, particularly to LMI geographies and/or individuals.
- GBSB’s business hours and services are tailored to the convenience and needs of the assessment area. GBSB offers extended hours of services during weekdays and is open on Saturdays and Sundays.
- GBSB is a leader in providing qualified community development services in the assessment area.

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 1999, GBSB is a New York State chartered financial institution, primarily serving Western New York State. GBSB is a wholly owned subsidiary of Great Lakes Bancorp, Inc. ("GLB") headquartered in Buffalo, New York. On May 1, 2006, GLB merged with Bay View Capital Corporation; ("BVC") a San Mateo based financial services company.

GBSB operates fourteen full-service banking offices in three counties. Eleven of the branches, including the main office are in Erie County, two in Chautauqua County and one in Niagara County. GBSB's main office is located within a Banking Development District as designated by the New York State Banking Department.

GBSB faces extreme competition from larger financial institutions within its assessment area. However, the current merger with BVC, GBSB should strengthen its capital position and provide future expansion of its branch network. Currently, GBSB offers a wide variety of lending products including, but not limited to, the following:

- Conventional mortgage loans
- Home equity lines of credit
- Personal loans
- Credit Cards (through First Bankcard)
- Mortgage loans for commercial and industrial properties
- SBA 7(a) and 504 Loans

GBSB is primarily a lender of residential loans. Since the previous evaluation, 1-4 family residential lending has shown a steady decline to 60.3% of the loan portfolio from 85.0%. At the same time, commercial loans increased to 23.5% from the 11.5% reported at the prior evaluation.

The following table illustrates GBSB's loan portfolio, based on Schedule RC-C of GBSB's year-end 2004, 2005 and 2006 Call Reports:

<b>TOTAL GROSS LOANS OUTSTANDING</b>						
LOAN TYPE	2004		2005		2006	
	\$(000)	%	\$(000)	%	\$(000)	%
1-4 Residential Mortgage Loans	228,555	77.5	278,452	67.5	312,140	60.3
Commercial & Industrial Loans	9,720	3.3	37,751	9.2	55,284	10.7
Commercial Mortgage Loans	21,192	7.2	44,656	10.8	66,074	12.8
Multifamily Mortgages	8,259	2.8	7,812	1.9	12,837	2.5
Consumer Loans	20,144	6.8	38,843	9.4	45,186	8.7
Agricultural Loans	0	0.0	0	0.0	0	0.0
Construction Loans	5,773	2.0	4,185	1.0	25,594	4.9
Other Loans	1,123	0.4	547	0.1	302	0.1
Obligations of states & municipalities	0	0.0	0	0.0	0	0.0
Total Gross Loans	294,766	100.0	412,246	100.0	517,417	100.0

According to the December 31, 2006, Federal Deposit Insurance Corporation (“FDIC”) Consolidated Report of Condition, GBSB reported total assets of approximately \$805.1 million, of which \$513.6 million comprised net loans finance receivables. It also reported deposits of \$665.2 million, resulting in a LTD ratio of 77.2%.

Market Share

According to the latest available comparative deposit data, dated June 30, 2006, GBSB achieved a market share of 2.27% and ranked 7<sup>th</sup> out of 19 financial institutions within its assessment area.

Prior Performance Evaluation

At the Banking Department’s prior performance evaluation, as of December 31, 2003, GBSB received a rating of “2” indicating a satisfactory record of helping to meet community credit needs. GBSB was evaluated under the “Small Bank” performance criteria.

There are no legal or financial impediments affecting GBSB’s ability to meet the credit needs of its assessment area.

Assessment Area:

GBSB has delineated Erie, Chautauqua and portions of Niagara counties as its New York State assessment area. Both Erie and Niagara counties are part of Metropolitan Statistical Area<sup>1</sup> (MSA) 15380. Chautauqua County is part of a Non-MSA area, based on the 2000 U.S. census. The combined area consists of 288 census tracts, 84 (29.2%) of which are LMI.

The following table shows the distribution of census tracts within the assessment area during the evaluation period:

<b>Distribution of Assessment Area Census Tracts by Income Level</b>							
<b>County</b>	<b>Zero</b>	<b>Low</b>	<b>Moderate</b>	<b>Middle</b>	<b>Upper</b>	<b>Total</b>	<b>LMI %</b>
Erie	10	25	51	106	51	243	31.3
Chautauqua	0	2	5	24	3	34	20.6
Niagara*	0	0	1	6	4	11	9.1
<b>Total AA</b>	<b>10</b>	<b>27</b>	<b>57</b>	<b>136</b>	<b>58</b>	<b>288</b>	<b>29.2</b>

\* Indicates a partial county

The assessment area appears reasonable based upon the location of GBSB’s branches and its lending patterns. There is no evidence that LMI areas were arbitrarily excluded.

Economic and Demographic Data:

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1 MSAs are composed of entire counties or county equivalents and have at least one urbanized area with a population of 50,000 more.

The following charts show demographic and economic data for each county of GBSB's assessment area.

The demographic data is obtained from the 2000 U.S. Census. The 2004, 2005 and 2006 updated median family income figures are obtained from Department of Housing and Urban Development ("HUD") estimates.

*Chart #1: Shows population and income.*

*Chart #2: Shows housing demographics.*

*Chart #3: Shows business demographics.*

Unemployment Rate:

Provided below, are the annual unemployment rates for the counties in the assessment area. The statewide and MSA rates are included for comparison:

<b>Assessment Area Unemployment Rate by County and MSA</b>					
Annual	Statewide	MSA 15380	Erie County	Chautauqua County	Niagara County
2004	5.8	5.8	5.7	5.4	6.2
2005	5.0	5.3	5.3	4.9	5.6
2006	4.5	5.0	4.9	4.5	5.3

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**CHART # 1**

**ASSESSMENT AREA POPULATION AND INCOME CHARACTERISTICS BY COUNTY**

COUNTY	Total Population	Age 65 and over		Age 16 and less		Median Family Income(MFI)	HUD MSA MFI	# of Households	# of HH below poverty level		Total Families	Low income		Moderate income		Middle income		Upper income		LMI families in LMI tracts	
		#	%	#	%				#	%		#	%	#	%	#	%	#	%	#	%
<b>Erie</b>	950,265	151,258	15.9	204,451	21.5	51,024	58,300	380,890	47,032	12.3	244,376	49,864	20.4	43,516	17.8	53,537	21.9	97,459	39.9	39,230	42.0
<b>Chautauqua</b>	139,750	22,372	16.0	29,805	21.3	41,129	49,600	54,488	6,952	12.8	36,146	6,965	19.3	7,031	19.5	8,573	23.7	13,577	37.6	2,812	20.1
<b>Niagara</b> ◊	53,398	8,103	15.2	11,289	21.1	55,357	58,300	21,103	1,429	6.8	14,691	1,952	13.3	2,500	17.0	3,479	23.7	6,760	46.0	340	7.6
<b>TOTAL A/A*</b>	1,143,413	181,733	15.9	245,545	21.5	50,028	57,273	456,481	55,413	12.1	295,213	58,781	19.9	53,047	18.0	65,589	22.2	117,796	39.9	42,382	37.9

\* Assessment Area

◊ Indicates a partial county

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**CHART # 2**

<b>ASSESSMENT AREA HOUSING CHARACTERISTICS BY COUNTY</b>																			
<b>COUNTY</b>	Total Housing Units	1-4 family Units		Multifamily Units		Owner-Occupied Units (O-O)		O-O Units in Low-income Tracts		O-O Units in Mod-income Tracts		O-O Units in Mid-income Tracts		O-O Units in Upp-income Tracts		Rental Units		Vacant/ Boarded-up Units	
		#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%
<b>Erie</b>	415,868	369,263	88.8	46,605	11.2	248,780	59.8	11,220	4.5	32,491	13.1	122,076	49.1	82,968	33.4	148,340	35.7	34,995	8.4
<b>Chautauqua</b>	64,900	60,181	92.7	4,719	7.3	37,757	58.2	310	0.8	3,455	9.2	31,418	83.2	2,575	6.8	19,029	29.3	10,385	16.0
<b>Niagara</b> ◊	22,142	20,187	91.2	1,955	8.8	15,541	70.2	0	0.0	559	3.6	8,384	54.0	6,599	42.5	6,189	28.0	1,050	4.7
<b>TOTAL A/A*</b>	502,910	449,631	89.4	53,279	10.6	302,078	60.1	11,539	3.8	36,521	12.1	161,884	53.6	92,134	30.5	173,558	34.5	46,430	9.2

\* Assessment Area

◊ Indicates a partial county

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**CHART # 3**

<b>BUSINESS DEMOGRAPHICS BY COUNTY</b>											
COUNTY	Number of Businesses	Businesses with Rev. of \$1 million or less		Businesses with Rev. of more than \$1 million		Businesses with no revenues reported		Businesses with less than 50 employees		Operating from a single location	
		#	%	#	%	#	%	#	%	#	%
<b>Erie</b>	58,988	37,017	62.8	3,936	6.7	18,035	30.6	44,458	75.4	50,608	85.8
<b>Chatauqua</b>	9,629	5,882	61.1	456	4.7	3,291	34.2	6,954	72.2	8,413	87.4
<b>Niagara</b> ◇	2,913	1,921	65.9	181	6.2	811	27.8	2,248	77.2	2,572	88.3
<b>Total A/A*</b>	71,530	44,820	62.7	4,573	6.4	22,137	30.9	53,660	75.0	61,593	86.1

\* Assessment Area

◇ Indicates a partial county

## **PERFORMANCE TESTS AND ASSESSMENT FACTORS**

*GBSB's performance was evaluated according to the large bank performance criteria. This evaluation entails a review of the bank's lending, investment and service activities within the assessment area as provided for in Parts 76.8, 76.9 and 76.10 of the General Regulations of the Banking Board. The evaluation covers years 2004, 2005 and 2006.*

*The data relied on in this evaluation were derived from various sources. In addition to bank-specific loan information submitted by the institution, 2004 and 2005 aggregate data for HMDA-reportable loans was obtained from the Federal Financial Institutions Examination Council ("FFIEC") and PCI Services, Inc., CRA Wiz, an external vendor. The demographic data cited in this report are from the 2000 U.S. Census; however, updated median family income ("MFI") figures are from annual estimates prepared by the U. S. Department of Housing and Urban Development ("HUD). Aggregate HMDA data for 2006 was not available when this evaluation was conducted. In addition, due to its asset size, GBSB is not required to report its small business loan data, so aggregate small business data was not used.*

### **I. Lending Test:** "High Satisfactory"

GBSB's lending performance was evaluated pursuant to the following criteria: (1) Lending Activity; (2) Assessment Area Concentration, (3) Geographic Distribution of Loans, (4) Borrower Characteristics, (5) Community Development Lending, and (6) Innovative or Flexible Lending Practices. In the analysis of factors (1), (2), (3) and (4) above, examiners used the GBSB HMDA-related loans and small business loans.

#### **Lending Activity:** "High Satisfactory"

Lending levels reflect good responsiveness to assessment area credit needs.

During the evaluation period, GBSB extended 1,288 loans aggregating \$192.9 million in the assessment area. Of these, HMDA-related loans represented 88.7% or 1,143 loans, while small business loans accounted for 11.3% or 145 loans.

GBSB sold 217 mortgage loans totaling \$27.5 million in the secondary market during the evaluation period.

#### **HMDA-Related**

Of the 1,143 HMDA-reportable loans originated by GBSB, 49.8% were for home purchases, 43.5% were for refinances and 6.7% were for home improvement loans.

In 2005, GBSB had a market share of 1.28% and ranked 22<sup>nd</sup> among 317 HMDA-reporting institutions.

## Small Business Loans

GBSB originated 145 small business loans totaling \$36.5 million as of the current evaluation period. There has been an increasing trend in both number and dollar volume during the evaluation period.

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

GBSB originated a substantial majority of its HMDA-reportable and small business loans (89.8%) within the assessment area.

The following table depicts the distribution of loans inside and outside the assessment area during the evaluation period:

<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										
2004	414	89.8	47	10.2	461	57,602	90.6	6,001	9.4	63,603
2005	387	90.6	40	9.4	427	51,531	87.0	7,700	13.0	59,231
2006	342	87.7	48	12.3	390	47,275	74.5	16,204	25.5	63,479
<b>Sub-Total</b>	<b>1,143</b>	<b>89.4</b>	<b>135</b>	<b>10.6</b>	<b>1,278</b>	<b>156,408</b>	<b>83.9</b>	<b>29,905</b>	<b>16.1</b>	<b>186,313</b>
Small Business										
2004	29	93.5	2	6.5	31	2,114	79.5	545	20.5	2,659
2005	48	92.3	4	7.7	52	15,953	92.8	1,230	7.2	17,183
2006	68	93.2	5	6.8	73	18,424	91.6	1,690	8.4	20,114
<b>Sub-Total</b>	<b>145</b>	<b>92.9</b>	<b>11</b>	<b>7.1</b>	<b>156</b>	<b>36,491</b>	<b>91.3</b>	<b>3,465</b>	<b>8.7</b>	<b>39,956</b>
<b>Total</b>	<b>1,288</b>	<b>89.8</b>	<b>146</b>	<b>10.2</b>	<b>1,434</b>	<b>192,899</b>	<b>85.3</b>	<b>33,370</b>	<b>14.7</b>	<b>226,269</b>

## HMDA-Related Loans

GBSB made a substantial majority of HMDA-related loans within the assessment area. In 2004, it originated 414, or 89.8% of its HMDA-related loans inside the assessment area.

In 2005 and 2006, GBSB’s lending volume continued to decline. It is noted however, that despite the decrease in the volume of HMDA lending from 2004 to 2006, GBSB was able to maintain an excellent concentration ratio in its assessment area.

## Small Business

During the evaluation period, a substantial majority of GBSB’s small business loans were made within the assessment area. In 2004, GBSB originated 29 loans (93.5%) in its assessment area, which increased to 48 loans (92.3%) in 2005 and further increased in 2006 to 68 loans (93.2%).

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

The geographic distribution of loans reflects an adequate dispersion throughout the assessment area.

### HMDA-Related Loans

In 2004, GBSB’s LMI penetration rate of 4.6% was well below the aggregate’s 12.5%. However, compared to 2003, when GBSB achieved an LMI penetration rate of 4.0%, GBSB’s LMI lending in 2004 reflected a slight improvement.

In 2005, GBSB’s distribution of loans in low- and moderate-income areas increased by one loan and nine loans respectively, resulting in a LMI penetration rate of 7.5%, which was 2.9 percentage points higher than in 2004. Although GBSB’s LMI penetration ratios remain below the market aggregates, it is noted that GBSB’s loan penetration ratios improved both by number and dollar volume since the prior evaluation.

Despite the decline in loan originations, in 2006, GBSB was able to increase its LMI penetration by number and dollar volume. GBSB extended 10.6% by number and 5.0% by dollar volume in LMI area. Aggregate data was not available for this period.

The following table summarizes the distribution of HMDA-reportable loans within the assessment area:

Distribution of HMDA-reportable Loans by Geographic Income Level								
Geography Income Level	2004							
	Bank				Aggregate			
	#	%	\$(000)	%	#	%	\$(000)	%
Low	2	0.5	189	0.3	552	1.9	25,585	0.9
Moderate	17	4.1	1,185	2.1	3,051	10.6	165,750	6.1
Middle	165	39.9	19,753	34.3	15,280	53.0	1,264,095	46.3
Upper	229	55.3	36,340	63.1	9,926	34.4	1,268,998	46.5
N/A	1	0.2	135	0.2	39	0.1	2,930	0.1
<b>Total</b>	<b>414</b>	<b>100.0</b>	<b>57,602</b>	<b>100.0</b>	<b>28,848</b>	<b>100.0</b>	<b>2,727,358</b>	<b>100.0</b>
Geography Income Level	2005							
	Bank				Aggregate			
	#	%	\$(000)	%	#	%	\$(000)	%
Low	3	0.8	160	0.3	597	2.2	26,566	1.0
Moderate	26	6.7	1,794	3.5	2,832	10.3	156,097	5.9
Middle	155	40.1	16,195	31.4	14,329	52.3	1,181,595	44.8
Upper	203	52.5	33,382	64.8	9,629	35.2	1,273,516	48.3
N/A	0	0.0	0	0.0	5	0.0	675	0.0
<b>Total</b>	<b>387</b>	<b>100.0</b>	<b>51,531</b>	<b>100.0</b>	<b>27,392</b>	<b>100.0</b>	<b>2,638,449</b>	<b>100.0</b>
Geography Income Level	2006							
	Bank				Aggregate			
	#	%	\$(000)	%				
Low	5	1.5	634	1.3				
Moderate	31	9.1	1,757	3.7				
Middle	146	42.7	16,488	34.9				
Upper	160	46.8	28,396	60.1				
N/A	0	0.0	0	0.0				
<b>Total</b>	<b>342</b>	<b>100.0</b>	<b>47,275</b>	<b>100.0</b>				

### Small Business

The geographic distribution of GBSB's small business loans reflects a good penetration throughout the assessment area. During the evaluation period, of the 145 loans originated, GBSB extended 36 loans totaling approximately \$8.3 million in LMI areas.

In 2004, of the 29 small business loans originated by GBSB, four loans (13.8%) were made in low-income areas and six loans (20.7%) were made in moderate-income areas. Considering that only 8.8% of businesses are located in the low-income areas and 12.9% are located in the moderate-income areas of GBSB's assessment area, GBSB's LMI penetration was reasonable.

In 2005, GBSB extended five loans (10.4%) in low-income areas and eight loans (16.7%) in moderate-income areas. Considering that only 8.9% and 12.6% of assessment area businesses are in low and moderate-income areas respectively, GBSB's penetration ratios were reasonable.

In 2006, the number of loans in low-income areas fell by one loan but level of GBSB's lending increased by one in moderate-income areas, consequently GBSB maintained (13

loans) in LMI areas in 2006, while increasing the dollar amount of those loans 21.5% to \$4.3 million from the \$3.5 million in 2005.

The following table summarizes the distribution of small business loans within the assessment area:

<b>Distribution of Small Business Loans by Geography Income Level</b>						
<b>2004</b>						
<b>Geography Income Level</b>	<b>Bank</b>				<b>Distribution of Businesses</b>	
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	4	13.8	306	14.5	5,566	8.8
Moderate	6	20.7	215	10.2	8,126	12.9
Middle	11	37.9	690	32.6	28,901	45.8
Upper	8	27.6	903	42.7	19,092	30.2
NA	0	0.0	0	0.0	1,463	2.3
<b>Total</b>	<b>29</b>	<b>100.0</b>	<b>2,114</b>	<b>100.0</b>	<b>63,148</b>	<b>100.0</b>
<b>2005</b>						
<b>Geography Income Level</b>	<b>Bank</b>				<b>Distribution of Businesses</b>	
<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	
Low	5	10.4	2,060	12.9	6,016	8.9
Moderate	8	16.7	1,463	9.2	8,578	12.6
Middle	23	47.9	7,886	49.4	31,377	46.3
Upper	12	25.0	4,544	28.5	20,412	30.1
NA	0	0.0	0	0.0	1,446	2.1
<b>Total</b>	<b>48</b>	<b>100.0</b>	<b>15,953</b>	<b>100.0</b>	<b>67,829</b>	<b>100.0</b>
<b>2006</b>						
<b>Geography Income Level</b>	<b>Bank</b>				<b>Distribution of Businesses</b>	
<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	
Low	4	5.9	807	4.4	5,859	8.4
Moderate	9	13.2	3,474	18.9	8,634	12.4
Middle	38	55.9	10,107	54.9	32,872	47.1
Upper	15	22.1	3,236	17.6	21,044	30.2
NA	2	2.9	800	4.3	1,367	2.0
<b>Total</b>	<b>68</b>	<b>100.0</b>	<b>18,424</b>	<b>100.0</b>	<b>69,776</b>	<b>100.0</b>

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

The distribution of loans reflects, given the product lines offered, adequate penetration among customers of different income levels.

In 2004, 4.8% of GBSB's HMDA-reportable loans were to low-income borrowers. This was 4.9% less than the market aggregate ratio of 9.7%. At 16.7%, GBSB's HMDA lending to moderate-income borrowers was 7.1 % less than the market aggregate ratio of 23.8%. However, this level of penetration was adequate, considering that only 18.0% of families in the assessment area are moderate-income.

In 2005, GBSB's penetration of HMDA loans among low-income borrowers increased almost two percentage points; while among moderate-income borrowers there was a 1.5 percentage point decline. Despite the stability of housing market, GBSB's penetration of HMDA loans remained below the market aggregate in 2005, also, the market aggregate's penetration ratios in LMI areas declined in both number and dollar volume from 2004.

Parallel to an overall decrease in originations in 2006, the distribution of HMDA loans among LMI borrowers decreased 17.6%, or 15 loans, from 2005.

The following chart provides a summary of the distribution of the GBSB's HMDA-reportable lending based on borrower income level during the evaluation period:

Distribution of HMDA-reportable Loans by Borrower Income Level								
Borrower Income Level	2004							
	Bank				Aggregate			
	#	%	\$(000)	%	#	%	\$(000)	%
Low	20	4.8	1,610	2.8	2,796	9.7	138,122	5.1
Moderate	69	16.7	5,902	10.2	6,874	23.8	463,803	17.0
Middle	91	22.0	9,334	16.2	7,605	26.4	624,084	22.9
Upper	227	54.8	34,795	60.4	9,958	34.5	1,212,283	44.4
N/A	7	1.7	5,961	10.3	1,615	5.6	289,066	10.6
<b>Total</b>	<b>414</b>	<b>100.0</b>	<b>57,602</b>	<b>100.0</b>	<b>28,848</b>	<b>100.0</b>	<b>2,727,358</b>	<b>100.0</b>
Borrower Income Level	2005							
	Bank				Aggregate			
	#	%	\$(000)	%	#	%	\$(000)	%
Low	26	6.7	1,781	3.5	2,459	9.0	120,754	4.6
Moderate	59	15.2	4,868	9.4	6,225	22.7	415,264	15.7
Middle	96	24.8	9,745	18.9	7,469	27.3	619,973	23.5
Upper	203	52.5	34,794	67.5	9,797	35.8	1,215,183	46.1
N/A	3	0.8	343	0.7	1,442	5.3	267,275	10.1
<b>Total</b>	<b>387</b>	<b>100.0</b>	<b>51,531</b>	<b>100.0</b>	<b>27,392</b>	<b>100.0</b>	<b>2,638,449</b>	<b>100.0</b>
Borrower Income Level	2006							
	Bank				Aggregate			
	#	%	\$(000)	%				
Low	20	5.8	1,334	2.8				
Moderate	50	14.6	3,857	8.2				
Middle	77	22.5	7,011	14.8				
Upper	185	54.1	33,575	71.0				
N/A	10	2.9	1,498	3.2				
<b>Total</b>	<b>342</b>	<b>100.0</b>	<b>47,275</b>	<b>100.0</b>				

### Small Business

GBSB's small business lending distribution based on borrower characteristics reflects adequate penetration among businesses of different sizes. During the evaluation period, GBSB extended approximately 44.0% of its small business loans to businesses with gross revenues of \$1 million or less.

In 2005, GBSB extended 52.1% by number and 40.5% by dollar volume of all its small business loans to businesses with gross revenues of \$1 million or less. This ratio compared favorably to the business demographic, considering that 62.0% of businesses in GBSB's assessment area have revenues of \$1 million or less.

In 2006, although loans to businesses with revenues of \$1 million or less increased by one loan, the total small business loan volume increased 41.7%, which reduced GBSB's penetration rate. Nevertheless, there was a significant decrease in loans to businesses with revenues of \$1 million or less to 38.2% by number and 26.9% by dollar volume. Note that the 2004 small business report does not have the small business revenue information.

The following chart provides a summary of GBSB's small business lending distribution based on loan size.

Distribution of Small Business Loans by Business Revenue Size						
2005						
Revenue Size	Bank				Businesses by Revenue Size	
	#	%	\$000's	%	#	%
\$1 million or less	25	52.1	6,467	40.5	41,912	61.8
Over \$1 million	23	47.9	9,486	59.5	4,394	6.5
Revenue N/A	0	0.0	0	0.0	21,523	31.7
<b>Total</b>	<b>48</b>	<b>100.0</b>	<b>15,953</b>	<b>100.0</b>	<b>67,829</b>	<b>100.0</b>
2006						
Revenue Size	Bank				Businesses by Revenue Size	
	#	%	\$000's	%	#	%
\$1 million or less	26	38.2	4,955	26.9	43,211	61.9
Over \$1 million	42	61.8	13,469	73.1	4,472	6.4
Revenue N/A	0	0.0	0	0.0	22,093	31.7
<b>Total</b>	<b>68</b>	<b>100.0</b>	<b>18,424</b>	<b>100.0</b>	<b>69,776</b>	<b>100.0</b>

### Community Development Lending: "Outstanding"

GBSB's Community development lending efforts were excellent and demonstrate its leadership role in the origination of such lending within the assessment area.

As of the evaluation date, GBSB had eight qualified community development loans totaling \$16.8 million in its assessment area. The following are examples of qualified community development loans offered by GBSB:

- During the evaluation period, GBSB extended a \$5 million loan to Senior Housing Crime Prevention Foundation, a national non-profit organization. The foundation's mission nationwide is to reduce crime in senior housing facilities. In addition, to provide ongoing, effective crime prevention programs that ensure safe and improved quality of

life for the residents.

- GBSB originated a \$2.8 million commercial mortgage loan to a private developer. The loan was used for the construction of a charter school. The property is located in an economic development zone (“EDZ.”). The project will provide educational opportunity for children in the community, in addition to redeveloping and revitalizing the area.
- GBSB extended \$2.3 million as part of a \$5 million commercial mortgage loan to construct a 77-unit senior housing complex. The complex will house seniors with household incomes at or below 50% of the area median income.
- GBSB funded \$2.6 million in a participation loan for \$3.2 million, to renovate and convert six (6) historic structures in downtown Buffalo, into 29 market rate apartments. The project is a targeted redevelopment effort in the area.
- GBSB extended a \$1.5 million commercial loan to Evergreen Foundation of Western New York, a non-profit community based organization, which is geared to provide services for individuals with HIV/AIDS. Services provided by the agency include support groups, nutrition assessment and home meal, in addition to emergency housing assistance.
- A \$1.5 million loan was extended to “We Care” a for profit company whose location is in a moderate-income tract of GBSB’s assessment area. The company provides health and human services transportation for the elderly. In addition, it provides training for individuals on how to obtain higher paid position. Proceeds were used to improve the existing commercial property and to construct an additional structure for the maintenance of the company’s vehicle fleet.
- GBSB had a \$1 million participation in the Community Preservation Corporation’s (“CPC”) \$349 million revolving credit facility. CPC is a private, nonprofit mortgage lender specializing in the financing of LMI housing throughout New York State.
- In participation with other financial institutions, GBSB approved a loan for the Buffalo Economic Renaissance Corporation (BERC) to help it create a Certified Development Financial Institution Small Business Loan Fund. The proposed \$4 million fund, which would include \$2 million in matching funds (GBSB’s commitment is \$100 thousand), is expected to provide loans to businesses in LMI census tracts.

**Innovative and Flexible Lending Practices: “Low Satisfactory”**

GBSB makes use of limited innovative and/or flexible lending practices in order to serve assessment area credit needs.

GBSB is active in lending activities that provide products that benefit its assessment area. GBSB has established relationships with non-profit organizations and governmental entities

that serve the assessment areas for purposes of creating a distribution method for affordable housing products.

The following are brief descriptions of the lending programs and activities under each during the evaluation period:

#### Affordable Housing

**Fannie Mae Community 100:** Fannie Mae Community 100 is a maximum 100 percent LTV mortgage, designed for borrowers with good credit. The core features, which can be customized, include flexibility for the three (3) percent contribution to come from a range of acceptable sources and a higher single qualifying ratio. GBSB closed two of these loans in 2005 and 2006.

**Fannie Mae Community 97:** The Fannie Mae “Community 97” was designed for first time homebuyers who are interested in purchasing one unit, owner occupied residences. The maximum LTV is 97%, with a combined maximum LTV of 105%. The borrower is also required to contribute 1% or \$500, whichever is less, of her own funds with the remaining costs coming from flexible sources. There is a minimum 600 FICO score required (*minimum FICO can be lower when the borrower has experienced specific extenuating circumstances*) and a requirement that the homeowner complete a homebuyer education class. As of evaluation date, GBSB originated five of these loans.

#### **Fillmore Leroy Area Residents (FLARE)**

This organization purchases and renovates abandoned homes in low to moderate-income census tracts and identifies buyers committed to the neighborhoods that fall within the designated Banking Development District in Buffalo. GBSB is aggressively working with FLARE and buyers to provide mortgage loans to consummate the transactions. During the evaluation period, GBSB closed two mortgages totaling \$57 thousand to each LMI borrowers for the FLARE organization.

#### **West Side Initiative**

GBSB entered into an agreement with the West Side Neighborhood Housing Services, Inc. (“WSNHS”) to originate as many as 50 mortgages in 2006 and 2007 for homes purchased on the West Side of Buffalo. The GBSB borrower must be at 80% of the area median income and the property must be purchased on the West Side of Buffalo, generally an economically distressed area. WSNHS’s mission supports the revitalization of its neighborhood through retention and expansion of home ownership opportunities for moderate- to high-income residents of the West Side of the City of Buffalo.

#### **Greater Buffalo Savings Bank Portfolio**

GBSB’s has its own flexible mortgage program, designed to assist first-time homebuyers and encourage neighborhood revitalization. The program provides higher loan-to-value financing (90-105%) and incorporates an educational component covering budgeting techniques, borrower evaluation, home ownership planning and home purchase.

### **Restore Buffalo Loan**

A special storm recovery loan for Western New Yorkers was designed to address the damage caused by the Storm of October 2006. The loan product was offered as unsecured up to \$25 thousand. In addition, payments were deferred for the first three months. Nine loans for \$96.5 thousand were originated through this program.

### Economic Development

#### **New York State Business Development Corporation (“NYBDC”)**

GBSB participates with the NYSBDC, an organization that provides financing to assist minority and women-owned businesses by offering credit opportunities not otherwise available to them. During the evaluation period, GBSB extended two SBA 504 loans through NYSBDC totaling \$1.2 million.

#### **Small Business Administration (“SBA”)**

Through SBA programs such as the 7(a) Loan Guaranty and the 504 Loan Program, GBSB originated 23 loans during the evaluation period. GBSB received the SBA Bronze Award for participating in the SBA loan guarantee program and approved loans over \$1 million dollars in each of the calendar years 2005 and 2006, respectively.

### **II. Investment Test: “High Satisfactory”**

*The Investment Test evaluates a bank’s record of helping to meet the needs of its assessment area through qualified investments. Qualified investments are evaluated based on their dollar volume, their innovation and/or complexity, their responsiveness to community development needs, and the degree to which the investments are not routinely provided by private investors.*

GBSB’s level of qualified community development investments and grants reflects a good responsiveness to credit and community development needs.

As of the evaluation date, qualified investments, including grants, totaled \$1.2 million. The following are examples of GBSB’s qualified community development investments.

- GBSB invested \$1 million in Community Preservation Corporation (CPC) Collateral Trust Notes. These notes are for the development of affordable housing throughout New York State. The CPC is a private, not-for-profit corporation sponsored by more than 90 commercial banks, savings institutions and insurance companies. The mission of the CPC is to stabilize, strengthen and sustain low and mixed-income communities.
- During the evaluation period, GBSB contributed \$64 thousand to the Federal Home Loan Bank of New York (FHLBNY) Affordable Housing Program (AHP). In 1989, Congress authorized FHLBNY and other home loan banks to launch the AHP. Since then, FHLBNY along with its over 300 members and their not-for-profit community partners have joined to fund numerous affordable housing initiatives.

### **Grant Activities:**

During the evaluation period, GBSB gave \$108 thousand to various community groups involved with community development throughout the assessment area. The following are examples of community development organizations whose work was supported by GBSB.

- GBSB donated \$50 thousand to the West Side Neighborhood Housing Services Inc. (“WSNHS”). WSNHS revitalizes underserved neighborhoods by creating and preserving affordable housing and providing opportunities for homeownership education, financial assistance and community leadership.
- GBSB entered into an agreement with Belmont Shelter Corp. to establish an Individual Development Account, to which GBSB will contribute \$46,000 in matching grant dollars (over a 5-year period), that can assist as many as 20 participants (Section 8 recipients) become 1<sup>st</sup> time homebuyers and mortgage holders with GBSB. The potential homebuyer is required to save up to \$2,000, complete 40 hours of financial management/first time homebuyer education and is then eligible for a 2 to 1 match, receiving as much as \$4,000 in matching funds. To date there have been 14 participants in the program.
- During the evaluation period, GBSB funded the operations of its Helping Hands Committee (“HHC”) with grant donations totaling \$4 thousand. HHC supports neighborhood revitalization efforts through non-profit community development organizations such as: Belmont Shelter Corporation, Home Front, Inc, Chautauqua County Humane Society and Just Buffalo Literacy Center.
- GBSB donated \$4 thousand to the Child and Family Services’ “Ways to Work Program.” The goal of this initiative is to assist low-moderate income individuals to obtain employment.
- A grant of \$4 thousand to Buffalo’s Local Initiatives Support Corporation (“LISC”) in 2005 represents an investment toward the redevelopment of the Western New York (“WNY”) community. LISC’s work in redeveloping neighborhoods and providing affordable housing is critical to rebuilding the WNY community.

### **III. Service Test: “Outstanding”**

*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: - “Outstanding”

### Accessibility of Delivery Systems

GBSB’s systems of delivering retail services are readily accessible to all portions of its assessment area. As of the evaluation date, GBSB had 14 full services branches, of which two (14.3%) were located in LMI geographies and seven (50.0%) were in areas that were adjacent to LMI geographies. Therefore, altogether 9 branches or 64.3% were either inside or adjacent to LMI areas.

Supplementing the banking offices is an automatic teller machine (ATM) network consisting of 14 machines. ATM’s are located at each branch, with the exception of the Fredonia branch in Chautauqua County, and one at an off-site location. None of the offsite ATM’s are deposit-taking machines. In addition to its own ATM network, GBSB has an agreement with a larger financial institution, which gives GBSB’s customers surcharge free access at approximately 300 ATM locations throughout New York State.

The following table illustrates the distribution of GBSB’s branches, and ATMs during the evaluation period:

<b>GBSB's Distribution of Branches and ATM's</b>														
County Name	Total # of Branches	Low	Mod	LMI %	Adj. to LMI	Adj. %	% In or Adj. to LMI Areas	Total # of ATMs	Low	Mod	ATM LMI %	Adj. to LMI	Adj. %	% In or Adj. to LMI Areas
Erie	11	2	0	18.2	4	36.4	54.5	12	2	1	25.0	4	33.3	58.3
Chautauqua	2	0	0	0.0	2	100.0	100.0	1	0	0	0.0	1	100.0	100.0
Niagara	1	0	0	0.0	1	100.0	100.0	1	0	0	0.0	1	100.0	100.0
<b>TOTAL</b>	<b>14</b>	<b>2</b>	<b>0</b>	<b>14.3</b>	<b>7</b>	<b>50.0</b>	<b>64.3</b>	<b>14</b>	<b>2</b>	<b>1</b>	<b>21.4</b>	<b>6</b>	<b>42.9</b>	<b>64.3</b>

### Alternative Delivery Systems

GBSB used several alternative delivery systems to enhance the accessibility of its services. Overall, these systems are effective and are readily available to all portions of its assessment area.

The following are examples of GBSB’s alternative delivery systems:

- Online Banking
- Free Bill-Payment Service
- Bank-by-Phone
- Bank-by-Mail

### Changes in Branch Locations

GBSB opened nine branches during the evaluation period, one in an LMI area and three

adjacent to LMI areas. Therefore, GBSB's record of closing or opening branches has improved the accessibility of its delivery systems, particularly to LMI geographies and/or LMI individuals.

During the evaluation period, GBSB renovated its headquarters at 2421 Main Street in Buffalo. This site falls within an Empire Zone and became Buffalo's first Banking Development District. GBSB also formed Buffalo's second Banking Development District in December 2005 (also an Empire Zone) on the Westside, and constructed and opened a new branch on Connecticut Street in November 2006. During the evaluation period, GBSB opened one branch and relocated another in 2004, opened three branches in 2005 and five branches in 2006. GBSB closed one branch in 2006.

#### Reasonableness of Business Hours and Services in Meeting Assessment Area Needs

GBSB's business hours and services are tailored to the convenience and needs of its assessment area. All branches have extended banking hours at least once during weekdays; 13 branches are open on Saturdays and five branches are open on Sundays.

BfloBasic: To benefit LMI individuals, GBSB offers a checking account that contains more favorable terms than are required by the New York State Banking inward regulations. Under its terms, customers have unlimited transactions per statement cycle, while the NY regulations require a minimum of eight withdrawals at no additional charge.

Other Retail Products and Services that particularly benefit LMI populations or small businesses, including but not exclusively the following:

- Bflo Biz Checking
- Free Checking for Life
- Buffalo Plus Senior
- Student Savings
- Optimal IRA
- Commitment to Community Program (specifically designed for non-profit organizations)

#### **Community Development Services: "Outstanding"**

GBSB is a leader in providing community development services benefiting its assessment area. Sponsoring and collaborating with not-for-profit organizations and government agencies, GBSB actively organizes and participates in a large volume of community development services.

The following are some of the organizations / activities in which GBSB participated:

- Through partnerships with various community development organizations, such as FHLBNY, Home and Home front, GBSB sponsored and conducted seminars, workshops

and presentations. These activities covered a variety of topics including presenting loan products for affordable housing, providing guidance for first time homebuyers, and discussing how to obtain low cost housing and how to get started for home ownership.

- In addition to its programs, seminars and workshops, GBSB offered the Federal Home Loan Bank of New York's ("FHLBNY") First Home Club Program. Under this program, it provides a three to one match of the participant's own savings, up to \$5,000, to be used toward down payment and closing costs. The participants are required to maintain their savings account at a GBSB branch and attend counseling on preparing for the mortgage process and responsibilities of home ownership. During the evaluation period, there have been 14 participants enrolled in this program.
- GBSB held its own homeownership and financial health seminars, titled "The Mortgage Process, Credit and Finances" and "Mortgage Prequalification."
- GBSB provided the use of its community room free of charge to Consumer Credit Counseling Service ("CCCS"), which experienced construction delays in the renovation of its new headquarters. This allowed CCCS to continue to run its day-to-day business and relieved the organization of additional rent for a period of 30 days.
- GBSB provided office space at its main office to the Department of Treasury's Volunteer Income Tax Assistance (VITA) program in 2004 and 2005. This program provides free tax preparations and free electronic filing to the elderly and LMI individuals.
- During the evaluation period, GBSB successfully sponsored two applications for Federal Home Loan Bank affordable housing program grants. The first project on which the grant was requested, is a 77-unit senior citizen project named River Crest Senior Housing, located in Wheatfield. The other grant was for an 84-unit rental development for low-income households.
- In June 2006, Chautauqua Opportunities Inc. ("COI") and GBSB collaborated for a one-year period to offer financial literacy training for clients who do not have a bank relationship. Following completion of the training, GBSB opened a savings account and contributed a matching deposit of \$50.00 for client who meet and maintain all conditions detailed in the agreement. This is a new venture for GBSB, and as of examination date, it has completed two workshops under the agreement.

In addition to the above, the following are examples of community development organizations supported by GBSB during the evaluation period:

- Buffalo Municipal Housing Authority
- Business 301 Seminar
- Faith-Based Housing Seminar
- Straight Talk (Small Business Seminar)
- West Side Community Center

*Technical Assistance* – GBSB’s employees provided an excellent level of community services in the form of technical assistance during the evaluation period. Senior management serves as chairpersons and members of board of directors; advisory boards, financial committees, loan review committees and in other CRA qualified functional capacities in a large number of community development organizations. Most of the organizations served are dedicated to enhance affordable housing, economic development and community service. They include but are not limited to the following:

- Buffalo Economic Renaissance Corporation
- Buffalo Federation of Neighbors Community Center
- Belmont Shelter Corp.
- Child & Family Services
- City of Tonawanda Housing Authority
- Consumer Credit Counseling Service of Buffalo
- FNMA Regional/National Advisory Council
- Meals on Wheels
- Predatory Lending Task Force
- United Way of Buffalo & Erie County

#### **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 most recent regulatory compliance report conducted as of March 2007, indicates a satisfactory performance in terms of adherence to antidiscrimination or other applicable laws and regulations. No evidence of prohibited discrimination 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.**

GBSB is actively involved in all aspects of the community through its employees who occupy positions of leadership on various boards and committees that are focused on building and redeveloping the Western New York community. Additionally, GBSB’s

“Helping Hands” committee accepts and reviews contribution requests from many organizations in need of funding and volunteerism.

The Community Development officer works closely with many organizations throughout the assessment area to assist in the identification of LMI individuals and neighborhoods credit needs. By working with organizations like the Fillmore Leroy Area Residents (FLARE), Westside Neighborhood Housing Services, Belmont Shelter Corp., GBSB is able to identify and provide products, services and funding in a manner that can benefit the community, especially LMI areas.

**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.**

GBSB consistently strives to market its products and services in all segments of the community. Each of its 14 branches display product signs in the windows to promote products like the “Buffalo Basic Checking Account” and home equity lines of credit. GBSB also advertises in Buffalo’s primary newspaper, The Buffalo News. It also utilizes community newspapers to reach areas of the community where LMI individuals reside.

GBSB regularly uses television and radio advertisements to market bank products and services. The president and CEO have been featured in ads promoting products and inviting all segments of the community to call him directly to discuss any topic with him personally. GBSB’s tag line, “You’re worth more here,” is reflected in all brochures, newspaper ads and television and radio spots and is reflected in the president’s open door policy.

**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.**

GBSB’s board of directors is involved in GBSB’s CRA program. The board is usually updated about CRA initiatives through the loan committee, helping hands committee and from members of the board, who are also active with not-for-profit organizations. The CRA officer is the focal point for GBSB’s CRA activities.

**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.**

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.

### 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 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 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.