



**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:** Sleepy Hollow Bank  
49 Beekman Avenue  
Sleepy Hollow, NY 10591

**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 Sleepy Hollow Bank ("SHB") 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 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.

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## OVERVIEW OF INSTITUTION'S PERFORMANCE

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

- ***Loan-to-Deposit ("LTD") Ratio and Other Lending-Related Activities:*** SHB's LTD ratio is considered reasonable in light of its size, financial condition and the credit needs of its assessment area. The average LTD ratio of SHB for the twelve consecutive quarters ending December 31 2006 was 66.7%, which is significantly below the peer group's average of 81.2%. However, SHB's LTD showed an improvement of 10.3 percentage points compared with prior evaluation's 56.4%.
- ***Assessment Area Concentration:*** SHB originated a majority of its loans inside its assessment area. During the evaluation period, of the 377 HMDA-reportable loans originated by SHB, 70.0% of the number and 70.1% of the dollar volume were extended inside the assessment area
- ***Geographic Distribution of Loans:*** SHB's geographic distribution of loans reflects a reasonable dispersion among census tracts of different income levels. During the evaluation period, SHB extended 4.5% of its HMDA-reportable loans in moderate-income areas.
- ***Distribution by Borrowers Characteristics:*** SHB's lending distribution in the assessment area reflects a reasonable penetration among individuals of different income levels and businesses of different revenue sizes. At this evaluation, SHB originated 3.4% of its HMDA-reportable loans to LMI borrowers.
- Neither ACB 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.

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## PERFORMANCE CONTEXT

### **Institution's Profile:**

Originally granted a federal charter in 1924, Sleepy Hollow National Bank converted to a state charter in 2002 and changed its name to Sleepy Hollow Bank ("SHB"). SHB, a commercial bank headquartered in Sleepy Hollow, New York, is a wholly owned subsidiary of Sleepy Hollow Bancorp, a one-bank holding company formed in 2003.

According to the December 31, 2006 Call Report, SHB reported total assets of \$262.3 million, of which \$168.3 million were net loans and lease finance receivables. SHB also reported deposits of \$236.4 million, resulting in a loan-to-deposit ratio of 71.2%.

The FDIC's deposit market share report dated June 30, 2006 showed that SHB obtained a market share of 0.88% or \$250.4 million out of \$2,022.5 billion inside its market, ranking it 18th among 37 deposit-taking institutions in Westchester County.

In 2004, SHB ranked 44th out of 395 HMDA-reporting lenders within its assessment area with a market share of 0.39% based on the number of loans. In 2005, SHB ranked 57th out of 397 HMDA-reporting lenders in the assessment area and obtained a market share of 0.33% based on the number of loans.

SHB competes with larger institutions with greater resources and more branches inside the assessment areas. The four largest banks inside the assessment areas accounted for 46.0% of the 254 branches with combined deposits of than \$17.1 billion and a market share of 59.8%.

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

<b>GROSS LOANS OUTSTANDING</b>								
LOAN TYPE	2003		2004		2005		2006	
	\$000	%	\$000	%	\$000	%	\$000	%
1-4 Residential Mortgage Loans	64,956	54.9	92,286	59.6	82,202	51.7	72,970	43.0
Commercial & Industrial Loans	3,504	3.0	4,157	2.7	6,339	4.0	6,365	3.8
Commercial Mortgage Loans	27,173	23.0	33,147	21.4	42,843	26.9	57,636	34.0
Multifamily Mortgages	20,365	17.2	22,325	14.4	23,836	15.0	30,241	17.8
Consumer Loans	1,853	1.6	2,108	1.4	2,210	1.4	2,265	1.3
Construction Loans	380	0.3	509	0.3	1,530	1.0	111	0.1
Other Loans	126	0.1	194	0.1	161	0.1	59	0.0
Total Gross Loans	118,357	100.0	154,726	100.0	159,121	100.0	169,647	100.0

As demonstrated in the above table, SHB is primarily a 1-4 residential mortgage lender. As of December 31, 2006, 1-4 residential mortgage loans accounted for 43.0% of its loan portfolio. Other significant categories include commercial mortgage loans (34.0%) and Multifamily Mortgages (17.8%).

Although SHB placed its emphasis mostly on residential and commercial loans, it also

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offers some retail products. Other services and products offered by SHBs include the following:

- Basic Checking
- Free Checking
- VIP Advantage Checking
- Business Gold Checking
- Super Savings Accounts
- Savings Accounts
- Money Market Accounts
- Residential & Commercial Loans
- Consumer Loans
- Certificate of Deposit
- Attorney Trust Accounts
- Christmas Club Accounts
- Passbook Savings Accounts
- Individual Retirement Accounts

SHB operates five full-service branches and one limited service branch including its main office located in a middle-income area in Sleepy Hollow. One branch is located in Pleasantville, one in Ossining and two branches in Yonkers with one branch adjacent to LMI areas. In March 2005, SHB opened a mobile office with limited Service in Kendal Way, Sleepy Hollow. In addition to its regular banking hours, SHB provides extended hours of service on Saturdays. Supplementing the banking offices is a 24 hour ATM banking services in all the six branches.

The bank does not participate in any governmentally guaranteed or sponsored loan programs.

The bank received a rating of “2,” reflecting a satisfactory record of helping to meet community credit needs at its prior CRA Performance Evaluation conducted by the New York State Banking Department on January 1, 2004

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

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**Assessment Area:**

SHB's assessment area is comprised of Westchester County in its entirety. There are 221 census tracts in the area, of which four are low-income, 21 are moderate-income, 39 are middle-income, 153 are upper-income and four are zero-income tracts.

Distribution of Assessment Area Census Tracts by Income Level							
Census Tracts	Zero	Low	Moderate	Middle	Upper	Total	LMI %
Number	4	4	21	39	153	221	11.3
%	1.8	1.8	9.5	17.6	69.2	100.0	

**Details of Assessment Area:**

*Population:* According to the 2000 U.S. Census Bureau, the assessment area had a population of 923.5 thousand. About 14.0% of the population was over the age of 65 and 22.4% was under the age of 16.

*Families/Households:* The assessment area contained 237.0 thousand families including 30.2 thousand (12.7%) low-income, 24.7 thousand (10.4%) moderate-income, 33.2 thousand (14.0%) middle-income and 148.8 thousand (62.8%) upper-income. Of the 337.5 thousand households in the assessment area 28.6 thousand (8.5%) lived below the poverty level. Of the 54.9 thousand LMI families living in the assessment area 14.2 thousand (25.9%) resides in LMI geographies.

*Income:* According to the 2000 Census, the median family income within the assessment area was \$89.2 thousand. The U.S. Department of Housing and Urban Development ("HUD") estimated median family income for the area was \$57.0 thousand in 2004, \$57.6 thousand in 2005 and \$59.2 thousand in 2006.

*Housing:* There were 349.4 thousand housing units within the assessment area, including 237.3 thousand (67.9%) one- to four-family units and 112.1 thousand (32.1%) multi family units. A majority (58.0%) of the area's housing units were owner occupied, while 40.1% were rental units. The median housing price in the assessment area was \$285.8 thousand. Within the assessment area, 2.7% of owner-occupied housing units were LMI, 10.3% were in middle-income areas and substantial majority 87.1% were located in upper-income areas.

*Businesses:* There were 85.9 million businesses in the assessment area. Of these 68.9% were businesses with revenue of less than a million dollars while 25.4% did not report revenue. Similarly, 91.7% of the businesses in the assessment area occupied single location while businesses with branches accounted for 5.9%. The largest business was services 40.7%, followed by retail trade 13.8% and Finance, Insurance and Real Estate 9.8% while non-classified establishments were 15.1% of the businesses in the assessment area.

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*Unemployment Rate:* According to the New York State Department of Labor, Westchester County's average unemployment rate was 4.4% in 2004, and 4.1% in 2005, and 3.7 in 2006. In comparison, the average unemployment rates in the assessment area were significantly below the New York State's average unemployment rates of 5.8% in 2004, 5.0% in 2005, and 4.5% in 2006.

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

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## **PERFORMANCE STANDARDS AND ASSESSMENT FACTORS**

*Sleepy Hollow Bank's performance was evaluated according to the small bank performance criteria, which include the following: (1) Loan-to-Deposit Ratio and other Lending-Related Activities; (2) Assessment Area Concentration; (3) Geographic Distribution of Loans; (4) Distribution by Borrower Characteristics; and (5) Action Taken in Response to Written Complaints Regarding CRA. Based on information by the bank, services were also considered.*

The assessment period included calendar years 2004, 2005 and 2006. The bank is a HMDA reporter. HMDA-reportable loans is the only product the bank submitted for CRA credit, therefore the examiners considered HMDA-reportable lending in evaluating factors (2), (3) and (4), as noted above. The market aggregate for 2006 is not available for comparison.

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

- **Loan-to-Deposit Ratio Analysis and other Lending-Related Activities:**  
**"Satisfactory"**

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

SHB's average LTD ratio for the twelve consecutive quarters ending December 31, 2006 was 66.7%, which is significantly below the peer group's average of 81.2%. While SHB's average LTD ratio continued to lag the peer's, it improved significantly from the prior evaluation's average of 56.4%.

SHB's LTD ratios for the twelve quarters of the evaluation period fluctuated moderately from between 2004 and 2005 but steadily increased from the second quarter of 2006. In comparison, the peer group's LTD ratios have been more stable with an upward trend.

Please refer to the following table for additional information on the bank's LTD:

<b>Loan-to-Deposit Ratios</b>													
	3/31/04	6/30/04	9/30/04	12/31/04	3/31/05	6/30/05	9/30/05	12/31/05	3/31/06	6/30/06	9/30/06	12/31/06	Average LTD
Bank	55.6	64.6	64.3	67.0	66.6	69.5	67.1	68.4	67.3	67.4	71.2	71.2	66.7
Peer	79.3	79.9	81.0	81.4	80.7	81.7	81.9	81.7	81.8	83.2	83.4	82.4	81.5

### **Community Development Lending**

During the evaluation period, SHB's community development loans totaled \$3.3 million. SHB extended these community development loans to finance multifamily projects that

provide affordable housing in LMI neighborhoods. Some of the units are rented out to tenants through the shelter care program and Human Development Services of Westchester County, which provides shelter to the homeless.

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

SHB originated a majority of its loans inside its assessment area. During the evaluation period, of the 377 HMDA-reportable loans originated by SHB, 70.0% of the number and 70.1% of the dollar volume were extended inside the assessment area

HMDA-Reportable Loans

In 2004, SHB originated 67.4% of its 175 HMDA-reportable loans within its assessment area. While total loan originations declined in 2005 and 2006, the ratio of loan originated in the assessment area increased to 71.4% and 73.9% respectively from 67.4% in 2004.

The following table shows distribution of SHB’s HMDA-reportable loans inside and outside the assessment areas during the evaluation period:

Distribution of Loans Inside and Outside of the Assessment Area										
HMDA-Reportable	Number of Loans					Loans in Dollars (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
2004	118	67.4	57	32.6	175	40,660	65.5	21,444	34.5	62,104
2005	95	71.4	38	28.6	133	35,773	72.0	13,944	28.0	49,717
2006	51	73.9	18	26.1	69	22,346	76.8	6,759	23.2	29,105
<b>Total</b>	<b>264</b>	<b>70.0</b>	<b>113</b>	<b>30.0</b>	<b>377</b>	<b>98,779</b>	<b>70.1</b>	<b>42,147</b>	<b>29.9</b>	<b>140,926</b>

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

The geographic distribution of SHB’ HMDA-reportable loans reflects a reasonable dispersion among census tracts of different income levels.

HMDA-Reportable Loans

In 2004, SHB originated 4.3% of its HMDA-reportable loans in LMI geographies, which was below the market aggregate’s LMI penetration ratio of 5.9%. However, SHB’s lending in LMI areas was more than reasonable compared to the 2.7% owner-occupied housing units located in such areas.

In 2005, SHB originated 3.2% of its HMDA-reportable loans in LMI geographies, which was well below the market aggregate's LMI penetration ratio of 6.6%. However, in 2006, SHB's LMI penetration rate increased significantly to 7.9%, which was reasonable compared with the performance context, which includes housing demographic.

The following chart provides a summary of the bank's HMDA related lending distribution during the evaluation period:

Distribution of HMDA-reportable Loans by Geographic Income Level*								
2004								
Geography	Bank				Aggregate			
Income Level	#	%	\$000	%	#	%	\$000	%
Low	1	0.9	480	1.2	229	0.8	58,669	0.6
Moderate	4	3.4	1,020	2.5	1,519	5.1	444,054	4.6
Middle	26	22.0	7,536	18.5	4,259	14.3	1,077,022	11.1
Upper	87	73.7	31,624	77.8	23,725	79.7	8,100,297	83.6
NA	0	0.0	0	0.0	34	0.1	4,969	0.1
<b>Total</b>	<b>118</b>	<b>100.0</b>	<b>40,660</b>	<b>100.0</b>	<b>29,766</b>	<b>100.0</b>	<b>9,685,011</b>	<b>100.0</b>
2005								
Geography	Bank				Aggregate			
Income Level	#	%	\$000	%	#	%	\$000	%
Low	0	0.0	0	0.0	261	0.9	74,508	0.7
Moderate	3	3.2	1,815	5.1	1,653	5.7	493,394	4.8
Middle	9	9.5	4,050	11.3	4,314	15.0	1,247,199	12.2
Upper	82	86.3	29,656	82.9	22,525	78.2	8,401,967	82.2
NA	1	1.1	252	0.7	39	0.1	7,473	0.1
<b>Total</b>	<b>95</b>	<b>100.0</b>	<b>35,773</b>	<b>100.0</b>	<b>28,792</b>	<b>100.0</b>	<b>10,224,541</b>	<b>100.0</b>
2006								
Geography	Bank				Aggregate not available			
Income Level	#	%	\$000	%				
Low	3	5.9	1,670	7.5				
Moderate	1	2.0	450	2.0				
Middle	13	25.5	6,128	27.4				
Upper	34	66.7	14,098	63.1				
NA	0	0.0	0	0.0				
<b>Total</b>	<b>51</b>	<b>100.0</b>	<b>22,346</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 income, middle-income is 80% to <120%, and upper-income is at least 120%.

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

The distribution of loans based on borrower characteristics reflects a reasonable penetration of HMDA-reportable among individuals of different income levels.

### HMDA-Reportable Loans

In 2004, SHB originated 5.9% (7 loans) of its HMDA-reportable loans to LMI borrowers.

This percentage was above the market aggregate's LMI penetration ratio of 5.5%. SHB's lending to LMI borrowers was marginally reasonable compared to the 23.1% of total LMI families living in the assessment areas.

In 2005, the distribution of SHB's HMDA-reportable loans among LMI borrowers significantly declined to 1.1% in moderate-income area from 2004. This performance was below the market aggregate's ratio of 4.3% lending among LMI borrowers.

In 2006, the distribution of SHB's HMDA-reportable loans among LMI borrowers increased slightly 2.0%. SHB's level of lending to LMI borrowers was marginally reasonable in light of the performance context, including the percentage of LMI families.

The following chart provides a summary of SHB's HMDA lending distribution during the evaluation period:

Distribution of HMDA-reportable Loans by Borrower Income Level*								
Borrower	Bank				Aggregate			
Income Level	#	%	\$000	%	#	%	\$000	%
Low	1	0.8	200	0.5	215	0.7	21,903	0.2
Moderate	6	5.1	606	1.5	1,412	4.8	158,609	1.7
Middle	11	9.4	2,100	5.2	3,880	13.0	639,626	6.6
Upper	79	66.9	28,761	70.7	22,013	74.0	7,955,001	82.1
NA	21	17.8	8,993	22.1	2,246	7.5	909,872	9.4
<b>Total</b>	<b>118</b>	<b>100.0</b>	<b>40,660</b>	<b>100.0</b>	<b>29,766</b>	<b>100.0</b>	<b>9,685,011</b>	<b>100.0</b>
Borrower	Bank				Aggregate			
Income Level	#	%	\$000	%	#	%	\$000	%
Low	0	0.0	0	0.0	144	0.5	17,911	0.2
Moderate	1	1.1	290	0.8	1,104	3.8	129,960	1.3
Middle	6	6.3	1,117	3.1	3,281	11.4	570,469	5.6
Upper	73	76.8	26,859	75.1	22,339	77.6	8,602,471	84.1
NA	15	15.8	7,507	21.0	1,924	6.7	903,730	8.8
<b>Total</b>	<b>95</b>	<b>100.0</b>	<b>35,773</b>	<b>100.0</b>	<b>28,792</b>	<b>100.0</b>	<b>10,224,541</b>	<b>100.0</b>
Borrower	Bank				Aggregate not available			
Income Level	#	%	\$000	%				
Low	0	0.0	0	0.0				
Moderate	1	2.0	92	0.4				
Middle	4	7.8	461	2.1				
Upper	29	56.9	13,006	58.2				
NA	17	33.3	8,787	39.3				
<b>Total</b>	<b>51</b>	<b>100.0</b>	<b>22,346</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%.

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

Since the previous CRA evaluation as of January 1, 2004, neither SHB nor the New York State Banking Department has received any written complaints regarding its CRA performance

- **Services:**

SHB demonstrates an adequate level of responsiveness to community development needs and services. Its president and chief executive officer participated actively in various organizations by serving on various boards and committees of organizations that promote community development initiatives. He also offers pro bono legal services to low and moderate income individuals. SHB's branch managers are active members of community organizations that benefit the community and mostly the LMI areas within the assessment area. Furthermore, SHB's staff conducted a toy drive that benefited the abused, underprivileged and institutionalized children of Westchester County.

- **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**

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 most recent regulatory compliance and fair lending examinations conducted 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.

- **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.**

SHB ascertains the credit needs of its community through the involvement of its officers and staff in the community groups, churches, service organizations, local officials and individuals, with special emphasis on low and moderate-income areas.

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**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**

SHB advertises in the neighborhood local newspaper and via Channel 12 News.

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

The board of directors plays an active role in formulating SHB's CRA policies. The board reviews and approves the CRA statement annually. A CRA officer was appointed by the board to oversee the compliance of CRA. The CRA officer reports to management and to the board.

- **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.

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## **GLOSSARY**

### **Aggregate**

The cumulative lending by all HMDA-reporting lenders in the same geographic area under evaluation.

### **Community Development**

The term “community development” is defined to mean:

1. Affordable housing (including multifamily housing) for low- or moderate-income (“LMI”) individuals;
2. Community services targeted to LMI individuals;
3. Activities that promote economic development by financing business or farms that meet the size eligibility standards of the United States Small Business Administration (“SBA”) Development Company or Small Business Investment Company programs, or have gross annual incomes of \$1 million or less;
4. Activities that revitalize or stabilize LMI geographies; and
5. Activities that seek to prevent defaults and/or foreclosures in loans included in (1) and (3), above.

A “community development loan” is defined as a loan that has as its *primary purpose* community development. This includes but is not limited to loans to:

- Borrowers for affordable housing rehabilitation and construction, including construction and permanent financing for multifamily rental property serving low or moderate income (“LMI”) persons;
- Nonprofit organizations serving primarily LMI or other community development needs;
- Borrowers to construct or rehabilitate community facilities that are located in LMI areas or that primarily serve LMI individuals;
- Financial intermediaries including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds or pools, micro-finance institutions, and low-income or community development credit unions that primarily lend or facilitate lending to promote community development;
- Local, state and tribal governments for community development activities; and
- Borrowers to finance environmental clean up or redevelopment of an industrial site as part of an effort to revitalize the LMI community in which the property is located.

A “qualified investment” is defined as a lawful investment, deposit, membership share or grant that has as its *primary purpose* community development. This includes but is not limited to investments, deposits, membership shares or grants in or to:

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

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

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

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

### **Home Mortgage Disclosure Act (“HMDA”)**

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

### **Loans to Small Businesses**

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

### **Low or Moderate Income (“LMI”) Geographies**

Those census tracts or block numbering areas (“BNAs”), where according to the 2000 US Census, the median family income is less than 80% of the area median family income. In the case of tracted areas that are part of a Metropolitan Statistical Area (“MSA”) or Primary Metropolitan Statistical Area (“PMSA”), this would relate to the median family income for the MSA or PMSA in which the tracts are located. In the case of BNAs and tracted areas that are not part of a MSA or PMSA, the area median family income would be the statewide non-metropolitan median family income.

### **LMI Borrowers**

Borrowers whose income, as reported on the loan application which the lender relied upon in making the credit decision, is less than 80% of the area median family income. In the case where the residential property is located in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure borrower income levels are updated annually by the U.S. Department of Housing and Urban Development (“HUD”).

### **LMI Individuals/Persons**

Those individuals, whose income is less than 80% of the area median family income. In the case where the individual resides in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all

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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.