



NEW YORK STATE BANKING DEPARTMENT
Consumer Services Division
One State Street Plaza
New York, NY 10004

PUBLIC SUMMARY

COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION

Evaluation Date: December 31, 2006

Institution: Solvay Bank
1537 Milton Avenue
Solvay, NY 13209

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 Solvay Bank (“Solvay”) 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 76.12. 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

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

I. Lending Test – "Satisfactory"

- Solvay's loan-to-deposit ("LTD") ratio is reasonable given its size and financial condition and the credit needs of the assessment area.
- Solvay extended a substantial majority of its HMDA-related and small business loans within its assessment area. Of the total loans originated by Solvay, 96.0% were originated within its assessment area.
- The geographical distribution of Solvay's HMDA-related and small business loans reflected a reasonable dispersion throughout the assessment area. Solvay's LMI penetration rates for HMDA-related loans were lower than the aggregate's. However, Solvay outperformed the aggregate both in number and dollar volume of small business loans extended in LMI areas.
- The borrower characteristics of Solvay's HMDA-related and small business loans reflected a reasonable penetration among borrowers of different incomes and businesses of different revenue sizes. Solvay's LMI penetration rates for HMDA-reportable loans are comparable to those of the aggregate. Solvay's distribution of small business loans is consistent with business demographics although well above the aggregate.

II. Community Development Test – "Outstanding"

- During the evaluation period, Solvay's community development loans and commitments totaled \$7.0 million, all of which represented new money.
- Solvay's qualified investments, including grants, totaled \$1.5 million.
- Solvay provided an excellent level of community development services in its assessment area.

Neither Solvay nor the New York State Banking Department received any complaints with respect to its CRA performance during the evaluation period.

This evaluation was conducted based on a review of the 12 assessment factors set forth in Section 28-b of the New York State Banking Law and Part 76 of the General Regulations of the Banking Board.

PERFORMANCE CONTEXT

Institution Profile:

Chartered in 1917, Solvay is wholly owned by Solvay Bank Corporation (“Solvay Corporation”), a one-bank holding company. Headquartered in Solvay, Onondaga County, Solvay currently operates seven full service branches throughout Onondaga County distributed as follows: one in low-income geography, two in a moderate-income geography and four in middle-income geographies. Nine automated teller machines (“ATMs”) supplement the branch offices. Solvay opened the Liverpool Branch in June 2005. There was no branch closing during the evaluation period.

Solvay has two subsidiaries. Solvay Bank Insurance Agency, Inc. is a wholly owned subsidiary that sells general life, health, property and casualty insurance. Solvay Realty Corp. is a majority owned corporation that holds mortgages purchased from Solvay Bank. Employees of Solvay Realty own less than one percent of the company’s stock.

As per its Consolidated Report of Condition and Income as of December 31, 2006, Solvay had total assets of \$471.7 million, net loans of \$329.6 million and total deposits of \$426.5 million, an increase of 7.7%, 7.8% and 7.7%, respectively, from the prior evaluation period. The modest growth in Solvay’s assets was attributed to the highly competitive banking conditions, reduced commercial lending opportunities and slowing local economy.

Market Share of Deposits

According to the FDIC’s deposit market share report compiled as of June 30, 2006, Solvay holds approximately 6.2% of the \$6.9 billion deposits in Onondaga County. This level of deposits places Solvay sixth among 19 FDIC-insured institutions in the county.

Solvay Bank operates in a highly competitive market. In addition to a number of credit unions, mortgage bankers and various types of financial services providers, Solvay Bank competes against 18 banks operating 138 branches in Onondaga County. Its primary bank competitors include Manufacturers & Traders Trust Company, Keybank, HSBC Bank USA, JPMorgan Chase, Bank of America, Partners Trust Bank, Alliance Bank and Citizens Bank, which collectively hold 83.3% (\$5.8 billion) of total deposits in the county as of June 30, 2006.

Solvay is primarily a residential mortgage lender. At year-end in 2005 and 2006, 1-4 family and multifamily residential mortgages accounted for 57.7% and 57.8%, respectively, of the total loan portfolio.

The following is a summary of Solvay's lending portfolios, based on Schedule RC-C of the Report of Condition and Income as of December 31, 2004, 2005 and 2006:

TOTAL GROSS LOANS OUTSTANDING						
LOAN TYPE	12/31/2004		12/31/2005		12/31/2006	
	\$000	%	\$000	%	\$000	%
1-4 Family Residential Mortgages	180,787	57.9	187,453	57.2	192,780	57.3
Multifamily Residential Mortgages	2,031	0.6	1,785	0.5	1,782	0.5
Commercial Mortgage Loans	37,993	11.3	43,213	13.2	44,126	13.1
Construction and Land Development Loans	19,611	5.8	18,845	5.8	19,544	5.8
Commercial & Industrial Loans	54,853	16.3	58,806	18.0	58,553	17.4
Consumer Loans	16,581	4.9	17,129	5.2	19,549	5.8
Other Loans	504	0.1	246	0.1	394	0.1
Total Gross Loans	312,360	97.0	327,477	100.0	336,728	100.0

Solvay offers a wide variety of lending, savings, trust and investment products, including:

- Home mortgage loans
- Commercial mortgages
- Commercial and industrial loans
- Consumer loans
- Credit cards
- Statement and passbook savings accounts
- Certificates of deposit
- Checking accounts
- Trust and estate services
- Investment management
- Employer retirement plans
- Custody services

The Banking Department's previous evaluation of Solvay was conducted as of December 31, 2004, and resulted in a rating of "Satisfactory." Like the prior evaluation, this evaluation was based on the Intermediate Small Bank performance criteria set forth in Part 76 of the General Regulations of the Banking Board.

There were no known financial or legal impediments that adversely impacted Solvay's ability to meet the credit needs of its community.

Assessment Area:

Solvay's assessment area includes all 144 census tracts within Onondaga County, part of Metropolitan Statistical Area ("MSA") 45060, known as the Syracuse MSA. Approximately

31% of the assessment area is LMI. The following table shows the breakdown of the census tracts within Onondaga County based on the income level for each tract:

Distribution of Assessment Area Census Tracts by Income Level							
County	Zero	Low	Moderate	Middle	Upper	Total	LMI %
Onondaga	0	21	23	56	44	144	44
	0%	14.6%	16.0%	38.9%	30.5%	100%	30.6%

The assessment area appears reasonable based upon Solvay's lending pattern and the location of its branches. There is no evidence that LMI areas have been arbitrarily excluded from the assessment area.

Details of Assessment Area:

Demographic Characteristics

According to the 2000 US census, the assessment area has a population of 458,336, including 63,294 (13.8%) people over the age of 65 and 105,236 (23%) people below the age of 16. The assessment area's population is comprised of 116,136 families and 181,369 households that are contained in 196,633 housing units. The county is dominated by the city of Syracuse; its population of 147,306 account for 32.1% of the total.

Of the 196,633 housing units in the assessment area, 159,565 (81.2%) units were 1-4 family houses, 37,068 (18.9%) were multifamily structures and 2,706 (1.4%) were mobile homes or trailers. Total housing units include 116,815 (59.4%) owner-occupied units, 64,338 (32.7%) rental-occupied units and 15,480 (7.9%) vacant units.

Among the 181,369 households living in the assessment area 50,341 households (27.8%) were on social security, 6,229 households (3.4%) were on public assistance and 22,228 households (12.3%) were living below the poverty level.

The assessment area's 116,136 families include 22,820 (19.6%) low-income families, 19,877 (17.1%) moderate-income families, 24,458 (21.1%) middle-income families, and 48,981 (42.2%) upper-income families. Of the total LMI families, 37.1% live in LMI tracts.

As of the 2000 U.S Census, the median family income in Onondaga County was \$53,569. As of 2007, the HUD-estimated median family income has risen 11.1% to \$59,500.

Within the assessment area, the housing stock has an average age of 48 years and the median value was \$84,771.

Business Demographics

In 2006 the number of businesses in the assessment area increased 7.7% to 33,292 from the previous evaluation period. Close to two-thirds were small businesses, i.e. with

revenues of \$1 million or less. A high percentage of the area's businesses (85.2%) operated from a single location and 77.7% employed fewer than 50 employees.

Of the total businesses, 13,078 (39.3%) were in services, 5,263 (15.8%) engaged in retail trade, 2,606 (7.8%) were in construction, 2,518 (7.6%) were in finance, insurance and real estate business, 1,280 (3.8%) were in manufacturing and 4,453 thousand (13.4%) were non-classifiable establishments.

Unemployment Rates

Unemployment rates in Onondaga County declined during the evaluation period as the area continued to gain jobs in the government, financial and services sectors. The county's average unemployment rates in 2005 and 2006 were 4.5% and 4.2%, respectively, as compared to 5.0% and 4.5% for the entire state. Below are details relating to the average unemployment rates in the county and state of New York.

Assessment Area and New York State Unemployment Rates										
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Onondaga County	3.9	3.5	3.5	3.5	4.0	4.9	5.1	5.1	4.5	4.2
New York State	6.5	5.7	5.2	4.5	4.9	6.2	6.4	5.8	5.0	4.5

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

The Banking Department assesses an intermediate small bank's CRA performance under the Lending and Community Development test. These two tests are pursuant to part 76.11 and 76.12 of the General Regulations of the Banking Board. The lending test is evaluated according to the following criteria: (1) Loan-to-Deposit Ratio and other Lending-Related Activities, (2) Assessment Area Concentration, (3) Geographic Distribution of Loans, (4) Distribution by Borrower Characteristics' and (5) Action Taken in Response to Written Complaints Regarding CRA. The community development test is evaluated according to the following criteria: (1) Community Development Loans, (2) Qualified Investments and (3) Community Development Services.

The evaluation period covers calendar years 2005 and 2006. The 2006 aggregate loan data was obtained from the Federal Financial Institutions Examination Council ("FFIEC") and PCi Corporation's CRA Wiz[®] software. The demographic data referenced in this evaluation were obtained from the 2000 U.S. Census. Updated median family income ("MFI") figures for 2003 and 2004 were obtained from the U.S. Department of Housing and Urban Development ("HUD").

Examiners considered both HMDA-related loans and small business loans in evaluating factors (2), (3) and (4), of the lending test.

I. Lending Test: "Satisfactory"

Solvay's small business and HMDA-reportable lending activities are reasonable in light of the assessment area's credit needs. Solvay ascertains its community credit needs by having constant contact with community organizations, maintaining a calling program and visiting new businesses and current customers.

Loan-to-Deposit Ratio ("LTD"): "Satisfactory"

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

For the eight consecutive quarters ending December 31, 2006, Solvay's average LTD ratio was 77.8%, well below the peer group's average LTD ratio of 86.2%.¹

¹ These ratios were derived from the Uniform Bank Performance Report ("UBPR") as prepared by the FDIC. The bank's peer group includes all insured commercial banks having assets between \$300 million and \$1 billion. The UBPR peer group is a national peer group and includes banks that may be operating in very different economic environments.

Due to the highly competitive lending environment and slowing local economy, Solvay's loan portfolio grew modestly during the evaluation period. Gross loans increased \$15.1 million (4.8%) in 2005 and \$9.3 million (2.8%) in 2006. However, total deposits increased \$11.5 million (2.9%) and \$18.8 million (4.6%), respectively, in 2005 and 2006.

The following table shows quarterly comparative percentages of the average LTD ratios of Solvay and the peer group during the evaluation period:

Loan-to-Deposit Ratios									
	03/31/05	06/30/05	09/30/05	12/31/05	03/31/06	06/30/06	09/30/06	12/31/06	Average
Bank	79.83	79.13	78.31	78.63	76.42	76.49	76.25	77.28	77.79
Peer	84.87	86.00	85.89	85.43	85.54	87.00	87.60	86.83	86.15

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

Solvay originated a substantial majority of its HMDA-related and small business loans within its assessment area. During the evaluation period, Solvay originated 96.0% (by number) and 95.0% (by dollar volume) of total loans inside its assessment area. Details are illustrated in the chart below:

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Dollars in Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$000	%	\$000	%	
Home Mortgage										
2005	363	92.4	30	7.6	393	23,875	91.9	2,112	8.1	25,987
2006	346	93.5	24	6.5	370	23,869	91.6	2,182	8.4	26,051
Subtotal	709	92.9	54	7.1	763	47,744	91.7	4,294	8.3	52,038
Small Business										
2005	711	98.1	14	1.9	725	64,678	96.8	2,113	3.2	66,791
2006	644	97.4	17	2.6	661	62,274	95.6	2,863	4.4	65,137
Subtotal	1,355	97.8	31	2.2	1,386	126,952	96.2	4,976	3.8	131,928
Total	2,064	96.0	85	4.0	2,149	174,696	95.0	9,270	5.0	183,966

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

The overall geographic distribution of HMDA-related loans and small business loans reflects a reasonable distribution throughout the assessment area.

HMDA- related loans

During the evaluation period, Solvay had a poor geographic distribution of its HMDA-related loans. In 2005, Solvay's LMI penetration rate, 7.2% (by number) was significantly lower than the aggregate's 12.3%. Consistent with market trends, Solvay's total loan originations

inside its assessment area decreased 4.7% in 2006, which is a larger percentage rate than the aggregate's decrease of 0.7%. Additionally, the aggregate's LMI penetration rate increased to 12.6% in 2006, while Solvay's dropped to 6.1%.

The following chart provides details of the HMDA- related loans originated by Solvay in its assessment area during the evaluation period:

Distribution of HMDA-Related Loans by Geography Income Level*								
2005								
Geography Income Level	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
Low	6	1.7	283	1.2	483	3.4	37,023	2.6
Moderate	20	5.5	683	2.9	1,273	8.9	76,800	5.4
Middle	196	54.0	10,396	43.5	6,600	46.0	556,182	38.8
Upper	141	38.8	12,513	52.4	5,985	41.7	759,762	53.1
N/A	-	-	-	-	5	0.0	1,953	0.1
Total	363	100.0	23,875	100.0	14,346	100.0	1,431,720	100.0
2006								
Geography Income Level	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
Low	2	0.6	27	0.1	503	3.5	40,049	2.9
Moderate	19	5.5	468	2.0	1,303	9.1	76,902	5.6
Middle	199	57.5	10,801	45.3	6,639	46.6	558,952	40.9
Upper	126	36.4	12,573	52.7	5,805	40.7	689,300	50.5
N/A	-	-	-	-	2	0.0	147	0.0
Total	346	100.0	23,869	100.0	14,252	100.0	1,365,350	100.0

*Geography income level is based upon 2000 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%, middle income is 80% to <120% and upper income is at least 120%.

Small Business Loans

The geographic distribution of Solvay's small business loans was excellent. During the evaluation period, Solvay Bank maintained a level of lending in LMI geographies that continue to surpass the aggregate. In 2005, Solvay originated 30.5% of its small business loans in LMI areas compared to the 22.0% for the aggregate. In 2006, Solvay's percentage of small business lending to LMI areas improved to 32.2% while the aggregate's dipped to 20.3%.

The following chart provides geographical distribution of small business loans by Solvay during the evaluation period:

Distribution of Small Business Loans by Geography Income Level*								
2005								
Geography Income Level	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
Low	127	17.9	12,152	18.8	1,516	14.1	84,164	17.4
Moderate	70	12.6	4,822	7.5	849	7.9	38,294	7.9
Middle	377	53.0	34,065	52.7	4,843	44.1	242,328	50.0
Upper	137	19.3	13,639	21.1	3,513	32.8	119,699	24.7
Total	711	100.0	64,678	100.0	10,721	100.0	484,485	100.0
2006								
Geography Income Level	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
Low	130	20.2	11,414	18.3	2,030	12.7	85,701	15.8
Moderate	65	12.0	5,753	11.1	1,209	7.6	49,115	8.9
Middle	329	47.8	34,191	54.9	7,102	44.5	264,366	48.7
Upper	120	18.6	10,916	17.5	5,601	35.1	144,212	26.5
Total	644	98.6	62,274	100.0	15,942	100.0	543,394	100.0

* Geography income level is based upon 2000 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%, middle income is 80% to <120% and upper income is at least 120%.

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

The overall distribution of HMDA-related loans and small business loans reflects a reasonable dispersion among borrowers of different income levels and businesses of different sizes.

HMDA- Reportable loans

The distribution of HMDA-related loans reflects a reasonable dispersion among borrowers of different income levels. As the table below illustrates, Solvay’s percentage of HMDA-related loans to LMI borrowers during the evaluation period was slightly below the aggregate. In 2005, Solvay originated 26.7% of its HMDA- related loans to LMI borrowers as compared to the aggregate’s 29.1%. In 2006, Solvay’s LMI penetration rate improved to 27.8%, but still lagged the aggregate’s rate of 28.7%.

The following chart provides details of the HMDA-related loans distribution to borrowers of different income levels:

Distribution of HMDA Related Loans by Borrower Income Level*								
2005								
Borrower Income Level	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
Low	21	5.8	484	2.0	1,125	7.8	59,468	4.2
Moderate	76	20.9	2,895	12.1	3,050	21.3	208,662	11.6
Middle	72	19.8	2,973	12.5	3,827	26.7	318,757	22.3
Upper	176	48.5	16,863	70.6	5,704	39.8	692,944	48.4
NA	18	5.0	660	2.0	640	4.5	151,889	10.6
Total	363	100.0	23,875	100.0	14,346	100.0	1,431,720	100.0
2006								
Borrower Income Level	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
Low	37	10.7	969	4.1	1,012	7.1	50,912	3.7
Moderate	59	17.1	2,462	10.3	3,085	21.6	202,108	14.8
Middle	80	23.1	4,286	18.0	3,895	27.3	310,080	22.7
Upper	152	43.9	15,450	64.7	5,682	39.9	667,105	48.9
NA	18	5.2	702	2.9	578	4.1	135,145	9.9
Total	346	100.0	23,869	100.0	14,252	100.0	1,365,350	100.0

*Borrower income level is based upon the Department of Housing and Urban Development's annual estimate of 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%, middle income is 80% to <120% and upper income is at least 120%.

Small Business Loans

The distribution of Solvay's small business loans among businesses of different sizes is reasonable and consistent with the business demographics of its assessment area. In 2005, Solvay extended 65.4% of its business loans to businesses with revenues of \$1 million or less. Although the ratio declined to 62.0% in 2006, this level of lending still surpasses the aggregate's performance in both years.

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

Distribution of Small Business Loans by Business Revenue Size								
2005								
Revenue Size	Bank				Aggregate*			
	#	%	\$000	%	#	%	\$000	%
\$1million or less	465	65.4	26,978	41.7	4,748	44.3	146,872	30.3
Over \$1 million	246	34.6	37,700	58.3	5,973	55.7	337,613	69.7
Total	711	100.0	64,678	100.0	10,721	100.0	484,485	100.0
2006								
Revenue Size	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
\$1million or less	399	62.0	23,690	38.0	5,618	35.2	168,637	31.0
Over \$1 million	245	38.0	38,584	62.0	10,324	64.8	374,757	69.0
Total	644	100.0	62,274	100.0	15,942	100.0	543,394	100.0

II. Community Development Test: “Outstanding”

Solvay’s community development performance demonstrates an excellent responsiveness to the community development needs of its assessment area.

Community Development Loans

During the evaluation period, Solvay made 19 community development loans totaling \$7.0 million; all of these loans represent new money. Sixty-nine percent (\$4.8 million) were intended for the economic development of LMI areas, 25.9% (\$1.8 million) were used for affordable housing of LMI individuals and 5.0% were for community services. Some of the community development loans made by Solvay are described below:

- A \$500,000 term loan to Camex, a real estate company focused on the rehabilitation of apartment buildings located in LMI geography. The area is designated as an Economic Development Zone by New York State.
- Four loans totaling \$33,000 to Micro Credit Group of Central New York, a not-for-profit corporation that facilitates economic and community revitalization in economically depressed and disadvantaged communities in Onondaga County and surrounding areas of Central New York State.
- A \$1 million revolving line of credit to Green Lakes Association, a company that assists other companies in rehabilitating homes in LMI census tracts, including Solvay’s assessment area.
- A line of credit for \$211,000 to Onondaga Community Living, a non-profit corporation that provides community living facilities to the developmentally disabled, low-income individuals.
- A \$200,000 term loan for the construction of 32 units of affordable housing in low-income areas.

Qualified Investments

Qualified investments, including grants of \$52,732 inside the assessment area totaled \$1.5 million. Qualified investments include: six bond anticipation notes totaling \$1.2 million issued by the Village of Solvay for the revitalization and stabilization of LMI areas; nine collateral trust notes issued by the Community Preservation totaling \$137,179 for affordable housing for LMI individuals; and a \$125,000 investment in Home Headquarters, which supports LMI borrowers through home improvement loans.

Community Development Services

Solvay provides a relatively high level of community development services throughout the assessment area. In partnership with not-for-profit organizations the bank actively sponsors and participates in a large number of activities benefit community members, particularly LMI individuals. For example:

- Solvay partners with Home Headquarters in the Flex Fund Program; the program allows Home Headquarters to provide small home improvement loans to Onondaga County residents that would otherwise not qualify for a Solvay loan.
- Solvay sets up a booth at the Home Show and the Affordable Home Show where bank employees answer questions from consumers, especially first-time homebuyers, regarding mortgages, loans and other bank products. While this presence allows Solvay to market its products, the contact with the community also provides an opportunity to hear from individuals what products would best serve the community.

Additionally, officers and employees of Solvay serve on the boards of various community organizations to offer their financial and technical expertise. The following is a sample of organizations and the services rendered:

- Solvay's president is a board member of a healthcare facility located in the assessment area, which provides comprehensive inpatient and outpatient services, including rehabilitation programs, continuing care, outpatient rehabilitation, home healthcare, medical transport and other support services. (St. Camillus Rehabilitation).
- A loan officer of Solvay is board chairman of a non-profit agency that provides community-based clinical treatment services and programs, including boarding home services, foster care, intermediate care for people with developmental disabilities, and mental health services for severely emotionally disturbed. (Toomey Residential Community Services).
- The chief lending officer of Solvay is a board member of a hospice foundation that provides services to terminally ill individuals and a member of a local business organization that promotes loan programs that meet the credit needs of small businesses or small farms.
- A branch manager of Solvay is an officer (treasurer) of Rebuilding Together, a not-for-profit organization facilitating affordable housing rehabilitation in the Syracuse area.

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- The compliance/CRA officer of Solvay, volunteers at Home Headquarters, an organization that teaches first time homebuyer classes sponsored by a local not-for-profit organization.
 - A branch manager of Solvay is the treasurer of Rebuilding Together. Located in Solvay's assessment area, the organization is a not-for-profit organization that facilitates rehabilitation of affordable housing for LMI individuals/families.

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

Since the Banking Department's previous CRA evaluation conducted as of December 31, 2004, neither Solvay nor the Department has received any written complaints regarding its CRA performance.

- **Discrimination and other Illegal Practices**

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

Examiners noted no practices that were intended to discourage applications for the types of credit offered by the institution.

- **Evidence of prohibited discriminatory or other illegal credit practices.**

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

- **Process Factors**

Activities conducted by the banking institution to ascertain the credit needs of its community, including the extent of the banking institution's efforts to communicate with members of its community regarding the credit services being provided by the banking institution.

Solvay ascertains the credit needs of its community through its close involvement with various community organizations serving LMI families and neighborhoods. The bank's officers serve as board members or officers of community organizations and become aware of community credit needs as they attend some the organizations' meetings. Loan officers maintain a calling program and visit new businesses and current customers to see how the

Bank may better serve them. Additionally, loan officers participate in various community programs such as Affordable Home Shows and Business Shows, in addition to holding bank-sponsored events, not only to promote the bank's products, but also to know first hand from the attendees how these products meet their needs.

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.

Solvay advertises its products regularly in local newspapers, radio and TV, including church bulletins and program books of local organizations. It also advertises on a Central New York Internet website that promotes news in the African-American community. Additionally, Solvay maintains its own website that provides information on all products, services and rates.

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

Solvay's board of directors is closely involved in its CRA program. The board reviews and approves Solvay's CRA policy annually. The CRA officer reports to the board quarterly for any policies that need to be reviewed and provides the board with a compliance newsletter with updated information on CRA performance.

- **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 noted.

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;

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- Establishing school savings programs for LMI individuals;
 - Providing seminars for LMI persons on banking and bank account record-keeping;
 - Making ATM “Training Machines” available for extended periods at LMI community sites or at community facilities that serve LMI individuals; and
 - Technical assistance activities to community development organizations such as:
 - Serving on a loan review committee;
 - Developing loan application and underwriting standards;
 - Developing loan processing systems;
 - Developing secondary market vehicles or programs;
 - Assisting in marketing financial services, including the development of advertising and promotions, publications, workshops and conferences;
 - Furnishing financial services training for staff and management;
 - Contributing accounting/bookkeeping services; and
 - Assisting in fund raising, including soliciting or arranging investments.

Home Mortgage Disclosure Act (“HMDA”)

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

Loans to Small Businesses

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

Low or Moderate Income (“LMI”) Geographies

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

LMI Borrowers

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

LMI Individuals/Persons

Those individuals, whose income is less than 80% of the area median family income. In the case where the individual resides in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure individual income levels are updated annually by HUD.

LMI Penetration Rate

A number that depicts the percentage of a bank's total loans (for a particular product) that was extended to LMI geographies or borrowers. For example, an LMI penetration rate of 20% would indicate that the bank made 20 out of a total of 100 loans to LMI geographies or borrowers.

Small Business Loans

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