



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, 2007

Institution: Bank of Utica
222 Genesee Street
Utica, NY 13502

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.

TABLE OF CONTENTS

	Section
General Information	1
Overview of Institution's Performance	2
Performance Context.....	3
Institution's Profile	
Assessment Area	
Performance Tests and Assessment Factors	4
Lending Test	
Investment Test	
Service Test	
Discrimination or Other Illegal Practices	
Process Factors	
Other Factors	
Exhibits	5
Glossary	6

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of Bank of Utica (“BU”) 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, 2007.

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 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

Bank of Utica ("BU") is rated "2," indicating a satisfactory record of helping to meet community credit needs.

Lending Test- "High Satisfactory"

- BU's lending activity reflects a good responsiveness to its assessment area's credit needs. During the evaluation period, BU originated 319 small business loans totaling \$18.5 million. BU was ranked 11th in small business lending among 41 institutions with a market share of 2.8% based on number of loans and 6.6% by dollar volume. BU also extended 376 consumer loans totaling \$4.1 million.
- BU originated a high percentage of small business and consumer loans in its assessment area.
- The geographic distribution of loans reflects an excellent dispersion for small businesses and good dispersion for consumers among census tracts of different income levels.
- The distribution of loans based on borrower characteristics reflects a good penetration among businesses of different sizes and individuals of different income levels.
- BU is a leader in making community development loans. During the evaluation period, BU's community development loans increased to \$14.0 million from \$10.3 million during the previous evaluation period. Similarly, new loans increased to \$10.4 million from \$6.3 million or 65.1% of the total.

Investment Test- "Low Satisfactory"

BU has maintained an adequate level of qualified community development investments. As of the evaluation date, BU's qualified investments, including grants totaled approximately \$2.2 million

Services Test- "High Satisfactory"

BU's delivery systems are accessible to the geographies and individuals of different income levels in its assessment area. BU operates a single full-service office complemented by two non-deposit taking automated teller machines ("ATMs"). In addition, it offers telephone and internet banking, 24 hours/day.

BU is a leader in providing community development services.

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 1927, BU is a commercial bank located in the City of Utica, Oneida County, New York. BU reported total assets of \$773.1 million, as of December 31, 2007. As of June 30, 2007, BU ranked second among 18 deposit-taking institutions in Oneida County, with a market share of 15.5% (\$599.3 million out of \$3.9 billion). The bank operates in one single location and did not open any branch during the evaluation period.

BU is primarily a commercial real estate lender. BU reported 78.6% of its loan portfolio in commercial loans, residential mortgages accounted for 11.8% and consumer loans accounted for 9.1% of the loan portfolio as of December 31, 2007.

The following is a summary of BU's lending portfolio, based on Schedule RC-C of the BU's 2005, 2006 and 2007 year-end Call Reports:

GROSS LOANS OUTSTANDING						
LOAN TYPE	12/31/2005		12/31/2006		12/31/2007	
	\$000	%	\$000	%	\$000	%
Residential Mortgages	6,168	12.7	5,887	11.7	5,756	11.8
Commercial Mortgages	19,344	39.7	17,290	34.5	18,886	38.8
Commercial & Industrial	19,098	39.2	21,045	42.0	19,383	39.8
Consumer Loans	5,591	11.5	5,219	10.4	4,443	9.1
Other	204	0.4	692	1.4	253	0.5
Total Gross Loans	50,405	103.5	50,133	100.0	48,721	100.0

The decline in BU's lending portfolio was primarily due to the deteriorating loan demands as a result of weak economic condition coupled with decreasing and aging population in its assessment area.

BU received a rating of "2," reflecting a satisfactory record of helping to meet community credit needs at its prior Performance Evaluation conducted by the New York State Banking Department as of December 31, 2005.

There are no known financial or legal impediments that adversely affected BU's ability to meet the credit needs of its community.

Assessment Area:

BU's assessment area is comprised of a portion of Oneida County, which is within the Utica-Rome, New York Metropolitan Statistical Area ("MSA"). This area includes the City of Utica and towns of New Hartford, Clinton, Kirkland, Deerfield, Marcy, Whites-town, Whitesboro, New York Mills, Yorkville and Oriskany.

The assessment area consists of 42 census tracts, of which nine tracts (21.4%) are low-income, eight (19.1%) are moderate-income, 14 (33.3%) are middle-income and 11 (26.2%) are upper-income.

Details of Assessment Area

Population and Income- According to the 2000 U.S. Census Bureau, the assessment area had a population of approximately 124 thousand, of which 23 thousand (18.5%) were over 65 years of age and 25 thousand (19.8%) were under the age of 16. There were almost 30 thousand families in the assessment area, of which 21.8 % were low-income, 16.8% were moderate-income, 21.2% were middle-income and 40.2% were upper-income families. Out of the 11.5 thousand low- and moderate-income families in the county, 46.2% lived in low- and moderate-income tracts. There were 48 thousand households in the area, of which 7,500 (16.0%) had incomes below the poverty level.

Housing Characteristics- There were 53.4 thousand housing units in the assessment area comprised of 46.2 thousand (86.6%) 1-4 family units and 7.2 thousand (13.4%) multifamily units. There were 29.6 thousand owner-occupied units, of which 7.1% were located in low-income tracts, 12.3% were in moderate-income tracts, 39.3% were in middle-income tracts and 41.3% were in upper-income tracts. There were 18.5 thousand rental occupied units and 5 .3 thousand vacant units. The median housing value was \$68 thousand and the median age of the housing stock was 58 years.

The 2000 median family income for the county was approximately \$45.5 thousand and the median income for the MSA was about \$52.4 thousand in 2006 and 2007.

Business Demographics- In 2007, there were about 7,977 businesses located in the assessment area, of which 64.2% had revenues of \$1 million or less, 6.2% had revenues of more than \$1 million and 29.6% did not report revenues. Businesses with less than 50 employees constituted 77.4% of the businesses in the area, and 84.8% of all businesses operated from a single location.

The U.S. Department of Labor, Bureau of Labor Statistics's annual unemployment rate for Oneida County was 4.4 % for 2006 and 4.3% for 2007 compared to the state's annual rates of 4.6% and 4.5%, respectively.

The assessment area appears reasonable based upon the location of BU's only branch office and its lending patterns. There is no evidence that BU has arbitrarily excluded LMI census tracts from its assessment area.

PERFORMANCE TESTS AND ASSESSMENT FACTORS

The Banking Department assesses a large bank's performance by evaluating its lending, investment and service activities, using the lending, investment and service tests provided for in Parts 76.8, 76.9 and 76.10 of the General Regulations of the Banking Board.

This performance evaluation constitutes a review of BU's activities during the calendar years of 2006 and 2007. BU opted to be examined as a large bank even though its assets totaled \$773.1 million as of the evaluation date.

Statistical data utilized in this evaluation were derived from various sources. In addition to loan data submitted by BU, aggregate data for small business loans were obtained from the Federal Financial Institutions Examination Council ("FFIEC") and PCI Services, Inc. CRA Wiz© software. Lending comparisons were based on 2006 aggregate data. Aggregate data for 2007 were not available. The demographic data were obtained from the 2000 U.S. Census along with the updated estimated median family income figures from the U.S. Department of Housing and Urban Development.

I. Lending Test: "High Satisfactory"

The bank's lending performance is evaluated pursuant to the following criteria: (1) Lending Activity; (2) Assessment Area Concentration; (3) Geographic Distribution; (4) Borrower Characteristics; (5) Community Development Lending; and (6) Innovative or Flexible Lending Practices.

During this evaluation period, the examiners considered BU's small business and consumer lending. Small business lending received more emphasis because it is BU's primary business. HMDA-reportable loans accounted for only 3.4% by number and 6.3% by dollar volume of the total loan originations. Therefore, HMDA-reportable loans were not considered during this evaluation.

Lending Activity: "High Satisfactory"

Lending levels reflect good responsiveness to assessment area credit needs.

Small Business Lending

In 2006, BU originated 177 small business loans totaling \$10.1 million and BU ranked 11th among 41 institutions in the assessment area with a market share of 2.82% by number of loans and 6.6% by dollar volume.

In 2007, BU originated 142 small business loans in its assessment area, which represented a 19.8% decrease from its originations in 2006.

Consumer Lending

In 2006, BU originated 191 consumer loans totaling \$2 million, and in 2007, it originated 185 consumer loans totaling \$2.1 million in the assessment area.

Assessment Area Lending: “High Satisfactory”

BU originated a high percentage of its loans within its assessment area. The following table shows the distribution of BU’s small business and consumer loans inside and outside its assessment area:

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Loans in Dollars (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Small Business										
2006	177	80.8	42	19.2	219	10,100	73.6	3,629	26.4	13,729
2007	142	82.1	31	17.9	173	8,431	88.6	1,089	11.4	9,520
Subtotal	319	81.4	73	18.6	392	18,531	79.7	4,718	20.3	23,249
Consumer										
2006	191	78.6	52	21.4	243	1,987	67.7	946	32.3	2,933
2007	185	76.4	57	23.6	242	2,105	76.1	660	23.9	2,765
Subtotal	376	77.5	109	22.5	485	4,092	71.8	1,606	28.2	5,698
Total	695	79.2	182	20.8	877	22,623	78.2	6,324	21.8	28,947

Small Business Loans

In 2006, BU originated 80.8% by number and 73.6% by dollar volume of its small business loans in the assessment area. In 2007, loan origination in the assessment area decreased by approximately 20%, however, the distribution rate of loans made in the assessment area increased to 82.1% by number and 88.6% by dollar volume.

Consumer Loans

In 2007, BU made 76.4% of its consumer loans in its assessment area, down slightly from 78.6% in 2006.

Geographic Distribution of Loans: “Outstanding”

The geographic distribution of BU’s loans reflects an excellent dispersion among census tracts of different income levels.

Small Business Loans

BU's geographic distribution of its small business loans reflects an excellent dispersion among census tracts of different income levels.

The following chart provides a summary of BU's small business lending distribution during the evaluation period.

Distribution of Small Business Loans by Geographic Income Level									
Geography Income Level	% of Total Business	2006							
		Bank				Aggregate			
		#	%	\$000	%	#	%	\$000	%
Low	19.9	78	44.1	5,527	54.7	705	17.3	27,892	26.0
Moderate	11.8	19	10.7	1,494	14.8	525	12.9	9,896	9.2
LMI	31.7	97	54.8	7,021	69.5	1,230	30.2	37,788	35.2
Middle	36.6	33	18.6	1,331	13.2	1,359	33.4	32,910	30.7
Upper	31.7	47	26.6	1,748	17.3	1,484	36.4	36,612	34.1
Total	100.0	177	100.0	10,100	100.0	4,073	100.0	107,310	100.0
Geography Income Level	% of Total Business	2007							
		Bank				Aggregate Data is not Available			
		#	%	\$000	%				
Low	19.8	60	42.3	5,110	60.6				
Moderate	11.9	15	10.6	361	4.3				
LMI	31.7	75	52.8	5,471	64.9				
Middle	36.2	24	16.9	1,001	11.9				
Upper	32.0	43	30.3	1,959	23.2				
Total	100.0	142	100.0	8,431	100.0				

In 2006, BU originated 54.8% of its small business loans in LMI geographies, which is well above the aggregate's originations of 30.2%. In 2007, BU's loan originations in LMI geographies decreased to 52.8%. However, only 38.6% of total businesses were in LMI geographies in the assessment area.

Consumer Loans

BU's geographic distribution of its consumer loans reflects a good dispersion among census tracts of different income levels.

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

Distribution of Consumer Loans by Geographic Income Level					
Geography Income Level	% of Total Households	2006			
		#	%	\$000	%
Low	16.1	22	11.5	132	6.6
Moderate	15.9	37	19.4	305	15.3
LMI	32.0	59	30.9	437	22.0
Middle	36.6	68	35.6	580	29.2
Upper	31.3	64	33.5	970	48.8
Total	100.0	191	100.0	1,987	100.0
Geography Income Level	% of Households	2007			
		#	%	\$000	%
Low	16.1	18	9.7	88	4.2
Moderate	15.9	36	19.5	240	11.4
LMI	32.0	54	29.2	328	15.6
Middle	36.6	69	37.3	791	37.6
Upper	31.3	62	33.5	986	46.8
Total	100.0	185	100.0	2,105	100.0

In 2006, BU extended 30.9% of its consumer loans totaling approximately \$437 thousand in LMI geographies, which was slightly below the 32.0% of households in LMI geographies.

In 2007, BU's origination of its consumer loans in LMI geographies of the assessment area decreased slightly to 29.2% of its consumer loans.

Distribution by Borrower Characteristics: "High Satisfactory"

The distribution of BU's loans based on borrower characteristic reflects a good penetration among businesses of different sizes and individuals of different income levels.

Small Business Loans

BU's small business lending distribution based on borrower characteristics reflects a good penetration among businesses of different revenue sizes.

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

Distribution of Small Business Loans by Business Revenue Size									
		2006							
Revenue	% of	Bank				Aggregate			
Size	Business	#	%	\$000	%	#	%	\$000	%
\$1million or less	63.2	105	59.3	3,043	30.1	1,632	40.1	49,593	46.2
Over \$1 million	6.4	72	40.7	7,057	69.9	2,441	59.9	57,717	53.8
Not Reported	30.5	0	0.0	0	0.0	0	0.0	0	0.0
Total	100.0	177	100.0	10,100	100.0	4,073	100.0	107,310	100.0
		2007							
Revenue	% of	Bank				Aggregate is not available			
Size	Business	#	%	\$000	%				
\$1million or less	64.2	92	64.8	2,902	34.4				
Over \$1 million	6.2	50	35.2	5,529	65.6				
Not Reported	29.6	0	0.0	0	0.0				
Total	100.0	142	100.0	8,431	100.0				

In 2006, BU extended 59.3% of its small business loans to businesses with gross annual revenues (“GARs”) of \$1 million or less as compared to the market aggregate of 40.1%. BU’s total small business lending declined to 142 loans in 2007 from 177 loans in 2006. However, the rate of lending to businesses with revenues less than \$1 million increased to 64.8%, which compares favorably with the 64.2% of total businesses with revenues less than \$1 million in BU’s assessment area.

Consumer Loans

BU’s consumer lending distribution based on borrower characteristics reflects a good penetration among individuals of different income levels.

The following chart provides a summary of BU’s consumer lending distribution based on borrower income level during the evaluation period:

Distribution of Consumer Loans by Borrowers Income Level					
Borrower Income Level	% of Households	2006			
		#	%	\$000	%
Low	26.9	58	30.4	378	19.0
Moderate	16.3	31	16.7	258	13.2
LMI	43.2	89	47.1	636	32.2
Middle	17.1	15	7.9	174	8.8
Upper	39.7	86	45.1	1,169	58.8
N/A	0.0	1	0.0	8	0.2
Total	100.0	191	100.0	1,987	100.0
Borrower Income Level	% of Households	2007			
		#	%	\$000	%
Low	26.9	47	25.4	362	17.2
Moderate	16.3	37	20.0	396	18.8
LMI	43.2	84	45.4	758	36.0
Middle	17.1	19	10.3	136	6.5
Upper	39.7	82	44.3	1,211	57.5
N/A	0.0	0	0.0	0	0.0
Total	100.0	185	100.0	2,105	100.0

In 2006, BU originated 191 consumer loans in its assessment area, of which 47.1% were extended to LMI borrowers. This penetration rate exceeded the percentage of LMI households in its assessment area.

In 2007, BU's penetration ratio for LMI borrowers declined to 45.4% but remained above the 43.2% of total LMI households in the assessment area.

Community Development Lending: "Outstanding"

BU is a leader in making community development loans.

The table below summarizes BU's community development lending activities during the evaluation period:

Community Development Loans as of December 31 2007					
Loan Type	No. of Commitments	Commt's Amt in \$000's	% of Total Commt's	New Money in \$000's	% of New Money
Affordable Housing	4	5,920	42.4	5,729	96.8
Economic Development	6	2,189	15.7	2,129	97.3
Revitalization/Stabilization	3	5,854	41.9	2,500	42.7
Total	13	13,963	100.0	10,358	74.2

During the evaluation period, community development loans increased to approximately \$14.0 million (35.0%) from \$10.3 million during the previous evaluation. Similarly, new lending increased to \$10.4 million from \$6.3 million or 65.1%, of the total loans.

Some of the community developments loans originated during the evaluation period include the following:

Affordable Housing

BU committed \$1.8 million for an unsecured line of credit in April 2006 to a not-for-profit housing developer. The loan enabled the developer to build new rental and home ownership housing in the Cornhill area of Utica as part of the Hope VI Housing Project. The homes are available for sale or rent to low-income families who meet HUD income limits.

In 2007, BU approved a loan for \$4 million to purchase land to expand campgrounds located in Old Forge, New York. The development of the campgrounds generated jobs during the construction phase and created new jobs with the hiring of employees in a small upstate New York community.

Economic Development

BU approved a \$2 million loan towards improvement of a business located in an Empire Zone and a low-income area of Utica in March 2007. The borrower used the funds to purchase new filling and packaging equipment.

Revitalization/Stabilization

In December 2006, BU approved a loan for \$400 thousand, interest-free until April of 2007. The principal was used to repair a library in a low-income census tract area of Utica, as well as an Empire Zone.

BU committed a \$2.1 million loan to this company for the purpose of acquiring an existing pharmacy in the city of Rome, New York in March 2006. The purchase of the pharmacy prevented job loss and created new jobs.

Innovative/Flexible Lending: "Low Satisfactory"

BU makes limited use of innovative and/or flexible lending practices in serving the assessment area's credit needs.

BU participates in New York State's Linked Deposit Program ("NYSLDP"). This program provides small businesses with access to lower interest rate loans for eligible projects that create new jobs or stimulate retention of jobs. New York State deposits funds equal to the

loan amount with the participating bank at a reduced rate of return, as an inducement for the bank to grant a reduced rate loan. During the evaluation period, BU originated one loan for \$372.0 thousand.

II. Investment Test: “Low Satisfactory”

The bank’s investment performance is evaluated pursuant to the following criteria: 1) the dollar amount of qualified investments; 2) the innovativeness or complexity of qualified investments; 3) the responsiveness of qualified investments to credit and community development needs; 4) the degree to which the qualified investments are not routinely provided by private investors.

BU has limited investment opportunities in its assessment area because of economic and demographic constraints. Although BU tried unsuccessfully to obtain new qualified investments which benefit its assessment area during this evaluation period, no new investment qualified for CRA credit. However, BU maintained an outstanding balance of \$2.2 million in qualified investments from the previous performance evaluation.

Grants

As of December 31, 2007, BU’s grants to various non-profit organizations totaled \$131 thousand. These organizations promote affordable housing, community services, economic development programs and revitalization programs in LMI communities within its assessment area.

The following table shows the type of grants made during the evaluation period:

Grants (1/1/06-12/31/07)				
Type	No of Commitments	# Percentage	Funded (in \$000's)	\$ Percentage
Afordable Housing	2	4.4	20	15.3
Community Service	38	84.4	88	67.2
Economic Development	2	4.4	10	7.6
Revitalization and Stabilization	3	6.7	13	9.9
Total	45	100.0	131	100.0

The following is a brief description of the major grants made by BU during the evaluation period:

- During the evaluation period, BU contributed \$17.5 thousand to NeighborWorks Homeownership Center. This organization provides funding and counseling services to

LMI families seeking to own their own homes in the Cornhill area of Utica.

- BU contributed \$30.4 thousand to United Way of Greater Utica. The organization promotes individual well-being, strengthens families and improves the quality of life in BU's community. Of the 35 member agencies served by the agency, 19 directly serve low- and moderate-income individuals and families.
- Utica Public Library received a total of \$25 thousand in grants from BU during the evaluation period. The library is located in a low-income census tract area of Utica, as well as an Empire Zone area.
- BU contributed \$12 thousand to the Central Association of the Blind and Visually Impaired. This non-profit organization provides services, equipment and technology to help blind or visually impaired individuals reach the highest level of independence.

III. **Service Test:** "High Satisfactory"

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: "High Satisfactory"

Accessibility of Delivery Systems

BU's delivery systems were accessible to its geographies and individuals of different income levels in its assessment area.

BU provided services from a single location in a low-income area that is accessible to all individuals of different income levels in its assessment area. BU provided walk-in and drive-up facilities, including an ATM on its premises. Another ATM was located in the lobby of a nearby hotel in Utica.

Changes in Branch Locations:

Since the previous examination, BU has not closed or opened any offices.

Reasonableness of Business Hours and Services:

Services did not vary in a way that inconvenienced the needs of its assessment area, particularly LMI geographies and/or LMI individuals.

BU's business hours were from 9:00 AM to 5:00 PM Monday through Friday. The drive-in teller service was open until 5:30 PM on Fridays.

Alternative Delivery Systems

BU offers various alternative banking services including the following that benefit the needs in its assessment area:

- 24 hour telephone and internet banking services - The telephone service allows customers to conduct banking transactions, such as, obtaining account balances, information on deposits and checks, and transferring funds between accounts. BU's internet banking allows customers to access their accounts online to check balances, view account history, make transfers, obtain copies of checks and statements and pay bills. Both of these services are available free of charge.
- Free Personal Checking – BU offers this account as an alternative to and with terms that are more favorable than the “Basic Banking Account” required by Part 9 of the General Regulations of the Banking Board. The account requires a minimum opening deposit of \$25, no monthly service charge, no minimum balance and no limit on the number of checks written per month. In addition, customers receive the first 50 checks free, with no fee for cancelled checks returned with the monthly statements.
- Bank by Mail - Allows customers to bank by mail at no charge by providing them with postage paid envelopes and mailers.
- Visa Check/ATM Card – This is a debit card offered to all checking account customers. It is free of charge and allows customers to make purchases anywhere VISA cards are accepted. It also allows unlimited access to ATMs.
- Other services: Utility payments and credit card cash advances can be made at the bank.

Community Development Services: “Outstanding”

BU is a leader in providing community development services.

BU's senior officers provide technical assistance regarding financial services to a variety of community development organizations. These organizations promote economic development, affordable housing and provide community services in low- and moderate-income areas. The following organizations have benefited from the BU's activities:

- BU's president serves on the board of directors of Central Association of the Blind and Visually Impaired (“CABVI”). This organization helps people who are blind or visually impaired achieve the highest feasible level of independence.
- BU's chairperson is a member of the board of directors of Mohawk Valley Chamber of Commerce, Inc. (“MVCC”).
- One of BU's directors serves on the board of Emmaus House. This organization

shelters women and children who are in crisis and provides food, clothing and a variety of counseling services.

- BU's compliance officer is a board member of Hope House, a social service organization serving the needs of low- and moderate-income individuals and families.
- The CRA officer serves on the funds allocation committee and is a coordinator of the United Way of Greater Utica that funds member agencies serving LMI individuals and families in the community.

Representatives of BU also volunteer their time to provide financial technical assistance to various community development organizations in the assessment area including:

- Bank of Utica Foundation
- Utica Industrial Development Corporation
- United Cerebral Palsy and Handicapped Persons Association of Utica
- Cosmopolitan Community Center
- Utica Rescue Mission
- Mohawk Valley Financial Women
- Masonic Association of Utica

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 type of credit offered by the institution.

Evidence of prohibited discriminatory or other illegal credit practices.

The concurrent regulatory compliance and fair lending examinations indicated satisfactory adherence to anti-discrimination and other applicable laws and regulations. There was no evidence of prohibited discrimination or other illegal credit practices 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.

BU's senior management and loan officers meet regularly with various political leaders, and

business and civic leaders to discuss the credit needs of the community and identify ways BU can meet these needs. In addition, BU's officers and directors serve on the boards of various organizations where they provide technical assistance on financial issues. Examples of these organizations include Mohawk Valley Chamber of Commerce, Utica Rescue Mission, Emmaus House Women's Shelter and Hope House.

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.

BU advertises in local newspapers such as the Utica Phoenix, a multilingual newspaper, The Utica Observer Dispatch, Rome Sentinel and the Penny Saver.

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 CRA director appoints a CRA management committee annually. The committee consists of the appointed CRA officer, two senior vice presidents and BU's auditor. The CRA officer chairs the committee and submits an annual CRA report to the board of directors. The board also reviews and approves BU's CRA policy.

VI. Other Factors

Other factors that in the judgement 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;
- 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 nonmetropolitan 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.