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: Hamptons State Bank
243 North Sea Road
South Hampton, NY 11969

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

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act ("CRA") performance of Hamptons State Bank ("Hamptons") 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 ("LMI") areas, consistent with safe and sound operations.

Part 76 of the General Regulations of the Banking Board implements Section 28-b and further requires that the Banking Department assess the CRA performance records of regulated financial institutions. Part 76 establishes the framework and criteria by which the Department will evaluate the performance. Section 76.5 further provides that the Banking Department will prepare a written report summarizing the results of such assessment and will assign to each institution a numerical CRA rating based on a 1 to 4 scoring system. The numerical scores represent an assessment of CRA performance as follows:

(1) outstanding record of meeting community credit needs;

(2) satisfactory record of meeting community credit needs;

(3) needs to improve record of meeting community credit needs; and

(4) substantial noncompliance in meeting community credit needs.

Section 76.5 further requires that the CRA rating and the written summary be made available to the public ("Evaluation"). Evaluations of small banking institutions are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Section 76.12. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York State Banking Law.

For an explanation of technical terms used in this report, please consult the **GLOSSARY** at the back of this document.

OVERVIEW OF INSTITUTION'S PERFORMANCE

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

- ***Loan-to-Deposit ("LTD") Ratio:*** Hamptons' LTD ratio is reasonable considering its size, financial condition and the credit needs of its assessment area. Hamptons' average LTD ratio of 63.4% for the eight consecutive quarters ended December 31, 2007, was significantly lower than the peer group's average of 78.9%.

- ***Assessment Area Concentration****:* Hamptons originated a majority of its loans inside the assessment area.

- ***Geographic Distribution of Loans****:* The geographic distribution of Hamptons' loans reflects a reasonable penetration among census tracts of different income level.

- ***Distribution by Borrowers Characteristics****:* Hamptons' loan distribution among businesses of different sizes and individuals of different income level was excellent.

- ***Complaints:*** Neither Hamptons nor the New York State Banking Department received any complaints with respect to the bank's 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's Profile:

Chartered in 1988, Hamptons State Bank ("Hamptons") is a commercial bank located in the town of Southampton, Suffolk County, New York. Hamptons operates a full service office with a 24-hour ATM at its headquarters. The bank has not opened or closed any offices during the evaluation period.

According to the FDIC's latest available comparative deposit data, dated June 30, 2007, Hampton obtained a market share of 0.2% or $56.9 million out of $33.4 billion inside its market, ranking it 24th among 28 deposit-taking institutions in Suffolk County.

Hamptons competes against larger institutions with more resources and more branches inside the assessment area. Combined, the two largest banks inside the assessment area had 141 branches, more than $13.5 billion in deposits and a market share of 40.6%.

According to the bank's December 31, 2007, Consolidated Report of Condition (the "Call Report") filed with the Federal Deposit Insurance Corporation ("FDIC"), Hamptons reported total assets of $57.7 million, of which $37.3 million were net loans and lease finance receivables. It also reported deposits of $50.4 million, resulting in a LTD ratio of 74.0%.

The following table illustrates Hamptons' loan portfolio based on Schedule RC-C of the bank's 2005, 2006, and 2007 year-end Call Reports:

TOTAL GROSS LOANS OUTSTANDING						
	12/31/2005		12/31/2006		12/31/2007	
LOAN TYPE	$000	%	$000	%	$000	%
1-4 Residential Mortgage Loans	7,243	24.8	7,119	22.2	9,428	25.2
Commercial & Industrial Loans	6,419	21.9	8,455	26.4	8,965	24.0
Commercial Mortgage Loans	14,534	49.7	14,751	46.0	16,994	45.5
Consumer Loans	612	2.1	516	1.6	710	1.9
Construction Loans	439	1.5	1,236	3.9	1,281	3.4
Total Gross Loans	29,247	100.0	32,077	100.0	37,378	100.0

Hamptons is primarily a commercial mortgage lender. As of December 31, 2007, 45.5% of its loan portfolio consisted of commercial mortgage loans, 1-4 family residential mortgage loans (25.2%) and industrial loans (24.0%). Construction loans accounted for 3.4% and consumer loans accounted for 1.9% of the total loan portfolio.

The type of credit products offered by Hampton includes the following:

- Residential mortgages on 1-4 family dwellings
- Installment loans for personal and business needs
- Small business loans
- Commercial loans
- Commercial Mortgages

- Credit cards
- Home equity loans
- Overdraft line-of-credit protection

Hamptons 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 impacted the Hamptons’ ability to meet the credit needs of its community.

Assessment Area:

Hamptons assessment area remains the same as in the prior evaluation. The assessment area comprises the eastern sections of Southampton Township and the western sections of East Hampton Township, including the villages and hamlets of Southampton, Water Mill, North Sea, Sag Harbor, and Hampton Bays.

The assessment area contains nine census tracts, one moderate-income and eight are middle-income tracts. There are neither low-income nor upper-income census tracts in Hamptons’ assessment area.

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

Details of Assessment Area:

Population: According to the 2000 U.S. Census Bureau, the assessment area had a population of 38.2 thousand. About 18.1% of the population was over the age of 65 and 18.1% was under the age of 16.

Families/Households: The assessment area contained 9.7 thousand families including 2.3 thousand (24.5%) low-income, 1.9 thousand (20.3%) moderate-income, 2.1 thousand (21.6%) middle-income and 3.2 thousand (33.6%) upper-income families. Of the 15.7 thousand households in the assessment area, 1.2 thousand (7.4%) lived below the poverty level. Of the 4.4 thousand LMI families living in the assessment area, 453 (10.4%) reside in moderate-income geographies while 89.6% reside in middle-income geographies.

Income: According to the 2000 Census, the median family income within the assessment area was $67.4 thousand. The U.S. Department of Housing and Urban Development (“HUD”) estimated median family income for the area was $91.0 thousand in 2006 and $93.8 thousand in 2007.

Housing: There were 31.5 thousand housing units within the assessment area, including

30.7 thousand (97.8%) one- to four-family units and 708 (2.2%) multifamily units. A majority (39.3%) of the area's housing units were owner-occupied, while 10.7% were rental units. The median housing price in the assessment area was $346.7 thousand. Within the assessment area, 7.6% of owner-occupied housing units were in moderate-income areas, 92.4% were in middle-income areas.

Businesses: There were 7.5 thousand businesses in the assessment area. Of these 71.0% were businesses with reported revenues of less than or equal to $1 million, 4.16% reported revenues of more than $1 million and 24.9% did not report their revenues. Of all the businesses in the assessment area, 78.3% are businesses with less than fifty employees while 93.7% operated from a single location. The largest industries in the area were service providers (31.7%), followed by retail trade companies (16.3%) and construction firms (12.3%), while non-classified establishments accounted for 17.4% of the businesses in the assessment area.

Unemployment Rate: According to the U.S. Department of Labor, Bureau of Labor Statistics, Suffolk County's average unemployment rate was 3.9% in 2006 and 3.7% in 2007. In comparison, the average unemployment rate in New York State was 4.6% in 2006 and 4.5% in 2007.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

Hamptons 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

The evaluation period covers calendar years 2006 and 2007. Examiners used a statistical sample of the Hamptons small business and consumer loans in evaluating factors (2), (3) and (4), as noted above. Of the two products, small business loans received the greatest emphasis, as this is Hamptons' primary product, followed by the consumer loans.

Since Hamptons is not required to report small business lending data, its small business loan activity is not part of aggregate data and comparisons to aggregate small business loan data will not be made in this evaluation report. Aggregate data is normally not available for consumer lending activity.

The demographic data referred to in this report was obtained from the 2000 U.S. Census, with the updated median family income figures provided by HUD.

- **Loan-to-Deposit Ratio Analysis: "Satisfactory"**

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

Hamptons' average LTD ratio for the eight consecutive quarters ending December 31, 2007, was 63.4% which was significantly below the peer group's average of 78.9%.

Hamptons belongs to group ten, which includes all insured commercial banks having assets between $50.0 million and $100 million in a metro area with two or fewer full service offices. Hamptons' LTD ratio exhibits an overall upward trend during the eight quarters of the evaluation period. In comparison, the peer group's LTD ratio reflects a marginal fluctuation for the same period. However, during a discussion with the management, there was an indication that the upward trend in the LTD was a result of an influx of loan requests from borrowers. Deposits were slow to increase due to the overall downturn of the economic conditions in Suffolk County.

Please refer to the following table for additional information regarding Hamptons' LTD:

Loan-to-Deposit Ratios

	3/31/06	6/30/06	9/30/06	12/31/06	3/31/07	6/30/07	9/30/07	12/31/07	Aver.* LTD
Bank	56.9	58.2	60.6	64.0	62.7	64.9	66.8	73.4	63.4
Peer	78.5	79.1	79.1	77.8	78.3	78.8	80.1	79.5	78.9

- **<u>Assessment Area Concentration</u>: "Satisfactory"**

Hamptons originated a majority of its loans inside the assessment area. During the evaluation period, from the sample of 56 loans, Hamptons extended 62.5% of its small business and consumer loans within its assessment area.

<u>Small Business Loans</u>

During 2006, Hamptons originated 57.9% of its small business loans within the assessment area. However, in 2007, the number of loans originated increased to 60.0% within the assessment area.

<u>Consumer Loans</u>

In 2006, Hamptons originated 75.0% of its consumer loans within its assessment area. In 2007 the percentage of consumer loans originated within the assessment area declined to 66.7%. It should be noted, however, that this decrease represents only one loan.

The following table shows the distribution of the Hamptons' business and consumer loans extended inside and outside of the assessment area during the evaluation period:

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	11	57.9	8	42.1	19	2,660	66.5	1,338	33.5	3,998
2007	12	60.0	8	40.0	20	3,645	97.5	780	2.5	4,425
Subtotal	**23**	**59.0**	**16**	**41.0**	**39**	**6,305**	**74.9**	**2,118**	**25.1**	**8,423**
Consumer										
2006	6	75.0	2	25.0	8	555	66.9	275	33.1	830
2007	6	66.7	3	33.3	9	1,507	62.8	893	37 2	2,400
Subtotal	**12**	**70.6**	**5**	**29.4**	**17**	**2,062**	**63.8**	**1,168**	**36 2**	**3,230**
Total	**35**	**62.5**	**21**	**37.5**	**56**	**8,367**	**71.8**	**3,286**	**28 2**	**11,653**

<u>Geographic Distribution of Loans</u>: "Satisfactory"

During the evaluation period, Hamptons had no small business loan penetration in low-income areas because it did not operate within any low income census tracts. However, Hamptons originated 16.7% of its consumer loans within moderate-income areas.

Hamptons' management noted that efforts to improve its loan penetration, is an ongoing effort. Most of Hamptons' loan penetrations to moderate-income geographies were outside the assessment area.

Small Business Loans

In 2006 and 2007, Hamptons originated 100% of its small business loans in middle-income areas. This performance is reasonable in light of the distribution of businesses in the assessment area. However, opportunities exist in the assessment area for Hamptons to extend some loans to moderate income areas. Businesses in moderate-income areas accounted for 9.0% or 621 in 2006 and 8.7% or 616 in 2007 of total businesses in the assessment area.

The table below reflects the geographic distribution of the 23 sampled small business loans extended by Hamptons within its assessment area during the evaluation period

Distribution of Small Business Loans by Geography Income Level										
Geography Income Level	**% Total Businesses**	**2006**				**% Total Businesses**	**2007**			
		#	%	$000	%		#	%	$000	%
Low	0.0	0	0.0	0	0.0	0.0	0	0.0	0	0.0
Moderate	9.0	0	0.0	0	0.0	8.7	0	0.0	0	0.0
Middle	91.0	11	100.0	2,660	100.0	91.3	12	100.0	3,645	100.0
Upper	0.0	0	0.0	0	0.0	0.0	0	0.0	0	0.0
Total	100.0	11	100.0	2,660	100.0	100.0	12	100.0	3,645	100.0

Consumer Loans

During the evaluation period, Hamptons extended 8.3% of its consumer loans in moderate-income areas.

In 2006, there was no consumer loan originations in LMI areas. Hampton originated 100% of its consumer loans in middle-income areas. This performance is poor as 8.3% of households in the assessment area reside in moderate-income areas, and opportunities to originate consumer loans existed in these areas. In 2007, Hamptons' distribution of consumer loans in moderate-income areas improved to 16.7%. This level of lending compared reasonably to the demographics of the assessment area.

The following table depicts the distribution of the consumer loans extended by Hamptons within the assessment area during the evaluation period:

Distribution of Consumer Loans by Geography Income Level									
Geography	% of	2006				2007			
Income Level	Household	#	%	$*	%	#	%	$*	%
Low	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	8.3	0	0.0	0	0.0	1	16.7	1,000	66.4
Middle	91.7	6	100.0	555	100.0	5	83.3	507	33.6
Upper	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Total	100.0	6	100.0	555	100.0	6	100.0	1,507	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% of the MSA median income, middle-income is 80% to <120%, and upper-income is at least 120%.

- **<u>Distribution by Borrower Characteristics</u>: "Outstanding"**

Hamptons' distribution of small business loans among businesses of different sizes and different income levels was excellent. The penetration of consumer loans was reasonable among individuals of different income levels.

<u>Small Business Loans</u>

During the evaluation period, the bank extended 87.0% of its small business loans to small businesses operating within the assessment area.

In 2006, Hamptons originated 91.0% of its small business loans to small businesses with revenue of one million or less. This level of performance compared favorably with the 69.6% of the total small businesses in the assessment area. Likewise in 2007, Hamptons extended 83.3% of its small business loans to small businesses with revenue of one million or less, an excellent distribution in light of the assessment area's small business demographic.

The following table shows the distribution of Hamptons small business loans, based on business revenue size:

Distribution of Small Business Loans by Business Revenue										
Revenue Size	% Total Businesses	2006				% Total Businesses	2007			
		#	%	$000	%		#	%	$000	%
$1 million or less	69.6	10	90.9	2,460	92.5	71.0	10	83.3	3,045	83.5
Over $1 million	4.1	1	9.1	200	7.5	4.1	2	16.7	600	16.5
Not reported	26.3	0	0.0	0	0.0	24.9	0	0.0	0	0.0
Total	100.0	11	100.0	2,660	100.0	100.0	12	100.0	3,645	100.0

Consumer Loans

Hamptons distribution of consumer loans among borrowers of different income levels is reasonable considering the demographics of the assessment area. Hamptons extended 50.0% of its consumer loans to moderate-income individuals residing within the assessment area during the evaluation period.

In 2006, Hamptons extended 50.0% of its consumer loans to moderate-income borrowers. This was well above the 8.3% of households classified as moderate-income. Similarly in 2007, Hamptons originated 50.0% of its consumer loans to moderate-income borrowers.

The table below shows the distribution of Hamptons' consumer loans based on borrower income level:

Distribution of Consumer Loans by Borrower Income Level									
Borrower	**% of**	**2006**				**2007**			
Income Level	**Household**	#	%	$000	%	#	%	$000	%
Low	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	8.3	3	50.0	255	45.9	3	50.0	332	22.0
Middle	91.7	0	0.0	0	0.0	0	0.0	0	0.0
Upper	0.0	3	50.0	300	54.1	3	50.0	1,175	78.0
Total	100.0	6	100.0	555	100.0	6	100.0	1,507	100.0

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

Since the previous CRA evaluation as of December 31, 2005, neither Hampton nor the New York State Banking Department has received any written complaints regarding the bank's 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 discriminatory or other illegal credit practices.

None noted for the CRA evaluation. However, a violation of Banking Law article 12-D and Real Estate Settlement Procedures Act (RESPA) section 3500.14 were noted in a recently completed fair lending evaluation.

- **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.

Hamptons ascertains the credit needs of its community through its management involvement in the following local community organizations:

- Goodfellows organization helps people in need in the community.
- Dominican sisters Family Health Services - Hamptons' President & CEO and a staff member are on the board of directors.
- Hamptons has a membership position in the rotary club; Southampton Fire district and Southampton Tuckahoe Shinnecock Hills Citizens Advisory Committee
- Hamptons is the treasurer for the Southampton Chamber of Commerce
- Hamptons is a committee member for the Shinnecock Hills Development Study and volunteer worker for the Fresh Air Home

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

Hamptons advertises its product and credit services in the local newspapers..

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.

Hamptons' board of directors revises and approves the CRA statement as necessary.

- **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;
- 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 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 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.