



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, 2008

Institution:
Catskill Hudson Bank
195 Lake Louise Marie Road
Rock Hill, NY 12775

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 Catskill Hudson Bank (“CHB”) 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, 2008.

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

CHB's performance was evaluated according to the small bank performance criteria. The assessment period included calendar years 2005 to 2008. CHB is rated "1," indicating an "**Outstanding**" record of helping to meet community credit needs. This rating is improved from the prior rating of "2," based on the NYSBD Performance Evaluation dated December 31, 2004. This assessment focused on small business lending. From 2006 – 2008, CHB originated only 101 HMDA-reportable loans totaling \$16MM. This rating is based on the following factors:

- ***Loan-to-Deposit ("LTD") Ratio and Other Lending-Related Activities: "Satisfactory"***

The bank's LTD ratio was reasonable considering the bank's size, financial condition and the credit needs of the assessment area. The bank's average LTD ratio for the prior 16 quarters ending December 31, 2008 was 72%, compared to the peer group's average of 80%.

The bank enhanced the availability of credit in its assessment area with community development loans/qualified investments totaling \$330 thousand.

- ***Assessment Area Concentration: "Satisfactory"***

The bank originated a majority of its small business loans, its primary product, within its assessment area. Based on the number of originations, CHB averaged 74.1% within its assessment area in 2007 and 2008. Based on dollar amounts, CHB originated, on average, 71.7% of its small business loans within its assessment area.

- ***Distribution by Borrowers Characteristics: "Outstanding"***

The distribution of loans based on borrower characteristics reflected an excellent penetration among businesses of different sizes. In 2007, CHB's penetration ratio for number of loans to businesses with revenues of less than or equal to \$ 1MM, was 69% better than the aggregate's penetration ratio, and virtually matched the business demographics. For 2008, no aggregate data were available, but CHB's record was similar to its 2007 record.

- ***Geographic Distribution of Loans: "Outstanding"***

CHB has no low-income tracts in its assessment area. CHB's lending in moderate-income census tracts reflected an excellent penetration ratio. In 2007, CHB's MI penetration ratio for number of loans was almost 50% higher than the aggregate's penetration ratio, and its penetration ratio for dollars lent was almost 75% higher than the aggregate's.

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

Since the last CRA evaluation on December 31, 2004, neither the bank

nor the New York State Banking Department has received any written complaints regarding the bank's CRA performance.

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:

Catskill Hudson Bank ("CHB") was incorporated in October 1993 under the name Community Bank of Sullivan County. It provides a full range of commercial banking services in all of Sullivan County and portions of Ulster and Orange Counties. Its largest competitor in Sullivan County is the First National Bank of Jeffersonville.

In December 2006, the Community Bank of Sullivan County received the New York State Banking Department's approval to change its name to Catskill Hudson Bank ("CHB"). On July 31, 2006, the bank became a wholly-owned subsidiary of Catskill Hudson Bancorp, Inc.

CHB has eleven branches with nine in Sullivan County, one in Orange County and one in Ulster County. CHB did not close any branches and opened eight new branches since the prior evaluation period. CHB consistently opened two new branches per year from 2005 to 2008. These new branches were opened in Rock Hill, Neversink, Ellenville, South Fallsburg, Callicoon, Narrowsburg, Youngsville, and Livingston Manor. CHB has one off-site ATM located at the Government Center in downtown Monticello. All branches are open on Saturday mornings except for the Rock Hill branch due to the limited activity at this small branch.

Supplementing the branches is an Automated-Teller-Machine ("ATM") network consisting of eleven machines with one at each branch. In addition, CHB has one off-site ATM at the Government Center in downtown Monticello which is within its assessment area. All of these ATM's take deposits except for the Government Center and the Rock Hill branch.

The Call Report dated December 31, 2008, reported total assets of \$222 million, of which \$137.5 million were net loans and leases. It also reported total deposits of \$204.4 million, resulting in a loan-to-deposit ratio of 67.3%. According to the latest available comparative deposit data as of June 30, 2008, CHB obtained a market share of 1.98%, or \$170.1 million out of \$8.6 billion inside its market, ranking it 14th among 28 institutions in its assessment area. See the deposit market share by county on the chart below:

Market Share of Deposits as of June 30, 2008						
County	Number of Branches	Deposits \$000	Deposits %	Deposits as % of County Total	Ranking	Number of Institutions
Sullivan	9	141,265	83%	12.91%	3	11
* Orange	1	13,711	8%	0.26%	20	21
* Ulster	1	15,078	9%	0.66%	18	19
Total	11	170,054	100%			
* Partial County						

The following is a summary of the bank's lending portfolio, based on Schedule RC-C of the bank's call reports dated December 31, 2005 to December 31, 2008.

TOTAL GROSS LOANS OUTSTANDING								
LOAN TYPE	12/31/2005		12/31/2006		12/31/2007		12/31/2008	
	\$000	%	\$000	%	\$000	%	\$000	%
1-4 Residential Loans	9,164	13.6	14,893	15.6	19,081	16.2	22,600	16.3
Commercial Mortgage Loans	30,908	45.8	38,668	40.5	49,607	42.2	63,361	45.6
Commercial & Industrial Loans	20,892	31.0	32,670	34.2	36,842	31.4	42,495	30.6
Consumer Loans	3,892	5.8	4,442	4.7	3,247	2.8	3,487	2.5
Construction Loans	1,625	2.4	2,098	2.2	5,790	4.9	4,060	2.9
Multifamily Loans	362	0.5	1,150	1.2	1,349	1.1	1,722	1.2
Farm Loans	-		1,226	1.3	1,182	1.0	1,135	0.8
Other Loans	584	0.9	273	0.3	410	0.3	210	0.2
Total Gross Loans	67,427	100	95,420	100	117,508	100	139,070	100

As illustrated in the above chart, CHB is primarily a small business lender with 45.6% in commercial mortgage loans and 30.6% in commercial and industrial loans as of December 31, 2008.

CHB's branch network has grown considerably since the prior evaluation as has its outstanding loans. The growth rate of CHB is remarkable considering the economic conditions within the assessment area. The high unemployment rate for the county reflects the economic conditions for the area.

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

Assessment Area:

The bank's assessment area is comprised of all of Sullivan County, part of Orange County, and Walkkill and Wawarsing Townships in Ulster County. The assessment area has been expanded since the prior Public Evaluation.

The chart below reflects that there are 32 census tracts in the area, with no low-income, four moderate-income, 24 middle-income, four upper-income and no zero-income tracts.

Assessment Area Distribution of Census Tracts								
County	Low	Moderate	Middle	Upper	N/A	Total		% LMI
	#	#	#	#	#	#	%	
Sullivan	0	2	18	4	0	24	75%	8%
*Orange	0	1	3	0	0	4	13%	25%
*Ulster	0	1	3	0	0	4	13%	25%
% of Total	-	4	24	4	-	32	100%	13%

*Partial County

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

Demographic & Economic Data:

Demographic data regarding the owner-occupied housing units and small businesses located in LMI census tracts, as well as, families that are LMI and businesses with revenues of less than \$ 1MM, are included in the appropriate sections.

The total population for the assessment area is 107.7 thousand. 14.1 percent of families are considered low- and moderate-income. The median family income is \$46,394. The HUD updated income for the assessment area is \$57,725.

The largest industry in the assessment area was services, which constituted 31.2% of the total businesses. Retail trade was the second largest industry, accounting for 16.5% of the total businesses. Twenty-two percent of all businesses were not classified. A total of 14.2% of all non-farm businesses are located in LMI geographies.

Unemployment Data

The following table shows unemployment rates as reported by the New York State Department of Labor and are not seasonally adjusted. The unemployment rates for Sullivan County were higher than the state average for both 2007 and 2008. In 2008, unemployment rates in Orange and Ulster Counties were slightly higher than the state average. However, in 2007, unemployment rates in Orange and Ulster were slightly lower than the state average.

LOCATION	2007 Unemployment Rate	2008 Unemployment Rate
Sullivan County	5.3%	6.6%
Orange County	4.3%	5.5%
Ulster County	4.4%	5.5%
State of New York	4.5%	5.4%

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

The bank's performance was evaluated according to the small bank performance criteria, which include the following: (1) Loan-to-Deposit Ratio and other Lending-Related Activities; (2) Assessment Area Concentration; (3) Distribution by Borrower Characteristics; (4) Geographic Distribution of Loans; and (5) Action Taken in Response to Written Complaints Regarding CRA. The following factors were also considered in assessing the bank's record of performance: the extent of participation by the board of directors or board of trustees in formulating CRA policies and reviewing CRA performance; any practices intended to discourage credit applications, evidence of prohibited discriminatory or other illegal credit practices; record of opening and closing offices and providing services at offices; and process factors, such as activities to ascertain credit needs and the extent of marketing and special credit related programs. Finally, the evaluation considered other factors as delineated in Section 28-b of the Banking Law that reasonably bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community.

Statistics employed in this evaluation were derived from various sources. Bank-specific information was submitted by the bank both as part of the examination process and on its Call Report submitted to the Federal Deposit Insurance Corporation ("FDIC"). Aggregate lending data were obtained from the Federal Financial Institutions Examination Council ("FFIEC") and deposit data were obtained from the FDIC. The demographic data referred to in this report were derived from the 2000 U.S. Census data. Business demographic data used in this report provide information on US businesses, enhanced by Dun & Bradstreet reports and updated annually. Unemployment data were obtained from the New York State Department of Labor. Non-specific bank data were sometimes only available on a county-wide basis, and were used even where the institution's assessment area includes partial counties.

This assessment focused on small business lending. From 2006 – 2008, CHB originated only 101 HMDA-reportable loans totaling \$16MM. Small business loan aggregate data are shown for comparative purposes, CHB is not required to report this data and as such, CHB is not included in the aggregate data. CHB did not make any small farm loans.

CHB 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, 2004.

CRA Rating: "Outstanding"

The assessment period included calendar years 2005, 2006, 2007 and 2008. However, the bulk of the analyses were done on 2007 and 2008, the most recent activity years.

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

The bank’s LTD ratio was reasonable considering the bank’s size, financial condition and the credit needs of the assessment area.

The bank’s average LTD ratio for the prior 16 quarters ending December 31, 2008 was 72%, below the peer group’s average of 80%. These ratios were calculated from information shown in the bank’s Uniform Bank Performance Report (“UBPR”) prepared by the Federal Deposit Insurance Corporation (“FDIC”). CHB began the evaluation period with an LTD ratio slightly above the peer group’s LTD. However, during the evaluation period, the peer group’s LTD ratio increased while CHB’s ratio declined.

Loan-to-Deposit Ratios																	
	2005 (Q1)	2005 (Q2)	2005 (Q3)	2005 (Q4)	2006 (Q1)	2006 (Q2)	2006 (Q3)	2006 (Q4)	2007 (Q1)	2007 (Q2)	2007 (Q3)	2007 (Q4)	2008 (Q1)	2008 (Q2)	2008 (Q3)	2008 (Q4)	Av'g. LTD
Catskill Hudson	76	71	66	70	73	76	76	72	67	73	75	72	77	75	71	67	72
Peer Group	75	77	78	76	79	81	82	80	79	81	81	81	79	81	83	82	80

There were three main reasons for CHB’s deposit growth, particularly during the last nine months of 2008. Sixty-four percent of growth was due to the branch network increasing, 9% was due to the deposit of public funds and 27% was due to CHB’s participation in the program described below. In the program, when a customer makes a deposit greater than the FDIC-insured maximum in a participating institution, the funds, in increments less than the standard FDIC insurance maximum, are then placed in other participating institutions. Although loan outstandings more than doubled (see chart in Section 3), the deposit base increased still faster, causing the LTD to decrease, as indicated above.

Other Lending-Related Activities

The bank enhanced the availability of credit in its assessment area with community development loans/qualified investments totaling \$330 thousand.

The Council on Alcoholism & Drug Abuse of Sullivan County, Inc. is a non-profit in Monticello, NY that offers alcohol and drug rehabilitation. CHB originated \$250 thousand in loans to this organization. This organization provides information, education and counseling to those with problems of alcoholism and other drug addictions. It also provides housing for their clients.

CHB made an \$80 thousand line of credit to The New York Business Development Corporation, an entity that provides small business loans to both existing and start-up businesses.

The bank participated in governmentally guaranteed or sponsored loan programs including SBA guaranteed loans and the SBA 504 program. CHB also participated in the New York Catskill Watershed and New York Energy Smart loan programs. In 2008, the bank made one Watershed loan for \$855 thousand and two 504 SBA loans totaling \$2,323 thousand.

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

The bank originated a majority of its small business loans, its primary product, within its assessment area, as reflected below:

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Category or Type	Number of Loans					Dollars in Loans (000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Small Business										
2007	128	77.1	38	22.9	166	20,950	72.4	7,972	27.6	28,922
2008	132	71.4	53	28.6	185	21,127	71.0	8,625	29.0	29,752
Total	260	74.1	91	25.9	351	42,077	71.7	16,597	28.3	58,674

Based on the number of small business loan originations, CHB averaged 74.1% within its assessment area in 2007 and 2008. Based on the dollar amounts, CHB originated, on average, 71.7% of its small business loans within its assessment area.

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

The distribution of loans based on borrower characteristics reflected an excellent penetration among businesses of different sizes. In 2007, CHB’s penetration ratio for number of loans to businesses with revenues of less than or equal to \$ 1MM, was 69% better than the aggregate’s penetration ratio, and virtually matched the business demographics. For 2008, no aggregate data were available, but CHB’s record was similar to its 2007 record.

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

Distribution of Small Business Loans by Revenue Size									
2007									
Revenues	Bank				Aggregate				Business Demo. Graphics
	#	%	\$	%	#	%	\$	%	
One million or less	79	61.7	10,682	51.0	1,629	36.5	44,234	52.5	64.2
Over one million	49	38.3	10,268	49.0	2,830	63.5	40,006	47.5	4.5
Total	128	100.0	20,950	100.0	4,459	100.0	84,240	100.0	
2008									
Revenues	Bank				Aggregate				%
	#	%	\$	%	#	%	\$	%	
One million or less	78	59.1	10,836	51.3	Not Available				61.2
Over one million	54	40.9	10,291	48.7					3.9
Total	132	100.0	21,127	100.0					

In 2007, CHB made 61.7%, by number, of its loans to small businesses with revenues less than one million dollars compared to the aggregate's penetration ratio of 36.5%. Based on dollars, CHB made 51% of its loans to small businesses with revenues less than \$1 million compared to the aggregate's 52.5%.

In 2008, CHB made 59.1%, by number, of its loans to small businesses with revenues less than one million dollars. Based on dollars, CHB made 51.3% of its loans small businesses with revenues less than a million dollars.

Compared to the aggregate, CHB is making a larger share of its small business loans to businesses with revenues less than \$1 million, thus, this component is rated "Outstanding".

- **Geographic Distribution of Loans: "Outstanding"**

The geographic distribution of loans reflected an excellent dispersion among census tracts of different income levels. As noted in the description of the assessment area (Section 3), CHB has no low-income tracts in its assessment area.

CHB's lending in moderate-income census tracts reflected an excellent penetration ratio. In 2007, CHB's MI penetration ratio for number of loans was almost 50% higher than the aggregate's penetration ratio, and its penetration ratio for dollars lent was almost 75% higher than the aggregate's. In addition, CHB's penetration ratios in moderate-income tracts exceeded the business demographics.

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

Distribution of Small Business Loans by Geography Income Level									
2007									
Geography	Bank				Aggregate				Bus. Demo- graphics
	#	%	\$	%	#	%	\$	%	%
Low	-	-	-	-	-	-	-	-	-
Moderate	24	18.8	4,267	20.4	564	12.6	9,930	11.8	13.7
Middle	82	64.1	14,184	67.7	3,184	71.4	67,427	80.0	73.0
Upper	22	17.2	2,499	11.9	711	15.9	6,883	8.2	13.3
N/A	-	-	-	-	-	-	-	-	-
Total	128	100.0	20,950	100.0	4,459	100.0	84,240	100.0	100.0
2008									
Geography	Bank				Aggregate				
	#	%	\$	%	Not Available				%
Low	-	-	-	-					0
Moderate	21	15.9	3,348	15.8					14.2
Middle	92	69.7	15,712	74.4					72.0
Upper	19	14.4	2,067	9.8					13.8
N/A	-	-	-	-					0.0
Total	132	100.0	21,127	100.0	100.0				

- **Action Taken In Response to Written Complaints With Respect to CRA: “Satisfactory”**

Since the last CRA evaluation on December 31, 2004, neither the bank nor the New York State Banking Department has received any written complaints regarding the bank’s CRA performance.

- **Additional Factors**

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.

The Board of Directors reviewed the CRA policy on an annual basis.

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 were completed as of March 31, 2007, with satisfactory adherence to anti-discrimination and other applicable laws and regulations. No evidence of prohibited discriminatory or other illegal credit

practices was noted.

The banking institution's record of opening and closing offices and providing services at offices

CHB has eleven branches with nine in Sullivan County, one in Orange County and one in Ulster County. CHB did not close any branches and opened eight new branches since the prior evaluation period. CHB consistently opened two new branches per year from 2005 to 2008.

The new branches were opened in Rock Hill, Neversink, Ellenville, South Fallsburg, Callicoon, Narrowsburg, Youngsville, and Livingston Manor. The Ellenville branch (Ulster County) is the only branch located in a moderate-income census tract; there are no branches located in low-income census tracts.

CHB has one off-site ATM located at the Government Center in downtown Monticello. All branches are open on Saturday mornings except for the Rock Hill branch due to the limited activity at this small branch.

Supplementing the branches is an Automated-Teller-Machine ("ATM") network consisting of eleven machines with one at each branch. In addition, CHB has one off-site ATM at the Government Center in downtown Monticello which was within its assessment area. All of these ATM's take deposits except for the Government Center and the Rock Hill branch.

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.

CHB's president, lending officers and branch managers are members and regularly attend meetings of the Chambers of Commerce for all three counties in CHB's assessment area. CHB's president, Mr. Sutherland is the treasurer and chair of the Finance Committee and a member of the Revolving Loan Committee of the Sullivan County Partnership for Economic Development.

The president is a committee member of the "Affordable Housing Initiative," a project of Pattern for Progress, a regional group with a mission to insure a high quality of life in the Hudson Valley region. In addition to protecting the natural environment, the quality of life mission includes providing adequate opportunities and incentives for capital formation and meaningful, gainful employment. The President is also a board member of the Ulster County Community College Foundation.

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.

CHB's advertising is primarily focused on name recognition, not product advertising. The bank advertises on two radio stations and in eight newspapers in Sullivan County, two publications in Orange County and one in Ulster County.

CHB offers telephone and computer banking services, as well as, a website describing the bank's products and services. The website also allows potential loan customers to submit contact information so that branch managers can contact the potential customer to process an appropriate loan application.

Other factors that in the judgment of the Superintendent and Banking Board bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community.

None.

GLOSSARY

Aggregate Penetration Rate

The number of loans originated and purchased by all reporting lenders in specified categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the assessment area.

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.

Income Level

The income level of the person, family or household is based on the income of person, family or household. A geography’s income is categorized by median family income for the geography. In both cases, the income is compared to the MSA or statewide nonmetropolitan median income.

Income level of individual or geography	% of the area median income
Low-income	Less than 50
Moderate-income	At least 50 and less than 80
Middle-income	At least 80 and less than 120
Upper-income	120 or more

Loans to Small Businesses

Small business loans to businesses with gross annual revenues (“GAR”) of \$1 million or less (“< = \$ 1MM”).

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

Individuals or persons 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 in LMI geographies or to LMI borrowers.

Small Business Loans

Loans to businesses with original amounts of \leq \$1MM.