



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, 2009

Institution: Hanover Community Bank
2131 Jericho Turnpike
Garden City Park, New York 11040

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 Hanover Community Bank ("HCB") 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, 2009.

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

HCB's performance was evaluated according to the small bank performance criteria pursuant to Part 76.12 of the General Regulations of the Banking Board. This assessment period included calendar years 2009. HCB is rated "2," indicating a "Satisfactory" record of helping to meet community credit needs. This is the first New York State CRA examination of HCB.

This rating is based on the following factors:

- **Loan-to-Deposit (LTD") Ratio and Other Lending-Related Activities:** "Satisfactory"
HCB is a de novo bank that has been in operation for one year. As a de novo bank, its ending LTD ratio is the most significant. At 58.5%, this ratio is close to the peer group ratio of 64.5%.
- **Assessment Area Concentration:** "Satisfactory"
For the 2009 evaluation, HCB extended a majority of its HMDA and small business loans within its assessment area. Overall, the bank extended over 84% by number and 88% by dollar value of its total loans in the assessment area.
- **Distribution by Borrowers Characteristics:** "Satisfactory"
The distribution of loans based on borrower characteristics for all products reflected a reasonable penetration of lending to individuals of different income levels and businesses of different revenue sizes. This is the result of reasonable geographic distribution of lending in both HMDA and small business loans.
- **Geographic Distribution of Loans:** "Satisfactory"
The geographic distribution of loans reflected a reasonable dispersion among census tracts of different income levels. This is the result of reasonable geographic distribution of lending in both HMDA and small business loans.
- **Action Taken in Response to Written Complaints With Respect to CRA:** "Satisfactory"
Neither HCB nor the New York State Banking Department has received any written complaints regarding its 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:

Chartered in 2009, HCB is a New York state chartered commercial bank headquartered in Garden City Park, New York, and is insured by the Federal Deposit Insurance Corporation ("FDIC").

According to the Consolidated Report of Condition ("Call Report"), submitted to the FDIC as of December 31, 2009, HCB reported total assets of \$72.7MM, of which \$36.7 MM were net loans and lease finance receivables. HCB also reported total deposits of \$61.8 MM, resulting in a loan-to-deposit ratio of 59.39%. According to the latest available comparative deposit data dated June 30, 2009, HCB obtained a market share of .01%, or \$59.9 MM out of \$682.0 billion inside its market¹, ranking it 125th among 145 deposit-taking institutions in the Bronx, Kings, Nassau, Queens, Suffolk, Westchester and New York Counties.

HCB operates one banking office, and has a wholly-owned subsidiary, Hanover Mortgage Corporation. Both are located in Nassau County.

The following is a summary of HCB's lending portfolio, based on Schedule RC-C of the year-end Call Report 2009:

TOTAL GROSS LOANS OUTSTANDING								
LOAN TYPE	3/31/2009		6/30/2009		9/30/2009		12/31/2009	
	\$000	%	\$000	%	\$000	%	\$000	%
1-4 Residential Mortgage Loans	1,151	19.1	1,302	10.3	5,871	25.5	18,192	48.2
Commercial & Industrial Loans	406	6.7	879	7.0	2,026	8.8	1,451	3.8
Secured by nonfarm nonresidential properties	3,087	51.3	5,104	40.6	5,427	23.6	11,711	31.0
Multifamily Mortgages	525	8.7	3,125	24.8	3,114	13.5	3,668	9.7
Consumer Loans	0	0.0	39	0.3	38	0.2	91	0.2
Construction Loans	853	14.2	1,838	14.6	2,346	10.2	2,616	6.9
Other Loans	0	0.0	294	2.3	4,186	18.2	42	0.1
Total Gross Loans	6,022	100.0	12,581	100.0	23,008	100.0	37,771	100.0

As illustrated in the above chart, HCB's loan portfolio consists primarily of 1-4 residential mortgage loans (48.2%) followed by loans secured by nonfarm, nonresidential properties (31.0%).

HCB offers various lending and deposit products tailored to the needs of the community it serves. These products include residential mortgage loans, business loans and consumer loans. In addition, HCB offers extended banking hours, special checking accounts for seniors and college students, remote deposit capture services for businesses, 24-hour

¹ The FDIC bases its Summary of Deposits on data collected annually as of June 30.

access via online and telephone banking, and 2 (two) branch ATM's, one of which is a drive-through.

HCB operates in a highly competitive market with the presence of large regional and national banks in its assessment area. HCB's branch and loan office are both located in residential and commercial communities. Its competitors are Bank of Smithtown, State Bank of Long Island, The First National Bank of Long Island, Community National Bank, Chase Manhattan Bank, Citibank, and Bank of America.

HCB was not a HMDA reporting institution in 2009, which was the first year of operations for the Bank.

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

Assessment Area:

HCB's assessment area is composed of Bronx, Kings, Queens, New York, Westchester, Nassau and Suffolk Counties, in their entirety. The assessment area contains 2,925 census tracts. This is an extremely large assessment area for a small de novo institution.

The following chart illustrates the distribution of census tracts inside the assessment area:

Distribution of Assessment Area Census Tracts by Income Level							
County	NA	Low	Moderate	Middle	Upper	Total	LMI %
Bronx	14	132	98	65	46	355	64.8
Kings	15	119	297	235	117	783	53.1
Queens	18	12	148	310	185	673	23.8
New York	9	60	59	24	144	296	40.2
Nassau	8	2	20	178	69	277	7.9
Suffolk	8	2	64	197	49	320	20.6
Westchester	4	4	21	39	153	221	11.3
Total	76	331	707	1048	763	2925	35.5

The assessment area appears reasonable based upon the location of HCB'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.

According to the 2000 U.S. Census Bureau, the assessment area had a population of 11.2 million. About 12.31% of the population were over the age of 65 and 21.89% were

under the age of 16. Of the 2.7 million families in the assessment area, 26.48% were low-income, 16.84% were moderate-income, 18.62% were middle-income and 38.06% were upper-income families. There were 4,121 thousand households in the assessment area, of which 15.97% had income below the poverty level and 5.94% were on public assistance.

According to the 2000 U.S. Census, the MSA median family income within the assessment area was \$59 thousand. The U.S. Department of Housing and Urban Development (“HUD”) estimated median family income for the area was \$72 thousand in 2009.

There were 4.4 million housing units within the assessment area, including 2.2 million (51.29%) one- to four-family units and 2.1 million (48.50%) multifamily units. A majority (56.53%) of the area’s housing units were rental units, while 39.96% were owner-occupied units. Of the 1.7 million owner-occupied housing units, 16.04% were in LMI geographies while 45.84% were in middle-income areas. The median age of the housing stock was 57 years and the home value in the assessment area was \$245 thousand.

The chart below reflects the latest annual unemployment rates (December 2009) comparing the statewide rates with the counties included in HCB’s assessment area, based on the U.S. Bureau of Labor Statistics. The unemployment rates for both New York State, and the respective assessment geographies rose in 2009 due to the economic slowdown.

Assessment Area Annual Unemployment Rate								
	State-wide	Bronx County	Kings County	Queens County	New York County	Westchester County	Nassau County	Suffolk County
2009	8.8	13.9	11.2	9.3	9.0	6.9	6.6	7.3

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

HCB'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 HCB'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. Loan-to-deposit ratios were calculated from information shown in the bank's Uniform Bank Performance Report ("UBPR") as submitted to the FDIC.

The demographic data referred to in this report were derived from the 2000 U.S. Census and the U.S. Department of Housing and Urban Development ("HUD"). Business demographic data used in this report provided information on US businesses, enhanced by Dun & Bradstreet reports and updated annually. Unemployment data were obtained from the New York State Department of Labor.

The assessment period covered 2009. Examiners considered bank acronym's HMDA-reportable and small business loans within HCB's assessment area in evaluating factors (2), (3) and (4) as noted above. The 2009 aggregate data were not available for comparison; 2008 data were used to provide additional context for HCB's lending results.

This is the first CRA examination for HCB done by the New York State Banking Department.

Current CRA Rating: "Satisfactory"

Lending Test: "Satisfactory"

- **Loan To Deposit (“LTD”) Ratio Analysis and Other Lending-Related Activities: “Satisfactory”**

HCB is a de novo bank that has been in operation for one year. During the assessment period, HCB had an average LTD ratio of 31.9% compared to its peers, which had an average LTD ratio of 61.25%. However, as a de novo bank, of greater significance is its ending LTD ratio. At 58.5%, this ratio is close to the peer group ratio of 64.5%. During the fourth quarter of 2009, HCB’s loan-to deposit ratio increased by 62% from the prior quarter. HCB’s LTD ratios were considered reasonable in light of the size and financial condition of a de novo bank.

Loan-to-Deposit Ratios					
Year	2009 (Q1)	2009 (Q2)	2009 (Q3)	2009 (Q4)	Average LTD
Bank	12.1	20.8	36.2	58.5	31.9
Peer	71.1	52.3	57.1	64.5	61.3

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

For the 2009 evaluation, HCB extended a majority of its HMDA and small business loans within its assessment area. The bank extended 79.8% by number and 84.7% by dollar volume of its HMDA loans, and 94.4% by number and 96.4% by dollar volume of its small business loans in 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
	#	%	#	%		\$	%	\$	%	
HMDA	67	79.8	17	20.2	84	23,424	84.7	4,222	15.3	27,646
Small Business	34	94.4	2	5.6	36	14,746	96.4	557	3.6	15,303
Total	101	84.2	19	15.8	120	38,170	88.9	4,779	11.1	42,949

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

The distribution of loans based on borrower characteristics for all products reflected a reasonable penetration of lending to individuals of different income levels and businesses of different revenue sizes. This is the result of reasonable geographic distribution of lending for HMDA-reportable loans and more than reasonable distribution of lending for small business loans.

1-4 Family HMDA-Loans: “Satisfactory”

The distribution of 1-4 family HMDA loans reflected a reasonable penetration rate among

LMI individuals.

HCB's LMI penetration rates were significantly below the area family demographics. The contributing factors to these low penetration rates were the institution's size, its single branch, its short duration in the market, and the lack of affordable housing for low-income borrowers. The 2009 aggregate data were not available during the examination. Therefore, the chart below includes 2008 aggregate data. While this is not a perfect comparison because lending patterns vary from year-to-year, these data can be used to assist in understanding HCB's results. HCB's 2009 lending penetration ratio to LMI borrowers was better than the aggregate's 2008 lending penetration ratio.

The following chart provides a summary of HCB's HMDA lending distribution during the evaluation period, including a comparison to the family demographics in the assessment area (percentage of families at each borrower income level).

^Distribution of 1-4 Family HMDA-Loans by Borrower Income Level									
Borrower	2009 Bank				2008 Aggregate Data				Family Demographics
Income Level	#	%	\$000	%	#	%	\$000	%	
Low	1	1.6	50	0.3	2,736	2.4%	337,929	0.7%	26.5%
Moderate	11	18.0	2,055	10.4	12,320	10.9%	2,259,006	4.8%	16.8%
Middle	11	18.0	2,770	14.0	25,007	22.0%	6,128,396	13.1%	18.6%
Upper	38	62.4	14,841	75.3	67,477	59.4%	30,716,216	65.4%	38.1%
N/A	0	0.0	0	0.0	5,986	5.3%	7,493,022	16.0%	
Total	61	100.1	19,716	100.0	113,526	100.0%	46,934,569	100.0%	100.0%

^ Chart does not include multi-family lending, which is included in HMDA chart for income of geography.

Small Business Loans: Satisfactory

The distribution of small business loans based on borrower characteristics reflected a reasonable penetration among businesses of different revenue sizes. As with the HMDA-reportable data, 2009 small business aggregate data were not available so the chart below includes 2008 aggregate data; these data can be used to assist in understanding HCB's results.

In 2009, HCB originated 73.5% of its small business loans to businesses with revenue of <= \$1MM. While HCB's lending penetration ratio was comparable to the business demographics, it was higher than the aggregate's 2008 lending penetration ratio.

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

Distribution of Small Business Loans by Business Revenue Size									
Revenue Size	2009 Bank				2008 Aggregate				Bus. Demographics
	#	%	\$000	%	#	%	\$000	%	
<= \$ 1 MM	25	73.5	12,011	81.5	117,777	22.8%	3,539,945	31.9%	76.4%
> \$ 1 MM	9	26.5	2,735	18.5					5.5%
No Revenue Info	0	0.0	0	0.0					18.1%
Total	34	100.0	14,746	100.0	515,478		11,093,965		100.0%

Geographic Distribution of Loans: “Satisfactory”

The geographic distribution of loans reflected a reasonable dispersion among census tracts of different income levels. This is the result of reasonable geographic distribution of lending in both HMDA and small business loans.

HMDA Loans: “Satisfactory”

The geographic distribution of HMDA loans reflected a reasonable dispersion among census tracts of different income levels. As noted above, 2009 aggregate data were not available so the chart below includes 2008 aggregate data; these data can be used to assist in understanding HCB’s results.

HCB’s lending penetration ratio in LMI census tracts was 22.4%, which compared favorably to the demographics – 16% of owner-occupied units are located in these census tracts. HCB’s 2009 lending penetration ratio was also comparable to the 2008 aggregate lending penetration ratio.

The following chart provides a summary of the bank’s HMDA lending distribution during the evaluation period, and the presence of owner-occupied housing units in the assessment area.

Distribution of HMDA Loans by Geographic Income Level									
Geography	2009 Bank				2008 Aggregate				OO HUs
Income Level	#	%	\$000	%	#	%	\$000	%	
Low	1	1.5	630	2.7	3,612	3.2%	2,003,908	4.3%	1.8%
Moderate	14	20.9	4,742	20.3	19214	16.9%	7,160,320	15.3%	14.2%
Middle	35	52.2	11,439	48.8	48554	42.8%	15,909,073	33.9%	45.9%
Upper	17	25.4	6,613	28.2	42061	37.0%	21,744,141	46.3%	38.1%
N/A	0	0.0	0	0.0	85	0.1%	117,127	0.2%	0.0%
Total	67	100.0	23,424	100.0	113,526	100.0%	46,934,569	100.0%	100.0%

Small Business Loans: “Satisfactory”

HCB’s geographic distribution of small business loans reflected a reasonable dispersion

among census tracts of different income levels. As noted above, 2009 aggregate data were not available so the chart below includes 2008 aggregate data; these data can be used to assist in understanding HCB's results.

In 2009, HCB originated 20.6% of its small business loans in LMI geographies during the current evaluation period. HCB's LMI penetration ratio was less than the 24.8% of total small businesses located in such geographies. However, HCB's 2009 lending penetration ratio was comparable to the 2008 aggregate lending penetration ratio.

The following chart provides a summary of the bank's small business lending distribution during the evaluation period, including a comparison to the business demographics (businesses located in each geography income level):

Distribution of Small Business Loans by Geographic Income Level									
Geography	2009 Bank				2008 Aggregate				Bus. Demographics
	Income Level	#	%	\$000	%	#	%	\$000	
Low	2	5.9	1,243	8.4	21,595	4.2%	447,249	4.0%	6.2
Moderate	5	14.7	2,199	14.9	83,031	16.1%	1,736,229	15.7%	18.6
Middle	13	38.2	5,153	35.0	179,167	34.8%	3,707,930	33.4%	33.1
Upper	14	41.2	6,151	41.7	228,402	44.3%	5,065,892	45.7%	41.3
N/A	0	0.0	0	0.0	3,283	0.6%	136,665	1.2%	0.8

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

Neither HCB nor the New York State Banking Department has received any written complaints regarding its CRA performance.

Additional Factors

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

The board approved HCB's Community Reinvestment Act Policy and Procedures on September 17, 2009. Board members and executive management are involved with various organizations in support of the bank's CRA goals. These organizations include the Brooklyn Bureau of Community Service, American Red Cross and the Hispanic Counseling Center. Augmenting HCB's policy and procedures are CRA strategies within its Strategic Plan, which covers the period from 2010 to 2012.

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 HCB.

- Evidence of prohibited discriminatory or other illegal credit practices.

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;

HCB operates one banking office, and a wholly-owned subsidiary, Hanover Mortgage Corporation, both located in Nassau County.

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.

HCB's management attended Chamber of Commerce events for the towns of Garden City, New Hyde Park and Williston Park during 2009 to ascertain the credit needs and challenges of the community. In addition, management has met with the Village of Freeport, and various realtors including the Brooklyn Board of Realtors to provide information regarding the bank's lending products. Management also attended an event sponsored by The Hispanic Network (THN), a business development firm.

- 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.

HCB distributed information brochures and flyers at street fairs sponsored by the Mineola and the New Hyde Park Chambers of Commerce.

A direct mailing campaign for its residential mortgage product was conducted during 2009.

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.