



**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:** North Country Savings Bank  
127 Main Street  
Canton, NY 13617

**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 North Country Savings Bank ("NCSB") 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.

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## **OVERVIEW OF INSTITUTION'S PERFORMANCE**

NCSB 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 and Other Lending-Related Activities:*** NCSB's LTD ratio of 113.9% for the eight quarters ending December 31, 2007 is considered more than reasonable. The peer group's average for the same period was 88%. NCSB's LTD ratio has improved since the prior evaluation period LTD ratio of 90.4%.
- ***Assessment Area Concentration:*** NCSB extended a substantial majority of its loans in the assessment area.

During 2006 and 2007, NCSB originated 98.6% by number and 98.4% by dollar volume of its loans inside the assessment area.

- ***Geographic Distribution of Loans:*** NCSB's distribution of loans based on the geographic income level reflects a reasonable dispersion throughout the assessment area. A percentage of 2.1% of HMDA-type loans were originated in LMI geographies during the evaluation period. The uneven geographic distribution can be explained by the fact that LMI census tracts make up only 14.8% of all tracts within the assessment area as well as by the presence of larger competitors.
- ***Distribution by Borrowers Characteristics:*** NCSB's lending distribution in the assessment area reflects a reasonable penetration among borrowers of different income levels.

During the evaluation period, NCSB extended 24.2% by number and 17.4% by dollar volume of its HMDA-type loans to LMI borrowers.

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

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

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## **PERFORMANCE CONTEXT**

### **Institution's Profile:**

Chartered in 1909, NCSB is a mutual savings bank, headquartered in the Village of Canton, New York. Including its main office in Canton, the bank operates five full-service branches, all in St. Lawrence County. No branch was opened or closed during the evaluation period.

According to its Call Report as of December 31, 2007, NCSB reported total assets of \$248.3 million, including \$204.9 million in net loans.

The following is a summary of NCSB's lending portfolio, based on Schedule RC-C of the bank's year-end Call Reports for calendar years 2006 and 2007:

<b>TOTAL GROSS LOANS OUTSTANDING</b>				
LOAN TYPE	12/31/2006		12/31/2007	
	\$(000s)	%	\$(000s)	%
1-4 Residential Mortgage Loans	186,624	90.9	188,797	91.8
Consumer Loans	13,456	6.6	10,207	5.0
Commercial Mortgage Loans	2,630	1.3	2,783	1.4
Construction and Land Dev.	187	0.1	1,801	0.9
Multifamily Mortgages	582	0.3	987	0.5
Commercial & Industrial Loans	1,761	0.9	924	0.4
Other Loans	16	0.0	78	0.0
Total Gross Loans	205,256	100.0	205,577	100.0

As illustrated in the table above, NCSB is primarily a residential real estate lender. As of December 31, 2007, one-to-four family residential mortgage loans accounted for 91.8% of the bank's total gross loans. Consumer loans accounted for 5% of NCSB's total gross loans. All other loans combined constituted 3.2% of the loan portfolio.

According to FDIC's deposit market data as of June 30, 2006, NCSB ranked second among nine deposit-taking institutions within St. Lawrence County, and its corresponding market share was 16.%. The bank's 2007 ranking was the same, with similar market share (16.5%).

NCSB does not participate in any government guaranteed or sponsored loan programs.

The New York State Banking Department's previous CRA evaluation of NCSB conducted as of December 31, 2005, resulted in a rating of "2," reflecting the bank's satisfactory record of helping to meet community credit needs.

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:**

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NCSB's assessment area includes 27 census tracts within St. Lawrence County, New York. There is only one census tract in the St. Lawrence County that is not included in the assessment area (No. 9925), and it is located in the southern part of the county, a middle-income geography. The tract itself is a large but scarcely populated area that is part of the Adirondack Park.

Of the 27 tracts that make up the assessment area, 20 (or 74.1%) are middle-income, 3 (or 11.1%) are moderate-income, 2 (or 7.4%) are upper-income, 1 (or 3.7%) is low-income, and 1 (or 3.7%) is an unknown income tract.

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

#### Assessment Area Details:

According to the 2000 U.S. Census ("2000 Census"), data, the assessment area population totals 109.1 thousand residents, including 14 thousand (12.9%) people over the age of 65 and 22.5 thousand (20.6%) people under the age of 16.

The number of households and families within the assessment area totaled 39.3 thousand and 26.3 thousand, respectively. Of total households, 16.1% were living below the poverty level, and 42.2% of all families were categorized as LMI. According to estimates from the U.S. Department of Housing and Urban Development ("HUD"), the median family income for the assessment area was \$50.9 thousand during 2007.

The assessment area contains 47.2 housing units, of which 16.7% were vacant while 58.5% were owner-occupied. As of the 2000 Census, the median housing price within the area was \$59.9 thousand.

The largest industry within the assessment area was the service sector, accounting for 27.5% of all businesses. Retail trade and construction firms represented 14.6% and 5.9% of the area's employers, respectively. Almost 30% of businesses within the area were categorized as non-classifiable establishments.

Of the total businesses, 4.4 thousand (64%) had less than 50 employees, and 6 thousand (86.8%) operated from a single location.

According to the New York State Department of Labor, the average unemployment rate for St. Lawrence County in 2006 was 5.8%, higher than the statewide average rate of 4.5%<sup>1</sup>. The 2007 average rate was the same as in 2006.

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<sup>1</sup>. These unemployment rates have not been adjusted for seasonality.

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## **PERFORMANCE STANDARDS AND ASSESSMENT FACTORS**

*NCSB's performance was evaluated according to the small bank's performance criteria, which included 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 assessment period included calendar years 2006 and 2007. In evaluating factors (2), (3), and (4), examiners considered NCSB's performance with respect to HMDA-type mortgage loans originated during 2006 and 2007. Since NCSB does not have an office in a metropolitan area, it is not subject to HMDA reporting requirements. The HMDA-type loan data were provided by the bank however, for purposes of CRA evaluation.

Since NCSB is not a HMDA-reporting lender, its mortgage lending activity is not a part of the data compiled for the market aggregate. Thus, this evaluation will not compare NCSB's performance to the market aggregate.

The demographic data referred to in this report was obtained from the 2000 U.S. Census, with annually updated median family income figures provided by the U.S. Department of Housing and Urban Development ("HUD").

- **Loan-to-Deposit ("LTD") Ratio Analysis and other Lending-Related Activities: "Outstanding"**

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

NCSB's average LTD ratio for the eight quarters since the prior evaluation is 113.9%, which is better than the peer banks' average ratio for the same period.<sup>1</sup> Compared to the prior evaluation period, NCSB's average LTD ratio has increased from 90.4% to 113.9%.

The following chart illustrates NCSB's and its peer group's LTD ratios for the eight quarters ending December 31, 2007:

<b>Loan-to-Deposit Ratios</b>									
	2006 Q1	2006 Q2	2006 Q3	2006 Q4	2007 Q1	2007 Q2	2007 Q3	2007 Q4	Average LTD
Bank	107.27	112.39	115.42	116.23	114.30	113.08	114.34	117.76	113.85
Peer	84.86	86.34	87.72	87.44	87.28	88.20	90.18	91.59	87.95

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<sup>1</sup> These ratios were calculated from information shown in the bank's Uniform Bank Performance Report ("UBPR") as prepared by the FDIC. The bank's peer group includes all insured commercial banks having assets between \$100 million and \$300 million. The UBPR peer group is a national peer group and includes banks that may be operating in very different economic environments.

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NCSB invested in collateral trust notes issued by the Community Preservation Corporation, which is a not-for-profit organization aiming to stabilize, strengthen and sustain low and mixed income communities.

Although NCSB is being evaluated under the Small Bank test, it has shown leadership in community development lending, investing and services. These efforts include, but are not limited to:

- NCSB has provided supports to the St. Lawrence County Housing Council in financing a revolving loan fund for home improvement loans to low-income borrowers in its assessment area. The amount of contribution to date has been \$10,000.
- NCSB joined the Community Lending Corporation and has agreed to lend \$510,000 to finance affordable housing for low-income families in its assessment area.
- NCSB was a participant in the Statewide Zone Capital Corporation which provides capital to businesses that relocate or expand in Empire Zones.

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

NCSB originated a substantial majority of its HMDA-type loans within the assessment area. During 2006 and 2007, NCSB originated 98.6% and 98.4% of its loans inside the assessment area, by number and dollar volume respectively.

The following table illustrates the distribution of loans originated inside and outside of the assessment area:

Distribution of Loans Inside and Outside of the Assessment Area - HMDA-type										
Year	Number of Loans					Loans in Dollars (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
2006	551	98.2	10	1.8	561	39,511	98.0	799	2.0	40,310
2007	358	99.2	3	0.8	361	23,862	99.0	229	1.0	24,091
2-year total	909	98.6	13	1.4	922	63,373	98.4	1,028	1.6	64,401

- **Geographic Distribution of Loans: “Needs-to Improve”**

NCSB’s distribution of loans based on the geographic income level reflects a less than reasonable dispersion throughout the assessment area. During the evaluation period, NCSB originated 2% of its HMDA-type loans within LMI census tracts. When viewed within the context that 14.8% of the census tracts within the area were LMI and that 12.5% of all 1-4 family housing units were located within LMI geographies, NCSB’s lending performance significantly trails the demographics.



The table that follows illustrates the distribution of originated HMDA-type loans by geographic income level.

Distribution of HMDA-type Loans by Geographic Income Level*						
Geography Income Level	Bank				1-4 Family Units	
	#	%	\$000's	%		
Low	2	0.4%	276	0.7%	51	0.1%
Moderate	8	1.5%	396	1.0%	5,432	12.4%
Middle	525	95.3%	36,913	93.4%	36,978	84.4%
Upper	16	2.9%	1,925	4.9%	1,353	3.1%
<b>Total</b>	<b>551</b>	<b>100.0%</b>	<b>39,510</b>	<b>100.0%</b>	<b>43,814</b>	<b>100.0%</b>
Geography Income Level	Bank				1-4 Family Units	
	#	%	\$000's	%		
Low	0	0.0%	0	0.0%	51	0.1%
Moderate	8	2.2%	351	1.5%	5,432	12.4%
Middle	347	96.9%	23,262	97.5%	36,978	84.4%
Upper	3	0.8%	249	1.0%	1,353	3.1%
<b>Total</b>	<b>358</b>	<b>100.0%</b>	<b>23,862</b>	<b>100.0%</b>	<b>43,814</b>	<b>100.0%</b>
<b>LMI 2-year</b>	<b>18</b>	<b>2.0</b>	<b>1,023</b>	<b>1.6</b>		
<b>Total</b>	<b>909</b>	<b>100.0</b>	<b>63,372</b>	<b>100.0</b>		

\* Geography income level is based upon 2000 Census data on median tract income figure for the MSA of the mortgaged property. Low income is defined as <50% of the MSA median, moderate income is 50% to <80%, middle income is 80% to <120%, and upper income is at least 120%.

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

NCSB’s distribution of loans based on borrower characteristics reflects a reasonable penetration among individuals of different income levels.

During the evaluation period, NCSB extended 24.2% by number and 17.4% by dollar volume of its HMDA-type loans to LMI borrowers. These LMI penetration ratios are significantly lower than the percentage of LMI families among all families within the assessment area. But, the LMI penetration rates appear to have improved from 2006 to 2007. In 2006 the penetration rates were 23.1% by number and 15.9% by dollar volume and in 2007 these rates increased to 26% and 19.9% respectively. Further, NCSB’s lending to LMI families exceeded the aggregate’s in both 2006 and 2007.

The following table illustrates the distribution of HMDA-type loans originated by borrowers’ income level:

Distribution of HMDA-type Loans by Borrower Income Level						
2006						
Borrower Income Level	Bank				% of Families by Income Level	
	#	%	\$000's	%	#	%
Low	45	8.2	2,147	5.4	5,966	22.7
Moderate	82	14.9	4,143	10.5	5,138	19.5
Middle	148	26.9	9,077	23.0	5,797	22.0
Upper	265	48.1	22,542	57.1	9,422	35.8
N/A	11	2.0	1,602	4.1		
<b>Total</b>	<b>551</b>	<b>100.0</b>	<b>39,511</b>	<b>100.0</b>	26,323	100.0
2007						
Borrower Income Level	Bank				% of Families by Income Level	
	#	%	\$000's	%	#	%
Low	30	8.4	1,520	6.4	5,966	22.7
Moderate	63	17.6	3,213	13.5	5,138	19.5
Middle	88	24.6	5,427	22.7	5,797	22.0
Upper	154	43.0	11,811	49.5	9,422	35.8
N/A	23	6.4	1,891	7.9		
<b>Total</b>	<b>358</b>	<b>100.0</b>	<b>23,862</b>	<b>100.0</b>	26,323	100.0
<b>LMI 2-year</b>	<b>220</b>	<b>24.2</b>	<b>11,023</b>	<b>17.4</b>		
<b>Total</b>	<b>909</b>	<b>100.0</b>	<b>63,373</b>	<b>100.0</b>		

\* Borrower income level is based upon the Department of Housing and Urban Development's annual estimate of median family income ("MFI") figure for the MSA of the mortgaged property. Low-income is defined as <50% of the MSA MFI, moderate-income is 50% to <80%, middle-income is 80% to <120% and upper income is at least 120%.

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

The Department has not received any written complaints regarding the NCSB'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 prohibited discriminatory or other illegal credit practices**

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

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- **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**

NCSB ascertains the credit needs of its community by encouraging employees and trustees alike to participate in various organizations within the market area, to become leaders in the community, to meet with community groups and to gather information from those groups and organizations. St. Lawrence County Housing Council and St. Lawrence County Board of Realtors are examples of the organizations with which the bank cooperates on home ownership and home improvement loan programs and from which it gathers additional information on the credit needs of the community.

**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**

NCSB advertises its lending programs through direct contact with present and potential customers using video screens located in all of its branches, using the bank's website ([www.northcountrysavings.com](http://www.northcountrysavings.com)), advertising on local radio and TV stations, using direct mail, and advertising in print media such as local daily and/or weekly newspapers, (e.g., Watertown Daily Times, Ogdensburg Journal, The Advance News, Canton Plaindealer, Daily Courier Observer, North Country This Week), etc.

**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**

CRA performance and issues are addressed at board meetings held monthly. The board reviews and approves the bank's CRA-related policies. As is common with small banks, NCSB does not have a designated board committee for CRA-related efforts.

- **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.

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## **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:

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- 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;

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- ❖ Developing loan processing systems;
  - ❖ Developing secondary market vehicles or programs;
  - ❖ Assisting in marketing financial services, including the development of advertising and promotions, publications, workshops and conferences;
  - ❖ Furnishing financial services training for staff and management;
  - ❖ Contributing accounting/bookkeeping services; and
  - ❖ Assisting in fund raising, including soliciting or arranging investments.

### **Home Mortgage Disclosure Act (“HMDA”)**

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

### **Loans to Small Businesses**

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

### **Low or Moderate Income (“LMI”) Geographies**

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

### **LMI Borrowers**

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

### **LMI Individuals/Persons**

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

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**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.