



**NEW YORK STATE  
DEPARTMENT OF FINANCIAL SERVICES  
FINANCIAL FRAUDS AND CONSUMER PROTECTION DIVISION**

One State Street  
New York, NY 10004

**PUBLIC SUMMARY**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**Date of Evaluation:** June 30, 2014

**Institution:** Bank of Millbrook  
3263 Franklin Ave  
Millbrook, NY 12545

**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 Department of Financial Services 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 Bank of Millbrook (“BOM”) prepared by the New York State Department of Financial Services (“DFS” or the “Department”). This evaluation represents the Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of June 30, 2014.

Section 28-b of the New York Banking Law, as amended, requires that when evaluating certain applications, the Superintendent of Financial Services 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 Superintendent implements Section 28-b and further requires that the 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 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 in 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 (“Evaluation”) be made available to the public. Evaluations of banking institutions are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Sections 76.8 through 76.13. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York 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**

DFS evaluated BOM according to the small bank performance criteria pursuant to Part 76.7 and 76.12 of the General Regulations of the Superintendent ("GRS"). This assessment period included calendar years 2009, 2010, 2011, 2012, 2013 and six months ending June 30, 2014. DFS assigns BOM a rating of "2," indicating a "Satisfactory" record of helping to meet community credit needs.

The rating is based on the following factors:

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

BOM's average loan-to-deposit ("LTD") ratio of 65.1%, while below the peer group's average of 75.8%, was reasonable considering its size, business strategy, financial condition and peer group activity. BOM, while not required as a small bank, also engaged in community development lending activity.

- **Assessment Area Concentration:** "Outstanding"

During the evaluation period, BOM originated 86.0% by number and 86.7% by dollar value of its total HMDA-reportable and small business loans within the assessment area. This substantial majority of lending inside its assessment area was an excellent record of lending.

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

BOM's distribution of HMDA-reportable and small business loans based on borrower characteristics demonstrated a reasonable distribution of loans among individuals of different income levels and small businesses of different revenue sizes.

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

While the assessment area did not contain any low-income census tracts, BOM's HMDA-reportable and small business loans originated in census tracts of varying income levels demonstrated a reasonable distribution of lending.

- **Action Taken in Response to Written Complaints with Respect to CRA:**

Neither DFS nor BOM received any CRA related complaints during the evaluation period.

- **Community Development Activities:**

BOM was evaluated under the small bank performance criteria and was not required to have its community development activities evaluated. Nevertheless, BOM made a total of \$861,000 in community development loans, \$953,391 in community development investments, and approximately \$27,000 in community development grants.

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Management also performed a number of community development services 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 Banking Law and GRS Part 76.

## PERFORMANCE CONTEXT

### Institution Profile

Bank of Millbrook (“BOM”) is a commercial bank located in Millbrook, New York. BOM obtained its New York State charter in 1891. BOM is a wholly owned subsidiary of Millbrook Bank Systems Inc., a one-bank holding company formed in 1998. BOM acquired Stissing National Bank and its two branches in October 2010, increasing BOM’s branch network to four branches.

BOM is a community bank primarily focusing on the eastern portion of Dutchess County. It offers traditional deposit products and loan products, such as residential mortgages, home improvement loans, home equity loans, consumer installment loans and commercial mortgages. Additionally, BOM offers bank by mail and online banking services.

Per the Consolidated Report of Condition (the “Call Report”) as of June 30, 2014, filed with the Federal Deposit Insurance Corporation (“FDIC”), BOM reported total assets of \$200.8 million, of which \$98.4 million were net loans and lease finance receivables. It also reported total deposits of \$176.9 million, resulting in a loan-to-deposit (“LTD”) ratio of 55.6%. According to the latest available comparative deposit data as of June 30, 2014, BOM had a market share of 4.1%, or \$176.9 million in a market of \$4.4 billion, ranking it ninth among 19 deposit-taking institutions in its assessment area.

The following is a summary of BOM’s loan portfolio, based on Schedule RC-C of the bank’s December 31, 2009, 2010, 2011, 2012, 2013 and June 30, 2014 Call Reports:

<b>TOTAL GROSS LOANS OUTSTANDING</b>												
Loan Type	2009		2010		2011		2012		2013		2014 Q2	
	\$000's	%	\$000's	%	\$000's	%	\$000's	%	\$000's	%	\$000's	%
1-4 Family Res. Mort. Loans	56,203	60.5	76,047	64.8	67,876	61.9	61,571	61.7	60,413	60.0	59,599	59.2
Commercial & Industrial Lns	2,906	3.1	4,531	3.9	3,740	3.4	3,822	3.8	4,045	4.0	4,588	4.6
Commercial Mortgage Lns	20,788	22.4	21,973	18.7	23,825	21.7	20,604	20.7	19,911	19.8	24,753	24.6
Consumer Loans	6,734	7.3	7,564	6.4	7,342	6.7	6,778	6.8	6,894	6.8	5,295	5.3
Loans Secured by Farmland	4,567	4.9	5,315	4.5	5,153	4.7	4,754	4.8	4,656	4.6	4,596	4.6
Construction Loans	1,396	1.5	1,787	1.5	1,341	1.2	1,604	1.6	3,950	3.9	1,238	1.2
Other Loans	232	0.2	221	0.2	397	0.4	600	0.6	794	0.8	681	0.7
<b>Total Gross Loans</b>	<b>92,826</b>		<b>117,438</b>		<b>109,674</b>		<b>99,733</b>		<b>100,663</b>		<b>100,750</b>	

As illustrated in the above table, BOM is primarily a residential real estate lender with 59.2% of its loan portfolio in 1-4 family residential mortgage loans as of June 30, 2014, followed by commercial mortgage loans totaling 24.6%.

As of the evaluation date, BOM operated four banking offices located in Millbrook, Amenia, Pine Plains and Stanfordsville all in Dutchess County. All banking offices provide extended hours of operation one day a week and are open half-day on

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Saturdays. At the branch offices are five on-site automated teller machines (“ATMs”) that accept deposits. In addition, BOM operates two offsite ATM’s that only dispense cash.

*DFS did not find evidence of financial or legal impediments that had an adverse impact on BOM’s ability to meet the credit needs of its community.*

### **Assessment Area**

BOM’s assessment area is comprised of the eastern portion of Dutchess County within the Metropolitan Statistical Area (MSA) 20524. There are 24 census tracts in the assessment area, of which four are upper-income, 18 are middle-income, two are moderate-income and none are low-income.

<b>Assessment Area Census Tracts by Income Level</b>							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
Dutchess *	0	0	2	18	4	24	8.3
Total	0	0	2	18	4	24	8.3

*\*Partial county*

### **Demographic & Economic Data**

The assessment area had a population of 79,168 during the examination period. About 14.6% of the population were over the age of 65, and 18.9% were under the age of sixteen.

Of the 20,652 families in the assessment area, 16.2% were low-income, 18.1% were moderate-income, 25.6% were middle-income, and 40.1% were upper-income families. There were 28,881 households in the assessment area, of which 5.6% had income below the poverty level, and 1.2% were on public assistance. The weighted average median family income in the assessment area was \$86,296.

There were 32,862 housing units within the assessment area, of which 88.0% were 1-4 family units, and 5.8% were multifamily units. Of the area’s housing units 68.1% were owner-occupied, while 19.8% were rental units. Of the 22,381 owner-occupied housing units, 5.5% were in moderate-income census tracts while 94.5% were in middle- and upper-income census tracts. The median age of the housing stock was 46 years, and the median home value was \$333,119.

There were 6,926 non-farm businesses in the assessment area. Of these, 75.1% were businesses with reported revenues of less than or equal to \$1 million, 3.3% reported revenues of more than \$1 million, and 21.7% did not report their revenues. Of all the businesses in the assessment area, 81.3% were businesses with less than 50 employees, and 94.5% operated from a single location. The largest industries in the

area were services (42.1%), retail trade (12.6%), and construction (10.4%), while 13.1% of businesses were not classified. According to the Dutchess County Economic Development Corporation, major employers in the county include: IBM Corporation with more than 10,000 employees; various educational institutions including Marist College, Vassar College, Bard College, Dutchess Community College and The Culinary Institute of America together have more than 4,000 employees; and Westchester Medical Center and Health Quest together have nearly 3,000 employees.

According to the New York State Department of Labor, the average unemployment rate for Dutchess County was 5.3% as at June 30, 2014 compared with 6.5% for New York State. The unemployment rate for Dutchess County during the evaluation period remained consistently below the rate for New York State.

<b>Assessment Area Unemployment Rate</b>		
	NYS	Dutchess
2009	8.3	7.8
2010	8.6	7.8
2011	8.2	7.6
2012	8.5	7.8
2013	7.7	6.8
Ave. 5-yr.rate	8.3	7.6
6/30/2014	6.5	5.3

### **Community Information**

BOM is in the Village of Millbrook which is a part of the Town of Washington. Millbrook is a village, located 80 miles north of Manhattan, with horse farms, antique shops and restaurants. Large parts of the rest of the assessment area are mostly rural.

Bank personnel are members of various community groups and participate in many community activities. The two community contacts interviewed noted that BOM is meeting the needs of the assessment area and actively reaches out to the community.

The region has farmland and large estates owned by wealthy individuals, many from New York City. This skews the data regarding the demographic characteristics of the population and, the community contact asserted, means the area does not qualify for federal subsidies. To compensate for the absence of federal subsidies, the village imposes higher taxes. In addition, immigrant workers have found employment working on the large estates and farms, and the area is experiencing a rise in migrant workers. One community contact identified this trend as an opportunity for banks to provide financial literacy programs to educate individuals about finances and teach them about financial responsibility and banking basics. The other community contact cited lack of jobs in the assessment area as the biggest problem since many individuals lost their jobs with the downsizing and restructuring of one of the areas' largest employers.

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## **PERFORMANCE STANDARDS AND ASSESSMENT FACTORS**

*DFS evaluated BOM under the small bank performance standards in accordance with GRS Parts 76.7 and 76.12, consisting of the lending test, which includes:*

- 1. Loan-to-deposit ("LTD") ratio and other lending-related activities;*
- 2. Assessment area concentration;*
- 3. Distribution of loans by borrower characteristics;*
- 4. Geographic distribution of loans; and*
- 5. Action taken in response to written complaints regarding CRA.*

*DFS also considered the following factors in assessing the bank's record of performance:*

- 1. The extent of participation by the board of directors or board of trustees in formulating CRA policies and reviewing CRA performance;*
- 2. Evidence of practices intended to discourage credit applications;*
- 3. Evidence of prohibited discriminatory or other illegal credit practices;*
- 4. The institution's record of opening and closing offices and providing services at offices; and*
- 5. 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 New York Banking Law that reasonably bear upon the extent to which BOM helps to meet the credit needs of its entire community.*

DFS used statistics in this evaluation derived from various sources. BOM submitted bank-specific information both as part of the examination process and on its Call Report submitted to the FDIC. DFS obtained aggregate lending data from the Federal Financial Institutions Examination Council ("FFIEC") and deposit data from the FDIC. Loan-to-deposit ratios were calculated from information shown in the bank's Uniform Bank Performance Report as submitted to the FDIC.

DFS derived demographic data from the 2000 and 2010 U.S. Census and the U.S. Department of Housing and Urban Development. DFS based business demographic data on Dun & Bradstreet reports which are updated annually. DFS obtained unemployment data from the New York State Department of Labor. Some non-specific bank data were only available on a county-wide basis and were used even where the institution's assessment area includes partial counties.

The assessment period included calendar years 2009, 2010, 2011, 2012, 2013 and the first six months of 2014.

Examiners considered BOM's HMDA-reportable and small business loans in evaluating factors (2), (3) and (4) of the lending test noted above.

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BOM is not required to report small business loan data; thus, BOM's small business lending is not included in the aggregate data. As BOM did not make any small farm loans, analyses were based only on small business loans.

HMDA-reportable lending was given greater weight in this evaluation, as BOM is primarily a one- to four-family residential mortgage lender.

At its **prior** Performance Evaluation as of December 31, 2008, DFS assigned BOM a rating of "2", reflecting a "Satisfactory" record of helping to meet community credit needs.

**Current CRA Rating: "Satisfactory"**

**Lending Test: "Satisfactory"**

BOM's HMDA-reportable and small business lending activities were reasonable in light of aggregate and peer group activity and demographics.

**Loan-to-Deposit Ratio and other Lending-Related Activities: "Satisfactory"**

BOM's average loan-to-deposit ("LTD") ratio was reasonable considering its size, business strategy, financial condition and peer group activity. BOM, while not required as a small bank, also engaged in community development lending activity.

BOM's average LTD ratio has been historically below that of its peers and this trend continued during the current evaluation period. BOM's average LTD ratio for the evaluation period totaled 65.1%, which was below the average of its peers of 75.8%. During the evaluation period BOM's quarterly LTD ratios declined significantly from a high of 83.8% for the second quarter of 2009 to a low of 49.9% for the fourth quarter of 2012. Thereafter, the ratio generally increased for the remainder of the evaluation period and was 55.6% as of June 30, 2014.

The decline in BOM's quarterly LTD ratios was due primarily to a significant increase in the bank's deposits during the evaluation period and no decrease in its lending activity. Total deposits increased from \$112.1 million at the beginning of the evaluation period to \$177.0 million at the end. Deposits reached a high of \$195.9 million on December 31, 2012, which coincided with the low in BOM's LTD ratio of 49.9%, while the level of loans (net loans & leases) fluctuated from a low of \$90.6 million to a high of \$115.3 million during the evaluation period. BOM faced strong competition from credit unions, commercial, and savings banks. Management stated that BOM's current economic condition is steady, but examiners found evidence of growth in the increasing LTD ratios beginning 2013 to current.

Loan-to-Deposit Ratios												
	2009 Q1	2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Q4
Bank	81.7	83.8	81.1	81.9	75.8	77.3	75.7	71.4	66.3	68.9	64.8	66.8
Peer	85.1	83.7	82.8	80.5	80.0	78.7	77.5	76.7	74.9	75.0	74.4	74.0

Loan-to-Deposit Ratios											
	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2014 Q1	2014 Q2	Avg
Bank	60.1	56.2	52.8	49.9	51.7	52.9	51.8	53.5	53.1	55.6	65.1
Peer	71.9	72.9	72.6	72.1	70.9	72.6	72.7	72.6	72.6	74.0	75.8

As a small bank, BOM was not required to engage in community development activities; nevertheless, BOM made a total of \$861,000 in community development loans, \$953,391 in community development investments and \$27,000 in grants during the evaluation period. See the other factors section at the end of this report for more details regarding BOM's community development activities.

Assessment Area Concentration: "Outstanding"

BOM originated 86.0% by number and 86.7% by dollar value of its total HMDA reportable and small business loans within the assessment area. This substantial majority was an excellent concentration of lending inside the assessment area.

HMDA-Reportable Loans

During the evaluation period, BOM originated 87.1% by number and 86.9% by dollar value of its HMDA reportable loans within the assessment area. This substantial majority of lending inside the assessment area demonstrated an excellent concentration of lending.

Small Business Loans

During the evaluation period, BOM originated 84.6% by number and 86.4% by dollar value of its small business loans within the assessment area. This substantial majority of lending inside the assessment area demonstrated an excellent concentration of lending by BOM.

The following table shows the percentages of BOM's HMDA-reportable and small business loans originated inside and outside of the 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
	#	%	#	%		\$	%	\$	%	
<b>HMDA-Reportable</b>										
2009	12	100.0%	-	0.0%	12	2,194	100.0%	-	0.0%	2,194
2010	32	88.9%	4	11.1%	36	6,417	92.7%	504	7.3%	6,921
2011	8	88.9%	1	11.1%	9	2,214	93.1%	165	6.9%	2,379
2012	12	70.6%	5	29.4%	17	2,961	71.7%	1,166	28.3%	4,127
2013	17	85.0%	3	15.0%	20	2,885	78.6%	786	21.4%	3,671
2014	7	100.0%	-	0.0%	7	755	100.0%	-	0.0%	755
Subtotal	88	87.1%	13	12.9%	101	17,426	86.9%	2,621	13.1%	20,047
<b>Small Business</b>										
2009	8	66.7%	4	33.3%	12	1,903	75.7%	612	24.3%	2,515
2010	6	60.0%	4	40.0%	10	1,716	61.1%	1,094	38.9%	2,810
2011	12	100.0%	-	0.0%	12	1,967	100.0%	-	0.0%	1,967
2012	15	83.3%	3	16.7%	18	2,405	96.5%	87	3.5%	2,492
2013	14	93.3%	1	6.7%	15	1,118	96.1%	45	3.9%	1,163
2014	11	100.0%	-	0.0%	11	2,549	100.0%	-	0.0%	2,549
Subtotal	66	84.6%	12	15.4%	78	11,658	86.4%	1,838	13.6%	13,496
Grand Total	154	86.0%	25	14.0%	179	29,084	86.7%	4,459	13.3%	33,543

#### Distribution by Borrower Characteristics: "Satisfactory"

BOM's HMDA-reportable and small business lending demonstrated a reasonable distribution of loans among individuals of different income levels and businesses of different revenue sizes.

#### HMDA-Reportable Loans:

BOM's HMDA-reportable loans demonstrated a reasonable rate of lending among individuals of different income levels. BOM's rate of lending to LMI individuals exceeded the aggregate's rate of lending to LMI individuals for two years (2010 and 2013) of the evaluation period and trailed the aggregate's rate for three years (2009, 2011 and 2012). For 2010 and 2013 BOM's rate of lending (by number of loans) to LMI individuals also exceeded the percentage of LMI families (family demographics) in the assessment area, while the aggregate's rate of lending never exceeded the percentage of LMI families.

The following table provides a summary of BOM's HMDA-reportable loans by borrower income.

**Distribution of 1-4 Family Loans by Borrower Income**

2009									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	1	8.3%	37	1.7%	84	4.9%	9,921	2.6%	16.3%
Moderate	1	8.3%	65	3.0%	323	18.8%	52,612	13.7%	17.8%
LMI	2	16.7%	102	4.6%	407	23.7%	62,533	16.3%	34.2%
Middle	3	25.0%	608	27.7%	468	27.2%	94,728	24.7%	24.5%
Upper	3	25.0%	750	34.2%	773	45.0%	211,103	55.0%	41.4%
Unknown	4	33.3%	734	33.5%	70	4.1%	15,481	4.0%	
<b>Total</b>	<b>12</b>		<b>2,194</b>		<b>1,718</b>		<b>383,845</b>		
2010									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	6	18.8%	736	11.5%	80	5.1%	9,435	2.6%	16.3%
Moderate	6	18.8%	932	14.5%	296	19.0%	47,562	13.1%	17.8%
LMI	12	37.5%	1,668	26.0%	376	24.1%	56,997	15.7%	34.2%
Middle	5	15.6%	800	12.5%	415	26.6%	83,070	22.9%	24.5%
Upper	13	40.6%	3,502	54.6%	728	46.7%	203,706	56.3%	41.4%
Unknown	2	6.3%	447	7.0%	40	2.6%	18,190	5.0%	
<b>Total</b>	<b>32</b>		<b>6,417</b>		<b>1,559</b>		<b>361,963</b>		
2011									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	2	25.0%	253	11.4%	75	5.9%	7,523	2.7%	16.3%
Moderate		0.0%		0.0%	254	20.1%	37,642	13.5%	17.8%
LMI	2	25.0%	253	11.4%	329	26.0%	45,165	16.1%	34.2%
Middle		0.0%		0.0%	334	26.4%	62,824	22.5%	24.5%
Upper	4	50.0%	1,265	57.1%	573	45.3%	163,872	58.6%	41.4%
Unknown	2	25.0%	696	31.4%	29	2.3%	7,923	2.8%	
<b>Total</b>	<b>8</b>		<b>2,214</b>		<b>1,265</b>		<b>279,784</b>		
2012									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low		0.0%		0.0%	96	5.9%	10,627	2.8%	16.2%
Moderate	2	16.7%	142	4.8%	260	16.0%	41,465	11.0%	18.1%
LMI	2	16.7%	142	4.8%	356	22.0%	52,092	13.8%	34.3%
Middle	2	16.7%	196	6.6%	445	27.5%	85,716	22.6%	25.6%
Upper	6	50.0%	1,265	42.7%	763	47.1%	224,985	59.4%	40.1%
Unknown	2	16.7%	1,358	45.9%	56	3.5%	15,683	4.1%	
<b>Total</b>	<b>12</b>		<b>2,961</b>		<b>1,620</b>		<b>378,476</b>		
2013									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	2	11.8%	210	7.3%	73	5.2%	9,159	2.7%	16.2%
Moderate	4	23.5%	468	16.2%	260	18.7%	39,468	11.8%	18.1%
LMI	6	35.3%	678	23.5%	333	23.9%	48,627	14.6%	34.3%
Middle	2	11.8%	204	7.1%	333	23.9%	65,155	19.5%	25.6%
Upper	7	41.2%	1,731	60.0%	687	49.3%	202,187	60.6%	40.1%
Unknown	2	11.8%	272	9.4%	40	2.9%	17,407	5.2%	
<b>Total</b>	<b>17</b>		<b>2,885</b>		<b>1,393</b>		<b>333,376</b>		

2014									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low		0.0%		0.0%	Data Not Available				17.3%
Moderate	2	28.6%	88	11.7%					19.2%
LMI	2	28.6%	88	11.7%					36.5%
Middle	3	42.9%	157	20.8%					25.7%
Upper	2	28.6%	510	67.5%					37.7%
Unknown		0.0%		0.0%					
<b>Total</b>	<b>7</b>		<b>755</b>		-	-	-		
GRAND TOTAL									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	11	12.5%	1,236	7.1%		5.4%		2.7%	
Moderate	15	17.0%	1,695	9.7%		18.4%		12.6%	
LMI	26	29.5%	2,931	16.8%		23.8%		15.3%	
Middle	15	17.0%	1,965	11.3%		26.4%		22.5%	
Upper	35	39.8%	9,023	51.8%		46.6%		57.9%	
Unknown	12	13.6%	3,507	20.1%		3.1%		4.3%	
<b>Total</b>	<b>88</b>		<b>17,426</b>		<b>7,555</b>		<b>1,737,444</b>		

Small Business Loans:

BOM's small business lending demonstrated an excellent distribution of loans among businesses of different revenue sizes.

BOM originated an average 77.3% by number and 73.0% by dollar value of small business loans to businesses with revenues of \$1 million or less during the evaluation period. Although the number of loans originated and analyzed was relatively small, BOM's rate of lending to businesses with revenue of \$1 million or less exceeded the aggregate's rate of lending for every year of the evaluation period. Furthermore, BOM's average rate of lending to businesses with annual revenue of less than \$1 million was comparable to the assessment areas business demographics.

The following table provides a summary of BOM's small business loans based on revenue size.

<b>Distribution of Small Business Lending by Revenue Size of Business</b>									
<b>2009</b>									
<b>Rev. Size</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	5	62.5%	1,258	66.1%	367	26.7%	12,436	33.3%	79.8%
Rev. > \$1MM	3	37.5%	644	33.9%					3.8%
Rev. Unknown		0.0%		0.0%					16.4%
<b>Total</b>	<b>8</b>		<b>1,902</b>		<b>1,374</b>		<b>37,381</b>		
<b>2010</b>									
<b>Rev. Size</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	5	83.3%	1,416	82.5%	363	29.0%	13,910	43.4%	82.1%
Rev. > \$1MM	1	16.7%	300	17.5%					3.7%
Rev. Unknown		0.0%		0.0%					14.3%
<b>Total</b>	<b>6</b>		<b>1,716</b>		<b>1,251</b>		<b>32,019</b>		
<b>2011</b>									
<b>Rev. Size</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	10	83.3%	1,239	63.0%	640	43.5%	17,159	44.4%	71.8%
Rev. > \$1MM	2	16.7%	728	37.0%					2.7%
Rev. Unknown		0.0%		0.0%					25.6%
<b>Total</b>	<b>12</b>		<b>1,967</b>		<b>1,470</b>		<b>38,609</b>		
<b>2012</b>									
<b>Rev. Size</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	10	66.7%	1,816	75.5%	652	44.1%	19,762	51.0%	75.0%
Rev. > \$1MM	5	33.3%	589	24.5%					3.2%
Rev. Unknown		0.0%		0.0%					21.9%
<b>Total</b>	<b>15</b>		<b>2,405</b>		<b>1,477</b>		<b>38,754</b>		
<b>2013</b>									
<b>Rev. Size</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	11	78.6%	747	66.9%	656	52.6%	14,847	40.5%	75.1%
Rev. > \$1MM	3	21.4%	370	33.1%					3.3%
Rev. Unknown		0.0%		0.0%					21.7%
<b>Total</b>	<b>14</b>		<b>1,117</b>		<b>1,248</b>		<b>36,675</b>		
<b>2014</b>									
<b>Rev. Size</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	10	90.9%	2,035	79.8%					75.6%
Rev. > \$1MM	1	9.1%	515	20.2%					3.8%
Rev. Unknown		0.0%		0.0%					20.6%
<b>Total</b>	<b>11</b>		<b>2,550</b>						
<b>GRAND TOTAL</b>									
<b>Rev. Size</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	51	77.3%	8,511	73.0%	2,678	39.3%	78,154	42.6%	
Rev. > \$1MM	15	22.7%	3,146	27.0%	-		-		
Rev. Unknown	-	0.0%	-	0.0%					
<b>Total</b>	<b>66</b>		<b>11,657</b>		<b>6,820</b>		<b>183,438</b>		

Geographic Distribution of Loans: "Satisfactory"

While the assessment area did not contain any low-income census tracts, BOM's loans originated in census tracts of varying income levels demonstrated a reasonable distribution of lending.

HMDA-Reportable Loans:

The distribution of BOM's HMDA-reportable loans by income level of the geography demonstrated a reasonable rate of lending.

BOM extended 88 HMDA-reportable loans in its assessment area during the evaluation period, of which 12 or 13.6% were extended in moderate-income census tracts. This rate of lending exceeded the percentage of owner occupied housing units in moderate-income census tracts for every year of the evaluation period. Furthermore, BOM's annual rate of lending in moderate-income census tracts also exceeded the aggregate's rate of lending in four out of the five calendar years of the evaluation period.

The following table provides a summary of BOM's HMDA-reportable lending distribution by income level of the geography.

<b>Distribution of HMDA-Reportable Lending by Geographic Income of the Census Tract</b>									
<b>2009</b>									
<b>Geographic Income</b>	<b>Bank</b>				<b>Aggregate</b>				<b>OO HUs</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low		0.0%		0.0%		0.0%		0.0%	0.0%
Moderate	2	16.7%	284	12.9%	122	7.0%	22,290	5.8%	7.0%
LMI	2	16.7%	284	12.9%	122	7.0%	22,290	5.8%	7.0%
Middle	10	83.3%	1,910	87.1%	1,199	69.1%	273,716	70.7%	71.8%
Upper		0.0%		0.0%	410	23.6%	90,590	23.4%	21.2%
Unknown		0.0%		0.0%	3	0.2%	710	0.2%	
<b>Total</b>	<b>12</b>		<b>2,194</b>		<b>1,734</b>		<b>387,306</b>		
<b>2010</b>									
<b>Geographic Income</b>	<b>Bank</b>				<b>Aggregate</b>				<b>OO HUs</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low		0.0%		0.0%		0.0%		0.0%	0.0%
Moderate	7	21.9%	1,299	20.2%	113	7.2%	23,879	6.5%	7.0%
LMI	7	21.9%	1,299	20.2%	113	7.2%	23,879	6.5%	7.0%
Middle	25	78.1%	5,118	79.8%	1,116	70.9%	267,425	72.4%	71.8%
Upper		0.0%		0.0%	345	21.9%	78,035	21.1%	21.2%
Unknown		0.0%		0.0%		0.0%		0.0%	
<b>Total</b>	<b>32</b>		<b>6,417</b>		<b>1,574</b>		<b>369,339</b>		
<b>2011</b>									
<b>Geographic Income</b>	<b>Bank</b>				<b>Aggregate</b>				<b>OO HUs</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low		0.0%		0.0%		0.0%		0.0%	0.0%
Moderate		0.0%		0.0%	73	5.7%	16,344	5.5%	7.0%
LMI	0	0.0%	0	0.0%	73	5.7%	16,344	5.5%	7.0%
Middle	8	100.0%	2,214	100.0%	920	71.7%	219,685	73.7%	71.8%
Upper		0.0%		0.0%	291	22.7%	61,935	20.8%	21.2%
Unknown		0.0%		0.0%		0.0%		0.0%	
<b>Total</b>	<b>8</b>		<b>2,214</b>		<b>1,284</b>		<b>297,964</b>		

2012									
Geographic	Bank				Aggregate				OO HUs
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low		0.0%		0.0%		0.0%		0.0%	0.0%
Moderate	1	8.3%	100	3.4%	70	4.3%	15,016	3.7%	5.5%
LMI	1	8.3%	100	3.4%	70	4.3%	15,016	3.7%	5.5%
Middle	11	91.7%	2,861	96.6%	1,218	74.5%	321,085	78.3%	75.9%
Upper		0.0%		0.0%	346	21.2%	74,019	18.0%	18.7%
Unknown		0.0%		0.0%		0.0%		0.0%	
<b>Total</b>	<b>12</b>		<b>2,961</b>		<b>1,634</b>		<b>410,120</b>		
2013									
Geographic	Bank				Aggregate				OO HUs
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low		0.0%		0.0%		0.0%		0.0%	0.0%
Moderate	1	5.9%	106	3.7%	72	5.1%	13,124	3.7%	5.5%
LMI	1	5.9%	106	3.7%	72	5.1%	13,124	3.7%	5.5%
Middle	15	88.2%	2,709	93.9%	1,015	72.3%	269,355	76.8%	75.9%
Upper	1	5.9%	70	2.4%	317	22.6%	68,210	19.5%	18.7%
Unknown		0.0%		0.0%		0.0%		0.0%	
<b>Total</b>	<b>17</b>		<b>2,885</b>		<b>1,404</b>		<b>350,689</b>		
2014									
Geographic	Bank				Aggregate				OO HUs
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low		0.0%		0.0%					0.0%
Moderate	1	14.3%	68	9.0%					9.8%
LMI	1	14.3%	68	9.0%					9.8%
Middle	5	71.4%	647	85.7%					71.5%
Upper	1	14.3%	40	5.3%					18.7%
Unknown		0.0%		0.0%					
<b>Total</b>	<b>7</b>		<b>755</b>		-		-		
GRAND TOTAL									
Geographic	Bank				Aggregate				OO HUs
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	-	0.0%	-	0.0%	
Moderate	12	13.6%	1,857	10.7%	450	5.9%	90,653	5.0%	
LMI	12	13.6%	1,857	10.7%	450	5.9%	90,653	5.0%	
Middle	74	84.1%	15,459	88.7%	5,468	71.7%	1,351,266	74.4%	
Upper	2	2.3%	110	0.6%	1,709	22.4%	372,789	20.5%	
Unknown	-	0.0%	-	0.0%	3	0.0%	710	0.0%	
<b>Total</b>	<b>88</b>		<b>17,426</b>		<b>7,630</b>		<b>1,815,418</b>		

Small Business Loans:

BOM's small business lending by the income level of the geography demonstrated a poor distribution of loans among census tracts of varying income levels.

While BOM originated 12.1% by number and 6.0% by dollar value of small business loans in moderate-income census tracts during the evaluation period, it failed to originate any loans in moderate-income census tracts in 2009, 2010 and the first six months of 2014.

BOM's EVP noted that the economic recession had a negative impact on BOM's small business lending in 2009 and 2010. In 2011 and 2012 BOM's small business lending exceeded the aggregate's rate of lending in moderate-income census tracts.

BOM's average rate of lending of 6.0% by dollar value also trailed the assessment areas percentage of small businesses (business demographics) located in moderate-income census tracts.

The following table provides a summary of BOM's small business lending distribution by income level of the geography.

<b>Distribution of Small Business Lending by Geographic Income of the Census Tract</b>									
<b>2009</b>									
<b>Geographic Income</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	
Low		0.0%		0.0%		0.0%		0.0%	
Moderate		0.0%		0.0%	102	7.4%	5,595	15.0%	7.2%
LMI	0	0.0%	0	0.0%	102	7.4%	5,595	15.0%	7.2%
Middle	8	100.0%	1,903	100.0%	987	71.8%	25,968	69.5%	75.6%
Upper		0.0%		0.0%	285	20.7%	5,818	15.6%	17.3%
Unknown		0.0%		0.0%		0.0%		0.0%	
<b>Total</b>	<b>8</b>		<b>1,903</b>		<b>1,374</b>		<b>37,381</b>		
<b>2010</b>									
<b>Geographic Income</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	
Low		0.0%		0.0%		0.0%		0.0%	
Moderate		0.0%		0.0%	117	9.4%	4,756	14.9%	7.6%
LMI	0	0.0%	0	0.0%	117	9.4%	4,756	14.9%	7.6%
Middle	6	100.0%	1,716	100.0%	872	69.7%	19,588	61.2%	74.7%
Upper		0.0%		0.0%	262	20.9%	7,675	24.0%	17.7%
Unknown		0.0%		0.0%		0.0%		0.0%	
<b>Total</b>	<b>6</b>		<b>1,716</b>		<b>1,251</b>		<b>32,019</b>		
<b>2011</b>									
<b>Geographic Income</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	
Low		0.0%		0.0%		0.0%		0.0%	
Moderate	4	33.3%	337	17.1%	125	8.5%	5,779	15.0%	8.1%
LMI	4	33.3%	337	17.1%	125	8.5%	5,779	15.0%	8.1%
Middle	8	66.7%	1,630	82.9%	1,045	71.1%	21,357	55.3%	72.2%
Upper		0.0%		0.0%	300	20.4%	11,473	29.7%	19.7%
Unknown		0.0%		0.0%		0.0%		0.0%	
<b>Total</b>	<b>12</b>		<b>1,967</b>		<b>1,470</b>		<b>38,609</b>		
<b>2012</b>									
<b>Geographic Income</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	
Low		0.0%		0.0%		0.0%		0.0%	
Moderate	2	13.3%	308	12.8%	96	6.5%	2,262	5.8%	8.4%
LMI	2	13.3%	308	12.8%	96	6.5%	2,262	5.8%	8.4%
Middle	13	86.7%	2,097	87.2%	1,119	75.8%	28,209	72.8%	75.8%
Upper		0.0%		0.0%	262	17.7%	8,283	21.4%	15.8%
Unknown		0.0%		0.0%		0.0%		0.0%	
<b>Total</b>	<b>15</b>		<b>2,405</b>		<b>1,477</b>		<b>38,754</b>		

2013									
Geographic	Bank				Aggregate				Bus.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low		0.0%		0.0%		0.0%		0.0%	
Moderate	2	14.3%	50	4.5%	87	7.0%	2,299	6.3%	8.4%
LMI	2	14.3%	50	4.5%	87	7.0%	2,299	6.3%	8.4%
Middle	12	85.7%	1,068	95.5%	947	75.9%	28,177	76.8%	75.2%
Upper		0.0%		0.0%	214	17.1%	6,199	16.9%	16.4%
Unknown		0.0%		0.0%		0.0%		0.0%	
<b>Total</b>	<b>14</b>		<b>1,118</b>		<b>1,248</b>		<b>36,675</b>		
2014									
Geographic	Bank				Aggregate				Bus.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low		0.0%		0.0%	Data Not Available				
Moderate		0.0%		0.0%					12.2%
LMI	0	0.0%	0	0.0%					12.2%
Middle	11	100.0%	2,549	100.0%					71.3%
Upper		0.0%		0.0%					16.5%
Unknown		0.0%		0.0%					
<b>Total</b>	<b>11</b>		<b>2,549</b>		-		-		
GRAND TOTAL									
Geographic	Bank				Aggregate				Bus.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	-	0.0%	-	0.0%	
Moderate	8	12.1%	695	6.0%	527	7.7%	20,691	11.3%	
LMI	8	12.1%	695	6.0%	527	7.7%	20,691	11.3%	
Middle	58	87.9%	10,963	94.0%	4,970	72.9%	123,299	67.2%	
Upper	0	0.0%	0	0.0%	1,323	19.4%	39,448	21.5%	
Unknown	0	0.0%	0	0.0%	-	0.0%	-	0.0%	
<b>Total</b>	<b>66</b>		<b>11,658</b>		<b>6,820</b>		<b>183,438</b>		

Action Taken in Response to Written Complaints with Respect to CRA: "Satisfactory"

Neither DFS nor BOM received any CRA related complaints during the evaluation period.

**Additional Factors**

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

BOM's board of directors is proactive in the management of the bank and has a good understanding of the community's banking and credit needs. The board, annually reviews and approves the bank's CRA Plan and keeps abreast of CRA updates at the bi-weekly board meetings.

**Any practices intended to discourage applications for types of credit set forth in the banking institution's CRA Public File.**

DFS examiners did not note evidence of practices by BOM that were intended to

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discourage applications for the types of credit offered by BOM.

### **Evidence of prohibited discriminatory or other illegal credit practices**

DFS examiners did not note evidence of prohibited, discriminatory or other illegal practices.

### **Record of opening and closing offices and providing services at offices**

As of the evaluation date, BOM operated four banking offices (branches) including the two branches added when it acquired Stissing National Bank in October 2010. The main branch is located in Millbrook and the remaining branches are located in Amenia, Pine Plains and Stanfordville, all in Dutchess County. All branches were open during the hours of 8:30 am to 4:00 pm, and each branch stayed open until 5:00 pm at least one day a week. All branches were also open half-days on Saturdays. Supplementing the branch offices is an automated teller machine (“ATM”) network consisting of five deposit-taking machines with two ATMs located at the main branch and one ATM each at the remaining branches. In addition, BOM operated two off-site ATMs that only dispense cash. Both of these ATMs are located in middle-income census tracts within the assessment area.

The main branch and another branch were located in middle-income census tracts while the remaining two branches were located in moderate-income census tracts. BOM's assessment area contains no low-income census tracts.

<b>Distribution of Branches within the Assessment Area</b>							
<b>County</b>	<b>N/A #</b>	<b>Low #</b>	<b>Moderate #</b>	<b>Middle #</b>	<b>Upper #</b>	<b>Total #</b>	<b>LMI %</b>
Dutchess*		0	2	2	0	4	50%

\*partial 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.

BOM ascertained the credit needs of its community through active participation of its directors, officers and staff in community affairs and projects. Some serve as members of the board and/or as officers of nonprofit organizations or local business associations that are engaged in providing services and assistance to LMI residents as well as small businesses within the assessment area. BOM also participated in numerous community-related activities during the assessment period and maintains a rapport with organizations such as the Millbrook Rotary Club and Millbrook Business Association.

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- *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*

BOM made members of the community aware of its credit services through advertising in various journals and magazines; namely the Northern Dutchess News, The Millbrook Independent, Millerton News and Main Street Magazine, which published a financial advice column bi-monthly.

**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**

Community Development Activity:

BOM was evaluated under the small bank performance criteria and was not required to have its community development activities evaluated. Nevertheless, BOM made a total of \$861,000 in community development loans, \$953,391 in community development investments and \$27,000 in grants during the evaluation period. Below is a summary of BOM's community development activities.

Community Development Lending:

- BOM made community development loans totaling \$513,231 to a nonprofit organization that provided a comprehensive array of services to children and adults with learning disabilities living in Dutchess County. The proceeds of the loans were used to acquire vehicles modified to provide transportation for adults and children with disabilities.
- BOM originated community development loans totaling \$348,282 to a not-for-profit agency that operated a home that provides residential care and treatment for young people who are developmentally disabled. Funds from the loans were used to acquire vehicles modified to transport the residents of the home.

Community Development Investments:

- In response to Dutchess County being declared a designated disaster area in 2011 by the Federal Emergency Management Agency, BOM purchased long term debt as well as a bond anticipation note from the Town of Milan totaling \$953,391 to assist the town with their Hurricane Irene disaster relief efforts.
- BOM during the evaluation period donated approximately \$27,000 in grants to various local community organizations promoting community services.

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Community Services:

- The executive vice president (“EVP”) serves as the president of a not-for-profit agency that provides services to developmentally challenged adults and children. The EVP also serves as the treasurer for an organization providing scholarships to students attending local area schools.
- An assistant vice president serves as the president of a not-for-profit organization. The organization helps new and existing businesses to grow and succeed through business networking and referrals.

## 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

“Community development”:

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.

### Community Development Loan

A loan that has 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.

## **Community Development Service**

Service that has community development as its *primary purpose*, 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.

## **Geography**

A census tract delineated by the United States Bureau of the Census in the most recent decennial census

## **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 for borrowers is based on household or family income. 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.

<b>Income level of individual or geography</b>	<b>% of the area median income</b>
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 of \$1 million or less.

## **Low or Moderate Income ("LMI") Geographies**

Those census tracts or block numbering areas where, according to the 2000 U.S. 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 cases 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 represents 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.

### **Low-Income Housing Tax Credit (LIHTC)**

A dollar for dollar tax credit for affordable housing, created under the Tax Reform Act of 1986, that provides incentives to invest in projects for the utilization of private equity in the development of affordable housing aimed at low income Americans. It is also more commonly called Section 42 credits in reference to the applicable section of the IRC. The tax credits are more attractive than tax deductions as they provide a dollar for dollar reduction in a taxpayer's federal income tax. It is more commonly attractive to corporations since the passive loss rules and similar tax changes greatly reduced the value of tax credits and deductions to individual taxpayers.

### **New Markets Tax Credit (NMTC)**

The New Markets Tax Credits (NMTC) Program was established by Congress in December 2000 to stimulate economic and community development and job creation in low-income communities. It permits individual and corporate taxpayers to receive a credit against federal income taxes for making qualified equity investments in Community Development Entities (CDEs). The credit provided to the investor totals 39% of the cost of the investment and is claimed over a 7-year period. CDEs must use substantially all of the taxpayer's investments to make qualified investments in low-income communities. The Fund is administered by the US Treasury Department's Community Development Financial Institutions Fund (CDFI).

### **Qualified Investment**

A lawful investment, deposit, membership share or grant that has community development as its *primary purpose*. 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.