



**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:** September 30, 2017

**Institution:** Jeff Bank  
4866 State Route 52  
Jeffersonville, NY 12748

**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 Jeff Bank 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 September 30, 2017.

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 (“GRS”) 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**

The Department evaluated Jeff Bank according to the intermediate small banking institution performance criteria pursuant to Sections 76.7 and 76.12 of the GRS. The Department evaluated Jeff Bank's performance under the lending test in calendar years 2015 and 2016, and its performance under the community development test from July 1, 2015 through September 30, 2017. Jeff Bank is rated "Satisfactory," or "2." This rating means Jeff Bank has a satisfactory record of helping to meet community credit needs.

The rating is based on the following factors:

**Lending Test:** "Satisfactory"

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

Jeff Bank's average loan-to-deposit ("LTD") ratio and other lending-related activities were reasonable considering its size, business strategy, financial condition, and peer group activity.

Jeff Bank's average LTD ratio for the evaluation period was 65.9% compared to its peer group's average LTD ratio of 80%. Although Jeff Bank's LTD ratio was below the peer group, its HMDA and small business lending volume compared favorably to the peer group

**Assessment Area Concentration:** "Outstanding"

During the evaluation period, Jeff Bank originated 89% by number and 80.1% by dollar value of its total HMDA-reportable and small business loans within the assessment area. This substantial majority of lending inside of its assessment area was an excellent concentration of lending.

**Distribution by Borrower Characteristics:** "Satisfactory"

Jeff Bank's 1-4 family HMDA and small business lending demonstrated a reasonable distribution of loans among individuals of different income levels and businesses of different revenue sizes.

Jeff Bank's average rates of lending to LMI borrowers and to small businesses with revenues of \$1 million or less, exceeded the aggregate's rates of lending for the evaluation period.

**Geographic Distribution of Loans:** "Needs to Improve"

Jeff Bank's origination of loans in census tracts of varying income levels demonstrated a less than adequate distribution of lending. Jeff Bank's HMDA-reportable lending rates in moderate-income census tracts for loans was deemed marginally reasonable, while small business lending was less than adequate.

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Jeff Bank's assessment area contained no low-income census tracts during the evaluation period; however, the number of moderate-income census tracts increased to seven in 2016 from four in 2015, due to the Bank's addition of parts of Orange County into its assessment area. Jeff Bank's number and volume of HMDA and small business loans trailed the aggregate's rates in moderate-income census for each year of the evaluation period, except by number of HMDA-reportable loans in 2015.

Action Taken in Response to Written Complaints with Respect to CRA: N/A

Neither DFS nor Jeff Bank received any written complaints during the evaluation period regarding Jeff Bank's CRA performance.

**Community Development Test: "Satisfactory"**

Jeff Bank's community development performance demonstrated a reasonable responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services, considering Jeff Bank's capacity and the need for and availability of opportunities for community development in its assessment area.

**Community Development Lending: "Satisfactory"**

During the evaluation period, Jeff Bank originated \$2.7 million in new community development loans and had \$52,345 still outstanding from prior periods. This demonstrated a reasonable level of community development lending over the course of the evaluation period.

Community development loans originated supported community services (\$2.3 million) and economic development (\$530,000).

**Qualified Investments: "Satisfactory"**

During the evaluation period, Jeff Bank made \$3.1 million in new community development investments and had \$216,034 outstanding from prior periods. In addition, Jeff Bank made \$28,177 in community development grants. This demonstrated a reasonable level of qualified investments over the course of the evaluation period.

Jeff Bank made a total of seven new investments and 44 grants during the evaluation period. Investments consisted primarily of local municipal bonds.

**Community Development Services: "Satisfactory"**

Jeff Bank demonstrated a reasonable level of community development services over the course of the evaluation period.

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During the evaluation period, bank personnel, members of senior management, and the board were involved in various local organizations promoting economic welfare, preserving housing, and providing financial education.

Responsiveness to Community Development Needs

Jeff Bank demonstrated a reasonable level of responsiveness to community development needs.

*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.*

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## **PERFORMANCE CONTEXT**

### **Institution Profile**

Jeff Bank is a community bank and the only such bank headquartered in Sullivan County, New York. Jeff Bank, nationally chartered in 1913 and formerly known as The First National Bank of Jeffersonville, converted to a New York State charter in 2012. The trademark name of Jeff Bank, which had been in use since 2008, then became the bank's legal name. Jeff Bank is a wholly-owned subsidiary of Jeffersonville Bancorp, Inc., a publicly traded one bank holding company.

Jeff Bank offers a variety of deposit, credit, and financial products and services. Deposit products include personal and business accounts including checking, savings, NOW accounts, money market accounts, individual retirement accounts, and certificates of deposit. Credit products include 1-4 family residential mortgages, home equity loans, home equity lines-of-credit, multi-family mortgages, commercial mortgages, and commercial and industrial loans. The bank offers online banking with a bill-pay option, mobile banking with remote deposit-capture free of charge, and debit cards.

Per the Consolidated Report of Condition (the "Call Report") as of December 31, 2016, filed with the Federal Deposit Insurance Corporation ("FDIC"), Jeff Bank reported total assets of \$477 million, of which \$286.2 million were net loans and lease finance receivables. It also reported total deposits of \$421 million, resulting in a LTD ratio of 68%. According to the latest available comparative deposit data as of June 30, 2017, Jeff Bank obtained a market share in Sullivan and Orange Counties combined of 4.9%, or \$435.7 million in a market of \$8.8 billion, ranking it 9th among 26 deposit-taking institutions.

In Sullivan County, Jeff Bank obtained a market share of 30.4%, or \$427.8 million in a market of \$1.4 billion, ranking it 1<sup>st</sup> among 10 deposit-taking institutions, while in Orange County, Jeff Bank obtained a market share of 0.11%, or \$7.9 million in a market of \$7.4 billion, ranking it 24<sup>th</sup> out of 25 deposit-taking institutions. The primary reasons for the significant difference in deposit share for the two counties are that Jeff Bank is relatively new to Orange County (the bank established its first and only branch in the county in early 2016) and Jeff Bank's assessment area includes only a portion of Orange County (MSA 35614 – northern portion).

The following is a summary of Jeff Bank's loan portfolio, based on Schedule RC-C of the bank's December 31, 2015 and December 31, 2016 Call Reports:

<b>TOTAL GROSS LOANS OUTSTANDING</b>				
Loan Type	2015		2016	
	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	122,640	44.7	122,391	42.2
Commercial & Industrial Loans	28,503	10.4	29,531	10.2
Commercial Mortgage Loans	90,713	33.1	96,727	33.4
Multifamily Mortgages	8,919	3.3	9,292	3.2
Consumer Loans	3,728	1.4	3,392	1.2
Agricultural Loans	837	0.3	922	0.3
Construction Loans	15,016	5.5	24,121	8.3
Other Loans	3,765	1.4	3,481	1.2
<b>Total Gross Loans</b>	<b>274,121</b>	<b>100.0</b>	<b>289,857</b>	<b>100.0</b>

As illustrated in the above chart, Jeff Bank's loan portfolio as of December 31, 2016 is made up of 42.2% in residential mortgage loans, while commercial mortgage and commercial and industrial loans make up 33.4% and 10.2% of the portfolio, respectively. During the evaluation period, Jeff Bank originated 239 HMDA-reportable loans for a total of \$23 million and 287 small business loans totaling \$34.2 million.

Jeff Bank operates 12 banking offices, of which eleven are in Sullivan County and one is in Orange County. Supplementing the banking offices is an automated teller machine ("ATM") network consisting of 12 machines, one at each banking office. All ATMs are deposit-taking and are accessible 24 hours a day.

*Examiners did not find evidence of financial or legal impediments that had an adverse impact on Jeff Bank's ability to meet the credit needs of its community.*

### **Assessment Area**

Jeff Bank's assessment area is comprised of all of Sullivan County and part of Orange County, specifically MSA 35614. The bank amended its assessment area for 2016 as it opened its first branch in Orange County in early 2016. In 2015 the assessment area was comprised of only Sullivan County.

There are currently 29 census tracts in the assessment area, of which none are low-income, 6 are moderate-income, 15 are middle-income, and 8 are upper-income.

<b>Assessment Area Census Tracts by Income Level</b>								
County	N/A	Low	Mod	Middle	Upper	Total	LMI %	LMI & Dis-tressed %
Sullivan			4	17	3	24	16.7	17%
Orange*			3	2		5	60.0	60%
<b>Total</b>	<b>0</b>	<b>0</b>	<b>7</b>	<b>19</b>	<b>3</b>	<b>29</b>	<b>24.1</b>	<b>24%</b>

\* Partial county

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## **Demographic & Economic Data**

The assessment area had a population of 94,276 during the examination period (77,547 in Sullivan County and 16,729 in the portion of Orange County added to the assessment area in 2016). About 14.3% of the population in the assessment area were over the age of 65 and 19.9% were under the age of sixteen.

Of the 24,050 families in the assessment area (19,797 in Sullivan County and 4,253 in Orange County) 22.7% were low-income, 17.7% were moderate-income, 18.5% were middle-income, and 41.1% were upper-income families. There were 36,332 households in the assessment area (29,722 in Sullivan County and 6,610 in Orange County), of which 13.9% had income below the poverty level and 2.7% were on public assistance.

The weighted average median family income in the total assessment area was \$58,239 (\$58,669 in Sullivan County and \$56,238 in Orange County).

There were 56,205 housing units within the assessment area (48,675 in Sullivan County and 7,530 in Orange County), of which 81.2% were one- to four-family units and 7.5% were multifamily units. Owner-occupied units made up 43.5% of the area's housing units, while 21.2% were rental units and 35.4% of housing units were vacant. Of the 24,419 owner-occupied housing units, 13.9% were in LMI census tracts while 86.1% were in middle- and upper-income census tracts. The median age of the housing stock was 51 years, and the median home value in the assessment area was \$186,471.

There were 4,538 non-farm businesses in the assessment area. Of these, 82.9% were businesses with reported revenues of less than or equal to \$1 million, 5% reported revenues of more than \$1 million, and 12.1% did not report their revenues. Of all the businesses in the assessment area, 97% were businesses with less than fifty employees while 88.2% operated from a single location. The largest industries in the area were services (44.2%), followed by retail trade (14.9%), and construction (10.5%); 4.5% of businesses were not classified.

According to the New York State Department of Labor, the average unemployment rate for New York State and each of the two counties declined from 2015 to 2016. The unemployment rate for Orange County was the lowest for each year of the evaluation period, while the unemployment rate for New York State and Sullivan County were similar.

<b>Assessment Area Unemployment Rate</b>			
	<b>NY State</b>	<b>Sullivan</b>	<b>Orange</b>
<b>2015</b>	5.3	5.4	4.7
<b>2016</b>	4.8	4.8	4.3
<b>Average</b>	5.1	5.1	4.5

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## **Community Information**

DFS CRA examiners, as part of the evaluation, met with three community contacts of the following local community organizations:

- A program leader at a prominent nonprofit education/research organization in Sullivan County affiliated with a major university in New York;
- The executive director of a local organization that promotes economic growth for Sullivan County through tax incentive programs for businesses and loans for start-ups and expanding businesses; and
- A senior vice president and executive director of a not-for-profit policy, planning, advocacy, and research organization which covers nine counties in the Hudson Valley area including Sullivan County.

Meetings focused on general local economic conditions, specific credit needs of the community, and an assessment of the performance of local financial institutions in meeting these credit needs.

The consensus was that the economy of Sullivan County was improving, but not at a high rate. One common issue that was noted was the need for increased financial education for both individuals and small businesses to be held at schools or places of business where there are captive audiences.

Opinions differed about the future economic impact of the new casino venture in Monticello, NY and a “wait-and-see” approach seems to exist relative to future development ventures in the area. However, the lack of any major housing projects was cited as an issue for the area.

Jeff Bank was mentioned as being quite active in the community by two of the three community contacts with whom examiners met.

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## **PERFORMANCE STANDARDS AND ASSESSMENT FACTORS**

*The Department evaluated Jeff Bank under the intermediate small banking institution performance standards in accordance with Sections 76.7 and 76.12 of the GRS, which consist of the lending test and the community development test.*

*The lending test includes:*

- 1. Loan-to-deposit 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.*

*The community development test includes:*

- 1. Community development lending;*
- 2. Community development investments;*
- 3. Community development services; and*
- 4. Responsiveness to community development needs.*

*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 any practices intended to discourage credit applications;*
- 3. Evidence of prohibited discriminatory or other illegal credit practices;*
- 4. 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.*

DFS derived statistics employed in this evaluation from various sources. Jeff Bank 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. DFS calculated LTD ratios from information shown in the Bank's Uniform Bank Performance Report, submitted to the FDIC.

DFS derived the demographic data referred to in this report from the 2010 U.S. Census and the FFIEC. DFS based business data on Dun & Bradstreet reports, which Dun & Bradstreet updates annually. DFS obtained unemployment data from the New York State Department of Labor. Some non-specific bank data are only available on a county-wide basis; DFS used this information even though Jeff Bank's assessment area includes only a portion of Orange County.

DFS evaluated Jeff Bank's HMDA-reportable and small business loans under the lending test in calendar years 2015 and 2016, and its community development activities under the community development test from July 1, 2015 through September 30, 2017.

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

HMDA-reportable/small business loan data evaluated in this performance evaluation represented actual originations.

At its **prior** Performance Evaluation, as of June 30, 2015, DFS assigned Jeff Bank a rating of “2,” reflecting a “Satisfactory” record of helping to meet the credit needs of its community.

**Current CRA Rating: “Satisfactory”**

**Lending Test:** “Satisfactory”

Jeff Bank’s small business and HMDA-reportable lending activities were reasonable considering Jeff Bank’s size, business strategy, and financial condition, as well as aggregate and peer group activity and the demographic characteristics and credit needs of the assessment area.

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

Jeff Bank’s average LTD ratio and other lending-related activities were reasonable considering its size, business strategy, financial condition, and peer group activity.

Jeff Bank’s average LTD ratio of 65.9% for the current evaluation period was below its peer group’s average LTD ratio of 80%. Jeff Bank’s average LTD ratio also declined from the 72.5% it reported at the prior evaluation period (22 quarters), while its peer group ratio increased from the 77% reported at the prior evaluation period.

The table below shows Jeff Bank’s LTD ratios in comparison with the peer group’s ratios for the eight quarters since the prior evaluation.

<b>Loan-to-Deposit Ratios</b>									
	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4	Avg.
Jeff Bank	66.9	65.4	66.0	68.5	63.6	63.9	65.2	68.0	65.9
Peer	77.4	79.3	79.8	80.1	80.0	81.3	81.2	81.1	80.0

Jeff Bank<sup>1</sup> was not required to report HMDA data during the evaluation period; however, if it were a reporting institution Jeff Bank would have ranked second by number (118) of

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<sup>1</sup> As Jeff Bank did not open its Port Jervis branch office until May 25, 2016, it did not have a branch or main office located in a metropolitan statistical area (“MSA”) on December 31, the preceding year; therefore, it was exempt from reporting its HMDA-reportable lending data. Nevertheless, JB collects its lending data for monitoring and for CRA purposes.

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mortgage loans originated among 135 lenders in the 2016 Institution Market Share report (2016 peer mortgage data) which ranks the institutions by the number and dollar amount of mortgage loans originated in Jeff Bank's assessment area. In 2015, Jeff Bank would have ranked first by number (105) of mortgage loans originated among 126 lenders.

Jeff Bank<sup>2</sup> was not required to report small business data during the evaluation period; however, if it were a reporting institution Jeff Bank would have ranked fourteenth by number (111) of small business loans originated among 71 lenders in the 2016 Institution Market Share report (2016 peer small business data), which ranks the institutions by the number and dollar amount of small business loans originated in Jeff Bank's assessment area. In 2015, Jeff Bank would have ranked third by number (134) of small business loans originated among 43 lenders.

Although Jeff Bank's LTD ratio was below the peer group, its HMDA and small business lending volume compared favorably to the peer group and as a result its performance for this criterion was reasonable.

#### Assessment Area Concentration: "Outstanding"

During the evaluation period, Jeff Bank originated 89% by number and 80.1% by dollar value of its total HMDA-reportable and small business loans within the assessment area. This substantial majority of lending inside of its assessment area was an excellent concentration of lending.

#### HMDA-Reportable Loans

During the evaluation period, Jeff Bank originated 93.3% by number and 88.5% by dollar value of its HMDA-reportable loans within the assessment area. This substantial majority of lending inside of its assessment area reflects an excellent concentration of lending.

While the number of loans originated in each year of the evaluation period were comparable, the dollar value of loans was significantly less in 2015 than in 2016.

#### Small Business Loans

Jeff Bank originated 85.4% by number and 74.4% by dollar value of its small business loans within the assessment area during the evaluation period. This majority of lending reflects a reasonable concentration of lending within Jeff Bank's assessment area.

The following table shows the percentages of Jeff Bank's HMDA-reportable and small business loans originated inside and outside of the assessment area

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<sup>2</sup> Jeff Bank as an intermediate small banking institution is not required to collect and report small business lending data. However, JB collects its lending data for monitoring and for CRA purposes.

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-Reportable										
2015	105	93.8%	7	6.3%	112	7,846	91.0%	777	9.0%	8,623
2016	118	92.9%	9	7.1%	127	12,527	87.1%	1,858	12.9%	14,385
<b>Subtotal</b>	<b>223</b>	<b>93.3%</b>	<b>16</b>	<b>6.7%</b>	<b>239</b>	<b>20,373</b>	<b>88.5%</b>	<b>2,635</b>	<b>11.5%</b>	<b>23,008</b>
Small Business										
2015	134	89.3%	16	10.7%	150	13,894	83.6%	2,724	16.4%	16,618
2016	111	81.0%	26	19.0%	137	11,549	65.7%	6,038	34.3%	17,587
<b>Subtotal</b>	<b>245</b>	<b>85.4%</b>	<b>42</b>	<b>14.6%</b>	<b>287</b>	<b>25,443</b>	<b>74.4%</b>	<b>8,762</b>	<b>25.6%</b>	<b>34,205</b>
<b>Grand Total</b>	<b>468</b>	<b>89.0%</b>	<b>58</b>	<b>11.0%</b>	<b>526</b>	<b>45,816</b>	<b>80.1%</b>	<b>11,397</b>	<b>19.9%</b>	<b>57,213</b>

Distribution by Borrower Characteristics: “Satisfactory”

Jeff Bank’s 1-4 family HMDA 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

Jeff Bank’s 1-4 family HMDA lending demonstrated a reasonable distribution of loans among borrowers of different income levels.

During the evaluation period, Jeff Bank’s average rate of lending to LMI borrowers was 21.2% by number and 10.4% by dollar value of loans, which exceeded the aggregate’s average rates of 12.4% and 7.8%, respectively. While Jeff Bank outperformed the aggregate for each year of the evaluation period, it trailed the assessment area’s percentage of LMI families (family demographics) of 38.2% and 40.4% for 2015 and 2016, respectively.

The following table provides a summary of the distribution of Jeff Bank’s 1-4 family loans by borrower income.

<b>Distribution of 1-4 Family Loans by Borrower Income</b>									
<b>2015</b>									
<b>Borrower</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Fam.Dem.</b>
<b>Income</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	5	5.6%	156	2.2%	15	2.4%	1,299	1.4%	21.5%
Moderate	15	16.7%	450	6.3%	57	9.1%	5,502	5.8%	16.7%
LMI	20	22.2%	606	8.4%	72	11.4%	6,801	7.2%	38.2%
Middle	25	27.8%	1,411	19.7%	135	21.5%	17,129	18.0%	18.4%
Upper	44	48.9%	5,138	71.6%	381	60.6%	64,045	67.4%	43.4%
Unknown	1	1.1%	25	0.3%	41	6.5%	7,002	7.4%	
<b>Total</b>	<b>90</b>		<b>7,180</b>		<b>629</b>		<b>94,977</b>		
<b>2016</b>									
<b>Borrower</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Fam.Dem.</b>
<b>Income</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	8	8.1%	235	2.1%	36	4.0%	2,638	1.9%	22.7%
Moderate	12	12.1%	1,093	9.6%	82	9.1%	8,954	6.4%	17.7%
LMI	20	20.2%	1,328	11.6%	118	13.1%	11,592	8.2%	40.4%
Middle	18	18.2%	875	7.7%	199	22.0%	24,715	17.6%	18.5%
Upper	60	60.6%	9,082	79.7%	527	58.4%	94,879	67.4%	41.1%
Unknown	1	1.0%	116	1.0%	59	6.5%	9,571	6.8%	
<b>Total</b>	<b>99</b>		<b>11,401</b>		<b>903</b>		<b>140,757</b>		
<b>GRAND TOTAL</b>									
<b>Borrower</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Fam.Dem.</b>
<b>Income</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	13	6.9%	391	2.1%		3.3%		1.7%	
Moderate	27	14.3%	1,543	8.3%		9.1%		6.1%	
LMI	40	21.2%	1,934	10.4%		12.4%		7.8%	
Middle	43	22.8%	2,286	12.3%		21.8%		17.8%	
Upper	104	55.0%	14,220	76.5%		59.3%		67.4%	
Unknown	2	1.1%	141	0.8%		6.5%		7.0%	
<b>Total</b>	<b>189</b>		<b>18,581</b>		<b>1,532</b>		<b>235,734</b>		

### Small Business Loans

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

Jeff Bank's average rates of lending for the evaluation period to small businesses with revenue of \$1 million or less were 61.2% by number and 60.9% by dollar value of loans well above the aggregate's rates of 49% and 23.2%, respectively. Furthermore, Jeff Bank's rates of lending to small businesses (revenue equal or less than \$1 million) exceeded the aggregate's rates of lending for each year of the current evaluation period, particularly when measured by dollar value. Still, Jeff Bank's rate of lending to small businesses with gross annual revenue of \$1 million or less trailed the percentage of these type of small businesses (business demographics) in the bank's assessment area.

The following table provides a summary of the distribution of Jeff Bank's small business

loans by the revenue size of the business.

<b>Distribution of Small Business Lending by Revenue Size of Business</b>									
<b>2015</b>									
<b>Rev. Size</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>	<b>%</b>
Rev. <= \$1MM	85	63.4%	9,236	66.5%	444	47.1%	5,665	21.4%	78.4%
Rev. > \$1MM	23	17.2%	2,627	18.9%	498	52.9%	20,805	78.6%	4.2%
Rev. Unknown	26	19.4%	2,031	14.6%	0	0.0%	0	0.0%	17.4%
<b>Total</b>	<b>134</b>		<b>13,894</b>		<b>942</b>		<b>26,470</b>		
<b>2016</b>									
<b>Rev. Size</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>	<b>%</b>
Rev. <= \$1MM	65	58.6%	6,255	54.2%	656	50.3%	7,820	24.8%	83.4%
Rev. > \$1MM	22	19.8%	3,532	30.6%	649	49.7%	23,723	75.2%	4.9%
Rev. Unknown	24	21.6%	1,762	15.3%	0	0.0%	0	0.0%	11.7%
<b>Total</b>	<b>111</b>		<b>11,549</b>		<b>1,305</b>		<b>31,543</b>		
<b>GRAND TOTAL</b>									
<b>Rev. Size</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>	<b>%</b>
Rev. <= \$1MM	150	61.2%	15,491	60.9%	1,100	49.0%	13,485	23.2%	
Rev. > \$1MM	45	18.4%	6,159	24.2%		51.0%		76.8%	
Rev. Unknown	50	20.4%	3,793	14.9%		0.0%		0.0%	
<b>Total</b>	<b>245</b>		<b>25,443</b>		<b>2,247</b>		<b>58,013</b>		

### Geographic Distribution of Loans: "Needs to Improve"

Jeff Bank's origination of loans in census tracts of varying income levels demonstrated a less than adequate distribution of lending. Jeff Bank's HMDA-reportable lending rates in moderate-income census tracts for loans was deemed marginally reasonable, while small business lending was less than adequate.

Jeff Bank's assessment area contained no low-income census tracts during the evaluation period; however, the number of moderate-income census tracts increased to seven in 2016 from four in 2015, due to the Bank's addition of parts of Orange County into its assessment area.

### HMDA-Reportable Loans

The distribution of Jeff Bank's HMDA-reportable loans among census tracts of different income levels was reasonable.

Jeff Bank's average rates of lending in moderate-income census tracts for the evaluation period were 7.6% by number and 3.5% by dollar value of loans, which trailed the aggregate's rates of 8.9% and 6%, respectively. While Jeff Bank's HMDA-reportable lending rate in 2016 by number of loans in moderate-income census tracts exceeded the aggregate's rate, it trailed the aggregate in 2015. Jeff Bank's rate of lending by dollar

value of loans in moderate-income census tracts trailed the aggregate's rates both years of the evaluation period. As a result, examiners deemed Jeff Bank's HMDA-reportable lending in moderate-income census tracts marginally reasonable.

Jeff Bank and the aggregate's rates of lending in moderate-income census tracts trailed the percentage of owner-occupied housing units (housing demographics) for both years of the evaluation period.

The following table provides a summary of the distribution of Jeff Bank's HMDA-reportable loans by the income level of the geography.

<b>Distribution of HMDA-Reportable Lending by Geographic Income of the Census Tract</b>									
<b>2015</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	0.0%	0.0%
Moderate	9	8.6%	289	3.7%	47	7.1%	5,369	5.0%	12.5%
LMI	9	8.6%	289	3.7%	47	7.1%	5,369	5.0%	12.5%
Middle	71	67.6%	5,387	68.7%	372	56.5%	66,233	61.5%	50.7%
Upper	25	23.8%	2,170	27.7%	239	36.3%	36,022	33.5%	36.8%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
<b>Total</b>	<b>105</b>		<b>7,846</b>		<b>658</b>		<b>107,624</b>		
<b>2016</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	0.0%	0.0%
Moderate	8	6.8%	414	3.3%	94	10.1%	9,591	6.7%	13.9%
LMI	8	6.8%	414	3.3%	94	10.1%	9,591	6.7%	13.9%
Middle	71	60.2%	7,755	61.9%	561	60.1%	87,408	61.2%	55.8%
Upper	39	33.1%	4,358	34.8%	279	29.9%	45,787	32.1%	30.3%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
<b>Total</b>	<b>118</b>		<b>12,527</b>		<b>934</b>		<b>142,786</b>		<b>#REF!</b>
<b>GRAND TOTAL</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	17	7.6%	703	3.5%		8.9%		6.0%	
LMI	17	7.6%	703	3.5%	141	8.9%	14,980	6.0%	
Middle	142	63.7%	13,142	64.5%		58.6%		61.4%	
Upper	64	28.7%	6,528	32.0%		32.5%		32.7%	
Unknown	0	0.0%	0	0.0%		0.0%		0.0%	
<b>Total</b>	<b>223</b>		<b>20,373</b>		<b>1,592</b>		<b>250,410</b>		

### Small Business Loans

The distribution of Jeff Bank's small business loans among census tracts of varying income levels was less than adequate.

Jeff Bank's average rates of lending in moderate-income census tracts for the evaluation period of 18.4% by number and 15.3% by dollar value of loans were significantly below the aggregate's rates of 26.9% and 23.8%, respectively. Jeff Bank's rates of lending in moderate-income census tracts was also well below the percentage (25.3% and 29.1%)

of small businesses located in moderate-income census tracts within the assessment area for both years of the evaluation period.

The following table provides a summary of the distribution of Jeff Bank's small business loans by the income level of the geography where the business was located.

<b>Distribution of Small Business Lending by Geographic Income of the Census Tract</b>									
<b>2015</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>	<b>%</b>
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	22	16.4%	1,572	11.3%	235	24.9%	6,489	24.5%	25.3%
LMI	22	16.4%	1,572	11.3%	235	24.9%	6,489	24.5%	25.3%
Middle	80	59.7%	9,465	68.1%	460	48.8%	13,116	49.6%	47.5%
Upper	32	23.9%	2,857	20.6%	247	26.2%	6,865	25.9%	27.2%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
<b>Total</b>	<b>134</b>		<b>13,894</b>		<b>942</b>		<b>26,470</b>		
<b>2016</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>	<b>%</b>
Low	0	0.0%		0.0%	0	0.0%	0	0.0%	0.0%
Moderate	23	20.7%	2,309	20.0%	369	28.3%	7,295	23.1%	29.1%
LMI	23	20.7%	2,309	20.0%	369	28.3%	7,295	23.1%	29.1%
Middle	60	54.1%	5,159	44.7%	626	48.0%	15,618	49.5%	48.7%
Upper	28	25.2%	4,081	35.3%	310	23.8%	8,630	27.4%	22.2%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
<b>Total</b>	<b>111</b>		<b>11,549</b>		<b>1,305</b>		<b>31,543</b>		
<b>GRAND TOTAL</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>	<b>%</b>
Low	0	0.0%	0	0.0%		0.0%		0.0%	
Moderate	45	18.4%	3,881	15.3%		26.9%		23.8%	
LMI	45	18.4%	3,881	15.3%		26.9%		23.8%	
Middle	140	57.1%	14,624	57.5%		48.3%		49.5%	
Upper	60	24.5%	6,938	27.3%		24.8%		26.7%	
Unknown	0	0.0%	0	0.0%		0.0%		0.0%	
<b>Total</b>	<b>245</b>		<b>25,443</b>		<b>2,247</b>		<b>58,013</b>		

Action Taken in Response to Written Complaints with Respect to CRA: N/A

Neither DFS nor Jeff Bank received any written complaints during the evaluation period regarding Jeff Bank's CRA performance.

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**Community Development Test:** “Satisfactory”

Jeff Bank’s community development performance demonstrated reasonable responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services, considering Jeff Bank’s capacity and the need for and availability of opportunities for community development in its assessment area.

During the evaluation period, Jeff Bank had a total of \$2.8 million in qualified community development loans and a total of \$3.4 million in qualified investments.

**Community Development Lending:** “Satisfactory”

During the evaluation period, Jeff Bank originated \$2.7 million in new community development loans and had \$52,345 outstanding from prior periods. This demonstrated a reasonable level of community development lending over the course of the evaluation period.<sup>3</sup>

The total amount of Jeff bank’s community development loans of \$2.8 million represented an annualized ratio of community development investments and grants to average total assets of 0.26%.

Jeff Bank’s community development loans provided support to community services and economic development in the assessment area and neighboring counties.

Community Development Loans				
Purpose	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Loans	\$000	# of Loans	\$000
Affordable Housing				
Economic Development	5	530		
Community Services	7	2,206	1	52
Revitalization/Stabilization				
Total	12	2,736	1	52

Below are highlights of Jeff Bank’s community development lending.

*Community Services*

- In 2016, Jeff Bank provided a \$1 million commercial loan to a non-profit healthcare center in Sullivan County. The loan was renewed in 2017, for a total community

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<sup>3</sup> For analysis purposes, renewals of lines of credit that occur during the evaluation period are considered new extensions of credit. However, the level of lending is reviewed across the time period of the exam

development credit of \$2 million. The healthcare center provides educational training, housing accommodations, and special facilities to meet the physical, mental, intellectual, emotional and social needs of developmentally disabled children and adults. The center is one of the largest employers in the county employing about 1,600.

- During the evaluation period, Jeff Bank originated three loans totaling \$190,910 to a healthcare center providing various medical services in the region. In order to remove barriers to accessibility, the healthcare center also owns a mobile unit that provides services throughout Sullivan County. The mobile unit provides critical medical services regardless of a patient’s ability to pay.
- In support of Sullivan County’s “Wheels for Work” workforce development program, Jeff Bank made two automobile loans of \$7,500 each to two LMI individuals. Participants in the program receive training, job referrals, skill assessments, and skills training. Although underwriting these relatively small-dollar loans may not be cost effective for the bank, the loans have a direct, positive impact on the lives of the borrowers.

Qualified Investments: “Satisfactory”

During the evaluation period, Jeff Bank made \$3.1 million in new community development investments and had \$216,034 outstanding from prior periods. In addition, Jeff Bank made \$28,177 in community development grants. This demonstrated a reasonable level of qualified investments over the course of the evaluation period.

Jeff Bank made a total of seven new investments and 44 grants during the evaluation period. Investments consisted primarily of local municipal bonds. The total amount of \$3.4 million of qualified investments represented an annualized ratio of qualified investments to average total assets of 0.31%.

Community Development Investments and Grants				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
CD Investments	# of Inv.	\$000	# of Inv.	\$000
Affordable Housing			1	216
Revitalization/Stabilization	7	\$ 3,118		
<b>Total</b>	<b>7</b>	<b>\$ 3,118</b>	<b>1</b>	<b>216</b>
CD Grants	# of Grants	\$000	Not Applicable	
Affordable Housing				
Economic Development	2	\$ 0		
Community Services	42	\$ 28		
Other (Please Specify)				
<b>Total</b>	<b>44</b>	<b>\$ 28</b>		

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Below are highlights of Jeff Bank's community development investments and grants.

### Investments

- Jeff Bank purchased \$750,000 in bond anticipation notes ("BAN") in both 2016 and 2017, for a total of \$1.5 million in qualified investments. The bonds were issued by a village located in a moderate-income census tract within the assessment area. The funds were used to support a revitalization project to improve the village's water system.
- Jeff Bank purchased a \$100,000 bond anticipation renewal note in 2017. The bond was issued by a local town located in a moderate-income census tract. The funds were for the construction of a sewer pump and collection station.
- In February 2017, Jeff Bank invested \$900,000 in a revenue anticipation note issued by a local government located in a moderate-income census tract. The funds were used for working capital purposes to meet essential community infrastructure needs for public service and safety. The bank also purchased two additional capital notes of \$163,000 (2016) and \$167,325 (March 2017) from the same local government.

### Grants

- Jeff Bank made eight grants totaling \$8,545, to two cooperative entities (three totaling \$2,120 to an entity in Orange County and five totaling \$6,425 to an entity in Sullivan County). The cooperative entities are a partnership between the federal, state, and county government and a research and educational university. The partnership provides research-based information, programs, and technical assistance to the local agricultural industry and supports the county government's agricultural program by providing resources to farmers to strengthen the county's local and regional food systems. Sullivan County's agricultural industry is one of the largest economic sectors in the county. In 2016, 96.4% of farmers in Sullivan County had revenues of \$1 million or less.
- Jeff Bank made six grants totaling \$2,950 to a nonprofit organization that operates a food pantry and the only soup kitchen in Sullivan County. The food pantry is open twice a month and offers canned food, cereal, juice, pasta, and other foods, while the food kitchen provides breakfast and lunch five days per week to local residents.
- Jeff Bank made donations totaling \$7,000 to a nonprofit agency dedicated to providing support and services to individuals (and their families) with intellectual and/or developmental disabilities. The agency provides clinical services, day rehabilitation, and day services including a seniors' program, family support services, guardianship services, service coordination, residential services, and vocational services. The agency primarily receives its revenues from Medicaid services.

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### Community Development Services: “Satisfactory”

Jeff Bank demonstrated a reasonable level of community development services over the course of the evaluation period.

During the evaluation period, bank personnel, members of senior management, and the board were involved in organizations whose missions are to provide community development services and facilitate economic development initiatives through financial education, charitable activities, planning, and other assistance to area businesses.

Below are highlights of Jeff Bank’s community development services.

- A Jeff Bank director serves as Vice Chairman of a local industrial development agency whose mission is to promote economic welfare, trade, and tourism, as well as prevent unemployment and economic deterioration to ensure the prosperity of Sullivan County’s residents.
- A director and an executive officer of the bank are Board members for a Sullivan County organization that promotes and coordinates the economic development of private businesses in the county.
- A member of senior management of Jeff Bank is the treasurer for an institution whose mission is to enable people to improve their lives and communities through agricultural and economic development programs.
- A Jeff Bank branch manager is a board member of a local association whose mission is to create, promote, facilitate, and enhance business and commerce within local communities.
- A member of senior management of Jeff Bank is the director of a local agency focused on preserving housing and improving public infrastructure in Orange County. His duties include reviewing and approving grant and loan applications for low-income housing, housing rehabilitation, and economic development, as well as monitoring the Section 8 low-income housing subsidy program.
- Jeff Bank’s CRA Officer and chief lending officer is the treasurer of a government entity and a member of Sullivan County’s agricultural revolving fund. The government entity is designed to provide guaranteed loan financing and grant funding to agricultural producers and rural small businesses for renewable energy systems or to make energy efficiency improvements. The agricultural revolving fund provides seed capital and early stage loans with below-market interest rates with special consideration for businesses owned and operated by low- and moderate-income individuals.

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## Responsiveness to Community Development Needs

Jeff Bank demonstrated a reasonable level of responsiveness to community development needs.

Jeff Bank's community development activities, which included loans to a workforce program helping low- and moderate-income individuals purchase automobiles for transportation back and forth to work, as well as municipal bond investments that funded local municipal projects including LMI geographies within the assessment area, demonstrate Jeff Bank's responsiveness to credit and community development needs.

## 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 CRA.**

Jeff Bank's CRA committee is comprised of the bank's president, chief financial officer, CRA officer (also chief lending officer), compliance officer, loan support officer, and marketing director. The committee meets quarterly to discuss and review the bank's CRA activities. The compliance officer provides charts depicting the bank's CRA activities. Committee meeting minutes are provided to Jeff Bank's board of directors for review and CRA-related recommendations made by the CRA committee are submitted to the board for approval. The board annually reviews and approves the bank's CRA policy.

### **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.*

DFS examiners did not note any practices intended to discourage applications for the types of credit offered by Jeff Bank.

- *Evidence of prohibited discriminatory or other illegal credit practices.*

DFS examiners did not note any evidence by Jeff Bank of prohibited discriminatory or other illegal practices.

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

Jeff Bank opened two branches in 2016: one in Port Jervis (the bank's first branch in Orange County) in a moderate-income census tract, and one in Monticello (Sullivan County, Anawana Lake Road) in a middle-income census tract. The branch opened in Monticello replaced the Walmart branch in Monticello also in middle-income census tract, which was closed in 2016. In 2017, Jeff Bank closed its branch in Bloomingburg (Sullivan County), which was in an upper-income census tract.

Jeff Bank offers branch hours from 8:30 AM to 5:00 PM on weekdays and 9:00 AM to 12:00 Noon on Saturday.

Jeff Bank operates 12 full-service branch offices supported by ATMs at each branch. All of the ATMs are drive-up or walk-up, take deposits and are accessible 24 hours a day.

Jeff Bank’s assessment area has 29 census tracts; none of the tracts are low-income and six are moderate-income. Of Jeff Bank’s 12 branches, two (17%) are in moderate-income census tracts (one each in Sullivan County and Orange County). Sullivan County is largely rural and LMI families account for approximately 40% of the families in the assessment area and are spread across the area with no substantial pockets of poverty. Jeff Bank’s branches are accessible to the LMI and rural communities of the county.

Distribution of Branches within the Assessment Area							
County	N/A #	Low #	Moderate #	Middle #	Upper #	Total #	LMI %
Sullivan			1	9	1	11	9%
*Orange			1	0		1	100%
<b>Total</b>	-	-	2	9	1	12	17%

\* 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.*

Directors and members of management of Jeff Bank serve as chairmen, vice chairmen, vice presidents, and committee and council members of various community organizations. Their involvement with these organizations and participation in various local community functions and events provides them the means to ascertain 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*

Jeff Bank primarily uses print and digital advertising to market its services and products. Jeff Bank offers a special “no closing cost” mortgage loan program which is advertised in its website and at its branch locations as well as in the community.

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**Other factors that in the judgment of the Superintendent bear upon the extent to which Jeff Bank is helping to meet the credit needs of its entire community**

Jeff Bank's assessment area has large segments that are rural and a LMI population of approximately 40%, which is spread across the assessment area. There is limited new housing construction and owner-occupied housing is low at 43%. Renter-occupied housing is 21%. Vacant housing is high at 35%. These factors provide challenges. Therefore, Jeff Bank has expressed interest in participating in an upcoming Sullivan County "Land Bank" initiative involving the rehabilitation and demolition of "zombie" properties.

Jeff Bank offers a "no closing cost" mortgage loan program in its assessment area. It also participates in financial education outreach programs providing financial education and materials to elementary schools ("Saving with Mandy and Randy", a complete curriculum supplement) and high schools ("How to do Your Banking"). Some of the topics covered include budgeting, personal savings, basic investments, credit, and loans.

## **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

### **Small Business Loan**

A small business loan is a loan less than or equal to \$1 million.

### **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.