



**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:** December 31, 2017

**Institution:** Sawyer Savings Bank  
87 Market Street  
Saugerties, NY 12477

**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 Sawyer Savings Bank (“SSB”) 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 December 31, 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 SSB according to the small banking institution performance criteria pursuant to Sections 76.7 and 76.12 of the GRS. The assessment period included calendar years 2014, 2015, 2016, and 2017. SSB is rated "Satisfactory" or "2." This rating means SSB had a satisfactory record of helping to meet community credit needs.

The rating is based on the following factors:

### **Lending Test: "Satisfactory"**

SSB's HMDA-reportable and small business lending activities were reasonable in light of its size, business strategy, and financial condition, as well as aggregate and peer group activity and the demographic characteristics and credit needs of its assessment area.

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

SSB's average loan-to-deposit ("LTD") ratio was reasonable considering its size, business strategy, financial condition, and peer group activity.

SSB's average LTD ratio of 78.1% for the evaluation period slightly trailed its peer group's average ratio of 83.3%.

### **Assessment Area Concentration: "Satisfactory"**

During the evaluation period, SSB originated 82.8% by number and 80.5% by dollar value of its total HMDA-reportable and small business loans within the assessment area. This majority of lending inside of its assessment area reflects a reasonable concentration of lending within SSB's assessment area.

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

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

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

SSB's origination of loans in census tracts of varying income levels demonstrated a less than adequate distribution of lending.

SSB's HMDA-reportable and small business rates of lending in LMI census tracts during the evaluation period were below the aggregate's rates of lending. SSB's rates of lending in LMI census tracts during the evaluation period also compared unfavorably to the percentage of owner-occupied housing units (housing demographics) and the percentage of small businesses (business demographics) located in LMI census tracts.

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

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

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

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## PERFORMANCE CONTEXT

### Institution Profile

SSB is a New York state-chartered (1871) mutual savings bank headquartered in the Village of Saugerties, in Ulster County, New York. SSB offers a variety of consumer and business banking products and services. Consumer products include pre-paid gift cards, certificates of deposit, and checking, savings, and money market accounts, as well as residential mortgage, construction, and home equity loans. Consumer services include telephone banking, online banking, bill pay, mobile banking, wire services, and Automated Teller Machines (“ATM’s”). Business products include business checking, business savings, time deposits, as well as commercial mortgage loans, business installment loans, revolving lines-of-credit, and equipment lines of credit. Business services offered include merchant services and remote deposit capture.

Per the Consolidated Report of Condition (the “Call Report”) as of December 31, 2017, filed with the Federal Deposit Insurance Corporation (“FDIC”), SSB reported total assets of \$248.7 million, of which \$160.0 million were net loans and lease financing receivables. It also reported total deposits of \$192.9 million, resulting in a LTD ratio of 83.0%. According to the latest available comparative deposit data as of June 30, 2017, SSB obtained a market share of 5.9%, or \$186.7 million, in a market of \$3.2 billion, ranking it 6<sup>th</sup> among 19 deposit-taking institutions in Ulster County.

The following is a summary of the bank’s loan portfolio, based on Schedule RC-C of the bank’s December 31, 2014, 2015, 2016 and 2017 Call Reports:

<b>TOTAL GROSS LOANS OUTSTANDING</b>								
Loan Type	2014		2015		2016		2017	
	\$000's	%	\$000's	%	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	76,638	65.2	83,948	66.5	100,194	66.1	107,066	66.5
Commercial & Industrial Loans	6,012	5.1	5,525	4.4	5,289	3.5	5,958	3.7
Commercial Mortgage Loans	13,479	11.5	12,304	9.7	15,976	10.5	15,931	9.9
Multifamily Mortgages	6,199	5.3	6,990	5.5	8,412	5.5	9,860	6.1
Agriculture Loans	11,742	10.0	13,138	10.4	16,334	10.8	19,562	12.1
Consumer Loans	257	0.2	335	0.3	231	0.2	355	0.2
Construction Loans	3,002	2.6	3,932	3.1	5,223	3.4	2,274	1.4
Obligations of state & political subdivisions	152	0.1	78	0.1	0.0	0.0	0.0	0.0
<b>Total Gross Loans</b>	<b>117,481</b>	<b>100</b>	<b>126,250</b>	<b>100</b>	<b>151,659</b>	<b>100</b>	<b>161,006</b>	<b>100</b>

As illustrated in the above table, SSB is primarily a residential lender, with 66.5% of its loan portfolio in one-to-four family mortgage loans. As SSB's total gross loan portfolio grew (\$56.6 million) during the evaluation period so did its one-to-four family mortgage loan portfolio (\$37.7 million), consistently making up about 66% of SSB's gross loan portfolio.

SSB operates three branch offices located in the Village of Saugerties and the hamlets of Marlboro and Highland. All branch offices are in Ulster County, New York and each branch has an on-site ATM with deposit-taking capabilities.

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

**Assessment Area**

During the evaluation period SSB's assessment area comprised 39 of the total of 47 census tracts that comprise Ulster County. While SSB's assessment area did not change from the prior evaluation period, several of the census tracts in the assessment area were reclassified during the current evaluation period. In 2017, the 39 census tracts in the assessment area were made up of one low-income, four moderate-income, 24 middle-income, and ten upper-income census tracts. In 2014, 2015, and 2016 the 39 census tracts that made up SSB's assessment area were made up of no low-income, three moderate-income, 30 middle-income, and six upper-income census tracts.

As a result, LMI census tracts represented 12.8% of census tracts in SSB's assessment area in 2017, compared to 7.7% for prior periods.

Assessment Area Census Tracts by Income Level							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
*Ulster	0	1	4	24	10	39	12.8
Total	0	1	4	24	10	39	12.8

\*Partial County

**Demographic & Economic Data**

The assessment area had a population of 150,178 during the examination period. Approximately 17.3% of the population were over the age of 65 and 16.5% were under the age of 16.

Of the 36,707 families in the assessment area 22.1% were low-income, 16.6% were moderate-income, 20.3% were middle-income and 41.0% were upper-income families. There were 59,473 households in the assessment area, of which 11.8% had

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income below the poverty level and 4.1% were on public assistance. The weighted average median family income in the assessment area was \$76,349.

There were 69,343 housing units within the assessment area, of which 83.3% were one-to-four family units and 10.9% were multifamily units. A majority (58.5%) of the area's housing units were owner-occupied, while 27.2% were rental units. Of the 40,590 owner-occupied housing units, 5.6% were in LMI census tracts while 94.4% were in middle- and upper-income census tracts.

The median age of the housing stock was 54 years, and the median home value in the assessment area was \$229,087.

There were 10,225 non-farm businesses in the assessment area. Of these, 85.7% were businesses with reported revenues of less than or equal to \$1 million, 4.7% reported revenues of more than \$1 million, and 9.6% did not report their revenues. Of all the businesses in the assessment area, 97.5% were businesses with less than fifty employees while 90.0% operated from a single location. The largest industries in the area were services (45.5%), followed by retail trade (15.9%), and construction (8.8%), while 6.4% of businesses in the assessment area were not classified.

According to the New York State Department of Labor, the average unemployment rates for New York State and Ulster County were 4.7% and 4.6%, respectively, in 2017. During the evaluation period Ulster County's annual average unemployment rates were consistently lower than New York state's rates.

Unemployment Assessment Area Rate		
	Statewide	Ulster
2014	6.3	5.7
2015	5.3	4.8
2016	4.8	4.4
2017	4.7	4.6

### **Community Information**

As a part of the evaluation, examiners met and interviewed two individuals from two separate nonprofit organizations, to better understand the credit needs of the community.

Examiners interviewed the vice-president of an organization that focuses on expanding access to affordable homeownership in Ulster County as well as neighboring counties. The organization accomplishes this by working with potential homebuyers, educating them on the qualification process for various home loan programs, and by working with municipalities and financial institutions to increase the supply of affordable entry-level homes in the Mid-Hudson Valley region.



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According to the vice president, wage growth has been slow and has only increased by about 2% in the area since 2002. Yet housing prices have continued to soar, pricing many residents and especially LMI residents out of the housing market. It was also noted that a modified mortgage loan product may help some homeowners to better maintain their aging homes (homes of 100 to 200 year old are common in Ulster County). Home renovation-acquisition loan programs are another option to expand homeownership and make it more affordable. The interviewee also noted SSB's first-time homebuyer loan program that offers a low-down payment and no private mortgage insurance.

Examiners also interviewed the president of a regional organization that provides entrepreneurial guidance to upcoming minority small business owners in Ulster County. Due to a lack of funding the organization can no longer offer services to help new start-ups, but instead focuses on providing assistance to existing businesses.

The interviewee noted that small businesses require start-up, ongoing working capital, and micro loans to occupy empty storefronts in downtown areas in Ulster County. It was noted that banks show little interest or willingness to familiarize themselves with the needs of LMI individuals, and more specifically Hispanic LMI individuals, who are interested in expanding or starting a business. The significant reduction in the number of community/regional banks in the area was cited as a major reason for the current lack of "partnering" between the minority communities and financial institutions. The smaller community/regional banks were more community-conscious than the larger institutions that replaced them. Local community banks familiar with these minority communities could be a bridge between the communities and the community banks by providing financing and therefore opportunities for the overall good of the communities.

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## **PERFORMANCE STANDARDS AND ASSESSMENT FACTORS**

*DFS evaluated SSB under the small banking institution performance standards in accordance with Sections 76.7 and 76.12 of the GRS, which consist of the following lending test criteria:*

- 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.*

*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, DFS considered other factors as delineated in Section 28-b of the New York Banking Law that reasonably bear upon the extent to which SSB helps meet the credit needs of its entire community.*

DFS derived statistics employed in this evaluation from various sources. SSB 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 demographic 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, and DFS used this information even though SSB's assessment area includes only a portion of Ulster County.

The evaluation period included calendar years 2014, 2015, 2016, and 2017.

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

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As SSB made very few small farm loans, DFS based all analyses on small business lending only.

At its **prior** Performance Evaluation as of December 31, 2013, DFS assigned SSB a rating of “2,” reflecting a “Satisfactory” record of helping to meet the credit needs of SSB’s communities.

**Current CRA Rating: “Satisfactory”**

**Lending Test:** “Satisfactory”

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

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

SSB’s average LTD ratio was reasonable considering its size, business strategy, and financial condition, as well as the lending activity of its peer group and the demographic characteristics and credit needs of its assessment area.

SSB’s average LTD ratio of 78.1% for the evaluation period trailed its peer group’s average ratio of 83.3%. However, SSB’s quarterly average LTD ratios for the last five quarters of the evaluation period exceeded 80%, narrowing the gap between its ratios and its peer group’s ratios.

The table below shows SSB’s LTD ratios in comparison with the peer group’s ratios for the 16 quarters since the prior evaluation.

<b>Loan-to-Deposit Ratios</b>																	
	2014	2014	2014	2014	2015	2015	2015	2015	2016	2016	2016	2016	2017	2017	2017	2017	Avg.
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
<b>Bank</b>	74.4	73.8	76.2	77.2	76.4	74.6	75.7	75.0	76.9	73.1	79.9	82.3	83.9	82.3	84.6	83.0	78.1
<b>Peer</b>	79.4	80.6	81.9	81.9	80.7	82.7	84.1	83.8	83.0	83.7	84.4	84.6	83.8	85.4	86.2	86.5	83.3

**Assessment Area Concentration:** “Satisfactory”

During the evaluation period, SSB originated 82.8% by number and 80.5% by dollar value of its total HMDA-reportable and small business loans within the assessment area. This majority of lending inside of its assessment area reflects a reasonable concentration of lending within SSB’s assessment area.

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### HMDA-Reportable Loans

SSB originated 78.1% by number and 75.6% by dollar value of its HMDA-reportable loans within the assessment area. This majority of lending inside of its assessment area reflects a reasonable concentration of lending within SSB's assessment area.

### Small Business Loans

SSB originated 89.2% by number and 89.0% by dollar value of its small business loans within the assessment area. This substantial majority of lending inside of its assessment area reflects an excellent concentration of lending within SSB's assessment area.

The following table shows the percentages of SSB'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
	#	%	#	%		\$	%	\$	%	
HMDA-Reportable										
2014	65	75.6%	21	24.4%	86	9,474	71.4%	3,796	28.6%	13,270
2015	78	73.6%	28	26.4%	106	10,594	68.1%	4,964	31.9%	15,558
2016	93	86.9%	14	13.1%	107	16,423	86.5%	2,568	13.5%	18,991
2017	78	75.7%	25	24.3%	103	13,710	73.8%	4,874	26.2%	18,584
Subtotal	314	78.1%	88	21.9%	402	50,201	75.6%	16,202	24.4%	66,403
Small Business										
2014	65	94.2%	4	5.8%	69	8,574	96.5%	308	3.5%	8,882
2015	67	90.5%	7	9.5%	74	7,580	87.4%	1,092	12.6%	8,672
2016	69	94.5%	4	5.5%	73	11,926	93.4%	839	6.6%	12,765
2017	62	78.5%	17	21.5%	79	6,138	75.5%	1,989	24.5%	8,127
Subtotal	263	89.2%	32	10.8%	295	34,218	89.0%	4,228	11.0%	38,446
<b>Grand Total</b>	<b>577</b>	<b>82.8%</b>	<b>120</b>	<b>17.2%</b>	<b>697</b>	<b>84,419</b>	<b>80.5%</b>	<b>20,430</b>	<b>19.5%</b>	<b>104,849</b>

### Distribution by Borrower Characteristics: "Satisfactory"

SSB's one-to-four family 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

SSB's HMDA-reportable lending demonstrated a reasonable distribution of loans among individuals of different income levels.

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SSB's average rates of lending to LMI borrowers of 28.4% by number and 20.6% by dollar value of loans for the evaluation period exceeded the aggregate's average rates of 23.1% and 14.8%, respectively. This was mainly due to SSB's performance in 2014 and 2015, in which its lending rates to LMI borrowers significantly outperformed its aggregate's rates. While SSB's rates of lending to LMI borrowers for 2016 and 2017 notably declined, they were comparable to the aggregate rates for these two years.

Although SSB's rates of lending to LMI borrowers were well above the aggregate's rates for 2014 and 2015, both SSB's and the aggregate's rates never exceeded (except for SSB's rate of 37.8% by number of loans in 2015) the assessment area's family demographics of 36.6% (38.6% for 2017) of LMI families.

The following table provides a summary of the distribution of SSB's one-to-four family HMDA loans by borrower income.

Distribution of 1-4 Family Loans by Borrower Income									
2014									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	5	8.1%	333	3.8%	79	4.6%	6,329	2.1%	18.8%
Moderate	14	22.6%	1,471	16.8%	285	16.6%	31,138	10.5%	17.8%
LMI	19	30.6%	1,804	20.7%	364	21.2%	37,467	12.6%	36.6%
Middle	29	46.8%	4,419	50.6%	468	27.3%	69,541	23.4%	23.2%
Upper	14	22.6%	2,513	28.8%	801	46.7%	174,478	58.7%	40.2%
Unknown	0	0.0%	0	0.0%	83	4.8%	15,905	5.3%	0.0%
<b>Total</b>	<b>62</b>		<b>8,736</b>		<b>1,716</b>		<b>297,391</b>		
2015									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	5	6.8%	373	3.6%	116	5.5%	9,010	2.4%	18.8%
Moderate	23	31.1%	2,783	27.1%	407	19.2%	47,066	12.7%	17.8%
LMI	28	37.8%	3,156	30.7%	523	24.7%	56,076	15.1%	36.6%
Middle	15	20.3%	1,981	19.3%	557	26.3%	82,850	22.4%	23.2%
Upper	29	39.2%	4,901	47.7%	934	44.1%	209,950	56.7%	40.2%
Unknown	2	2.7%	246	2.4%	106	5.0%	21,639	5.8%	0.0%
<b>Total</b>	<b>74</b>		<b>10,284</b>		<b>2,120</b>		<b>370,515</b>		
2016									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	1	1.1%	50	0.3%	139	5.8%	12,363	2.9%	18.8%
Moderate	19	21.3%	2,787	17.4%	400	16.8%	52,236	12.1%	17.8%
LMI	20	22.5%	2,837	17.8%	539	22.7%	64,599	15.0%	36.6%
Middle	32	36.0%	5,328	33.4%	623	26.2%	99,268	23.0%	23.2%
Upper	36	40.4%	7,662	48.0%	1,088	45.8%	243,294	56.4%	40.2%
Unknown	1	1.1%	148	0.9%	127	5.3%	24,020	5.6%	0.0%
<b>Total</b>	<b>89</b>		<b>15,975</b>		<b>2,377</b>		<b>431,181</b>		
2017									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	2	2.7%	67	0.5%	125	5.4%	11,375	2.6%	22.1%
Moderate	16	21.6%	2,052	15.6%	420	18.1%	57,188	13.1%	16.6%
LMI	18	24.3%	2,119	16.1%	545	23.5%	68,563	15.7%	38.6%
Middle	27	36.5%	4,088	31.1%	619	26.7%	99,410	22.8%	20.3%
Upper	29	39.2%	6,921	52.7%	1,079	46.5%	253,478	58.1%	41.0%
Unknown	0	0.0%	0	0.0%	76	3.3%	14,686	3.4%	0.0%
<b>Total</b>	<b>74</b>		<b>13,128</b>		<b>2,319</b>		<b>436,137</b>		
GRAND TOTAL									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	13	4.3%	823	1.7%	459	5.4%	39,077	2.5%	
Moderate	72	24.1%	9,093	18.9%	1,512	17.7%	187,628	12.2%	
LMI	85	28.4%	9,916	20.6%	1,971	23.1%	226,705	14.8%	
Middle	103	34.4%	15,816	32.9%	2,267	26.6%	351,069	22.9%	
Upper	108	36.1%	21,997	45.7%	3,902	45.7%	881,200	57.4%	
Unknown	3	1.0%	394	0.8%	392	4.6%	76,250	5.0%	
<b>Total</b>	<b>299</b>		<b>48,123</b>		<b>8,532</b>		<b>1,535,224</b>		

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Small Business Loans

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

SSB's average rate of lending of 84.0% by number and 76.0% by dollar value of small business loans was comparable to the assessment area business demographics of small businesses with gross annual revenues of \$1.0 million or less, which ranged from 75.3% to 85.7% during the current evaluation period.

SSB's annual rates of lending to small businesses with gross annual revenue of \$1 million or less significantly exceeded the aggregate's annual rates of lending for each year of the evaluation period. SSB's lowest rate of lending by number of loans of 80.6% (2015) significantly exceeded the aggregate's highest rate of 50.4% (2016). SSB's lowest rate of lending by dollar value of loans of 71.0% (2016) significantly exceeded the aggregate's highest rate of 32.7% (2017).

The following table provides a summary of the distribution of SSB's small business loans by the revenue size of the business.

<b>Distribution of Small Business Lending by Revenue Size of Business</b>									
<b>2014</b>									
<b>Rev. Size</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	60	92.3%	7,199	84.0%	1,128	45.6%	19,827	31.9%	75.3%
Rev. > \$1MM	5	7.7%	1,375	16.0%					3.8%
Rev. Unknown	0	0.0%	0	0.0%					20.7%
<b>Total</b>	<b>65</b>		<b>8,574</b>		<b>2,476</b>		<b>62,076</b>		
<b>2015</b>									
<b>Rev. Size</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	54	80.6%	5,480	72.3%	1,256	48.1%	19,373	26.7%	80.8%
Rev. > \$1MM	12	17.9%	2,075	27.4%					3.9%
Rev. Unknown	1	1.5%	25	0.3%					15.3%
<b>Total</b>	<b>67</b>		<b>7,580</b>		<b>2,611</b>		<b>72,567</b>		
<b>2016</b>									
<b>Rev. Size</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	56	81.2%	8,465	71.0%	1,504	50.4%	23,228	29.4%	85.7%
Rev. > \$1MM	13	18.8%	3,461	29.0%					4.6%
Rev. Unknown	0	0.0%	0	0.0%					9.8%
<b>Total</b>	<b>69</b>		<b>11,926</b>		<b>2,982</b>		<b>79,055</b>		
<b>2017</b>									
<b>Rev. Size</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	51	82.3%	4,873	79.4%	1,481	49.5%	29,006	32.7%	85.7%
Rev. > \$1MM	11	17.7%	1,265	20.6%					4.7%
Rev. Unknown	0	0.0%	0	0.0%					9.6%
<b>Total</b>	<b>62</b>		<b>6,138</b>		<b>2,993</b>		<b>88,715</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	221	84.0%	26,017	76.0%	3,888	35.1%	62,428	20.6%	
Rev. > \$1MM	41	15.6%	8,176	23.9%					
Rev. Unknown	1	0.4%	25	0.1%					
<b>Total</b>	<b>263</b>		<b>34,218</b>		<b>11,062</b>		<b>302,413</b>		

Geographic Distribution of Loans: "Needs to Improve"

SSB's origination of loans in census tracts of varying income levels demonstrated a less than adequate distribution of lending.

SSB's HMDA-reportable and small business rates of lending in LMI census tracts during the evaluation period were below the aggregate's rates of lending. SSB's rates of lending in LMI census tracts during the evaluation period also compared unfavorably to the percentage of owner-occupied housing units (housing demographics) and the percentage of small businesses (business demographics) located in LMI census tracts.



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### HMDA-Reportable Loans

The distribution of SSB's HMDA-reportable loans among census tracts of varying income levels was less than adequate.

SSB made 314 HMDA-reportable loans during the current evaluation period (4-years) compared to 244 HMDA-reportable loans during the prior evaluation period (5-years). Although SSB made 70 more loans during the current evaluation, it still made only 13 loans in LMI census tracts—the same as in the prior evaluation period.

SSB's average rates of lending of 4.1% by number and 2.4% by dollar value of loans trailed the aggregate's rates of 5.8% and 4.5%, respectively. SSB's rates of lending in LMI census tracts by number and dollar value of loans trailed the aggregate's rates every year of the evaluation period, except for number of loans in 2016. Furthermore, SSB's rates of lending in LMI census tracts declined steadily from 2015 through 2017.

While the number of LMI census tracts in the assessment area increased in 2017, from three moderate-income census tracts to one low-income and four moderate-income census tracts, SSB's rates of lending in 2017 by number and dollar value of loans in LMI census tracts was the lowest for the evaluation period.

The following table provides a summary of the distribution of SSB's HMDA-reportable loans by the income level of the geography where the property was located.

Distribution of HMDA-Reportable Lending by Geographic Income of the Census Tract									
2014									
Geographic Income	Bank				Aggregate				OO Hus
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	3	4.6%	303	3.2%	90	5.1%	11,982	3.8%	5.6%
LMI	3	4.6%	303	3.2%	90	5.1%	11,982	3.8%	5.6%
Middle	57	87.7%	8,764	92.5%	1,364	77.4%	234,328	74.8%	77.9%
Upper	5	7.7%	407	4.3%	308	17.5%	67,036	21.4%	16.6%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
<b>Total</b>	<b>65</b>		<b>9,474</b>		<b>1,762</b>		<b>313,346</b>		
2015									
Geographic Income	Bank				Aggregate				OO Hus
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	5	6.4%	371	3.5%	139	6.4%	20,426	5.0%	5.6%
LMI	5	6.4%	371	3.5%	139	6.4%	20,426	5.0%	5.6%
Middle	67	85.9%	9,312	87.9%	1,681	77.7%	314,942	76.9%	77.9%
Upper	6	7.7%	911	8.6%	343	15.9%	74,315	18.1%	16.6%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
<b>Total</b>	<b>78</b>		<b>10,594</b>		<b>2,163</b>		<b>409,683</b>		
2016									
Geographic Income	Bank				Aggregate				OO Hus
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	3	3.2%	423	2.6%	133	5.5%	22,301	4.9%	5.6%
LMI	3	3.2%	423	2.6%	133	5.5%	22,301	4.9%	5.6%
Middle	82	88.2%	14,495	88.3%	1,879	77.1%	339,122	74.4%	77.9%
Upper	8	8.6%	1,505	9.2%	424	17.4%	94,100	20.7%	16.6%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
<b>Total</b>	<b>93</b>		<b>16,423</b>		<b>2,436</b>		<b>455,523</b>		
2017									
Geographic Income	Bank				Aggregate				OO Hus
	#	%	\$000's	%	#	%	\$000's	%	%
Low	1	1.3%	15	0.1%	54	2.3%	7,180	1.6%	2.2%
Moderate	1	1.3%	86	0.6%	89	3.7%	10,999	2.5%	3.5%
LMI	2	2.6%	101	0.7%	143	6.0%	18,179	4.1%	5.7%
Middle	54	69.2%	8,260	60.2%	1,540	64.6%	270,733	60.5%	63.8%
Upper	22	28.2%	5,349	39.0%	700	29.4%	158,901	35.5%	30.5%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
<b>Total</b>	<b>78</b>		<b>13,710</b>		<b>2,383</b>		<b>447,813</b>		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				OO Hus
	#	%	\$000's	%	#	%	\$000's	%	%
Low	1	0.3%	15	0.0%	54	0.6%	7,180	0.4%	
Moderate	12	3.8%	1,183	2.4%	451	5.2%	65,708	4.0%	
LMI	13	4.1%	1,198	2.4%	505	5.8%	72,888	4.5%	
Middle	260	82.8%	40,831	81.3%	6,464	73.9%	1,159,125	71.3%	
Upper	41	13.1%	8,172	16.3%	1,775	20.3%	394,352	24.2%	
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
<b>Total</b>	<b>314</b>		<b>50,201</b>		<b>8,744</b>		<b>1,626,365</b>		

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Small Business Loans

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

SSB's, average rates of lending in LMI census tracts of 4.2% by number and 7.8% by dollar value of loans during the evaluation period trailed the aggregate's rates of 7.5% and 10.7%, respectively. SSB's annual rates of lending by number and by dollar value were well below the aggregate's annual rates for 2014, 2015 and 2016, but did exceed the aggregate's rate for 2017.

SSB's rates of lending for the evaluation period would have been lower if it was not for its performance in 2017. SSB's rates of lending for 2017 was more than double its prior years rates and were comparable to the assessment area's business demographics, while for 2014, 2015 (not dollar value), and 2016 they were well below the business demographics.

The following table provides a summary of the distribution of SSB's small business loans by the income level of the geography where the businesses were located.

<b>Distribution of Small Business Lending by Geographic Income of the Census Tract</b>									
<b>2014</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	2	3.1%	106	1.2%	175	7.1%	4,251	6.8%	8.8%
LMI	2	3.1%	106	1.2%	175	7.1%	4,251	6.8%	8.8%
Middle	57	87.7%	8,178	95.4%	1,796	72.5%	44,640	71.9%	72.6%
Upper	6	9.2%	290	3.4%	505	20.4%	13,185	21.2%	18.7%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
<b>Total</b>	<b>65</b>	<b>%</b>	<b>8,574</b>		<b>2,476</b>		<b>62,076</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	2	3.0%	910	12.0%	206	7.9%	11,905	16.4%	8.9%
LMI	2	3.0%	910	12.0%	206	7.9%	11,905	16.4%	8.9%
Middle	52	77.6%	5,402	71.3%	1,909	73.1%	49,301	67.9%	72.0%
Upper	13	19.4%	1,268	16.7%	496	19.0%	11,361	15.7%	19.1%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
<b>Total</b>	<b>67</b>		<b>7,580</b>		<b>2,611</b>		<b>72,567</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%	0.0%
Moderate	2	2.9%	510	4.3%	226	7.6%	6,615	8.4%	9.2%
LMI	2	2.9%	510	4.3%	226	7.6%	6,615	8.4%	9.2%
Middle	52	75.4%	8,837	74.1%	2,166	72.6%	55,009	69.6%	72.0%
Upper	15	21.7%	2,579	21.6%	590	19.8%	17,431	22.0%	18.8%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
<b>Total</b>	<b>69</b>		<b>11,926</b>		<b>2,982</b>		<b>79,055</b>		
<b>2017</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	4	6.5%	1,090	17.8%	61	2.0%	512	0.6%	2.5%
Moderate	1	1.6%	50	0.8%	139	4.6%	4,286	4.8%	5.4%
LMI	5	8.1%	1,140	18.6%	200	6.7%	4,798	5.4%	8.0%
Middle	29	46.8%	2,744	44.7%	1,787	59.7%	54,816	61.8%	62.4%
Upper	28	45.2%	2,254	36.7%	1,006	33.6%	29,101	32.8%	29.7%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
<b>Total</b>	<b>62</b>		<b>6,138</b>		<b>2,993</b>		<b>88,715</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	4	1.5%	1,090	3.2%	0	0.0%	0	0.0%	
Moderate	7	2.7%	1,576	4.6%	607	7.5%	22,771	10.7%	
LMI	11	4.2%	2,666	7.8%	607	7.5%	22,771	10.7%	
Middle	190	72.2%	25,161	73.5%	5,871	72.8%	148,950	69.7%	
Upper	62	23.6%	6,391	18.7%	1,591	19.7%	41,977	19.6%	
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
<b>Total</b>	<b>263</b>		<b>34,218</b>		<b>8,069</b>		<b>213,698</b>		

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

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

**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.**

The bank’s CRA Policy is approved annually by the Board. While SSB does not perform an annual CRA self-assessment, the board is presented with certain loan data on a regular basis.

**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 practices by SSB intended to discourage applications for the types of credit offered by SSB.

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

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

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

Distribution of Branches within the Assessment Area							
County	N/A #	Low #	Moderate #	Middle #	Upper #	Total #	LMI %
Ulster*				3		3	0%
<b>Total</b>				<b>3</b>		<b>3</b>	<b>0%</b>

SSB did not open or close any branch offices during the evaluation period; however, in 2014, SSB relocated its Highland branch office from its rented space on Vineyard Avenue in Highland to its new location at 3515 Route 9W in Highland, New York.

All three of SSB’s branch offices are located in middle-income census tracts at the eastern side of Ulster County and the assessment area. All three branch offices are full-service branches and offer branch hours from 9:00 am to 5:00 pm Monday through Thursday, with extended hours on Friday from 9:00 am to 6:00 pm for walk-in customers. The drive-up teller window is open from 8:30 am to 5:00 pm Monday through Friday. SSB offers

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Saturday hours from 9:00 am to 2:00 pm for walk-in and drive-up customers. Each branch office has an ATM onsite with deposit-taking capabilities. In addition, SSB customers also have surcharge-free access to over 40,000 ATMs through the Allpoint network.

### **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.*

SSB conducts financial literacy and affordable housing seminars for the public, often partnering with a local nonprofit organization involved in providing assistance in the home purchasing process. Sawyer also participates in the Ulster County Realtor's Agents Day. These events provide SSB employees with the opportunity to meet consumers, potential homebuyers and realtors to ascertain the credit needs of its community and introduce and explain its various home loan programs. SSB is also a member of the "Ulster County Association of Realtors", the "Ulster County Chamber of Commerce" and the "American Bankers' Association."

- *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.*

SSB advertises its loan products including its the "First Time Homebuyer Program" on its website and via television, radio, magazines, newspapers, phonebook, billboards, signs, banners and lobby postings. SSB also uses direct mail marketing, flyers, handouts, and pamphlets to advertise its products and services.

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

SSB participates in the Federal Home Loan Bank of New York's "First Home Club Savings Program." The program allows qualified first-time homebuyers the opportunity to earn \$4 for every \$1 saved during a 10 to 24-month savings period. SSB will match the savings up to a maximum of \$7,500. The homebuyer then can use these funds for the down-payment and closing costs.

As noted previously, SSB also conducts financial literacy and affordable housing seminars for the public, often partnering with local nonprofit organizations involved in housing assistance programs.

As a small bank, SSB is not required to report community development activities. Still, SSB has participated in the New York Business Development Corporation and the

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Statewide Zone Capital Corporation of New York's small business loan programs, which promotes economic development activities by providing financing to small businesses.

SSB also participates in a local village's revolving loan fund program. An employee of SSB is a member of the fund's loan review committee. The fund provides low-cost loans to building owners to rehabilitate or renovate old existing building and historic buildings in the village to their original condition. The fund is in the process of expanding, to also provide funds to village homeowners for renovations.

## **GLOSSARY**

### **Aggregate Lending**

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 Metropolitan Statistical Area ("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 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.