



**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, 2018

**Institution:** Adirondack Trust Company  
473 Broadway  
Saratoga Springs, NY 12866

**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 Adirondack Trust Company (“ATC” or the “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 December 31, 2018.

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 ATC according to the intermediate small banking institution performance criteria pursuant to Sections 76.7 and 76.12 of the GRS. The assessment period included calendar years 2016, 2017 and 2018 for the lending test. The community development test included the last two quarters of 2016 and calendar years 2017 and 2018. ATC is rated "2," indicating a "Satisfactory" record of helping to meet community credit needs within regulatory standards.

The rating is based on the following factors:

### **Lending Test:** Satisfactory

The Bank's small business and HMDA-reportable 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 the assessment area.

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

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

During the evaluation period, ATC's average LTD ratio was 71.8%, which was below its peer group's average of 85.4%. The Bank's LTD ratio was impacted by its business strategy of selling loans into the secondary market.

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

ATC originated 82.2% by number and 80.5% by dollar value of its total HMDA-reportable and small business loans within the assessment area during the evaluation period. This majority of lending inside of the Bank's assessment area is a reasonable concentration of lending within the assessment area.

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

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

### **Geographic Distribution of Loans:** Satisfactory

ATC's origination of loans in census tracts of varying income levels demonstrated a reasonable distribution of lending. DFS evaluated this criterion based on the Bank's lending performance in moderate-income census tracts only; the Bank's assessment area did not contain low-income census tracts.

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

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

**Community Development Test:** Satisfactory

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

Community Development Lending: Outstanding

During the evaluation period, ATC originated \$15.1 million in new community development loans, and had \$16.5 million outstanding from prior evaluation periods. This demonstrated an excellent level of community development lending over the course of the evaluation period.

Qualified Investments: Needs to Improve

During the evaluation period, ATC's qualified investments totaled \$1.8 million, reflecting a decline of 64.7% from the \$5.1 million of qualified investments in the prior evaluation. Grant activities also decreased by 17.7%, from \$405,957 in the prior evaluation period to \$334,037 in this evaluation period. This demonstrated a less than adequate level of qualified investments over the course of the evaluation period.

Community Development Services: Outstanding

ATC demonstrated an excellent level of community development services over the course of the evaluation period. The Bank's senior management and other bank personnel were very active in their communities, performing over 150 qualified community development services activities. This reflected an increase of more than 50% from the prior evaluation period.

Responsiveness to Community Development Needs:

ATC demonstrated a reasonable level of responsiveness to credit and 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**

Established in 1901, ATC is a New York State-chartered, full-service commercial bank headquartered in Saratoga Springs, New York.

ATC provides various traditional banking services and products to the communities of Saratoga and Warren counties, such as personal and business checking and savings. ATC has three affiliates: Adirondack Trust Company Financial Services, Inc., an insurance agency which provides a full line of insurance products to consumers and businesses, Adirondack R.E.I.T. Inc., which holds investments in residential and commercial mortgages loans, and the Adirondack Trust Company Community Fund, an independent nonprofit charitable organization that provides financial support to other nonprofit and charitable organizations.

In its Consolidated Report of Condition (the "Call Report") as of December 31, 2018, filed with the Federal Deposit Insurance Corporation ("FDIC"), ATC reported total assets of \$1.2 billion, of which \$760.4 million were net loans and lease financing receivables. It also reported total deposits of \$1 billion, resulting in a LTD ratio of 76%. According to the latest available comparative deposit data as of June 30, 2018, ATC held a market share of 15%, or \$995,644 million in a market of \$6.6 billion, ranking it 2<sup>nd</sup> among 17 deposit-taking institutions in the assessment area.

The following is a summary of the Bank's loan portfolio, based on Schedule RC-C of the Bank's December 31, 2016, 2017 and 2018 Call Reports:

<b>TOTAL GROSS LOANS OUTSTANDING</b>						
Loan Type	2016		2017		2018	
	\$000's	%	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	208,364	28.4	202,405	27.4	209,060	27.5
Commercial & Industrial Loans	66,156	9.0	77,184	10.4	94,929	12.5
Commercial Mortgage Loans	256,750	35.0	288,180	39.0	306,220	40.2
Multifamily Mortgages	16,202	2.2	39,182	5.3	51,383	6.8
Consumer Loans	120,164	16.4	98,398	13.3	60,733	8.0
Construction Loans	56,845	7.7	22,499	3.0	28,859	3.8
Obligations of States & Municipalities	6,654	0.9	8,041	1.1	7,261	1.0
Other Loans	3,150	0.4	2,915	0.4	2,683	0.4
<b>Total Gross Loans</b>	<b>734,285</b>		<b>738,804</b>		<b>761,128</b>	

As of December 31, 2018, commercial and industrial loans and commercial mortgages comprised a total of 52.7% of gross loans, while residential mortgage loans, consisting of both 1-4 family residential loans and multifamily loans, constituted 34.3% of total gross loans.

During the evaluation period, ATC reduced its consumer lending by almost 50%, from \$120.2 million in 2016 to \$60.7 million in 2018, while increasing its commercial lending.

ATC operates 13 banking offices, of which 11 are located in Saratoga County and two are in Warren County. Supplementing the banking offices are automated teller machines (“ATMs”) in each banking office. Additionally, the Bank has 15 off-site ATM locations in and around Saratoga County.

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

**Assessment Area**

The Bank’s assessment area is comprised of parts of Saratoga and Warren counties.

There are 43 census tracts in the assessment area, of which none are low-income, seven are moderate-income, 29 are middle-income, six are upper-income, and one tract is a tract with no income indicated.

<b>Assessment Area Census Tracts by Income Level</b>							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
Saratoga*	1	0	5	20	4	30	16.7
Warren*	0	0	2	9	2	13	15.4
Total	1	0	7	29	6	43	16.3

\* Partial county

**Demographic & Economic Data**

The assessment area had a population of 190,650 during the evaluation period. About 15.7% of the population were over the age of 65 and 18.4% were under the age of sixteen.

Of the 49,135 families in the assessment area 17.7% were low-income, 17.7% were moderate-income, 22.4% were middle-income and 42.2% were upper-income. There were 76,771 households in the assessment area, of which 9% had income below the poverty level, and 1.7% were on public assistance.

The weighted average median family income in the assessment area was \$81,718.

There were 87,319 housing units within the assessment area, of which 81.5% were one-to-four family units, and 10.7% were multifamily units. A majority (60.7%) of the area’s housing units were owner-occupied, while 27.2% were rental units. Of the

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53,030 owner-occupied housing units, 8.3% were in moderate-income census tracts while 91.7% were in middle- and upper-income census tracts. The median age of the housing stock was 46 years, and the median home value in the assessment area was \$229,204.

There were 12,012 non-farm businesses in the assessment area. Of these, 82.8% were businesses with reported revenues of less than or equal to \$1 million, 5.8% reported revenues of more than \$1 million and 11.4% did not report their revenues. Of all the businesses in the assessment area, 97.1% were businesses with less than fifty employees while 87.8% operated from a single location. The largest industries in the area were services (46.6%), followed by retail trade (16%) and construction (8.9%), while 6.5% of businesses in the assessment area were not classified.

According to the New York State Department of Labor, the average annual unemployment rate for New York State decreased during the evaluation period. Warren County's annual average unemployment rates were consistently higher than Saratoga County's and New York State's rates.

<b>Assessment Area Unemployment Rate</b>			
	Statewide	Saratoga	Warren
2016	4.8%	3.8%	5.2%
2017	4.7%	4.0%	5.3%
2018	4.2%	3.6%	4.8%
Average	4.6%	3.8%	5.1%

### **Community Information**

DFS contacted an organization that provides affordable housing for low- and moderate-income individuals and families. The organization provides housing for the elderly and persons with disabilities, and participates in programs that have long-term goals for affordable housing.

A representative of the organization indicated that affordable housing is a primary need and noted that the community is underserved by public transportation. The organization is expanding its affordable housing stock, homeownership programs; low-income housing tax credits ("LIHTC"); and Section 8 programs. Local financial institutions can participate by supporting these programs, intended to provide affordable housing, which is a necessity in the City of Saratoga. Although the organization is government funded, local financial institutions can actively participate, by making donations and providing financial support to the organization.

DFS also conducted an interview with a representative from a community development organization whose primary goal is to strengthen the community and improve the conditions in which low-income individuals live. The organization has programs that address various challenges low-income families face, including hunger,



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housing, childcare, and language barriers. The organization addresses the community needs by providing services that include, health and mental health services, education, nutrition, an emergency food pantry, legal, and immigration services.

According to the representative, there is a growing immigrant population in Saratoga County. The organization has an English as a second language program. It also offers services designed to help those who face legal and immigration issues. The representative indicated that food security was also a significant need and that financial institutions could help meet this and other needs through increased donations.

Both representatives indicated that a lack of public transportation which makes it difficult for low- and moderate-income individuals and families to obtain access to banking and credit services and job opportunities. The representatives cited ATC as being visible and active in the community, and that the Bank has provided monetary assistance through its foundation. The organization seeks continued participation from local financial institutions to help assist in its mission of helping low-income individuals and families achieve self-sufficiency.

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## **PERFORMANCE STANDARDS AND ASSESSMENT FACTORS**

*The Department evaluated ATC 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. ATC 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, compiled by the FFIEC from Call Report data.

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, and DFS used this information even where the institution's assessment area includes partial counties.

The assessment period included calendar years 2016, 2017 and 2018 for the lending test. The community development test included the last two quarters of 2016 and calendar years 2017 and 2018.

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

At its prior Performance Evaluation as of June 30, 2016, DFS assigned ATC a rating of “2,” reflecting a “Satisfactory” record of helping to meet the credit needs of ATC’s community.

**Current CRA Rating: Satisfactory**

**Lending Test:** Satisfactory

ATC’s small business and HMDA-reportable lending activities were reasonable in light of ATC’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

ATC’s average LTD ratio was reasonable considering its size, business strategy, financial condition and peer group activity.

For this evaluation period, ATC’s average LTD ratio was 71.8% which was below its peer group’s average of 85.4%. The Bank’s average LTD ratio is impacted by the Bank’s business strategy of selling a major portion of its HMDA-reportable loans in the secondary market.

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

<b>Loan-to-Deposit Ratios</b>											
	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3	2018 Q4	Avg.
Bank	69.8	72.8	72.2	74.0	72.4	68.3	67.2	74.7	70.5	74.8	71.8
Peer	83.8	83.5	83.1	84.7	85.2	85.0	85.0	86.7	86.8	86.9	85.4

**Assessment Area Concentration:** Satisfactory

During the evaluation period, ATC originated 82.2% 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 is a reasonable concentration of lending.

**HMDA-Reportable Loans:**

During the evaluation period, ATC originated 83.9% by number and 86.1% by dollar value

of its HMDA-reportable loans within the assessment area. This majority of lending inside the assessment area reflects a reasonable concentration of lending within ATC's assessment area.

**Small Business Loans:**

During the evaluation period, ATC originated 81% by number and 72.8% by dollar value of its small business loans within the assessment area. This majority of lending inside the assessment area reflects a reasonable concentration of lending within ATC's assessment area.

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

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Loans in Dollars (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
<b>HMDA-Reportable</b>										
2016	206	84.8%	37	15.2%	243	48,356	83.0%	9,912	17.0%	58,268
2017	142	85.5%	24	14.5%	166	31,374	86.6%	4,859	13.4%	36,233
2018	189	81.8%	42	18.2%	231	66,770	88.4%	8,792	11.6%	75,562
Subtotal	537	83.9%	103	16.1%	640	146,500	86.1%	23,563	13.9%	170,063
<b>Small Business</b>										
2016	247	85.2%	43	14.8%	290	28,709	81.5%	6,534	18.5%	35,243
2017	244	82.4%	52	17.6%	296	32,415	71.3%	13,052	28.7%	45,467
2018	221	75.4%	72	24.6%	293	30,483	67.5%	14,692	32.5%	45,175
Subtotal	712	81.0%	167	19.0%	879	91,607	72.8%	34,278	27.2%	125,885
Grand Total	1,249	82.2%	270	17.8%	1,519	238,107	80.5%	57,841	19.5%	295,948

**Distribution by Borrower Characteristics: Satisfactory**

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

ATC's HMDA-reportable average rates of lending to LMI borrowers were below its aggregate's average rates. However, ATC's small business average rates of lending to businesses with gross annual revenues of \$1 million or less outperformed its aggregate's rates.

**HMDA-Reportable Loans:**

ATC's HMDA-reportable lending demonstrated a less than adequate distribution of loans among borrowers of different income levels.

During the evaluation period, ATC's average rate of lending to LMI borrowers was 15.7% by number and 13.1% by dollar value of loans. This level of lending was lower than the aggregate's average rates of 25.8% and 15.9%, respectively. Additionally, the Bank's LMI lending rates were lower than the assessment area's residential demographics, which indicated that 35.4% of families in the assessment area were LMI in 2018.

The following table provides a summary of the distribution of ATC's 1-4 family loans by borrower income.

<b>Distribution of 1-4 Family Loans by Borrower Income</b>									
<b>2016</b>									
<b>Borrower Income</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Fam.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	6	2.9%	1,616	3.4%	211	4.5%	22,138	2.2%	17.4%
Moderate	25	12.2%	6,885	14.3%	891	19.0%	137,464	13.6%	18.4%
LMI	31	15.1%	8,501	17.6%	1,102	23.5%	159,602	15.8%	35.8%
Middle	38	18.5%	7,873	16.3%	1,163	24.8%	213,882	21.1%	22.4%
Upper	115	56.1%	26,180	54.3%	2,179	46.5%	580,130	57.3%	41.8%
Unknown	21	10.2%	5,627	11.7%	243	5.2%	59,678	5.9%	0.0%
<b>Total</b>	<b>205</b>		<b>48,181</b>		<b>4,687</b>		<b>1,013,292</b>		
<b>2017</b>									
<b>Borrower Income</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Fam.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	6	4.2%	566	1.8%	235	5.7%	25,266	2.8%	17.7%
Moderate	16	11.3%	2,670	8.5%	789	19.1%	123,682	13.6%	17.7%
LMI	22	15.5%	3,236	10.3%	1,024	24.7%	148,948	16.4%	35.4%
Middle	25	17.6%	3,774	12.0%	1,066	25.7%	201,339	22.1%	22.4%
Upper	90	63.4%	23,751	75.7%	1,893	45.7%	516,069	56.7%	42.2%
Unknown	5	3.5%	613	2.0%	157	3.8%	43,925	4.8%	0.0%
<b>Total</b>	<b>142</b>		<b>31,374</b>		<b>4,140</b>		<b>910,281</b>		
<b>2018</b>									
<b>Borrower Income</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Fam.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	9	5.0%	1,234	3.4%	355	7.0%	35,275	3.2%	17.7%
Moderate	21	11.6%	2,195	6.1%	1,009	19.9%	137,715	12.5%	17.7%
LMI	30	16.6%	3,429	9.6%	1,364	27.0%	172,990	15.7%	35.4%
Middle	33	18.2%	5,216	14.5%	1,335	26.4%	222,555	20.3%	22.4%
Upper	93	51.4%	22,686	63.2%	2,198	43.4%	523,890	47.7%	42.2%
Unknown	25	13.8%	4,548	12.7%	164	3.2%	178,960	16.3%	0.0%
<b>Total</b>	<b>181</b>		<b>35,879</b>		<b>5,061</b>		<b>1,098,395</b>		
<b>GRAND TOTAL</b>									
<b>Borrower Income</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Fam.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	21	4.0%	3,416	3.0%	446	3.3%	82,679	2.7%	
Moderate	62	11.7%	11,750	10.2%	2,689	19.9%	398,861	13.2%	
LMI	83	15.7%	15,166	13.1%	3,490	25.8%	481,540	15.9%	
Middle	96	18.2%	16,863	14.6%	3,564	26.3%	637,776	21.1%	
Upper	298	56.4%	72,617	62.9%	6,270	46.3%	1,620,089	53.6%	
Unknown	51	9.7%	10,788	9.3%	564	4.2%	282,563	9.4%	
<b>Total</b>	<b>528</b>		<b>115,434</b>		<b>13,533</b>		<b>3,021,968</b>		

Small Business Loans:

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

During the evaluation period, ATC's average rate of lending to businesses with gross annual revenue of \$1 million or less was 56.5% by number and 51.1% by dollar value.

ATC's average rate of lending outperformed the aggregate's average rate of 31.1% by number and 30.2% by dollar value of loans. ATC's rates of lending to small businesses during the entire evaluation period were considerably higher than the aggregate's rates; a trend that continued from prior evaluation periods. ATC's rates of lending to small businesses have historically exceeded the aggregate's rates.

Both the Bank's and the aggregate's rates of lending were lower than the assessment area's businesses demographics, which indicated that more than 82% of businesses in the assessment area had gross annual revenues of \$1 million or less.

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

<b>Distribution of Small Business Lending by Revenue Size of Business</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	144	58.3%	13,597	47.4%	1,420	46.8%	38,767	31.0%	82.7%
Rev. > \$1MM	73	29.6%	13,056	45.5%					5.7%
Rev. Unknown	30	12.1%	2,056	7.2%					11.5%
<b>Total</b>	<b>247</b>		<b>28,709</b>		<b>3,033</b>		<b>124,891</b>		
<b>2017</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	139	57.0%	17,588	54.3%	1,543	48.6%	40,373	30.0%	82.8%
Rev. > \$1MM	77	31.6%	11,457	35.3%					5.8%
Rev. Unknown	28	11.5%	3,370	10.4%					11.4%
<b>Total</b>	<b>244</b>		<b>32,415</b>		<b>3,178</b>		<b>134,585</b>		
<b>2018</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	119	53.8%	15,636	51.3%	1,507	45.3%	35,309	29.6%	82.8%
Rev. > \$1MM	61	27.6%	10,203	33.5%					5.8%
Rev. Unknown	41	18.6%	4,644	15.2%					11.4%
<b>Total</b>	<b>221</b>		<b>30,483</b>		<b>3,328</b>		<b>119,241</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	402	56.5%	46,821	51.1%	2,963	31.1%	114,449	30.2%	
Rev. > \$1MM	211	29.6%	34,716	37.9%	-				
Rev. Unknown	99	13.9%	10,070	11.0%	0				
<b>Total</b>	<b>712</b>		<b>91,607</b>						

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Geographic Distribution of Loans: Satisfactory

ATC's origination of loans in census tracts of varying income levels demonstrated a reasonable distribution of lending. The Bank's assessment area contains no low-income census tracts.

HMDA-Reportable Loans:

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

Overall, ATC's average rate of lending in moderate-income census tracts during the evaluation period was 4.5% by number and 2.4% by dollar value, which was an improvement from the rate of lending by number (2.5%) and by dollar value (1.6%) during the Bank's prior evaluation period. However, ATC's rate of lending in moderate-income census tracts was less than the aggregate's average rates of 6.6% and 4.1%, respectively. Both the Bank's and the aggregate's distribution of loans in moderate-income census tracts were below the demographic percentage for owner-occupied housing units in that census tract category.

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

<b>Distribution of HMDA-Reportable Lending by Geographic Income of the Census Tract</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	3.9%	939	1.9%	250	5.2%	34,709	3.2%	6.9%
LMI	8	3.9%	939	1.9%	250	5.2%	34,709	3.2%	6.9%
Middle	129	62.6%	29,519	61.0%	3,487	72.6%	761,317	71.0%	71.1%
Upper	69	33.5%	17,898	37.0%	1,068	22.2%	276,241	25.8%	22.0%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
<b>Total</b>	<b>206</b>		<b>48,356</b>		<b>4,805</b>		<b>1,072,267</b>		
<b>2017</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	6	4.2%	1,036	3.3%	323	7.5%	46,528	4.4%	8.3%
LMI	6	4.2%	1,036	3.3%	323	7.5%	46,528	4.4%	8.3%
Middle	95	66.9%	19,025	60.6%	3,290	76.8%	753,255	71.5%	75.8%
Upper	41	28.9%	11,313	36.1%	672	15.7%	253,984	24.1%	15.9%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
<b>Total</b>	<b>142</b>		<b>31,374</b>		<b>4,285</b>		<b>1,053,767</b>		
<b>2018</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	10	5.3%	1,557	2.3%	354	7.0%	51,950	4.7%	8.3%
LMI	10	5.3%	1,557	2.3%	354	7.0%	51,950	4.7%	8.3%
Middle	134	70.9%	50,266	75.3%	3,854	76.2%	841,490	76.6%	75.8%
Upper	45	23.8%	14,947	22.4%	853	16.9%	204,955	18.7%	15.9%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
<b>Total</b>	<b>189</b>		<b>66,770</b>		<b>5,061</b>		<b>1,098,395</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	24	4.5%	3,532	2.4%	927	6.6%	133,187	4.1%	
LMI	24	4.5%	3,532	2.4%	927	6.6%	133,187	4.1%	
Middle	358	66.7%	98,810	67.4%	10,631	75.1%	2,356,062	73.1%	
Upper	155	28.9%	44,158	30.1%	2,593	18.3%	735,180	22.8%	
Unknown	0	0.0%	0	0.0%		0.0%		0.0%	
<b>Total</b>	<b>537</b>		<b>146,500</b>		<b>14,151</b>		<b>3,224,429</b>		



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*Small Business Loans:*

The distribution of ATC's small business loans among census tracts of varying income levels was reasonable.

In 2016, ATC's rate of lending underperformed the aggregate by number and dollar value of loans. However, in 2017, the Bank's rate of lending by number and dollar value of loans outperformed the aggregate's rate of lending. This was the result of ATC making more loans in moderate-income geographies in 2017, in spite of originating fewer loans during that year.

Overall, ATC's average rate of lending in LMI geographies during the evaluation period was 8% by number and 5.7% by dollar value. These rates were slightly lower than the aggregate's rates of 8.3% and 8%, respectively, and slightly lower than the demographic percentage of small businesses in moderate-income census tracts within the assessment area.

The following table provides a summary of the distribution of ATC'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>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	13	5.3%	1,277	4.4%	244	8.0%	11,580	9.3%	8.2%
LMI	13	5.3%	1,277	4.4%	244	8.0%	11,580	9.3%	8.2%
Middle	180	72.9%	21,429	74.6%	2,142	70.6%	87,608	70.1%	72.7%
Upper	54	21.9%	6,003	20.9%	647	21.3%	25,703	20.6%	19.5%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
<b>Total</b>	<b>247</b>		<b>28,709</b>		<b>3,033</b>		<b>124,891</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	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	27	11.1%	2,801	8.6%	285	9.0%	8,858	6.6%	9.9%
LMI	27	11.1%	2,801	8.6%	285	9.0%	8,858	6.6%	9.9%
Middle	147	60.2%	19,213	59.3%	2,156	67.8%	86,176	64.0%	70.5%
Upper	70	28.7%	10,401	32.1%	737	23.2%	39,551	29.4%	19.6%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
<b>Total</b>	<b>244</b>		<b>32,415</b>		<b>3,178</b>		<b>134,585</b>		
<b>2018</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	17	7.7%	1,105	3.6%	266	8.0%	9,697	8.1%	9.9%
LMI	17	7.7%	1,105	3.6%	266	8.0%	9,697	8.1%	9.9%
Middle	132	59.7%	21,298	69.9%	2,294	68.9%	77,897	65.2%	70.5%
Upper	72	32.6%	8,080	26.5%	768	23.1%	31,849	26.7%	19.6%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
<b>Total</b>	<b>221</b>		<b>30,483</b>		<b>3,328</b>		<b>119,443</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	57	8.0%	5,183	5.7%	795	8.3%	30,135	8.0%	
LMI	57	8.0%	5,183	5.7%	795	8.3%	30,135	8.0%	
Middle	459	64.5%	61,940	67.6%	6,592	69.1%	251,681	66.4%	
Upper	196	27.5%	24,484	26.7%	2,152	22.6%	97,103	25.6%	
Unknown	0	0.0%	0	0.0%	-	0.0%	-	0.0%	
<b>Total</b>	<b>712</b>		<b>91,607</b>		<b>9,539</b>		<b>378,919</b>		

**Action Taken in Response to Written Complaints with Respect to CRA: "Not Rated"**

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

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**Community Development Test:** Satisfactory

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

During the evaluation period, ATC originated \$15.1 million in new community development loans, and made \$1.2 million in new qualified investments. Additionally, ATC made \$334,037 in community development grants during the period.

**Community Development Lending:** Outstanding

During the evaluation period, ATC originated \$15.1 million in new community development loans, and had \$16.5 million outstanding from prior evaluation periods. This demonstrated an excellent level of community development lending over the course of the evaluation period.

ATC's community development loans supported affordable housing, community services, and revitalization and stabilization initiatives.

<b>Community Development Loans</b>				
Purpose	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Loans	\$000	# of Loans	\$000
Affordable Housing	4	3,304	16	6,339
Economic Development				
Community Services	5	5,186	13	8,954
Revitalize/Stabilize	6	6,658	7	1,204
<b>Total</b>	<b>15</b>	<b>15,148</b>	<b>36</b>	<b>16,497</b>

Below are highlights of ATC's community development lending.

- In 2017, ATC originated a \$2.2 million term loan for a local federally funded New York State-chartered government housing agency. The purpose of the agency is to provide housing for LMI individuals and families. Funds were used to finance the installation and upgrade of energy efficient equipment in two affordable housing apartment complexes within the assessment area.
- In 2018, the Bank extended a \$5 million term loan to a local hospital, one of the largest employers in the region. Funds were used to purchase various equipment and furnishings for the community health center, which provides medical and health services regardless of income.

- ATC extended a \$3.5 million term-loan to fund the purchase of a mixed-use property located in a moderate-income census tract, supporting a city’s downtown revitalization program.

**Qualified Investments: Needs to Improve**

During the evaluation period, ATC made \$1.2 million in new qualified investments and had \$633,800 outstanding from prior evaluation periods. In addition, ATC made \$334,037 in community development grants.

ATC’s qualified community development investments of \$1.8 million reflected a decline of 64.7% from the \$5.1 million of investments in the prior evaluation period. Grant activities also decreased by 17.7%, from \$405,957 in the prior evaluation period to \$334,037 in this evaluation period. During the last two evaluation periods, new qualified investments have decreased by 74.6% while the Bank’s asset size increased by 8.3%

Community Development Investments and Grants				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Inv.	\$000	# of Inv.	\$000
CD Investments				
Affordable Housing				
Economic Development				
Community Services	1	1,165		
Revitalization/Stabilization			2	633
<b>Total</b>	<b>1</b>	<b>1,165</b>	<b>2</b>	<b>633</b>
CD Grants	# of Grants	\$000	Not Applicable	
Affordable Housing	8	9		
Economic Development	2	2		
Community Services	193	295		
Revitalization/Stabilization	8	28		
<b>Total</b>	<b>211</b>	<b>334</b>		

Below is a highlight of ATC’s community development investments.

In 2017, ATC invested \$1.2 million in a municipal bond issued by the City of Saratoga Springs. Funds were used for the acquisition of land for a park and agriculture project which is part of the city’s comprehensive plan to promote agriculture as a primary means to expand the local economy. The project has built an Agriculture Resource Center, provided for farmland as well as recreational land, and various community programs. One farm program is “Food for Our Community” which donates food to local food pantries.

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Below are highlights of ATC's community development grants:

- ATC made donations totaling more than \$28,000 to a nonprofit organization that provides free home renovation services to low-income families, elderly couples, and the disabled. The organization participates in rehabilitation and revitalization projects, and has programs designed to provide a safe and healthy living environment.
- ATC made donations totaling \$3,935 to a community social services organization whose services and programs focus on families with children, children with disabilities, seniors, homelessness, poverty and other issues facing society.
- During the evaluation period, ATC made donations of \$1,500 to a nonprofit organization that serves the credit needs of entrepreneurs, small businesses, and community development organizations. The organization provides low-cost, flexible loans that help assist in projects such as, affordable housing, economic development, and community revitalization.

#### Community Development Services: Outstanding

ATC demonstrated an excellent level of community development services over the course of the evaluation period.

During the evaluation period, members of Bank management and other employees were very active in their communities, involved in over 150 qualified community development services activities.

Below are highlights of ATC's community development services:

- The Bank's president and CEO is a board member of a county level designated economic development organization, which assists the public and private sectors to achieve success for its businesses and residents. The organization's focus is business retention, expansion, and attraction, by providing delivery of economic development and workforce development assistance to businesses in Saratoga County.
- A Bank vice president served as a board member of a nonprofit organization providing basic necessities and services to LMI individuals and families in the community. The entity's programs include affordable housing, food pantry, free clothing and furniture distribution, and an after-school youth prevention program.
- An ATC board member has held board and committee memberships at various nonprofit healthcare organizations in the assessment area, as well as a membership in the fundraising committee of a local nonprofit dedicated to supporting individuals with multiple medical challenges and disabilities.

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### **Innovativeness of Community Development Investments:**

ATC did not use innovative investments to support community development.

### **Responsiveness to Community Development Needs:**

ATC demonstrated a reasonable level of responsiveness to credit and community development needs through its varied community development lending that supported community services, affordable housing, and revitalization and stabilization of its communities.

### **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.**

The board of directors and Bank officers actively participate in CRA-related activities. They meet regularly to discuss topics such as management and policy issues, current and new lending activities, and other CRA-related issues. The board monitors ATC's CRA performance through its CRA committee, which consists of key employees from various business lines within the Bank. The CRA committee meets annually to discuss CRA policies and procedures, which are reviewed and approved annually by the board of directors.

#### **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 evidence of practices by the Bank intended to discourage applications for the types of credit offered by ATC.

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

On June 24, 2021, DFS and ATC entered into a Consent Order to resolve an investigation conducted by the Department into ATC's underwriting and pricing of automobile loans arranged by automobile dealers during the time period of January 1, 2016 through October 31, 2017.

The Department's investigation identified statistically significant disparities in interest rates charged to borrowers in the protected classes of race and ethnicity when compared to non-Hispanic white borrowers. The Department found that these statistically significant disparities were a result of the Bank's policy of permitting its contracted automobile dealers to mark-up consumers' interest rates

above the Bank’s minimum applicable risk-based interest rate, known as the “buy rate”.

The Department found that ATC’s policy permitting its contracted automobile dealers to mark up the affected consumers’ interest rates without regard to objective, credit-related factors resulted in a disparate impact on the basis of race or ethnicity, in violation of New York Executive Law Section 296-a. The Department did not find evidence of intentional discrimination.

Pursuant to the terms of the Consent Order, ATC has agreed to provide restitution to Eligible Impacted Borrowers and to pay to the Department a fine of \$275,000.

For additional information, refer to the Consent Order, which may be found on the Department’s web site at: [https://www.dfs.ny.gov/system/files/documents/2021/06/ea20210624\\_adirondack.pdf](https://www.dfs.ny.gov/system/files/documents/2021/06/ea20210624_adirondack.pdf)

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

On May 1, 2017, ATC opened a new branch at 51 Luther Forest Boulevard, Mechanicville, NY, a middle-income census tract in Saratoga County. ATC did not close any branch office during the evaluation period.

Branch hours are Monday through Wednesday from 9:00 AM to 3:00 PM, with extended hours on Thursday and Friday until 6:00 PM. Most of the branch offices offer drive-thru services, which customers can access from 8:00 AM until normal closing hours. In addition, all, but three branch offices, offer Saturday hours from 9:00 AM to 1:00 PM.

ATC operates 16 automated teller machines (“ATMs”) at its 13 banking offices. In addition, ATC has 15 offsite ATMs at various locations. Through its online banking service, customers have access to a full line of banking products 24 hours a day. Almost all banking services can be accessed using a personal computer, tablet or smartphone. Existing customers are able to open new accounts using the Bank’s online service, and new customers can open new accounts via the Bank’s official website. Access to accounts is also provided nationally to customers through the NYCE and PLUS networks.

Distribution of Branches within the Assessment Area							
County	N/A #	Low #	Moderate #	Middle #	Upper #	Total #	LMI %
*Saratoga				9	2	11	0%
*Warren				2		2	0%
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11</b>	<b>2</b>	<b>13</b>	<b>0%</b>

\*Partial County

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## Process Factors

- Activities conducted by the banking institution to ascertain the credit needs of its community, including the extent of the banking institution's efforts to communicate with members of its community regarding the credit services being provided by the banking institution.

ATC ascertains the credit needs of its community through community development activities and involvement with community development organizations. Bank officers meet with municipal officials, civic, religious, minority, and not-for-profit organizations in an effort to ascertain the credit needs of its communities. In addition, Bank personnel provide volunteer assistance and financial expertise to a variety of organizations. The Bank offers products and loan programs that are designed to meet the credit needs of LMI individuals and small businesses, including women-owned businesses.

- 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

ATC markets its products and services in local newspapers, magazines, local radio stations, its website, as well as other business and professional association websites. The Bank offers special credit-related programs such as FNMA Home Ready, Business Banking Solutions, Small Business Administration loans, and the New York State Excelsior Linked Deposit Loan Program. The Bank's participation in these programs helps small business borrowers obtain credit and improve competitiveness or productivity.

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

- The Bank has established the Adirondack Trust Company Community Fund, an independent nonprofit charitable organization that provides financial support to other nonprofit and charitable organizations. The Bank serves as the trustee and administrator of the Fund, which has an independent advisory committee comprised of individuals from the community.
- ATC offers a free student checking account with the purpose of helping students develop money management skills and reach their financial goals.
- In 2017, ATC participated in the American Bankers Association's Teach Children to Save Day by teaching children fun ways of saving money. The Bank provided financial education coloring books to the children and invited them to visit any branch while their parents conducted banking transactions.



## 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 2010 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.