



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

One State Street
New York, NY 10004

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: December 31, 2018

Institution: Bank of Millbrook
3263 Franklin Avenue
Millbrook, NY 12545

Note: This evaluation is not an assessment of the financial condition of this institution. The rating assigned does not represent an analysis, conclusion or opinion of the New York State Department of Financial Services concerning the safety and soundness of this financial institution.

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GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of Bank of Millbrook (“BOM” 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 institutions’ 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.

OVERVIEW OF INSTITUTION'S PERFORMANCE

The Department evaluated BOM according to the small banking institution performance standards pursuant to Sections 76.7 and 76.12 of the GRS. The assessment period included calendar years 2015, 2016, 2017 and 2018. BOM is rated "**Satisfactory**" or "**2**". This rating means BOM had a satisfactory record of helping to meet community credit needs.

The rating is based on the following factors:

Lending Test: Satisfactory

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

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

BOM's average LTD ratio of 49.8% for the evaluation period was lower than the peer group's average of 78.5%. The Bank's low LTD ratio was primarily due to the Bank's level of municipal deposits, which are not available for lending, and strong competition from larger financial institutions in the assessment area. Another factor for the Bank's low LTD ratio was that BOM did not offer a residential mortgage product with a 30-year fixed term.

Assessment Area Concentration: "Outstanding"

During the evaluation period, BOM originated 89.3% by number and 87.5% by dollar value of its total HMDA-reportable, small business and consumer loans within the assessment area. This substantial majority of lending inside of its assessment area reflects an excellent concentration of lending.

Distribution by Borrower Characteristics: "Satisfactory"

BOM's HMDA-reportable, small business and consumer lending demonstrated a reasonable distribution of loans among individuals of different income levels and businesses of different revenue sizes. The rating reflects excellent distribution of small business and consumer loans among businesses of different revenue sizes and individuals of different income levels, while 1-4 family HMDA-reportable loan distribution by borrower income was less than adequate.

Geographic Distribution of Loans: "Satisfactory"

BOM's origination of HMDA-reportable, small business and consumer loans in census tracts of varying income levels demonstrated a reasonable distribution of lending.

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

Neither DFS nor BOM received any written complaints regarding BOM'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.

PERFORMANCE CONTEXT

Institution Profile

Chartered in 1891, BOM is a commercial bank headquartered in Millbrook, New York. The Bank is a wholly owned subsidiary of Millbrook Bank Systems Inc., a bank holding company.

BOM offers various deposit products and loan products for consumers and businesses. Deposit products include personal and business checking, savings, and money market accounts, as well as certificates of deposit and IRA accounts. Loan products include adjustable rate and 10- and 15-year fixed rate residential mortgage loans, and home equity loans for consumers, and commercial mortgage loans and working capital loans for businesses.

In its Consolidated Report of Condition (the "Call Report") as of December 31, 2018, filed with the Federal Deposit Insurance Corporation ("FDIC"), BOM reported total assets of \$218.7 million, of which \$95.3 million were net loans and lease financing receivables. It also reported total deposits of \$193.6 million, resulting in a loan-to-deposit ratio of 48.2%. According to the latest available comparative deposit data as of June 30, 2019, BOM had a market share of 2.5%, or \$194 million in a market of \$7.9 billion, ranking it 11th among 19 deposit-taking institutions in Dutchess and Columbia counties.

The following is a summary of the Bank's loan portfolio, based on Schedule RC-C of the Bank's December 31, 2015, 2016, 2017 and 2018 Call Reports.

TOTAL GROSS LOANS OUTSTANDING								
Loan Type	12/31/2015		12/31/2016		12/31/2017		12/31/2018	
	\$000's	%	\$000's	%	\$000's	%	\$000's	%
1-4 Family Res. Mort. Loans	56,281	55.2	54,324	55.1	52,463	55.2	52,194	54.8
Commercial & Industrial Loans	4,114	4.0	4,098	4.2	4,512	4.8	4,733	5.0
Commercial Mortgage Loans	28,744	28.2	27,442	27.8	24,037	25.3	23,050	24.2
Multifamily Mortgage Loans	0	0.0	0	0.0	1,531	1.6	1,349	1.4
Consumer Loans	4,864	4.8	4,909	5.0	3,957	4.2	4,119	4.3
Construction Loans	1,228	1.2	1,491	1.5	2,551	2.7	1,564	1.6
Secured Farmland Loans	5,581	5.5	5,627	5.7	5,405	5.7	7,706	8.1
Other Loans	1,066	1.0	787	0.8	526	0.6	558	0.6
Total Gross Loans	101,878	100.0	98,678	100.0	94,982	100.0	95,273	100.0

As illustrated in the above table, BOM is primarily a residential real estate lender, with 54.8% of its loan portfolio in one-to-four family residential mortgage loans as of December 31, 2018.

The Bank operates four banking offices in village of Millbrook, and the towns of Amenia, Pine Plains and Stanfordville, all in Dutchess County. The banking offices are supplemented by an automated teller machine ("ATM") network consisting of five

ATMs at the branch offices, and two ATMs in middle- and upper-income census tracts within the assessment area. The ATMs at the branch offices accept deposits.

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

Assessment Area

BOM's assessment area is comprised of the northeastern portion of Dutchess County and the southern portion of Columbia County. The Bank's assessment area, which has changed from the prior evaluation period, now includes portions of Columbia County because of its Pine Plains branch's proximity to the county's border.

There are 31 census tracts in the Bank's assessment area, of which five are moderate-income, 17 are middle-income, and nine are upper-income tracts. The Bank's assessment area has no low-income census tracts. These census tracts include three census tracts in Dutchess county that were previously classified as middle-income tracts and were reclassified in 2017 as moderate-income tracts.

Assessment Area Census Tracts by Income Level							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
Dutchess*			5	15	4	24	20.8
Columbia*				2	5	7	0.0
Total	0	0	5	17	9	31	16.1

* Partial county

Demographic & Economic Data

The assessment area had a population of 94,435 during the evaluation period. Approximately 17.8% of the population were over the age of 65 and 16.7% were under the age of 16.

Of the 24,268 families in the assessment area 18.8% were low-income, 18.2% were moderate-income, 22.4% were middle-income and 40.5% were upper-income. There were 35,906 households in the assessment area, of which 6.6% had income below the poverty level and 2.1% were on public assistance. The weighted average median family income in the assessment area was \$90,824.

There were 43,151 housing units within the assessment area, of which 88.9% were one-to-four family units and 5.2% were multifamily units. A majority (63%) of the area's housing units were owner-occupied, while 21.8% were rental units. Of the 27,191 owner-occupied housing units, 15.8% were in moderate-income census tracts while 84.2% were in middle- and upper-income census tracts. The median age of the housing stock was 48 years and the median home value in the assessment area was \$291,910.

There were 6,219 non-farm businesses in the assessment area. Of these, 87.9% were businesses with reported revenues of less than or equal to \$1 million, 4.2% reported revenues of more than \$1 million and 7.9% did not report their revenues. Of all the businesses in the assessment area, 98.1% were businesses with less than fifty employees while 92.1% operated from a single location. The largest industries in the area were services (41.2%), followed by retail trade (13.2%) and construction (10.3%), while 9.4% 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 steadily declined during the evaluation period, while Dutchess and Columbia counties unemployment rates declined each year except 2017. The unemployment rate for New York State during the evaluation period remained consistently above the rates for Dutchess and Columbia counties.

Assessment Area Unemployment Rate			
	Statewide	Dutchess	Columbia
2015	5.3	4.5	4.0
2016	4.9	4.2	3.7
2017	4.7	4.3	3.8
2018	4.1	3.7	3.3
4-Year Average	4.8	4.2	3.7

Community Information

Examiners conducted an interview with representatives of a community organization that offers housing assistance to LMI individuals and families such as foreclosure prevention counseling, transitional housing for the homeless and job training.

The representative noted that there is a sense of optimism regarding the overall economic condition for Dutchess County due to continued investments in the area. There are several employers providing job opportunities such as medical centers, educational facilities, and state and county governments. The representative identified affordable housing as a need for LMI individuals and families, as people are moving to Dutchess County to avoid the high taxes of neighboring counties. This is inflating housing prices in Dutchess County. They also noted the need for home counseling and financial education for LMI individuals and families and assistance from financial institutions for local small businesses especially in LMI communities.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

The Department evaluated BOM 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 BOM helps meet the credit needs of its entire community.

DFS derived statistics employed in this evaluation from various sources. BOM submitted bank-specific information both as part of the examination process and on its Call Report submitted to the FDIC. DFS obtained aggregate lending data from the Federal Financial Institutions Examination Council ("FFIEC") and deposit data from the FDIC. DFS obtained 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 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 BOM's assessment area includes only portions of Dutchess and Columbia counties.

The evaluation period included calendar years 2015, 2016, 2017 and 2018.

Examiners considered BOM's HMDA-reportable, small business, and consumer loans in evaluating factors (2), (3), and (4) of the lending test noted above. HMDA-reportable and small business loan data evaluated in this performance evaluation represented actual

originations. Consumer loan data evaluation was based on a random sample of 104 consumer loans. Aggregate consumer loan data are not available for comparative purposes.

BOM is not required to report small business loan data; as such, BOM's small business lending is not included in the aggregate data. The aggregate data are shown only for comparative purposes.

At its prior Performance Evaluation as of June 30, 2014, DFS assigned BOM a rating of "2," reflecting a "Satisfactory" record of helping to meet community credit needs.

Current CRA Rating: "Satisfactory"

Lending Test: "Satisfactory"

BOM's HMDA-reportable, small business and consumer 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"

BOM'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.

The Bank's average LTD ratio has been historically below the rates of its peers and this trend continued during the current evaluation period. BOM's average LTD ratio of 49.8% was below its peer group average of 78.5%. The Bank's ratio fluctuated from a high of 58.1% in the second quarter of 2015 to a low of 44.2% in the first quarter of 2018.

BOM's low LTD ratios were primarily due to municipal deposits held by the Bank, which are not available for lending, and strong competition from larger financial institutions. Another factor for the Bank's low LTD ratios is that the Bank does not offer a residential mortgage product with a 30-year fixed term.

The table below shows BOM's LTD ratios in comparison with the peer group's ratios for the years 2015, 2016, 2017, and 2018.

Loan-to-Deposit Ratios																	
	2015	2015	2015	2015	2016	2016	2016	2016	2017	2017	2017	2017	2018	2018	2018	2018	Avg.
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Bank	52.8	58.1	53.9	54.7	50.7	51.9	47.3	51.7	48.7	51.4	45.7	45.4	44.2	46.8	45.4	48.2	49.8
Peer	74.5	75.9	76.4	76.8	76.5	78.0	78.2	78.5	77.8	79.5	80.0	80.0	79.7	81.0	81.7	81.4	78.5

Assessment Area Concentration: “Outstanding”

During the evaluation period, BOM originated 87.3% by number and 87.2% by dollar value of its total HMDA-reportable, small business and consumer loans within the assessment area. This substantial majority of lending inside of its assessment area reflects an excellent concentration of lending.

HMDA-Reportable Loans

BOM originated 90.9% by number and 87.4% by dollar value of its HMDA-reportable loans within the assessment area. This substantial majority of lending inside of its assessment area reflects an excellent concentration of lending.

Small Business Loans

BOM originated 83.1% by number and 86.5% 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.

Consumer Loans

BOM originated 90.4% by number and 88.1% by dollar value of its consumer loans within the assessment area. This substantial majority of lending inside of its assessment area reflects an excellent concentration of lending.

The following table shows the percentages of BOM's HMDA-reportable, small business and consumer 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										
2015	18	72.0%	7	28.0%	25	4,522	59.7%	3,049	40.3%	7,571
2016	31	96.9%	1	3.1%	32	4,797	96.5%	175	3.5%	4,972
2017	29	96.7%	1	3.3%	30	4,716	97.6%	115	2.4%	4,831
2018	32	94.1%	2	5.9%	34	10,827	97.8%	240	2.2%	11,067
Subtotal	110	90.9%	11	9.1%	121	24,862	87.4%	3,579	12.6%	28,441
Small Business										
2015	30	75.0%	10	25.0%	40	4,249	83.8%	821	16.2%	5,070
2016	41	87.2%	6	12.8%	47	2,753	82.3%	592	17.7%	3,345
2017	42	84.0%	8	16.0%	50	3,225	91.3%	309	8.7%	3,534
2018	35	85.4%	6	14.6%	41	2,171	91.3%	207	8.7%	2,378
Subtotal	148	83.1%	30	16.9%	178	12,398	86.5%	1,929	13.5%	14,327
Consumer*										
2015	28	87.5%	4	12.5%	32	765	95.3%	38	4.7%	803
2016	23	88.5%	3	11.5%	26	435	78.7%	118	21.3%	553
2017	24	92.3%	2	7.7%	26	782	83.8%	151	16.2%	933
2018	19	95.0%	1	5.0%	20	310	99.0%	3	1.0%	313
Subtotal	94	90.4%	10	9.6%	104	2,292	88.1%	310	11.9%	2,602
Grand Total	352	87.3%	51	12.7%	403	39,552	87.2%	5,818	12.8%	45,370

* For consumer lending, DFS analyzed a sample of 32 loans in 2015, 26 loans in 2016, 26 loans in 2017 and 20 loans in 2018. DFS based its analysis of HMDA-reportable and small business lending on actual loans.

Distribution by Borrower Characteristics: “Satisfactory”

BOM’s 1-4 family HMDA-reportable, small business and consumer lending demonstrated a reasonable distribution of loans. The rating reflects excellent distribution of small business and consumer loans among businesses of different revenue sizes and individuals of different income levels, while 1-4 family HMDA-reportable loan distribution was less than adequate.

HMDA-Reportable 1-4 Family Mortgage Loans

BOM’s HMDA-reportable 1-4 family lending demonstrated a less than adequate distribution of loans among individuals of different income levels.

During the evaluation period, the Bank originated 15.1% by number and 6.9% by dollar value of its one-to-four family loans to LMI borrowers, well below the aggregate’s rates of 24.7% and 15.9%, respectively. In addition, the Bank’s annual rates of lending to LMI borrowers trailed the aggregate’s rates by number and dollar value for each year of the evaluation period.

BOM's rates of lending to LMI borrowers were also well below the average LMI family demographics (35%) in the assessment area.

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

Distribution of 1-4 Family Loans by Borrower Income									
2015									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	1	5.6%	110	2.4%	89	6.7%	9,983	3.0%	16.3%
Moderate	2	11.1%	344	7.6%	264	19.8%	43,388	13.1%	18.7%
LMI	3	16.7%	454	10.0%	353	26.4%	53,371	16.2%	35.0%
Middle	3	16.7%	805	17.8%	330	24.7%	65,073	19.7%	24.7%
Upper	9	50.0%	2,327	51.5%	584	43.7%	193,938	58.7%	40.4%
Unknown	3	16.7%	936	20.7%	68	5.1%	17,823	5.4%	
Total	18		4,522		1,335		330,205		
2016									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	77	5.0%	9,935	2.7%	16.3%
Moderate	3	10.3%	377	8.0%	296	19.1%	50,516	13.5%	18.7%
LMI	3	10.3%	377	8.0%	373	24.1%	60,451	16.2%	35.0%
Middle	5	17.2%	356	7.6%	396	25.6%	78,162	20.9%	24.7%
Upper	18	62.1%	3,685	78.6%	713	46.1%	216,935	58.1%	40.4%
Unknown	3	10.3%	268	5.7%	65	4.2%	17,683	4.7%	
Total	29		4,686		1,547		373,231		
2017									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	3	11.1%	119	2.6%	79	5.4%	8,188	2.3%	18.8%
Moderate	3	11.1%	403	8.7%	274	18.6%	47,469	13.1%	18.2%
LMI	6	22.2%	522	11.3%	353	23.9%	55,657	15.4%	37.0%
Middle	11	40.7%	1,567	33.8%	409	27.7%	83,750	23.2%	22.4%
Upper	10	37.0%	2,542	54.9%	671	45.5%	210,403	58.2%	40.5%
Unknown		0.0%		0.0%	42	2.8%	11,570	3.2%	
Total	27		4,631		1,475		361,380		
2018									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	2	6.3%	91	0.8%	111	6.0%	13,575	3.2%	18.8%
Moderate	2	6.3%	261	2.4%	337	18.4%	54,765	12.7%	18.2%
LMI	4	12.5%	352	3.3%	448	24.4%	68,340	15.9%	37.0%
Middle	7	21.9%	1,197	11.1%	478	26.0%	88,390	20.6%	22.4%
Upper	16	50.0%	6,246	57.7%	865	47.1%	259,205	60.3%	40.5%
Unknown	5	15.6%	3,032	28.0%	44	2.4%	13,750	3.2%	
Total	32		10,827		1,835		429,685		
GRAND TOTAL									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	6	5.7%	320	1.3%		5.7%		2.8%	
Moderate	10	9.4%	1,385	5.6%		18.9%		13.1%	
LMI	16	15.1%	1,705	6.9%	1,627	24.7%	237,815	15.9%	
Middle	26	24.5%	3,925	15.9%		26.0%		21.1%	
Upper	53	50.0%	14,800	60.0%		45.8%		58.9%	
Unknown	11	10.4%	4,236	17.2%		3.5%		4.1%	
Total	106		24,666						

Small Business Loans

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

The Bank's average rates of lending to small businesses with revenues of \$1 million or less were 77% by number and 54.8% by dollar value of loans, which exceeded the aggregate's rates of 51.1% and 38%, respectively. Furthermore, BOM's annual rates of lending exceeded the aggregate's rates each year of the evaluation period.

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

Distribution of Small Business Lending by Revenue Size of Business									
2015									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	18	60.0%	1,780	41.9%	893	52.7%	20,666	40.5%	82.9%
Rev. > \$1MM	12	40.0%	2,469	58.1%					3.9%
Rev. Unknown		0.0%		0.0%					13.3%
Total	30		4,249		1,694		50,984		
2016									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	35	85.4%	1,648	59.9%	968	51.8%	17,001	32.1%	87.7%
Rev. > \$1MM	6	14.6%	1,105	40.1%					4.3%
Rev. Unknown		0.0%		0.0%					8.0%
Total	41		2,753		1,867		52,996		
2017									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	34	81.0%	1,803	55.9%	977	52.1%	24,097	41.9%	87.7%
Rev. > \$1MM	8	19.0%	1,422	44.1%					4.2%
Rev. Unknown		0.0%		0.0%					8.1%
Total	42		3,225		1,874		57,466		
2018									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	27	77.1%	1,566	72.1%	977	48.2%	21,503	37.4%	87.9%
Rev. > \$1MM	8	22.9%	605	27.9%					4.2%
Rev. Unknown		0.0%		0.0%					7.9%
Total	35		2,171		2,026		57,431		
GRAND TOTAL									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	114	77.0%	6,797	54.8%		51.1%		38.0%	
Rev. > \$1MM	34	23.0%	5,601	45.2%					
Rev. Unknown	-	0.0%	-	0.0%					
Total	148		12,398						

Consumer Loans

BOM's consumer lending demonstrated an excellent distribution of loans among borrowers of different income levels.

BOM's average rates of lending to LMI borrowers during the evaluation period of 58.5% by number and 38.8% by dollar value of consumer loans exceeded the percentage of LMI households living in the assessment area.

The following table provides a summary of the distribution of BOM's consumer loans by borrower income level.

Distribution of Consumer Lending by Borrower Income					
2015					
Borrower Income	Bank				HH Dem.
	#	%	\$000's	%	%
Low	6	21.4%	15	2.0%	20.5%
Moderate	5	17.9%	273	35.7%	15.6%
LMI	11	39.3%	288	37.6%	36.1%
Middle	8	28.6%	149	19.5%	21.1%
Upper	6	21.4%	225	29.4%	42.9%
Unknown	3	10.7%	103	13.5%	0.0%
Total	28		765		
2016					
Borrower Income	Bank				HH Dem.
	#	%	\$000's	%	%
Low	9	39.1%	140	32.2%	20.5%
Moderate	7	30.4%	93	21.4%	15.6%
LMI	16	69.6%	233	53.6%	36.1%
Middle	3	13.0%	23	5.3%	21.1%
Upper	4	17.4%	179	41.1%	42.9%
Unknown	0	0.0%	0	0.0%	0.0%
Total	23		435		
2017					
Borrower Income	Bank				HH Dem.
	#	%	\$000's	%	%
Low	11	45.8%	88	11.3%	22.1%
Moderate	6	25.0%	174	22.3%	17.2%
LMI	17	70.8%	262	33.5%	39.3%
Middle	3	12.5%	49	6.3%	18.4%
Upper	3	12.5%	61	7.8%	42.2%
Unknown	1	4.2%	410	52.4%	
Total	24		782		
2018					
Borrower Income	Bank				HH Dem.
	#	%	\$000's	%	%
Low	7	36.8%	40	12.9%	22.1%
Moderate	4	21.1%	67	21.6%	17.2%
LMI	11	57.9%	107	34.5%	39.3%
Middle	2	10.5%	54	17.4%	18.4%
Upper	4	21.1%	142	45.8%	42.2%
Unknown	2	10.5%	7	2.3%	
Total	19		310		
GRAND TOTAL					
Borrower Income	Bank				HH Dem.
	#	%	\$000's	%	%
Low	33	35.1%	283	12.3%	
Moderate	22	23.4%	607	26.5%	
LMI	55	58.5%	890	38.8%	
Middle	16	17.0%	275	12.0%	
Upper	17	18.1%	607	26.5%	
Unknown	6	6.4%	520	22.7%	
Total	94		2,292		

Geographic Distribution of Loans: “Satisfactory”

BOM’s origination of HMDA-reportable, small business and consumer loans in census tracts of varying income levels demonstrated a reasonable distribution of lending.

Due to the reclassification of two middle-income census tracts to moderate-income census tracts, in 2017, the number of moderate-income census tracts increased from three for years 2015 and 2016, to five for years 2017 and 2018. BOM’s assessment area does not have any low-income census tracts.

HMDA-Reportable Loans

The distribution of BOM’s HMDA-reportable loans among census tracts of varying income levels was reasonable.

As a result of the reclassification of census tracts noted above, the percentages of owner-occupied housing in moderate-income census tracts increased to 15.8% for 2017 and 2018 from 8.1% for 2015 and 2016.

BOM’s average rate of lending in moderate-income geographies of 12.7% by number of loans exceeded the aggregate’s rate of 10.4%, while the Bank’s rate of lending of 6% by dollar value of loans trailed the aggregate’s rate of 9.6%. BOM’s lending rates by number of loans in moderate-income census tracts exceeded the aggregate’s rates in 2015, 2016, and 2017, but by dollar value of loans the Bank’s rates trailed the aggregate’s rates in 2016, 2017 and 2018.

BOM’s rates of lending by number of loans in 2015, 2016 and 2017 exceeded the percentage of owner-occupied housing units located in moderate-income census tracts.

The following table provides a summary of the distribution of BOM’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									
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	2	11.1%	500	11.1%	98	7.2%	19,851	5.9%	8.1%
LMI	2	11.1%	500	11.1%	98	7.2%	19,851	5.9%	8.1%
Middle	15	83.3%	3,872	85.6%	886	65.4%	233,438	69.8%	66.2%
Upper	1	5.6%	150	3.3%	371	27.4%	80,921	24.2%	25.7%
Unknown		0.0%		0.0%		0.0%		0.0%	
Total	18		4,522		1,355		334,210		
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	5	16.1%	206	4.3%	104	6.7%	19,815	5.3%	8.1%
LMI	5	16.1%	206	4.3%	104	6.7%	19,815	5.3%	8.1%
Middle	23	74.2%	3,861	80.5%	976	62.5%	242,184	64.7%	66.2%
Upper	3	9.7%	730	15.2%	482	30.9%	112,184	30.0%	25.7%
Unknown		0.0%		0.0%		0.0%		0.0%	
Total	31		4,797		1,562		374,183		
2017									
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	17.2%	429	9.1%	208	13.9%	41,455	11.4%	15.8%
LMI	5	17.2%	429	9.1%	208	13.9%	41,455	11.4%	15.8%
Middle	22	75.9%	3,822	81.0%	878	58.6%	223,186	61.4%	57.1%
Upper	2	6.9%	465	9.9%	412	27.5%	98,939	27.2%	27.1%
Unknown		0.0%		0.0%		0.0%		0.0%	
Total	29		4,716		1,498		363,580		
2018									
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	2	6.3%	345	3.2%	241	13.1%	68,575	14.0%	15.8%
LMI	2	6.3%	345	3.2%	241	13.1%	68,575	14.0%	15.8%
Middle	28	87.5%	9,422	87.0%	1,089	59.0%	275,595	56.2%	57.1%
Upper	2	6.3%	1,060	9.8%	516	28.0%	146,110	29.8%	27.1%
Unknown		0.0%		0.0%		0.0%		0.0%	
Total	32		10,827		1,846		490,280		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				OO Hus
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%		0.0%		0.0%	
Moderate	14	12.7%	1,480	6.0%		10.4%		9.6%	
LMI	14	12.7%	1,480	6.0%		10.4%		9.6%	
Middle	88	80.0%	20,977	84.4%		61.2%		62.4%	
Upper	8	7.3%	2,405	9.7%		28.4%		28.0%	
Unknown	-	0.0%	-	0.0%		0.0%		0.0%	
Total	110		24,862						

Small Business Loans

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

As a result of the reclassification of census tracts noted above, the percentage of businesses located in moderate-income census tracts increased to 18% for 2017 and 2018, from 11% for 2015 and 2016.

BOM's average rates of lending in moderate-income census tracts of 22.3% by number and 19% by dollar value of loans exceeded the aggregate's rates of 13.5% and 15%, respectively. The Bank's rates of lending exceeded the aggregate's by number of loans for all years of the evaluation period and only trailed the aggregate's rates by dollar value of loans in 2017.

BOM's average rates of lending in moderate-income geographies also exceeded the business demographics each year of the evaluation period except in 2017.

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

Distribution of Small Business Lending by Geographic Income of the Census Tract									
2015									
Geographic	Bank				Aggregate				Bus.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	6	20.0%	852	20.1%	174	10.3%	4,327	8.5%	10.7%
LMI	6	20.0%	852	20.1%	174	10.3%	4,327	8.5%	10.7%
Middle	24	80.0%	3,397	79.9%	1,183	69.8%	34,642	67.9%	65.9%
Upper	0	0.0%	0	0.0%	337	19.9%	12,015	23.6%	23.4%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	30		4,249		1,694		50,984		
2016									
Geographic	Bank				Aggregate				Bus.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	9	22.0%	388	14.1%	153	8.2%	4,730	8.9%	10.5%
LMI	9	22.0%	388	14.1%	153	8.2%	4,730	8.9%	10.5%
Middle	27	65.9%	2,120	77.0%	1,309	70.1%	36,363	68.6%	65.9%
Upper	5	12.2%	245	8.9%	405	21.7%	11,903	22.5%	23.6%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	41		2,753		1,867		52,996		
2017									
Geographic	Bank				Aggregate				Bus.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	10	23.8%	484	15.0%	328	17.5%	12,521	21.8%	18.1%
LMI	10	23.8%	484	15.0%	328	17.5%	12,521	21.8%	18.1%
Middle	29	69.0%	2,516	78.0%	1,071	57.2%	30,873	53.7%	56.1%
Upper	3	7.1%	225	7.0%	475	25.3%	14,072	24.5%	25.9%
Unknown		0.0%		0.0%	0	0.0%	0	0.0%	0.0%
Total	42		3,225		1,874		57,466		
2018									
Geographic	Bank				Aggregate				Bus.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	8	22.9%	629	29.0%	354	17.5%	11,148	19.4%	17.9%
LMI	8	22.9%	629	29.0%	354	17.5%	11,148	19.4%	17.9%
Middle	26	74.3%	1,484	68.4%	1,136	56.1%	29,379	51.2%	56.1%
Upper	1	2.9%	58	2.7%	536	26.5%	16,904	29.4%	26.0%
Unknown		0.0%		0.0%	0	0.0%	0	0.0%	0.0%
Total	35		2,171		2,026		57,431		
GRAND TOTAL									
Geographic	Bank				Aggregate				Bus.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%		0.0%		0.0%	
Moderate	33	22.3%	2,353	19.0%		13.5%		15.0%	
LMI	33	22.3%	2,353	19.0%	1,000	13.5%	32,721	15.0%	
Middle	106	71.6%	9,517	76.8%		63.0%		60.0%	
Upper	9	6.1%	528	4.3%		23.5%		25.1%	
Unknown	-	0.0%	-	0.0%		0.0%		0.0%	
Total	148		12,398						

Consumer Loans

The distribution of BOM's consumer loans by the income level of the geography where the borrower was located was excellent. Due to the aforementioned changes in census income tracts, the percentages of household demographics in moderate-income census tracts increased to 18.5% in 2017 and 2018 from 9.8% in 2015 and 2016.

BOM's average rates of lending to moderate-income geographies were 23.4% by number and 21.2% by dollar value of consumer loans. BOM's annual rates of lending to moderate-income geographies by both number and dollar value of loans exceeded the percentage of households in its assessment area in each year of the evaluation period with the exception of 2017. BOM's rate of lending by dollar value of loans was below the demographic in 2017.

The following table provides a summary of the distribution of BOM's consumer loans by the income level of the geography where the borrower was located.

Distribution of Consumer Lending by Geographic Income of the Census Tract					
2015					
Geographic Income	Bank				HH Dem.
	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0.0%
Moderate	4	14.3%	206	26.9%	9.8%
LMI	4	14.3%	206	26.9%	9.8%
Middle	24	85.7%	559	73.1%	67.4%
Upper	0	0.0%	0	0.0%	22.8%
Unknown	0	0.0%	0	0.0%	
Total	28		765		
2016					
Geographic Income	Bank				HH Dem.
	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0.0%
Moderate	5	21.7%	114	26.2%	9.8%
LMI	5	21.7%	114	26.2%	9.8%
Middle	14	60.9%	205	47.1%	67.4%
Upper	4	17.4%	116	26.7%	22.8%
Unknown	0	0.0%	0	0.0%	
Total	23		435		
2017					
Geographic Income	Bank				HH Dem.
	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0.0%
Moderate	8	33.3%	104	13.3%	18.5%
LMI	8	33.3%	104	13.3%	18.5%
Middle	16	66.7%	678	86.7%	57.5%
Upper	0	0.0%	0	0.0%	23.9%
Unknown	0	0.0%	0	0.0%	
Total	24		782		
2018					
Geographic Income	Bank				HH Dem.
	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0.0%
Moderate	5	26.3%	61	19.7%	18.5%
LMI	5	26.3%	61	19.7%	18.5%
Middle	13	68.4%	246	79.4%	57.5%
Upper	1	5.3%	3	1.0%	23.9%
Unknown	0	0.0%	0	0.0%	
Total	19		310		
GRAND TOTAL					
Geographic Income	Bank				HH Dem.
	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	
Moderate	22	23.4%	485	21.2%	
LMI	22	23.4%	485	21.2%	
Middle	67	71.3%	1,688	73.6%	
Upper	5	5.3%	119	5.2%	
Unknown	-	0.0%	-	0.0%	
Total	94		2,292		

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

Neither DFS nor BOM received any written complaints during the evaluation period regarding BOM'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

BOM's board of directors annually reviews and approves the Bank's CRA policy. The board is kept abreast of the Bank's CRA activities by periodic reporting from the compliance officer.

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

DFS examiners did not note evidence of practices by BOM intended to discourage applications for the types of credit offered by BOM.

Evidence of prohibited discriminatory or other illegal credit practices.

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

Record of opening and closing offices and providing services at offices

BOM operates four banking offices in Dutchess County. The main branch is located in Millbrook and the other branches are in Amenia, Pine Plains and Stanfordville. The Bank did not open or close any branches or ATMs during the evaluation period.

All branches are open during the hours of 8:30 am to 4:00 pm Monday through Thursday and 8:30 am to 5:00 pm on Fridays. The Bank offers half-day banking hours on Saturdays at all branches. Supplementing the branch offices are seven ATMs. Five of the ATMs are located at the branches and accept deposits. Two of the ATMs dispense cash only and are located off-site each in a middle- and upper-income census tracts within the Bank's assessment area.

The Amenia branch is located in a moderate-income census tract while the other three branches are in middle- or upper-income census tracts. At the prior evaluation two of BOM's branches were in LMI tracts: however, the Pine Plains branch census tract was reclassified from moderate-income to middle-income during the current evaluation period.

Distribution of Branches within the Assessment Area							
County	N/A #	Low #	Moderate #	Middle #	Upper #	Total #	LMI %
Dutchess*			1	2	1	4	25%
Columbia*							
Total			1	2	1	4	25%

*Partial County

Process Factors

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

BOM's board of directors, officers and employees are active in community organizations, as members of boards and committees of planning boards, local hospitals, and economic development and business organizations. They are also active members of local PTA school associations, civic groups and neighborhood associations. The Bank, through these activities, assesses the credit needs of its community and communicate its credit and banking services to the members of the community.

- *The extent of the banking institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the banking institution.*

BOM's marketing is limited to local and regional journals and magazines. BOM monthly publishes a financial advice column in a local magazine on a monthly basis.

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

BOM, which is categorized as a small bank for CRA purposes, is not required to have its community development loans, investments or services evaluated. Nonetheless, the Bank made \$3.2 million in community development loans and had a balance of \$385,000 in qualified investments outstanding from the prior evaluation period. In addition, members of BOM's senior management team engaged in qualified community development services during the current evaluation period.

Below is a summary of BOM's community development activities.

Community Development Lending

- BOM originated \$3.2 million in community development loans to a nonprofit organization that provides residential care and treatment to young people who are developmentally disabled. The loan proceeds were utilized for various purposes including mortgage finance and the acquisition of vehicles modified to provide transportation to the developmentally disabled young people. The organization is certified by the New York State Office for People With Developmental Disabilities and primarily funded by Medicaid.

Qualified Investments

- BOM had \$385,000 outstanding in qualified investments from prior evaluation periods. The Bank had purchased municipal bonds from the Town of Milan in Dutchess County to provide funds to assist the town with Hurricane Irene disaster relief efforts.

Community Development Services

- An executive vice president of the Bank serves on the board of a local economic development corporation in Dutchess County. The organization supports local, small and women-owned businesses.
- A BOM senior vice president serves on the board of a nonprofit organization that provides various social services to LMI individuals and families in Dutchess County. The organization operates a food pantry and provides services such as youth programs, ESL classes and income tax assistance.

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.

Banking Development District (“BDD”) Program

The BDD Program is a program designed to encourage the establishment of bank branches in areas across New York State where there is a demonstrated need for banking services, in recognition of the fact that banks can play an important role in promoting individual wealth, community development, and revitalization. Among others, the BDD Program seeks to reduce the number of unbanked and underbanked New Yorkers and enhance access to credit for consumers and small businesses. More information about the program, may be found at <https://www.dfs.ny.gov> and search for the BDD Program.

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.

Income level of individual or geography	% of the area median income
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 Block Numbering Areas (“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.

Minority Depository Institutions (“MDIs”)

An MDI is defined as a federal insured depository institution for which (1) 51 percent or more of the voting stock is owned by minority individuals; or (2) a majority of the board of directors is minority and the community that the institution serves is predominantly minority. For more of MDIs, go to FDIC.gov (Minority Depository Institutions Program) including list of MDIs.

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.

Paycheck Protection Program ("PPP") Loans

The Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") temporarily permits the U.S. Small Business Administration ("SBA") to guarantee 100% of 7(a) loans under a new program titled the "Paycheck Protection Program". The intent of the PPP is to help small business cover payroll costs providing for forgiveness of up to the full principal of qualifying loans guaranteed under the PPP subject to certain rules including how much or percentage of the loan proceeds a borrower spends on payroll costs. A small business owner can apply through any existing SBA 7(a) lender or through any federally insured depository institution, federally insured credit union, and Farm Credit System institution that is participating. Any amount of the PPP loan that is not forgiven shall be repaid over a 5-year term at a fixed interest rate of 1%.