



**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: March 31, 2021

Institution: Elmira Savings Bank
333 East Water Street
Elmira, NY 14901

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 Elmira Savings Bank (“ESB”) 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 March 31, 2021.

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 ESB according to the intermediate small banking institutions performance criteria pursuant to Sections 76.7 and 76.12 of the GRS. The evaluation period included calendar years 2016, 2017, 2018, 2019, and 2020 for lending activities and the period from April 1, 2016 through March 31, 2021 for community development activities. ESB is rated "2" indicating 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: Outstanding

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

ESB's average LTD ratio of 97.5% for the evaluation period exceeded the peer's average LTD ratio of 81.5%.

Assessment Area Concentration: Satisfactory

During the evaluation period, ESB originated 84.1% by number and 84.3% by dollar value of its HMDA-reportable and small business loans within the assessment area, demonstrating a reasonable concentration of lending.

Distribution by Borrower Characteristics: Satisfactory

ESB'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.

Geographic Distribution of Loans: Satisfactory

ESB's origination of 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 ESB received any written complaints during the evaluation period regarding ESB's CRA performance.

Community Development Test: Satisfactory

ESB's community development performance demonstrated reasonable responsiveness to the community development needs of its assessment area through community

development loans, qualified investments, and services, considering ESB's capacity, and the need for and availability of opportunities for community development in its assessment area.

Community Development Lending: Satisfactory

During the evaluation period, ESB originated \$7.3 million in new community development loans and did not have any outstanding loans from prior evaluation periods. This demonstrated a reasonable level of community development lending over the course of the evaluation period.

Qualified Investments: Satisfactory

During the evaluation period, ESB did not make any new qualified investments but had \$4.7 million outstanding from prior evaluation periods. In addition, ESB made \$517,525 in qualified grants. This demonstrated a reasonable level of qualified investments over the course of the evaluation period.

Community Development Services: Satisfactory

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

Responsiveness to Community Development Needs:

ESB demonstrated a reasonable level of responsiveness to credit and community development needs. ESB offers various flexible lending programs to address the affordable housing needs of its assessment area.

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

ESB is a stock savings bank. ESB was originally chartered as a New York State-chartered mutual savings bank under the name “Southern Tier Savings Bank” in 1869. ESB changed its name to The Elmira Savings Bank in 1890. In 1985, the Bank converted from mutual to stock ownership. The Bank has two subsidiaries: ESB Realty Corp, a real estate investment trust, and ESB Advisory Services, Inc., through which the Bank offers financial planning advisory services.

ESB operates 12 banking offices located in Cayuga, Chemung, Schuyler, Steuben and Tompkins counties and a loan production office in Broome County. The main office and branches are open Monday to Wednesday from 9:00 AM to 4:00 PM, and 9:00 AM to 5:00 PM Thursday and Friday. In addition, most of the branches have a drive-through window, which is open during normal business hours.

Supplementing the banking offices is an automated teller machine (“ATM”) network consisting of one ATM at each branch. In addition, ESB has an off-site ATM at a shopping mall in its assessment area. While the ATM at its main office and at the shopping center do not accept deposits, all the others provide full service. Additionally, with ESB’s Visa Debit Card, customers can access any of the 55,000 surcharge-free ATMs operated by the Allpoint network.

ESB is engaged primarily in the business of attracting deposits from the general public and originating mortgage loans secured by first and second liens on one-to-four family residences and on multifamily properties, commercial real estate loans, commercial and industrial loans, and consumer loans (including automobile loans).

In its Consolidated Reports of Condition and Income (the “Call Report”), as of December 31, 2020, filed with the Federal Deposit Insurance Corporation (“FDIC”), ESB reported total assets of \$644.8 million, of which \$483.6 million were net loans and lease financing receivables. It also reported total deposits of \$547.9 million, resulting in a loan-to-deposit ratio of 88.3%. According to the latest available comparative deposit data, as of June 30, 2020, ESB had a market share of 7.6%, or \$552.4 million in a market of \$7.3 billion, ranking it 5th among 20 deposit-taking institutions in the assessment area.

The following is a summary of the Bank’s loan portfolio, based on Schedule RC-C of ESB’s December 31, 2016, 2017, 2018, 2019 and 2020 Call Reports:

TOTAL GROSS LOANS OUTSTANDING										
Loan Type	12/31/2016		12/31/2017		12/31/2018		12/31/2019		12/31/2020	
	\$000's	%	\$000's	%	\$000's	%	\$000's	%	\$000's	%
1-4 Family Res Mtge Loans	316,380	68.8	301,920	65.5	305,943	63.2	329,747	63.4	302,548	61.8
Commercial & Industrial Loans	21,649	4.7	25,428	5.5	25,980	5.4	28,320	5.4	42,984	8.8
Commercial Mortgage Loans	62,491	13.6	59,781	13.0	60,498	12.5	62,022	11.9	60,506	12.4
Multifamily Mortgages	14,454	3.1	28,499	6.2	37,092	7.7	43,452	8.3	38,530	7.9
Consumer Loans	35,268	7.7	36,052	7.8	40,651	8.4	39,905	7.7	32,779	6.7
Construction Loans	9,287	2.0	8,948	1.9	13,500	2.8	16,780	3.2	11,829	2.4
Other Loans	123	0.0	126	0.0	177	0.0	216	0.0	191	0.0
Total Gross Loans	459,652		460,754	100.0	483,841	100.0	520,442	100.0	489,367	100.0

As illustrated in the above table, ESB is primarily a residential real estate lender with the majority or 69.7% of its loan portfolio in 1-4 family residential and multifamily mortgages, followed by commercial mortgage loans at 12.4%. Commercial and industrial loans comprise an additional 8.8% of ESB's loan portfolio.

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

Assessment Area

ESB's assessment area is comprised of Chemung, Steuben, Tompkins, Schuyler and parts of Cayuga and Seneca counties.

There are 87 census tracts in the area, of which four are low-income, 10 are moderate-income, 57 are middle-income, 14 are upper-income, and 2 are tracts with no income indicated. Of the 57 middle-income census tracts, five located in Schuyler County are designated as distressed or underserved geographies.

Assessment Area Census Tracts by Income Level									
County	N/A	Low	Mod	Middle	Upper	Total	LMI %	Dis-tressed & Under-served	Dis-tressed and LMI %
Cayuga*	0	0	0	3	1	4	0.0		0%
Chemung	1	4	3	11	3	22	31.8		32%
Schuyler	0	0	0	5	0	5	0.0	5	100%
Seneca*	0	0	0	2	1	3	0.0		0%
Steuben	0	0	3	24	3	30	10.0		10%
Tompkins	1	0	4	12	6	23	17.4		17%
Total	2	4	10	57	14	87	16.1	5	22%

* Partial county

Demographic & Economic Data

The assessment area had a population of 339,515 during the evaluation period. Approximately 15.3% of the population was over the age of 65 and 17.4% was under the age of 16.

Of the 80,581 families in the assessment area 21% were low-income, 17.3% were moderate-income, 21.4% were middle-income and 40.4% were upper income. There were 133,047 households in the assessment area, of which 15.8% had income below the poverty level and 2.7% were on public assistance.

The weighted average median family income in the assessment area was \$67,155.

There were 152,634 housing units within the assessment area, of which 77.8% were one-to-four family units and 10.8% were multifamily units. A majority (58.3%) of the area's housing units were owner-occupied, while 28.9% were rental units.

Of the 88,908 owner-occupied housing units, 9% were in LMI census tracts while 90.9% were in middle- and upper-income census tracts. The median age of the housing stock was 59 years, and the median home value in the assessment area was \$129,811.

There were 19,407 non-farm businesses in the assessment area. Of these, 81.2% were businesses with reported revenues of less than or equal to \$1 million, 4.8% reported revenues of more than \$1 million and 14.0% did not report their revenues. Of all the businesses in the assessment area, 96.4% were businesses with less than fifty employees while 86.3% operated from a single location. The largest industries in the area were services (38.5%), followed by retail trade (13.2%) and finance, insurance, and real estate (6.8%); 16.3% of businesses in the assessment area were not classified.

According to the New York State Department of Labor, the average unemployment rate peaked in 2020 for New York State and all counties in the assessment area. This was due to the Covid-19 pandemic and resulting adverse economic impact. Prior to 2020, average unemployment rates had showed a decreasing trend. Over the course of the evaluation period, Schuyler County had the highest average unemployment rate of 6%, followed by Steuben County at 5.8% and Chemung at 5.7%. Tompkins County had the lowest average unemployment rate, averaging 4.4%. At 6.2%, Tompkins County also had the lowest unemployment rate in 2020.

Assessment Area Unemployment Rate							
	Statewide	Cayuga	Chemung	Schuylers	Seneca	Steuben	Tompkins
2016	4.9	5.1	5.8	6.1	4.8	5.9	4.2
2017	4.6	5.0	5.5	5.8	4.5	5.7	4.3
2018	4.1	4.5	4.6	5.1	3.8	4.9	3.6
2019	3.8	4.1	4.0	4.5	3.7	4.4	3.5
2020	10.0	7.9	8.8	8.6	8.2	8.2	6.2
Average of Years Above	5.5	5.3	5.7	6.0	5.0	5.8	4.4

Community Information

DFS examiners contacted two nonprofit organizations active in the Bank’s assessment area. The organizations focus on raising the living standards of residents in the assessment area through collaboration with public and private partners to provide employment opportunities for LMI individuals, financial education, and funding for affordable housing and small businesses.

One interviewee stated that financial institutions need to be more sensitive to the needs of entrepreneurs and small businesspeople, including women-owned and minority-owned businesses. The interviewee stated that financial institutions should develop special loan programs and offer loans for businesses that may not qualify for traditional loans, and be flexible and willing to provide financial assistance and education for start-up businesses and non-traditional existing businesses.

According to the other interviewee, there is a high demand for affordable housing for LMI individuals seeking to purchase their first home. However, many local lenders are reluctant to provide 30-year mortgage financing or financing for manufactured homes. Small, local financial institutions have done a good job assisting first-time homebuyers with low credit scores, but larger banks have not done so. Larger banks should be more willing to assist first-time homebuyers and be more involved in the community. Local financial institutions can also participate in the community by providing funding for a variety of community development projects.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

The Department evaluated ESB under the intermediate small banking institution performance criteria 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. ESB 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 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 evaluation period included calendar years 2016, 2017, 2018, 2019 and 2020 for lending activities and the period from April 1, 2016 through March 31, 2021 for community development activities.

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

ESB is not required to report small business/small farm loan data, so ESB's small business lending is not included in the aggregate data. The aggregate data are shown only for comparative purposes. Because ESB did not make any small farm loans, all analyses were based on small business lending only.

HMDA-reportable and small business loans evaluated in this performance evaluation represented actual originations.

Examiners gave greater weight to ESB’s HMDA-reportable lending as it represented a majority (82.5%) of ESB’s total loans evaluated by number, and 84.5% by dollar value.

At its prior Performance Evaluation, as of March 31, 2016, DFS assigned ESB a rating of “2,” reflecting a “Satisfactory” record of helping to meet the credit needs of ESB’s community.

Current CRA Rating: Satisfactory

Lending Test: Satisfactory

ESB’s HMDA-reportable and small business lending activities were reasonable in light of ESB’s size, business strategy, and financial, 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: Outstanding

ESB’s average LTD ratio was excellent considering its size, business strategy, financial condition, and peer group activity. ESB’s average LTD ratio of 97.5% for the evaluation period exceeded the peer group’s average ratio of 81.5%. ESB’s ratios ranged from a high of 102.3% during the first quarter of 2016 to a low of 88.3% during the fourth quarter of 2020, while the peer group’s quarterly average ratios remained relatively consistent throughout the same time period.

The table below shows ESB’s LTD ratios in comparison with the peer group’s ratios for the twenty quarters of this evaluation period.

Loan-to-Deposit Ratios																					
	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2020 Q1	2020 Q2	2020 Q3	2020 Q4	Avg.
Bank	102.3	99.1	99.1	96.8	98.9	97.9	97.5	99.7	98.1	96.0	98.3	97.3	97.0	96.1	98.1	100.6	101.5	94.7	93.3	88.3	97.5
Peer	80.0	81.3	81.2	81.1	80.4	81.7	82.1	82.2	81.7	82.8	83.2	83.1	82.2	83.2	83.2	82.4	81.9	80.8	80.0	75.8	81.5

Assessment Area Concentration: Satisfactory

During the evaluation period, ESB originated 84.1% by number and 84.3% by dollar value of its total HMDA-reportable and small business loans within the assessment area, demonstrating a reasonable concentration of lending.

HMDA-Reportable Loans:

During the evaluation period, ESB originated 82.2% by number and 83% by dollar value of its HMDA-reportable loans within the assessment area. This majority of lending inside of ESB's assessment area reflects a reasonable concentration of lending.

Small Business Loans:

During the evaluation period, ESB originated 93.9% by number and 91.9% by dollar value of its small business loans within the assessment area. This substantial majority of lending inside of ESB's assessment area reflects an excellent concentration of lending. In 2020, ESB's small business lending significantly increased as ESB originated more than 300 Payment Protection Program ("PPP") loans by participating in the federal program.

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

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Loans in Dollars (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
HMDA-Reportable										
2016	739	79.3%	193	20.7%	932	81,873	80.7%	19,629	19.3%	101,502
2017	703	80.5%	170	19.5%	873	75,203	77.6%	21,647	22.4%	96,850
2018	532	82.4%	114	17.6%	646	68,680	82.8%	14,232	17.2%	82,912
2019	717	83.6%	141	16.4%	858	110,245	85.8%	18,302	14.2%	128,547
2020	846	85.3%	146	14.7%	992	132,762	85.6%	22,266	14.4%	155,028
Subtotal	3,537	82.2%	764	17.8%	4,301	468,763	83.0%	96,076	17.0%	564,839
Small Business										
2016	81	92.0%	7	8.0%	88	13,367	92.9%	1,021	7.1%	14,388
2017	99	92.5%	8	7.5%	107	12,613	82.7%	2,645	17.3%	15,258
2018	98	96.1%	4	3.9%	102	15,077	94.8%	833	5.2%	15,910
2019	94	95.9%	4	4.1%	98	15,200	94.8%	839	5.2%	16,039
2020	378	93.6%	26	6.4%	404	29,934	92.8%	2,308	7.2%	32,242
Subtotal	750	93.9%	49	6.1%	799	86,191	91.9%	7,646	8.1%	93,837
Grand Total	4,287	84.1%	813	15.9%	5,100	554,954	84.3%	103,722	15.7%	658,676

Distribution by Borrower Characteristics: Satisfactory

ESB'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.

One-to-Four Family HMDA-Reportable Loans

ESB's one-to-four family HMDA-reportable lending demonstrated a reasonable distribution of loans among individuals of different income levels.

During the current evaluation period, ESB's overall lending rates to LMI borrowers of 29.1% by number was comparable to the aggregate's rate of 28.8%, while the rate of lending to LMI individuals by dollar value of 20.3% compared favorably with the aggregate's rate of 18.1%.

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

Distribution of 1-4 Family Loans by Borrower Income									
2016									
Borrower Income	Bank				Aggregate				Fam. Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	37	5.1%	2,008	2.5%	409	7.2%	16,957	2.7%	19.7%
Moderate	127	17.6%	9,718	12.3%	1,086	19.2%	75,285	12.0%	18.2%
LMI	164	22.7%	11,726	14.8%	1,495	26.5%	92,242	14.7%	37.9%
Middle	208	28.8%	19,435	24.5%	1,474	26.1%	130,413	20.7%	21.8%
Upper	341	47.2%	47,177	59.5%	2,479	43.9%	376,262	59.8%	40.3%
Unknown	9	1.2%	991	1.2%	194	3.4%	30,567	4.9%	
Total	722		79,329		5,642		629,484		
2017									
Borrower Income	Bank				Aggregate				Fam. Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	53	7.8%	2,968	4.1%	521	9.4%	23,332	3.8%	21.0%
Moderate	134	19.8%	10,232	14.1%	1,138	20.4%	79,609	13.0%	17.3%
LMI	187	27.6%	13,200	18.2%	1,659	29.8%	102,941	16.8%	38.3%
Middle	176	26.0%	17,132	23.6%	1,417	25.5%	127,699	20.8%	21.4%
Upper	298	44.0%	38,454	52.9%	2,296	41.2%	342,276	55.9%	40.4%
Unknown	17	2.5%	3,924	5.4%	195	3.5%	39,826	6.5%	
Total	678		72,710		5,567		612,742		
2018									
Borrower Income	Bank				Aggregate				Fam. Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	28	12.2%	1,945	6.6%	499	9.0%	32,885	4.9%	21.0%
Moderate	46	20.1%	5,293	18.0%	1,258	22.8%	115,050	17.1%	17.3%
LMI	74	32.3%	7,238	24.6%	1,757	31.8%	147,935	22.0%	38.3%
Middle	49	21.4%	5,341	18.1%	1,378	25.0%	143,190	21.3%	21.4%
Upper	102	44.5%	16,696	56.7%	2,170	39.3%	352,690	52.5%	40.4%
Unknown	4	1.7%	192	0.7%	215	3.9%	28,465	4.2%	
Total	229		29,467		5,520		672,280		
2019									
Borrower Income	Bank				Aggregate				Fam. Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	68	9.8%	4,642	4.7%	594	9.9%	40,030	5.3%	21.0%
Moderate	172	24.8%	18,159	18.4%	1,271	21.1%	118,525	15.6%	17.3%
LMI	240	34.6%	22,801	23.1%	1,865	31.0%	158,555	20.8%	38.3%
Middle	169	24.4%	22,050	22.3%	1,513	25.2%	167,925	22.1%	21.4%
Upper	266	38.3%	51,067	51.7%	2,326	38.7%	390,840	51.4%	40.4%
Unknown	19	2.7%	2,920	3.0%	307	5.1%	43,265	5.7%	
Total	694		98,838		6,011		760,585		
2020									
Borrower Income	Bank				Aggregate				Fam. Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	61	7.4%	5,154	3.9%	461	6.7%	35,995	3.4%	21.0%
Moderate	191	23.1%	23,310	17.8%	1,305	18.9%	139,185	13.0%	17.3%
LMI	252	30.5%	28,464	21.7%	1,766	25.5%	175,180	16.4%	38.3%
Middle	203	24.6%	27,379	20.9%	1,691	24.5%	220,031	20.6%	21.4%
Upper	341	41.3%	71,458	54.6%	3,046	44.0%	606,970	56.8%	40.4%
Unknown	30	3.6%	3,619	2.8%	413	6.0%	67,185	6.3%	
Total	826		130,920		6,916		1,069,366		
GRAND TOTAL									
Borrower Income	Bank				Aggregate				Fam. Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	247	7.8%	16,717	4.1%	2,484	8.4%	149,199	4.0%	
Moderate	670	21.2%	66,712	16.2%	6,058	20.4%	527,654	14.1%	
LMI	917	29.1%	83,429	20.3%	8,542	28.8%	676,853	18.1%	
Middle	805	25.6%	91,337	22.2%	7,473	25.2%	789,258	21.1%	
Upper	1,348	42.8%	224,852	54.7%	12,317	41.5%	2,069,038	55.3%	
Unknown	79	2.5%	11,646	2.8%	1,324	4.5%	209,308	5.6%	
Total	3,149		411,264		29,656		3,744,457		

Small Business Loans

ESB's small business lending demonstrated a reasonable level of distribution of loans among businesses of different revenue sizes.

ESB's average rates of lending to businesses with gross annual revenues of \$1 million or less were 42.4% by number and 48.3% by dollar value of loans, compared to the aggregate's rates of 50.7% by number and 43.5% by dollar value for the four-year period of 2016 to 2019; aggregate data for 2020 was not available.

ESB's rate of lending to small businesses with gross revenues of \$1 million or less was consistent throughout the evaluation period except in 2020 when there was a significant increase in loans to borrowers with unknown revenue levels due to the federal PPP loan program, in which revenue is not required to be reported.

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

Distribution of Small Business Lending by Revenue Size of Business									
2016									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	49	60.5%	8,851	66.2%	2,282	52.9%	92,776	44.0%	77.4%
Rev. > \$1MM	14	17.3%	2,288	17.1%					6.1%
Rev. Unknown	18	22.2%	2,228	16.7%					16.6%
Total	81		13,367		4,310		210,788		
2017									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	62	62.6%	8,639	68.5%	2,279	54.0%	84,590	46.4%	76.8%
Rev. > \$1MM	17	17.2%	1,805	14.3%					6.3%
Rev. Unknown	20	20.2%	2,169	17.2%					17.0%
Total	99		12,613		4,224		182,234		
2018									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	60	61.2%	10,115	67.1%	2,001	48.7%	73,400	41.4%	76.9%
Rev. > \$1MM	20	20.4%	3,342	22.2%					6.2%
Rev. Unknown	18	18.4%	1,620	10.7%					17.0%
Total	98		15,077		4,112		177,398		
2019									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	64	68.1%	7,165	47.1%	2,086	47.2%	73,168	40.0%	78.6%
Rev. > \$1MM	16	17.0%	5,667	37.3%					5.6%
Rev. Unknown	14	14.9%	2,368	15.6%					15.8%
Total	94		15,200		4,417		182,754		
2020									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	83	22.0%	6,861	22.9%					81.2%
Rev. > \$1MM	10	2.6%	2,210	7.4%					4.8%
Rev. Unknown	285	75.4%	20,863	69.7%					14.0%
Total	378		29,934						
GRAND TOTAL									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	318	42.4%	41,631	48.3%	8,648	50.7%	323,934	43.0%	78.2%
Rev. > \$1MM	77	10.3%	15,312	17.8%					
Rev. Unknown	355	47.3%	29,248	33.9%					
Total	750		86,191		17,063		753,174		

Geographic Distribution of Loans: Satisfactory

ESB's origination of loans in census tracts of varying income levels demonstrated a reasonable distribution of lending.

HMDA-Reportable Loans

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

During the evaluation period, ESB originated 12.3% by number and 9.3% by dollar value of its HMDA-reportable loans in LMI census tracts, comparable to the aggregate's rates of 13% and 9%, respectively. ESB's performance by number of loans during this evaluation period was consistently better than the demographic percentage of owner-occupied household units. However, ESB's rate of lending by dollar value in LMI census tracts trailed the percentage of owner-occupied household units in LMI census tracts except in 2020, when it was slightly higher due to increased volume attributable to low mortgage interest rates that boosted HMDA-reportable lending.

The following table provides a summary of the distribution of ESB'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									
2016									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	3	0.4%	20	0.0%	27	0.4%	2,047	0.3%	0.8%
Moderate	109	14.7%	10,632	13.0%	647	10.8%	52,508	7.7%	12.3%
LMI	112	15.2%	10,652	13.0%	674	11.2%	54,555	8.0%	13.1%
Middle	398	53.9%	42,411	51.8%	3,880	64.6%	405,317	59.5%	65.8%
Upper	229	31.0%	28,810	35.2%	1,450	24.1%	220,775	32.4%	21.0%
Unknown		0.0%		0.0%	5	0.1%	407	0.1%	
Total	739		81,873		6,009		681,054		
2017									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	14	2.0%	674	0.9%	66	1.1%	2,767	0.4%	1.3%
Moderate	61	8.7%	5,061	6.7%	445	7.5%	44,498	5.8%	7.8%
LMI	75	10.7%	5,735	7.6%	511	8.6%	47,265	6.2%	9.0%
Middle	450	64.0%	47,208	62.8%	4,175	70.1%	454,317	59.2%	71.8%
Upper	178	25.3%	22,260	29.6%	1,236	20.8%	219,371	28.6%	19.1%
Unknown		0.0%		0.0%	31	0.5%	46,482	6.1%	0.1%
Total	703		75,203		5,953		767,435		
2018									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	9	1.7%	500	0.7%	65	1.2%	3,995	0.5%	1.3%
Moderate	46	8.6%	4,742	6.9%	414	7.4%	69,110	8.8%	7.8%
LMI	55	10.3%	5,242	7.6%	479	8.6%	73,105	9.3%	9.0%
Middle	341	64.1%	42,521	61.9%	3,816	68.6%	478,280	60.9%	71.8%
Upper	136	25.6%	20,917	30.5%	1,260	22.6%	218,250	27.8%	19.1%
Unknown	0	0.0%	0	0.0%	11	0.2%	16,275	2.1%	0.1%
Total	532		68,680		5,566		785,910		
2019									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	15	2.1%	688	0.6%	73	1.2%	4,285	0.4%	1.3%
Moderate	76	10.6%	8,346	7.6%	471	7.8%	47,975	4.4%	7.8%
LMI	91	12.7%	9,034	8.2%	544	9.0%	52,260	4.8%	9.0%
Middle	448	62.5%	62,718	56.9%	4,153	68.6%	549,075	50.8%	71.8%
Upper	175	24.4%	36,885	33.5%	1,340	22.1%	406,200	37.6%	19.1%
Unknown	3	0.4%	1,608	1.5%	18	0.3%	73,530	6.8%	0.1%
Total	717		110,245		6,055		1,081,065		
2020									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	18	2.1%	1,195	0.9%	461	6.6%	35,995	3.0%	1.3%
Moderate	83	9.8%	11,562	8.7%	1,307	18.8%	139,615	11.8%	7.8%
LMI	101	11.9%	12,757	9.6%	1,768	25.4%	175,610	14.9%	9.0%
Middle	513	60.6%	76,550	57.7%	1,692	24.3%	220,700	18.7%	71.8%
Upper	229	27.1%	42,197	31.8%	3,048	43.8%	607,630	51.4%	19.1%
Unknown	3	0.4%	1,258	0.9%	455	6.5%	178,495	15.1%	0.1%
Total	846		132,762		6,963		1,182,435		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	59	1.7%	3,077	0.7%	692	2.3%	49,089	1.1%	
Moderate	375	10.6%	40,343	8.6%	3,284	10.8%	353,706	7.9%	
LMI	434	12.3%	43,420	9.3%	3,976	13.0%	402,795	9.0%	
Middle	2,150	60.8%	271,408	57.9%	17,716	58.0%	2,107,689	46.9%	
Upper	947	26.8%	151,069	32.2%	8,334	27.3%	1,672,226	37.2%	
Unknown	6	0.2%	2,866	0.6%	520	1.7%	315,189	7.0%	
Total	3,537		468,763		30,546		4,497,899		

Small Business Loans:

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

During the evaluation period, ESB originated 24.1% by number and 26.3% by dollar value of small business loans in LMI census tracts. Those rates of lending exceeded the aggregate's rates of 16.1% and 20.5%, respectively, during the four calendar-year period ending 2019; aggregate data was not available for 2020. Additionally, ESB's rate of lending by number of loans exceeded the percentage of small businesses in LMI census tracts (i.e., the business demographics) in every year of the evaluation period, while its rate of lending by dollar value outperformed the business demographics in 2016, 2018, 2019, and 2020 but not in 2017.

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

Distribution of Small Business Lending by Geographic Income of the Census Tract									
2016									
Geogra Income	Bank				Aggregate				Bus.De
	#	%	\$000's	%	#	%	\$000's	%	
Low	5	6.2%	1,500	11.2%	113	2.9%	7,425	3.9%	4.1%
Moderat	22	27.2%	3,262	24.4%	643	16.3%	39,186	20.7%	17.2%
LMI	27	33.3%	4,762	35.6%	756	19.2%	46,611	24.6%	21.2%
Middle	32	39.5%	5,196	38.9%	2,313	58.7%	98,757	52.2%	56.6%
Upper	22	27.2%	3,409	25.5%	872	22.1%	43,912	23.2%	22.0%
Unknow	0	0.0%	0	0.0%	2	0.1%	30	0.0%	0.1%
Total	81		13,367		3,943		189,310		
2017									
Geogra Income	Bank				Aggregate				Bus.De
	#	%	\$000's	%	#	%	\$000's	%	
Low	11	11.1%	1,335	10.6%	122	3.2%	10,735	6.6%	5.1%
Moderat	6	6.1%	258	2.0%	448	11.6%	22,350	13.7%	10.5%
LMI	17	17.2%	1,593	12.6%	570	14.7%	33,085	20.2%	15.6%
Middle	52	52.5%	8,044	63.8%	2,303	59.5%	79,764	48.7%	59.0%
Upper	30	30.3%	2,976	23.6%	948	24.5%	46,302	28.3%	24.6%
Unknow	0	0.0%	0	0.0%	52	1.3%	4,547	2.8%	0.9%
Total	99		12,613		3,873		163,698		
2018									
Geogra Income	Bank				Aggregate				Bus.De
	#	%	\$000's	%	#	%	\$000's	%	
Low	14	14.3%	2,431	16.1%	133	3.5%	7,417	4.6%	5.1%
Moderat	11	11.2%	1,598	10.6%	448	11.7%	22,001	13.6%	10.7%
LMI	25	25.5%	4,029	26.7%	581	15.2%	29,418	18.2%	15.7%
Middle	44	44.9%	5,074	33.7%	2,219	58.1%	85,949	53.2%	58.5%
Upper	29	29.6%	5,974	39.6%	949	24.8%	40,145	24.8%	24.9%
Unknow	0	0.0%	0	0.0%	70	1.8%	6,133	3.8%	8.1%
Total	98		15,077		3,819		161,645		
2019									
Geogra Income	Bank				Aggregate				Bus.De
	#	%	\$000's	%	#	%	\$000's	%	
Low	7	7.4%	1,749	11.5%	150	3.6%	7,303	4.3%	4.9%
Moderat	11	11.7%	2,322	15.3%	477	11.6%	24,057	14.1%	10.3%
LMI	18	19.1%	4,071	26.8%	627	15.2%	31,360	18.3%	15.2%
Middle	47	50.0%	6,291	41.4%	2,438	59.0%	85,134	49.8%	58.6%
Upper	24	25.5%	4,038	26.6%	1,011	24.5%	48,695	28.5%	25.3%
Unknow	5	5.3%	800	5.3%	53	1.3%	5,912	3.5%	0.9%
Total	94		15,200		4,129		171,101		
2020									
Geogra Income	Bank				Aggregate				Bus.De
	#	%	\$000's	%	#	%	\$000's	%	
Low	35	9.3%	3,969	13.3%					4.8%
Moderat	59	15.6%	4,269	14.3%					10.1%
LMI	94	24.9%	8,238	27.5%					14.9%
Middle	169	44.7%	13,265	44.3%					58.2%
Upper	109	28.8%	7,841	26.2%					25.9%
Unknow	6	1.6%	590	2.0%					1.0%
Total	378		29,934						
GRAND TOTAL									
Geogra Income	Bank				Aggregate				Bus.De
	#	%	\$000's	%	#	%	\$000's	%	
Low	72	9.6%	10,984	12.7%	518	3.3%	32,880	4.8%	
Moderat	109	14.5%	11,709	13.6%	2,016	12.8%	107,594	15.7%	
LMI	181	24.1%	22,693	26.3%	2,534	16.1%	140,474	20.5%	
Middle	344	45.9%	37,870	43.9%	9,273	58.8%	349,604	51.0%	
Upper	214	28.5%	24,238	28.1%	3,780	24.0%	179,054	26.1%	
Unknow	11	1.5%	1,390	1.6%	177	1.1%	16,622	2.4%	
Total	750		86,191		15,764		685,754		

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

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

Community Development Test: Satisfactory

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

During the evaluation period, ESB originated \$7.3 million in new community development loans, and had no loans outstanding from prior evaluation periods. ESB made no new qualified investments during the evaluation period, but had \$4.7 million outstanding from prior evaluation periods. ESB also made \$517,525 in qualified grants.

Community Development Lending: Satisfactory

During the evaluation period, ESB originated \$7.3 million in new community development loans, and did not have any outstanding loans from prior evaluation periods. This demonstrated a reasonable level of community development lending over the course of the evaluation period. ESB participated in the PPP loan program resulting in an increase in community development loans made for economic development purposes.

Community Development Loans				
Purpose	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Loans	\$000	# of Loans	\$000
Affordable Housing	0	0	0	0
Economic Development	5	6,196	0	0
Community Services	1	1,125	0	0
Revitalize/Stabilize	0	0	0	0
Total	6	7,321	0	0

Below are highlights of ESB's community development lending:

Economic Development

- ESB made \$4.5 million in PPP loans to three small businesses: an electrical contractor, a bus company that provides public transportation in the Ithaca area and a small business that provides financial advice and guidance to its clients.

Community Service

- ESB participated with another local bank in originating a \$ 4.5 million loan to a community college to provide affordable housing to students residing within the assessment area and surrounding communities. ESB’s share of the total loan was \$1.1 million.

Qualified Investments: Satisfactory

During the evaluation period, ESB did not make any new qualified investments but had \$4.7 million outstanding from prior evaluation periods. In addition, ESB made \$517,525 in qualified grants for a total of \$5.2 million in qualified investments and grants. This demonstrated a reasonable level of qualified investments over the course of the evaluation period.

Qualified Investments and Grants				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Inv.	\$000	# of Inv.	\$000
CD Investments				
Affordable Housing	0	0	25	110
Economic Development	0	0	1	24
Community Services	0	0	6	4,591
Revitalization/Stabilization	0	0	0	0
Total	0	0	32	4,725
CD Grants	# of Grants	\$000	Not Applicable	
Affordable Housing	3	1		
Economic Development	12	118		
Community Services	43	292		
Revitalization/Stabilization	8	107		
Total	66	518		

Below are highlights of ESB’s qualified grants:

- ESB contributed \$126,000 to an organization that offers in-patient and out-patient physician services primarily to Medicaid recipients in the Southern Tier of New York.
- ESB contributed \$102,500 to a cultural organization located in a low-income area. This organization operates the region’s premier performing arts center with two performance spaces. The organization helps in the revitalization of the area by providing income and support to ancillary businesses as well as jobs.
- ESB contributed \$87,500 to an organization that helps in the economic development in the Southern Tier region. As a private, not-for-profit organization, it fosters prosperity and vitality in Chemung County through the planning, promotion and implementation of economic development programs.

Community Development Services: Satisfactory

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

During the evaluation period, ESB's officers and employees participated in various community development activities including first time homebuyer workshops, loan programs for small businesses, and activities that help create and retain jobs for the LMI population, as well as those that help revitalize low- and moderate-income geographies.

Several board members and senior officers provided leadership and extended their financial and banking expertise by serving on the boards of community development organizations that serve LMI individuals and organizations that support small businesses and economic development projects.

Below are highlights of ESB's community development services:

- An ESB director serves as chairman of the board of a nonprofit organization that seeks to revitalize the Elmira region through education, advocacy, collaboration with other nonprofits, and through the preservation and rehabilitation of buildings and sites of historic significance.
- An ESB director serves as a board member of a corporation whose main goal is to promote economic development of low-income areas in Steuben County through business development, new housing, and activities supporting long-term sustainability of communities.
- An ESB senior vice president serves as a board member of a nonprofit organization that works with officials, business owners, property owners, and other nonprofit organizations to improve Elmira's downtown districts. The organization hosts a variety of annual events to help support its programs and services for economic development and small business support.
- An ESB vice president serves as a board member of a nonprofit organization that helps create resources to help build homes for families in need of quality affordable housing.
- An ESB officer serves as a board member of a nonprofit organization that supports affordable and safe housing for underserved population. The organization offers services that include residential behavioral health and domestic violence services that help people overcome challenges and live safely on their own. The organization also provides free and low-cost tax services for LMI individuals.

Responsiveness to Community Development Needs:

ESB demonstrated a reasonable level of responsiveness to credit and community

development needs through community development lending, investments and services.

In addition to its lending and investment activity previously described, ESB enhances access to credit in its assessment area by offering various flexible mortgage lending programs. These programs include Federal Housing Administration loans, Veterans' Administration Loans, United States Department of Agriculture Rural Housing Loans, and State Of New York Mortgage Agency loans. All of these programs offer varying combinations of lower down payment requirements, lower closing costs, down payment assistance and/or assistance with closing costs. Two examples are as follows:

- The HomeOne Mortgage is a fixed-rate low down-payment program for first-time homebuyers. The program offers 30-year fixed mortgages. Under the program, ESB waives the application fee and the document prep fee, and financial education is required. In 2019 and 2020 ESB made 16 loans totaling \$2.4 million.
- ESB's Home Possible Advantage Mortgage is a low down-payment program for first-time homebuyers. The program offers 30-, 25-, 20-, and 15-year fixed rate mortgages. Under the program, ESB waives the application fee and the document prep fee, and financial education is required. ESB originated loans under this program in every year of the evaluation period (91 in total), totaling \$9.1 million.

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.

ESB's Board of Directors reviews and approves the Bank's CRA policy annually. The CRA Officer is responsible for the monitoring and compliance of the Bank's CRA objectives and reports directly to the Board of Directors regarding activities, findings and recommendations. In addition, the Bank conducts a Board-reviewed CRA performance review annually.

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 ESB intended to discourage applications for the types of credit offered by ESB.

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

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

Record of opening and closing offices and providing services at offices

ESB's record of opening and closing branches has not adversely affected the accessibility of its delivery systems to LMI geographies and/or LMI individuals. During the evaluation period, ESB made the following changes to its branch network:

- In May 2017, ESB relocated its Commons office to 602 West State Street, Ithaca, NY. Both the previous old and new locations are in moderate-income census tracts.
- In November 2019, ESB closed its Elmira Heights office in Chemung County, which was in a moderate-income census tract.

ESB operates 12 full-service retail branches and one loan production office. Three of the 12 branches are in low- and moderate-income geographies.

The following table summarizes ESB's branch locations by county and census tracts.

Distribution of Branches within the Assessment Area							
County	N/A #	Low #	Moderate #	Middle #	Upper #	Total #	LMI %
Cayuga*				1		1	0%
Chemung		1		2	2	5	20%
Schuyler				1		1	0%
Seneca*							0%
Steuben					2	2	0%
Tompkins			2		1	3	67%
Total		1	2	4	5	12	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.

ESB's Board members, officers and employees participated in activities conducted by various community groups and business development organizations such as the local chamber of commerce, regional economic development corporations, and local downtown development corporations. Through these organizations, the Bank maintains contact with community leaders and officials, helping to ascertain the credit and banking needs of its assessment area.

- 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.

ESB advertises on the internet, television, and radio, and via branch signage, email, and direct mailing to make members of the community aware of their credit services.

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

DFS examiners noted no other factors.

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.

Community Development Financial Institutions Fund (“CDFI Fund”)

The CDFI Fund, an agency of the United States Department of the Treasury, promotes economic revitalization in distressed communities throughout the United States by providing financial assistance and information to community development financial institutions (“CDFI”). Financial institutions, which may include banks, credit unions, loan funds, and community development venture capital funds, can apply to the CDFI Fund for formal certification as a CDFI.

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 on 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%.