



**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:** June 30, 2020

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

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

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## **GENERAL INFORMATION**

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of Jeff Bank (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 June 30, 2020.

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.

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## OVERVIEW OF INSTITUTION'S PERFORMANCE

The Department evaluated Jeff Bank according to the intermediate small bank performance criteria pursuant to Sections 76.7 and 76.12 of the GRS. The evaluation period included calendar years 2017, 2018, and 2019 for the lending test and the period from October 1, 2017, through June 30, 2020, for the community development test. Jeff Bank 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:** Satisfactory

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

Jeff Bank's average LTD ratio for the evaluation period was 66.6% compared to its peer group's average ratio of 82.3%. While Jeff Bank's LTD ratio was below the peer group ratio, the Institution Market Share Report for HMDA and small business lending indicated that the Bank ranked in the top three HMDA lenders within its assessment area for each year of the evaluation period and in the top 20 for small business lending.

**Assessment Area Concentration:** Satisfactory

Jeff Bank originated 86.9% by number and 75.9% by dollar value of its total HMDA-reportable and small business loans within the assessment area. This majority of lending inside of Jeff Bank's assessment area demonstrated a reasonable concentration of lending.

**Distribution by Borrower Characteristics:** Satisfactory

Jeff Bank'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.

Jeff Bank's average rates of one-to-four family lending to LMI borrowers was comparable to the aggregate's rates, while the Bank's average rates of lending to businesses with revenues of \$1 million or less exceeded the aggregate's rates for the evaluation period.

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

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

Jeff Bank's average rate of HMDA lending in moderate-income census tracts for the

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evaluation period, by number of loans, was well below the aggregate's rate and its average rate of lending by dollar value of loans also trailed the aggregate's rate for the evaluation period. The Bank's average rates of lending to small businesses in moderate-income census tracts, by number and dollar value of loans, were well below the aggregate's rates.

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

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

**Community Development Test:** Outstanding

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

Community Development Lending: Outstanding

During the evaluation period, Jeff Bank originated \$16 million in new community development loans and had \$45,528 outstanding from prior evaluation periods. This demonstrated an excellent level of community development lending over the course of the evaluation period.

Qualified Investments: Satisfactory

During the evaluation period, Jeff Bank made qualified investments totaling \$4.7 million and had \$125,837 outstanding from prior evaluation periods. In addition, the Bank made grants totaling \$53,447. This demonstrated a reasonable level of qualified investments and grants over the course of the evaluation period.

Community Development Services: Outstanding

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

During the evaluation period, Bank personnel, members of senior management, and the board were involved in various local organizations whose missions or functions are to provide community development services through formulating strategies and policies, organizing, promoting economic development, providing financial education, and other assistance to LMI individuals.

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### Responsiveness to Community Development Needs

Jeff Bank demonstrated an excellent level of responsiveness to credit and community development needs mainly through its community development lending and services. Jeff Bank also had several qualified investments, such as municipal bonds that funded public service and safety improvements in LMI geographies within the 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.*

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## PERFORMANCE CONTEXT

### Institution Profile

Jeff Bank was chartered in 1913 as The First National Bank of Jeffersonville. In 2012, the Bank converted to a New York State charter and changed its name to Jeff Bank. The Bank is a commercial bank and is a wholly-owned subsidiary of Jeffersonville Bancorp, Inc., a publicly traded one bank holding company.

Jeff Bank operates 12 branch offices, of which 11 are in Sullivan County, and one is in Orange County. Supplementing the branches is an automated teller machine (“ATM”) network consisting of an ATMs at each branch. All ATMs are deposit-taking and are accessible 24 hours a day.

The Bank offers a variety of traditional deposit and lending products and services. Deposit products include personal and business checking, savings accounts, money market accounts and retirement accounts. Lending products include residential and commercial mortgages, personal loans, business loans and credit cards. Services offered include online mobile banking, remote deposits, and debit cards to facilitate remote banking.

In its the Consolidated Report of Condition (the “Call Report”), as of June 30, 2020, filed with the Federal Deposit Insurance Corporation (“FDIC”), Jeff Bank reported total assets of \$578 million, of which \$306 million were net loans and lease financing receivables. It also reported total deposits of \$511 million, resulting in a loan-to-deposit ratio of 59.9%. According to the latest available comparative deposit data, as of June 30, 2019, Jeff Bank had a market share of 4.5% or \$453 million in a market of \$10 billion, ranking it 9th among 26 deposit-taking institutions in Orange and Sullivan counties.

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

<b>TOTAL GROSS LOANS OUTSTANDING</b>						
Loan Type	2017		2018		2019	
	\$000's	%	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	125,183	43.1	128,552	40.8	126,811	41.1
Commercial & Industrial Loans	30,321	10.4	32,591	10.3	30,196	9.8
Commercial Mortgage Loans	96,569	33.3	105,733	33.6	109,666	35.5
Multifamily Mortgages	9,319	3.2	11,661	3.7	13,224	4.3
Consumer Loans	3,706	1.3	3,266	1.0	3,264	1.1
Agricultural Loans	7,409	2.6	8,117	2.6	7,627	2.5
Construction Loans	15,712	5.4	23,481	7.5	16,247	5.3
Other Loans	2,107	0.7	1,727	0.5	1,491	0.5
Total Gross Loans	290,326		315,128		308,526	

As illustrated in the above table, Jeff Bank is primarily a mortgage lender, with 41.1% of loan portfolio comprised of 1-4 family residential mortgage loans, and 35.5% comprised of commercial mortgage loans (35.5%). The Bank's loan portfolio composition remained largely unchanged during the evaluation period.

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

**Assessment Area**

The Bank's assessment area is comprised of all of Sullivan County and part of Orange County.

There are 29 census tracts in the assessment area, of which none are low-income, nine are moderate-income, 17 are middle-income, and three are upper-income. The number of moderate-income census tracts increased to nine in 2019 from seven for 2018 and 2017, as a result of the recategorization of two middle-income census tracts to moderate-income census tracts in Orange County, for 2019. As a result, all five census tracts in Orange County were categorized as moderate-income in 2019.

<b>Assessment Area Census Tracts by Income Level</b>							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
Sullivan	0	0	4	17	3	24	16.7
Orange*	0	0	5	0	0	5	100.0
Total	0	0	9	17	3	29	31.0

\* Partial county

**Demographic & Economic Data**

The assessment area had a population of 92,837 during the evaluation period. Approximately 16.3% of the population was over the age of 65 and 19.4% was under the age of 16.

Of the 21,544 families in the assessment area 21.5% were low-income, 18.25% were moderate-income, 20.5% were middle-income and 39.8% were upper-income. There were 34,986 households in the assessment area, of which 16% had income below the poverty level and 2.9% were on public assistance.

The weighted average median family income in the assessment area was \$60,241.

There were 57,298 housing units within the assessment area, of which 81.5% were one-to-four family units and 8.7% were multifamily units. A majority (39.8%) of the area's housing units were owner-occupied, while 23.7% were rental units. Of the 22,816 owner-occupied housing units, 29.2% were in LMI census tracts while 70.8% were in middle- and upper-income census tracts. The median age of the housing stock



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was 53 years, and the median home value in the assessment area was \$162,691.

There were 5,199 non-farm businesses in the assessment area. Of these, 84.1% were businesses with reported revenues of less than or equal to \$1 million, 4.8% reported revenues of more than \$1 million and 11.1% did not report their revenues. Of all the businesses in the assessment area, 97% were businesses with less than fifty employees while 89.2% operated from a single location. The largest industries in the area were services (38.8%), retail trade (14.8%), and construction (9.9%); 12.4% of businesses in the assessment area were not classified.

According to the New York State Department of Labor, the average annual unemployment rates for New York State, and Orange and Sullivan counties declined steadily during the evaluation period. The annual unemployment rates for Orange County were lowest, while annual unemployment rates for Sullivan County and statewide remained similar during the evaluation period.

<b>Assessment Area Unemployment Rate</b>			
	Statewide	Orange	Sullivan
2017	4.7%	4.5%	4.9%
2018	4.1%	3.9%	4.1%
2019	4.0%	3.8%	4.0%
<b>Average</b>	<b>4.3%</b>	<b>4.1%</b>	<b>4.3%</b>

### **Community Information**

DFS examiners conducted two community contact interviews to identify community credit needs and lending opportunities within the Bank’s assessment area. One interview was conducted with the director of a nonprofit organization with the mission of promoting economic development in Sullivan County. The other interview was with an executive director of a nonprofit organization that provides individuals and families with affordable housing through investing capital, developing housing programs, and advocating for affordable housing policies. Both interviews occurred after the onset of the COVID-19 pandemic.

The first interviewee noted that the COVID-19 pandemic has adversely affected Sullivan County and its surrounding area. The pandemic has disrupted the tourism industry which helps to support small businesses in the area; as a result, some local small businesses have gone out-of-business, reducing the area’s employment opportunities. The interviewee further stated that the organization’s experience in dealing with local financial institutions has generally been positive and the institutions participation in the Paycheck Protection Program (“PPP”) have provided much needed access to capital for local businesses during this difficult time. Nonetheless, the contact identified that there is still a need for more capital resources to support local small businesses.

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The second interviewee stated that due to the pandemic, Sullivan County is experiencing an influx of people from New York City and other areas buying residential real estate. This has resulted in a shortage of housing stock at all price levels. While this situation has helped a sector of the county's economy, such as real estate agents and brokers and insurance agents, finding affordable housing in Sullivan County has become increasingly challenging for LMI individuals and families. The contact expressed the need for financial institution's participation in providing first-time home buyer programs geared towards LMI applicants, and donations from financial institutions to organizations that provide first-time home buyer seminars or offer affordable housing programs.

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## **PERFORMANCE STANDARDS AND ASSESSMENT FACTORS**

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

*The lending test includes:*

- 1. Loan-to-deposit ratio and other lending-related activities;*
- 2. Assessment area concentration;*
- 3. Distribution of loans by borrower characteristics;*
- 4. Geographic distribution of loans; and*
- 5. Action taken in response to written complaints regarding CRA.*

*The community development test includes:*

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

*DFS also considered the following factors in assessing the bank's record of performance:*

- 1. The extent of participation by the board of directors or board of trustees in formulating CRA policies and reviewing CRA performance;*
- 2. Evidence of any practices intended to discourage credit applications;*
- 3. Evidence of prohibited discriminatory or other illegal credit practices;*
- 4. Record of opening and closing offices and providing services at offices; and*
- 5. Process factors, such as activities to ascertain credit needs and the extent of marketing and special credit related programs.*

DFS derived statistics employed in this evaluation from various sources. Jeff Bank submitted bank-specific information both as part of the examination process and on its Call Report submitted to the FDIC. DFS obtained aggregate lending data from the Federal Financial Institutions Examination Council ("FFIEC") and deposit data from the FDIC. DFS 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 2017, 2018, and 2019 for the lending test and the period from October 1, 2017 through June 30, 2020 for the community development test.

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

HMDA-reportable/small business loan data evaluated in this performance evaluation represented actual originations. Because Jeff Bank made very few small farm loans, DFS based all analyses on small business lending only.

Jeff Bank is not required to report small business loan data, so its 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 September 30, 2017, DFS assigned Jeff Bank a rating of 2, reflecting a Satisfactory record of helping to meet the credit needs of Jeff Bank's community.

**Current CRA Rating: Satisfactory**

**Lending Test: Satisfactory**

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

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

Jeff Bank's average LTD ratio was reasonable considering its size, business strategy, financial condition and peer group activity.

The Bank's average LTD ratio of 66.6% for the evaluation period was below its peer group's ratio of 82.3%; however, it was only slightly below the ratio of 65.9% the Bank reported for the prior evaluation period.

While Jeff Bank's average LTD ratio for the evaluation period trailed the aggregate's ratio, the Bank ranked by number of loans in the top three mortgage originators in its assessment area each year of the evaluation period, according to the Institution Market Share Reports<sup>1</sup> for those years. In 2019, the Bank ranked 2<sup>nd</sup> (88 loans) among 155 lenders by number of mortgage loans originated in its assessment area. In 2018, Jeff Bank ranked 2<sup>nd</sup> (125 loans) among 151 lenders and in 2017 the Bank ranked 1<sup>st</sup> (121 loans) among 128 lenders.

Jeff Bank, as an intermediate small bank, was not required to report small business data during the evaluation period; nonetheless, if it was a reporting institution Jeff Bank would

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<sup>1</sup> The Institution Market Share Report ranks institutions by the number and dollar amount of mortgage and small business loans originated in their assessment area.

have ranked in the top 20 lenders for each year of the evaluation period, by number of loans, among more than 70 small business lenders in its assessment area, according to the Institution Market Share Report.

The table below shows Jeff Bank’s LTD ratios in comparison with the peer group’s ratios for the 12 quarters of this evaluation.

<b>Loan-to-Deposit Ratios</b>													
	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2	2019 Q3	2019 Q4	Avg.
Bank	65.5	63.5	63.5	65.6	63.8	64.8	68.6	70.4	68.7	68.2	68.2	69.1	66.6
Peer	80.4	81.7	82.1	82.2	81.7	82.8	83.2	83.1	82.2	83.2	82.9	82.4	82.3

Assessment Area Concentration: Satisfactory

During the evaluation period, Jeff Bank originated 86.9% by number and 75.9% by dollar value of its total HMDA-reportable and small business loans within the assessment area. This demonstrates a reasonable concentration of lending.

HMDA-Reportable Loans:

During the evaluation period, Jeff Bank originated 88.4% by number and 78.3% by dollar value of its HMDA-reportable loans within the assessment area. This majority of lending inside of Jeff Bank’s assessment area reflects a reasonable concentration of lending within its assessment area.

Small Business Loans:

During the evaluation period, Jeff Bank originated 85.3% by number and 73.2% by dollar value of its small business loans within the assessment area. This majority of lending inside of Jeff Bank’s assessment area reflects a reasonable concentration of lending within its assessment area.

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

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										
2017	121	89.0%	15	11.0%	136	11,061	78.8%	2,980	21.2%	14,041
2018	125	89.3%	15	10.7%	140	18,048	76.9%	5,429	23.1%	23,477
2019	88	86.3%	14	13.7%	102	10,061	80.3%	2,467	19.7%	12,528
Subtotal	334	88.4%	44	11.6%	378	39,170	78.3%	10,876	21.7%	50,046
Small Business										
2017	127	90.1%	14	9.9%	141	13,617	81.3%	3,133	18.7%	16,750
2018	106	84.8%	19	15.2%	125	11,791	78.8%	3,167	21.2%	14,958
2019	75	78.9%	20	21.1%	95	7,947	57.4%	5,904	42.6%	13,851
Subtotal	308	85.3%	53	14.7%	361	33,355	73.2%	12,204	26.8%	45,559
Grand Total	642	86.9%	97	13.1%	739	72,525	75.9%	23,080	24.1%	95,605

#### Distribution by Borrower Characteristics: Satisfactory

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

#### One-to-Four Family HMDA-Reportable Loans:

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

Jeff Bank's average lending rates to LMI borrowers for the evaluation period of 20.1% by number and 11.1% by dollar value of loans were comparable to the aggregate's rates of 20.6% and 13.5%, respectively. Jeff Bank's annual lending rates exceeded the aggregate's rates in 2017, while in 2018 and 2019 Jeff Bank trailed the aggregate's rates.

Jeff Bank's and the aggregate's rates of lending to LMI borrowers trailed the assessment area's percentage of LMI families (family demographics) of 39.8%.

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

<b>Distribution of 1-4 Family Loans by Borrower Income</b>									
<b>2017</b>									
<b>Borrower Income</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Fam.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	8	7.3%	130	1.3%	56	5.3%	3,650	2.4%	21.5%
Moderate	17	15.6%	1,152	11.1%	152	14.3%	14,958	9.9%	18.3%
LMI	25	22.9%	1,282	12.4%	208	19.6%	18,608	12.3%	39.8%
Middle	30	27.5%	1,905	18.4%	259	24.4%	32,701	21.6%	20.5%
Upper	48	44.0%	6,798	65.8%	525	49.4%	90,233	59.6%	39.8%
Unknown	6	5.5%	352	3.4%	71	6.7%	9,771	6.5%	
<b>Total</b>	<b>109</b>		<b>10,337</b>		<b>1,063</b>		<b>151,313</b>		
<b>2018</b>									
<b>Borrower Income</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Fam.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	7	5.7%	341	2.6%	71	5.2%	5,585	2.7%	21.5%
Moderate	17	13.9%	1,163	8.8%	223	16.2%	21,905	10.6%	18.3%
LMI	24	19.7%	1,504	11.4%	294	21.3%	27,490	13.3%	39.8%
Middle	21	17.2%	2,181	16.5%	306	22.2%	37,810	18.3%	20.5%
Upper	65	53.3%	8,084	61.0%	730	53.0%	132,570	64.3%	39.8%
Unknown	12	9.8%	1,479	11.2%	48	3.5%	8,330	4.0%	
<b>Total</b>	<b>122</b>		<b>13,248</b>		<b>1,378</b>		<b>206,200</b>		
<b>2019</b>									
<b>Borrower Income</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Fam.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	4	4.5%	175	1.7%	78	5.1%	7,140	3.0%	21.5%
Moderate	11	12.5%	781	7.8%	236	15.6%	26,860	11.4%	18.3%
LMI	15	17.0%	956	9.5%	314	20.7%	34,000	14.5%	39.8%
Middle	21	23.9%	1,866	18.5%	379	25.0%	50,555	21.5%	20.5%
Upper	50	56.8%	6,692	66.5%	752	49.6%	137,040	58.4%	39.8%
Unknown	2	2.3%	547	5.4%	70	4.6%	13,200	5.6%	
<b>Total</b>	<b>88</b>		<b>10,061</b>		<b>1,515</b>		<b>234,795</b>		
<b>GRAND TOTAL</b>									
<b>Borrower Income</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Fam.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	19	6.0%	646	1.9%		5.2%		2.8%	
Moderate	45	14.1%	3,096	9.2%		15.4%		10.8%	
LMI	64	20.1%	3,742	11.1%		20.6%		13.5%	
Middle	72	22.6%	5,952	17.7%		23.9%		20.4%	
Upper	163	51.1%	21,574	64.1%		50.7%		60.8%	
Unknown	20	6.3%	2,378	7.1%		4.8%		5.3%	
<b>Total</b>	<b>319</b>		<b>33,646</b>						

**Small Business Loans:**

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

During the evaluation period, the Bank originated 58.1% by number and 52.8% by dollar value of loans to businesses with gross annual revenue of \$1 million or less, outperforming the aggregate's rates of 51.4% and 37.6%, respectively. However, Jeff

Bank's and the aggregate's rates of lending to small businesses trailed the business demographics in the Bank's assessment area in each year of the evaluation period. The following table provides a summary of the distribution of Jeff Bank's small business loans by the revenue size of the business.

<b>Distribution of Small Business Lending by Revenue Size of Business</b>									
<b>2017</b>									
<b>Rev. Size</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Rev. <= \$1MM	77	60.6%	7,003	51.4%	793	57.3%	12,488	38.8%	82.4%
Rev. > \$1MM	34	26.8%	4,878	35.8%					5.1%
Rev. Unknown	16	12.6%	1,736	12.7%					12.5%
<b>Total</b>	<b>127</b>		<b>13,617</b>		<b>1,385</b>		<b>32,203</b>		
<b>2018</b>									
<b>Rev. Size</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Rev. <= \$1MM	52	49.1%	5,284	44.8%	805	50.8%	14,881	43.8%	82.7%
Rev. > \$1MM	26	24.5%	4,163	35.3%					5.2%
Rev. Unknown	28	26.4%	2,344	19.9%					12.1%
<b>Total</b>	<b>106</b>		<b>11,791</b>		<b>1,586</b>		<b>33,946</b>		
<b>2019</b>									
<b>Rev. Size</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Rev. <= \$1MM	50	66.7%	5,318	66.9%	840	47.3%	10,339	30.2%	84.2%
Rev. > \$1MM	16	21.3%	2,077	26.1%					4.8%
Rev. Unknown	9	12.0%	552	6.9%					11.1%
<b>Total</b>	<b>75</b>		<b>7,947</b>		<b>1,776</b>		<b>34,186</b>		
<b>GRAND TOTAL</b>									
<b>Rev. Size</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Rev. <= \$1MM	179	58.1%	17,605	52.8%		51.4%		37.6%	
Rev. > \$1MM	76	24.7%	11,118	33.3%					
Rev. Unknown	53	17.2%	4,632	13.9%					
<b>Total</b>	<b>308</b>		<b>33,355</b>						

### Geographic Distribution of Loans: Needs to Improve

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

Jeff Bank's assessment area contained no low-income census tracts during the evaluation period; the number of moderate-income census tracts increased from seven in 2017 and 2018 to nine in 2019, as two middle-income census tracts were re-categorized as moderate-income census tracts.

### HMDA-Reportable Loans:

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



Jeff Bank's average rate of lending in moderate-income census tracts for the evaluation period was 9.9% by number of loans which was well below the aggregate's rate of 21.1%; the Bank's average rate of lending of 15.5% by dollar value of loans also trailed the aggregate's rate of 18.9%. While Jeff Bank's 2018 lending rate by dollar value of loans in moderate-income tracts exceeded the aggregate's rate, its rates of lending in 2019 and 2017 by number and dollar value of loans were significantly below the aggregate's rates.

In addition, Jeff Bank's annual rates of lending by number and dollar value of loans in moderate-income census tracts, except for lending by dollar value in 2018, were well below the annual percentages (22.1% - 29.1%) of owner-occupied housing units in moderate-income tracts for the evaluation period.

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

Distribution of HMDA-Reportable Lending by Geographic Income of the Census Tract									
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	11	9.1%	503	4.5%	196	17.8%	24,972	15.3%	22.1%
LMI	11	9.1%	503	4.5%	196	17.8%	24,972	15.3%	22.1%
Middle	101	83.5%	9,776	88.4%	697	63.2%	98,011	60.0%	61.9%
Upper	9	7.4%	782	7.1%	209	19.0%	40,293	24.7%	16.0%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
<b>Total</b>	<b>121</b>		<b>11,061</b>		<b>1,102</b>		<b>163,276</b>		
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	16	12.8%	4,660	25.8%	259	18.6%	37,905	16.9%	22.1%
LMI	16	12.8%	4,660	25.8%	259	18.6%	37,905	16.9%	22.1%
Middle	101	80.8%	12,414	68.8%	886	63.6%	136,210	60.8%	61.9%
Upper	8	6.4%	974	5.4%	248	17.8%	49,790	22.2%	16.0%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
<b>Total</b>	<b>125</b>		<b>18,048</b>		<b>1,393</b>		<b>223,905</b>		
2019									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%		0.0%	0	0.0%	0	0.0%	0.0%
Moderate	6	6.8%	922	9.2%	395	25.9%	56,255	23.3%	29.2%
LMI	6	6.8%	922	9.2%	395	25.9%	56,255	23.3%	29.2%
Middle	66	75.0%	7,113	70.7%	808	53.0%	130,000	53.8%	54.8%
Upper	16	18.2%	2,026	20.1%	321	21.1%	55,285	22.9%	16.0%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
<b>Total</b>	<b>88</b>		<b>10,061</b>		<b>1,524</b>		<b>241,540</b>		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%		0.0%		0.0%	
Moderate	33	9.9%	6,085	15.5%		21.1%		18.9%	
LMI	33	9.9%	6,085	15.5%		21.1%		18.9%	
Middle	268	80.2%	29,303	74.8%		59.5%		57.9%	
Upper	33	9.9%	3,782	9.7%		19.4%		23.1%	
Unknown	0	0.0%	0	0.0%		0.0%		0.0%	
<b>Total</b>	<b>334</b>		<b>39,170</b>						

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*Small Business Loans:*

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

Jeff Bank's average rates of lending in moderate-income census tracts during the evaluation period of 20.5% by number and 22.3% by dollar value of loans were well below the aggregate's rates of 34% and 33.1%, respectively. Furthermore, the Bank's annual rates of lending to small businesses located in moderate-income tracts showed a declining trend from 2017 to 2019.

Jeff Bank's average rates of lending in moderate-income census tracts were also well below the percentage of businesses located in moderate-income census tracts within the assessment area.

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

Distribution of Small Business Lending by Geographic Income of the Census Tract									
2017									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	30	23.6%	4,050	29.7%	480	34.7%	11,214	34.8%	36.7%
LMI	30	23.6%	4,050	29.7%	480	34.7%	11,214	34.8%	36.7%
Middle	76	59.8%	7,264	53.3%	680	49.1%	14,612	45.4%	49.9%
Upper	21	16.5%	2,303	16.9%	225	16.2%	6,377	19.8%	13.3%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
<b>Total</b>	<b>127</b>		<b>13,617</b>		<b>1,385</b>		<b>32,203</b>		
2018									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	23	21.7%	2,222	18.8%	509	32.1%	11,492	33.9%	36.3%
LMI	23	21.7%	2,222	18.8%	509	32.1%	11,492	33.9%	36.3%
Middle	63	59.4%	8,074	68.5%	785	49.5%	14,828	43.7%	50.3%
Upper	20	18.9%	1,495	12.7%	292	18.4%	7,626	22.5%	13.3%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
<b>Total</b>	<b>106</b>		<b>11,791</b>		<b>1,586</b>		<b>33,946</b>		
2019									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	10	13.3%	1,157	14.6%	623	35.1%	10,479	30.7%	39.3%
LMI	10	13.3%	1,157	14.6%	623	35.1%	10,479	30.7%	39.3%
Middle	49	65.3%	5,434	68.4%	813	45.8%	15,189	44.4%	46.3%
Upper	16	21.3%	1,356	17.1%	340	19.1%	8,518	24.9%	14.4%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
<b>Total</b>	<b>75</b>		<b>7,947</b>		<b>1,776</b>	<b>#DIV/0!</b>	<b>34,186</b>		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%		0.0%		0.0%	
Moderate	63	20.5%	7,429	22.3%		34.0%		33.1%	
LMI	63	20.5%	7,429	22.3%		34.0%		33.1%	
Middle	188	61.0%	20,772	62.3%		48.0%		44.5%	
Upper	57	18.5%	5,154	15.5%		18.1%		22.4%	
Unknown	0	0.0%	0	0.0%		0.0%		0.0%	
<b>Total</b>	<b>308</b>		<b>33,355</b>						

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

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

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**Community Development Test:** Outstanding

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

**Community Development Lending:** Outstanding

During the evaluation period, Jeff Bank originated \$16 million in new community development loans and had \$45,528 outstanding from prior evaluation periods. This demonstrated an excellent level of community development lending over the course of the evaluation period.

The level of new community development loans made by Jeff Bank during the current evaluation period (2.75 years) was a significant increase over the \$2.7 million made at the prior evaluation (2.25 years). Community development loans primarily supported affordable housing, economic development and community services within the assessment area.

The table below shows the distribution, by number and dollar value, of Jeff Bank's community development loans by activity type.

<b>Community Development Loans</b>				
Purpose	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Loans	\$000	# of Loans	\$000
Affordable Housing	4	5,098		
Economic Development	8	7,075		
Community Services	3	3,561	2	45
Revitalization/Stabilization	1	300		
Total	16	16,034	2	45

Below are highlights of Jeff Bank's community development lending:

- Jeff Bank issued a \$7 million line of credit to a New York-based economic development corporation to assist in providing funds for Paycheck Protection Program ("PPP") loans to businesses affected by the COVID-19 pandemic.
- The Bank originated three loans totaling \$4.6 million to refinance mortgages and provide construction financing for multifamily properties that provide affordable housing for LMI individuals and families within the assessment area.
- Jeff Bank provided a \$2.9 million commercial mortgage to a non-profit healthcare and research facility located within the Bank's assessment area. The facility

provides various programs for children diagnosed with disabilities, including autism, pervasive developmental disorders, and neurological impairments.

- In support of a workforce development program, Jeff Bank originated three small-dollar loans (\$7,500 each) to LMI individuals. These loans allowed the borrowers to purchase vehicles so they can commute to work. This is part of the “Wheels for Work” program, in which they also receive skill assessments, direct job referrals, education placement, and skills training.

**Qualified Investments: Satisfactory**

During the evaluation period, Jeff Bank made qualified investments totaling \$4.7 million and had \$125,837 outstanding from prior evaluation periods. In addition, Jeff Bank made \$53,447 in grants. This demonstrated a reasonable level of qualified investments and grants over the course of the evaluation period.

Qualified Investments and Grants				
	This Evaluation Period		Outstandings Prior Evaluation Periods	
	# of Inv.	\$000	# of Inv.	\$000
CD Investments				
Affordable Housing			1	126
Economic Development				
Community Services	3	764		
Revitalization/Stabilization	7	3,945		
<b>Total</b>	<b>10</b>	<b>4,709</b>	<b>1</b>	<b>126</b>
CD Grants	# of Grants	\$000	Not Applicable	
Affordable Housing				
Economic Development	4	4		
Community Services	106	49		
Other (Please Specify)				
<b>Total</b>	<b>110</b>	<b>53</b>		

Below are highlights of Jeff Bank’s qualified investments and grants:

- Jeff Bank invested a total of \$1.9 million in municipal obligations of a village located in a moderate-income census tract. The proceeds supported essential community needs for public service and public safety, such as water treatment, water system improvements, and refinancing existing bonds, helping to revitalize and stabilize the community.
- Jeff Bank made a total investment of \$764,000 in the form of a \$250,000 certificate of deposit in a CDFI with a branch located in the assessment area. The deposit was made in 2017 and renewed with earned interest in 2018 and 2019. The CDFI’s mission is to provide financial services, including SBA loans, to all members of diverse communities.

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## Grants

- The Bank made eight grants totaling \$5,400 to an organization that provides summer programs, and educational and career programs that benefit children in need in Orange and Sullivan counties.
- Jeff Bank made 35 grants amounting to \$2,907 to various schools in Sullivan and Orange counties by purchasing financial literacy books. The books contain lessons on banking, loans, credit cards, and savings and checking accounts. More than 51% of the students attending the schools were eligible for the free and reduced cost lunch program.

## Community Development Services: Outstanding

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

During the evaluation period, members of senior and executive management, and the board, served on the board or committees of various nonprofit or charitable organizations. The organizations' missions include organizing and promoting economic development, providing financial education, and formulating strategies and policies to help LMI individuals and communities.

Below are highlights of Jeff Bank's community development services:

- A director served as the vice chairman of an organization whose mission is to promote economic welfare, recreation opportunities, prevent unemployment and economic deterioration, ensure the prosperity of Sullivan County's residents, and promote tourism and trade.
- Another director served as a board member of a local economic development loan fund program that provides capital and early-stage loans to eligible entrepreneurs who want to establish or expand their businesses in Sullivan County. The fund gives special consideration to businesses owned and operated by low- and moderate-income individuals.
- A branch manager was a board member for a local hospital's foundation fund whose mission is to raise funds and create good will to help the poor, dying and underserved residents of western Orange County and the region, to ensure they have access to advanced health services.
- The CRA/chief lending officer served as the treasurer for a rural economic partnership program that was created to address issues that impact economic growth in rural areas such as stagnant or declining employment, geographic isolation and disconnection from markets and centers of finance, population loss,

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and economic distress.

- Jeff Bank employees made 24 instances of qualified financial literacy presentations to local schools, senior citizens, adults, realtors and small business owners. The presentations covered various topics including basic banking and credit, elder financial abuse, first-time homebuyer programs, and QuickBooks 101.

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

During the evaluation period, Jeff Bank did not make use of any innovative investments to support community development.

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

Jeff Bank demonstrated an excellent level of responsiveness to credit and community development needs through its community development lending, such as the workforce development program, the line of credit to an economic development corporation for PPP loans to aid businesses affected by COVID-19. In addition, Jeff Bank made several community development investments that funded local municipal projects in LMI geographies within the Bank's assessment area.

### **Additional Factors**

#### **The extent of participation by the banking institution's Board of Directors or Board of Trustees in formulating the banking institution's policies and reviewing its performance with respect to the purposes of the CRA.**

Jeff Bank has a CRA Committee comprised of the Bank's president, chief financial officer, chief lending officer (also CRA officer), compliance officer, loan support officer, and marketing director. The committee meets quarterly to discuss and review the Bank CRA activities. The compliance officer prepares and provides the committee with quarterly reports showing the level of grants, investments, CD loans and services, as well as census information and small business loans in moderate-income census tracts. The compliance officer also performs an annual CRA self-assessments in the first quarter of each year. The CRA officer presents the CRA committee minutes and the annual CRA self-assessment to Board of Directors for review and discussion. The board annually reviews and approves the Bank's CRA policy.

#### **Discrimination and other illegal practices**

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

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

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

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

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

Jeff Bank operates 12 branch offices, 11 of which are located in Sullivan County, which is mostly rural, and one in Orange County. Jeff Bank’s branches offer lobby and drive-up services Monday through Friday from 8:30 am to 5:00 pm, except the White Lake branch, located in a middle-income census tract, which is open only Monday through Thursday from 8:30 am to 5:00. Nine branches offer Saturday hours from 8:30 am to 12:00 pm, including the Port Jervis branch located in a moderate-income tract. The Bank has night depository drop boxes at all of its branches with letter drops and locked cash bags available to customers.

Supplementing the branch offices is a network of ATMs, with one located at each branch and accessible 24-hours. Jeff Bank does not have any off-site ATMs.

Jeff Bank did not open or close any branches during the evaluation period. Of Jeff Bank’s 12 branches, two (17%) are in moderate-income census tracts (one each in Sullivan County and Orange County).

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

\*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.*

Jeff Bank’s directors, management and employees participate in community activities through memberships in related professional and trade organizations, by conducting financial seminars, and monitoring customer inquiries and complaints to gain an insight into products and/or services that could be offered. In addition, directors and members of senior management serve in key positions of various community organizations that are engaged in community development activities. These organizations provide feedback on credit services needed in the community.



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

Jeff Bank markets its products and services via local and regional newspapers, brochures provided to its customers and community organization newsletters, as well as social media platforms and its own website.

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

DFS examiners noted no other factors.

## GLOSSARY

### Aggregate Lending

“Aggregate lending” means 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” means:

- Affordable housing (including multifamily housing) for LMI individuals;
- Community services targeted to LMI individuals;
- 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;
- Activities that revitalize or stabilize LMI geographies, designated disaster areas, or distressed or underserved metropolitan middle-income geographies designated by the Board of Governors of the federal Reserve System, FDIC and the Office of Comptroller of the Currency; and
- Activities that seek to prevent defaults and/or foreclosures in loans included in the first and third bullet points above.

### Community Development Loan

“Community development loan” means 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 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**

“Community development service” means a 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 Institution (“CDFI”)**

A CDFI is a financial institution that provides credit and financial services to underserved markets and populations and has a primary mission of community development, serves a target market, is a financing entity, provides development services, remains accountable to its community, and is a non-governmental entity. CDFIs are certified as such by United States Treasury Department’s CDFI Fund.

## **Geography**

“Geography” means a census tract delineated by the United States Bureau of the Census in the most recent decennial census.

## **Home Mortgage Disclosure Act (“HMDA”)**

The Home Mortgage Disclosure Act, enacted by Congress in 1975, and subsequently amended, requires institutions to annually report data about applications for residential (including multifamily) financing.

## **Income Level**

The income level for borrowers is based on household or family income. A geography’s income is categorized by median family income for the geography. In both cases, the income is compared to the Metropolitan Statistical Area (“MSA”) or statewide nonmetropolitan median income.

<b>Income level of individual or geography</b>	<b>% of the area median income</b>
Low-income	Less than 50
Moderate-income	At least 50 and less than 80
Middle-income	At least 80 and less than 120
Upper-income	120 or more

## **Small Business Loan**

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

## **LMI Geographies**

“LMI geographies” means those census tracts or block numbering areas where, according to the most current 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**

“LMI borrowers” means 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 Federal Financial Institutions Examination Council (“FFIEC”).

### **LMI Individuals/Persons**

“LMI individuals” or “LMI persons” means 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 the FFIEC.

### **LMI Penetration Rate**

“LMI penetration rate” means the percentage of a bank’s total loans (for a particular product) that was extended to LMI geographies or borrowers. For example, if a bank made 20 out of a total of 100 loans in LMI geographies or to LMI borrowers, the penetration rate would be 20%.

### **Low-Income Housing Tax Credit (“LIHTC”)**

LIHTC were 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. The tax credits 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 NMTC Program was established by Congress in December 2000 to stimulate economic and community development and job creation in low-income communities. It permits 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 CDFI Fund, an agency of the United States Department of the Treasury.

## **Qualified Investment**

“Qualified investment” means 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%.