



PUBLIC SUMMARY

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION OF JEFF BANK

AS OF JUNE 30, 2023

New York State Department of Financial Services
Consumer Protection and Financial Enforcement Division
One State Street, New York NY 10004

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.

TABLE OF CONTENTS

Sections

- I. **General Information**
 - II. **Overview of Institution’s Performance**
 - III. **Performance Context**
 - A. Institution Profile
 - B. Assessment Area
 - C. Demographic & Economic Data
 - D. Community Information
 - IV. **Performance Standards and Assessment Factors**
 - A. Lending Test
 - B. Community Development Test
 - C. Additional Factors
 - V. **Glossary**
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JEFF BANK – CRA PERFORMANCE EVALUATION

I - GENERAL INFORMATION

This document is an evaluation (the “Evaluation”) of the Community Reinvestment Act (“CRA”) performance of Jeff Bank (“JB” or the “Bank”) prepared by the New York State Department of Financial Services (“DFS” or the “Department”). This Evaluation represents the Department’s current assessment and rating of the Bank’s CRA performance based on an evaluation conducted as of June 30, 2023.

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 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 end of this Evaluation.

JEFF BANK – CRA PERFORMANCE EVALUATION

II - OVERVIEW OF INSTITUTION'S PERFORMANCE

The Department evaluated JB 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 2020, 2021 and 2022 for the lending test and the period from July 1, 2020, to June 30, 2023, for the community development test. JB is rated “2” indicating a “Satisfactory” record of helping to meet community credit needs.

The rating is based on the following factors:

A. Lending Test: Satisfactory

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

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

JB's average LTD ratio of 51.5% for the evaluation period was significantly below the peer's average LTD ratio of 73.4%. However, JB was amongst the top three mortgage lenders out of the total mortgage lenders within the Bank's assessment area for 2020, 2021 and 2022.

2. Assessment Area Concentration: Satisfactory

During the evaluation period, JB originated 85.4% by number and 79.7% by dollar value of its HMDA-reportable and small business loans within the assessment area, demonstrating a reasonable concentration of lending.

3. Distribution by Borrower Characteristics: Satisfactory

JB'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.

4. Geographic Distribution of Loans: Needs to Improve

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

Both JB's average rates of HMDA-reportable and small business lending in LMI census tracts for the evaluation period were substantially below the aggregate's average rates of lending.

5. Action Taken in Response to Written Complaints with Respect to CRA: NA

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

B. Community Development Test: Satisfactory

JB's community development performance demonstrated an adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and services, considering the Bank's capacity, and the need for and

JEFF BANK – CRA PERFORMANCE EVALUATION

availability of opportunities for community development in its assessment area.

1. Community Development Lending: Satisfactory

During the evaluation period, JB originated \$13 million in new community development loans and had \$3.2 million outstanding from prior evaluation periods. This demonstrated an adequate level of community development lending over the course of the evaluation period.

A majority of JB's community development loans were made to organizations who provide community services to low- and moderate- income ("LMI") individuals.

2. Qualified Investments: Outstanding

During the evaluation period, JB made \$9.3 million in qualified investments and had no investments outstanding from prior evaluation periods. In addition, JB made \$45,000 in qualified grants. This demonstrated an excellent level of qualified investments over the course of the evaluation period.

The majority of JB's investments were in moderate income tracts.

3. Community Development Services: Satisfactory

JB demonstrated an adequate level of community development services over the course of the evaluation period.

The overwhelming majority of services provided by JB were through board and committee memberships.

4. Responsiveness to Community Development Needs:

JB demonstrated an adequate level of responsiveness to credit and community development needs.

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

JEFF BANK – CRA PERFORMANCE EVALUATION

III - PERFORMANCE CONTEXT

A. Institution Profile

JB is a commercial bank located in Jeffersonville, NY. Chartered in 1913, as The First National Bank of Jeffersonville, it converted to a New York State charter in 2012 and changed its legal name to Jeff Bank. The Bank is a wholly owned subsidiary of Jeffersonville Bancorp, a publicly traded bank holding company.

JB operates ten banking offices, of which nine are located in Sullivan County and one in Orange County. Three of the ten branches are located in LMI census tracts. Supplementing the banking offices is an automated teller machine (“ATM”) network consisting of an ATM at each branch. All ATMs are deposit-taking and accessible 24 hours a day.

The Bank offers a variety of traditional deposit products, including several low-cost deposit accounts such as Easy Checking, Easy Checking Plus, Student/Military Checking and Student Saver. JB also offers services such as internet banking, bill payment services, mobile banking, remote deposit and 24-hour telephone banking via a local number allowing for account inquiries, verification of deposits and ATM/debit card transactions, transferring funds between accounts and making loan payments. The Bank offers consumer and commercial lending products including residential mortgage loans, home equity line of credit and construction loans and commercial mortgage loans and commercial lines of credit.

In its Consolidated Report of Condition (the “Call Report”) as of June 30, 2023, filed with the Federal Deposit Insurance Corporation (“FDIC”), Jeff Bank reported total assets of \$682.6 million, of which \$326.3 million were net loans and lease financing receivables. It also reported total deposits of \$614.4 million, resulting in an LTD ratio of 53.1%. According to the latest available comparative deposit data as of June 30, 2023, Jeff Bank obtained a market share of 5.1%, or \$614.4 million in a market of \$12.2 billion, ranking it 9th among 24 deposit-taking institutions in the Bank’s assessment area.

The following is a summary of the Bank’s loan portfolio, based on Schedule RC-C of the Bank’s December 31, 2020, 2021 and 2022 Call Reports:

TOTAL GROSS LOANS OUTSTANDING						
Loan Type	2020		2021		2022	
	\$000's	%	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	120,257	40.2	123,695	42.3	146,207	45.0
Commercial & Industrial Loans	33,347	11.1	29,595	10.1	29,559	9.1
Commercial Mortgage Loans	107,741	36.0	100,680	34.4	94,106	29.0
Multifamily Mortgages	9,066	3.0	11,967	4.1	15,380	4.7
Consumer Loans	2,473	0.8	2,273	0.8	2,328	0.7
Agricultural Loans	7,231	2.4	5,343	1.8	5,536	1.7
Construction Loans	18,025	6.0	17,459	6.0	27,278	8.4
Other Loans	1,019	0.3	1,478	0.5	4,353	1.3
Total Gross Loans	299,159		292,490		324,747	

JEFF BANK – CRA PERFORMANCE EVALUATION

As shown in the above table, JB is primarily a residential real estate lender with 45% of its loan portfolio in 1-4 family residential mortgage loans.

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

B. Assessment Area

The Bank's assessment area consists of Sullivan County in its entirety and part of Orange County (the southwest portion of the county).

There are 36 census tracts in the assessment area, of which one is low-income, eight are moderate-income, 18 are middle-income, eight are upper-income, and one tract with no income indicated.

Assessment Area Census Tracts by Income Level							
County	N/ A	Low	Mod	Middle	Upper	Total	LMI %
Sullivan	1	0	5	17	8	31	16.1
Orange*		1	3	1		5	80.0
Total	1	1	8	18	8	36	25.0

* *Partial county*

C. Demographic & Economic Data

The assessment area had a population of 94,908 during the evaluation period. Approximately 18.6% of the population were over the age of 65 and 21.6% were under the age of 16.

Of the 21,745 families in the assessment area 24.2% were low-income, 16.3% were moderate-income, 20.2% were middle-income and 39.3% were upper-income. There were 35,475 households in the assessment area, of which 14.2% had income below the poverty level and 1.5% were on public assistance. The weighted average of median family income in the assessment area was \$72,638.

There were 58,546 housing units within the assessment area, of which 84% were one-to-four family units and 6.6% were multifamily units. A majority 41.5% of the housing units were owner-occupied, while 19.1% were rental-occupied units.

Of the 24,316 owner-occupied housing units, 24.8% were in LMI census tracts while 73.4% were in middle- and upper-income census tracts. The median age of the housing stock was 54 years, and the weighted average of median home value in the assessment area was \$168,662.

There were 7,930 non-farm businesses in the assessment area. Of these, 87.8% were businesses with reported revenues of less than or equal to \$1 million, 3.1% reported revenues of more than \$1 million and 9.1% did not report their revenues. Of all the businesses in the assessment area, 97.3% were businesses with less than fifty employees while 92.2% operated from a single location. The largest industries in the area were services (32.7%), retail trade (12.3%) and construction (8.3%); 23.2% of businesses in the assessment area were not classified.

JEFF BANK – CRA PERFORMANCE EVALUATION

An analysis of the New York State Department of Labor data, showed that the average annual unemployment rates for New York State, and Orange and Sullivan counties, were comparatively higher in 2020, due primarily to the onset of the COVID-19 pandemic. However, average annual unemployment rates steadily declined in 2021 and 2022 as the pandemic diminished. Both counties reported lower average annual unemployment rates for each year of the evaluation period and lower average unemployment rates than New York State.

Assessment Area Unemployment Rate			
	New York State	Orange	Sullivan
2020	9.8%	8.0%	8.4%
2021	7.0%	4.7%	4.9%
2022	4.3%	3.2%	3.3%
Average of Years above	7.0%	5.3%	5.5%

D. Community Information

DFS conducted two virtual community contact interviews with representatives from two local community organizations that operate within the Bank's assessment area. These interviews provided additional insight into community credit needs and lending opportunities within JB's assessment area.

The first interview was held with a representative of a local, nonprofit organization focusing on addressing poverty in Orange County. The representative of the organization highlighted the essential need for affordable banking services and credit in the area, especially among the LMI population, as well as a need for retail branches in the city of Newburg. LMI residents often use check cashers because there is a lack of retail branches in the area. The representative stated that the lack of retail branches coupled with high banking fees and a lack of transparency of those fees are also contributing factors to why many of the LMI residents do not have a bank account.

The second interview was held with a representative of a nonprofit corporation that promotes business development in Sullivan County. The representative of the organization noted that Sullivan County, economically, has been the second fastest-growing county in the state of New York over the last 25 months and that, generally, the credit needs of the community are being adequately met. However, as the economy is growing and businesses are hiring, there are not enough people to fill those positions. The representative noted that the inability of businesses to hire people is in part due to the lack of sufficient housing stock, which is due to factors such as permit costs, time to get approval for construction, and high taxes in New York.

JEFF BANK – CRA PERFORMANCE EVALUATION

IV - PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

The Department evaluated JB 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. JB submitted bank-specific information both as part of the Evaluation process and in 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 loan to deposit ("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 and 2020 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 2020, 2021 and 2022 for lending activities and the period from July 1, 2020, to June 30, 2023, for community development activities.

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

JEFF BANK – CRA PERFORMANCE EVALUATION

As JB made very few small farm loans; therefore, DFS based all analyses on small business loans only.

HMDA-reportable and small business loan data evaluated in this Evaluation represented actual originations.

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

In its prior Community Reinvestment Act Performance Evaluation as of June 30, 2020, DFS assigned JB a rating of “2” or “Satisfactory” compliance with regulatory standards.

CRA Rating: Satisfactory

A. Lending Test: Satisfactory

JB’s small business and HMDA-reportable activities were reasonable in light of JB’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.

1. Loan-to-Deposit Ratio and other Lending-Related Activities: Satisfactory

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

The Bank’s average LTD ratio of 51.5% for the evaluation period was well below its peer group’s average ratio of 73.4%. Both the Bank’s and the aggregate’s quarterly LTD ratios declined sharply from the first quarter of 2021 to first quarter of 2022 primarily due to the COVID-19 pandemic. In the second quarter of 2022 until the end of the evaluation period, the quarterly LTD ratios for both the Bank and the aggregate started to recover and slowly but steadily increased.

Management indicated that a surge in deposits due to federal economic stimulus programs and low loan demand during the onset of the COVID-19 pandemic caused its LTD ratio to decline sharply. Nevertheless, JB continued to rank among the top three HMDA lenders in its assessment area for 2020, 2021 and 2022.

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

Loan-to-Deposit Ratios													
	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4	Avg.
Bank	64.4	59.8	57.5	54.9	50.0	48.5	47.2	46.6	44.7	45.8	47.4	51.7	51.5
Peer	81.9	80.8	80.4	75.8	72.3	70.9	69.4	67.9	66.5	69.2	71.2	73.8	73.4

JEFF BANK – CRA PERFORMANCE EVALUATION

2. Assessment Area Concentration: Satisfactory

During the evaluation period, JB originated 85.4% by number and 79.7% by dollar value of its total HMDA-reportable and small business loans within the assessment area, demonstrating a reasonable concentration of lending.

a. HMDA-Reportable Loans:

During the evaluation period, JB originated 87.9% by number and 85.1% by dollar value of its HMDA-reportable loans within the assessment area.

This substantial majority of lending inside of JB’s assessment area reflects an excellent concentration of lending.

b. Small Business Loans:

During the evaluation period, Jeff Bank originated 82.7% by number and 70.6% 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.

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										
2020	105	90.5%	11	9.5%	116	18,830	91.6%	1,725	8.4%	20,555
2021	152	88.9%	19	11.1%	171	27,285	81.9%	6,012	18.1%	33,296
2022	128	84.8%	23	15.2%	151	37,724	84.6%	6,892	15.4%	44,616
Subtotal	385	87.9%	53	12.1%	438	83,839	85.1%	14,629	14.9%	98,467
Small Business										
2020	220	86.6%	34	13.4%	254	18,044	81.9%	3,978	18.1%	22,022
2021	62	83.8%	12	16.2%	74	9,793	71.5%	3,894	28.5%	13,687
2022	68	71.6%	27	28.4%	95	14,102	59.6%	9,566	40.4%	23,668
Subtotal	350	82.7%	73	17.3%	423	41,939	70.6%	17,438	29.4%	59,377
Grand Total	735	85.4%	126	14.6%	861	125,778	79.7%	32,067	20.3%	157,844

3. Distribution by Borrower Characteristics: Satisfactory

JB’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.

a. One-to-four Family HMDA-Reportable Loans:

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

JEFF BANK – CRA PERFORMANCE EVALUATION

JB’s average 1-4 family HMDA-reportable lending rates to LMI borrowers of 16.9% by number and 6.8% by dollar value for the evaluation period, trailed the aggregate’s 20.4% by number of loans but was well below the aggregate’s 14% by dollar value of loans. In evaluating this criterion, more weight was given to the lending rate by number of loans.

Both the Bank and the aggregate’s lending rates to LMI borrowers were well below the percentage (39.8% - 40.5%) of LMI families (family demographics) living in the Bank’s assessment area.

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

Distribution of One-to-Four Family Loans by Borrower Income									
2020									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	6	5.9%	443	2.6%	95	4.5%	10,465	2.6%	21.5%
Moderate	6	5.9%	486	2.8%	277	13.1%	37,795	9.4%	18.3%
LMI	12	11.8%	929	5.4%	372	17.6%	48,260	12.0%	39.8%
Middle	19	18.6%	1,955	11.3%	440	20.8%	69,630	17.3%	20.5%
Upper	66	64.7%	13,625	78.7%	1,205	56.9%	265,345	65.9%	39.8%
Unknown	5	4.9%	805	4.6%	101	4.8%	19,695	4.9%	
Total	102		17,314		2,118		402,930		
2021									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	7	4.6%	515	1.9%	154	5.5%	18,630	3.3%	21.5%
Moderate	27	17.9%	2,224	8.3%	394	14.1%	59,060	10.4%	18.3%
LMI	34	22.5%	2,739	10.2%	548	19.6%	77,690	13.6%	39.8%
Middle	37	24.5%	4,688	17.4%	617	22.1%	106,545	18.7%	20.5%
Upper	75	49.7%	18,773	69.7%	1,479	53.0%	358,765	62.9%	39.8%
Unknown	5	3.3%	733	2.7%	149	5.3%	27,625	4.8%	
Total	151		26,933		2,793		570,625		
2022									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	3	2.4%	139	0.4%	178	7.8%	23,150	4.5%	24.2%
Moderate	15	12.0%	1,729	4.7%	371	16.2%	58,695	11.5%	16.3%
LMI	18	14.4%	1,867	5.1%	549	24.0%	81,845	16.0%	40.5%
Middle	18	14.4%	3,539	9.6%	505	22.0%	99,995	19.6%	20.2%
Upper	83	66.4%	30,275	82.4%	1,122	49.0%	309,050	60.5%	39.3%
Unknown	6	4.8%	1,046	2.8%	116	5.1%	20,240	4.0%	
Total	125		36,727		2,292		511,130		
GRAND TOTAL									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	16	4.2%	1,096	1.4%	427	5.9%	52,245	3.5%	
Moderate	48	12.7%	4,438	5.5%	1,042	14.5%	155,550	10.5%	
LMI	64	16.9%	5,535	6.8%	1,469	20.4%	207,795	14.0%	40.0%
Middle	74	19.6%	10,182	12.6%	1,562	21.7%	276,170	18.6%	
Upper	224	59.3%	62,673	77.4%	3,806	52.8%	933,160	62.9%	
Unknown	16	4.2%	2,584	3.2%	366	5.1%	67,560	4.6%	
Total	378		80,974		7,203		1,484,685		

JEFF BANK – CRA PERFORMANCE EVALUATION

b. Small Business Loans:

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

In 2020, the Bank originated 149 Paycheck Protection Program (“PPP”) loans totaling \$5.9 million. The PPP was established to assist small businesses through the economic downturn caused by the onset of the COVID-19 pandemic. Loans originated under the program did not require business revenue to be collected or reported. Therefore, to not skew the small business lending analysis by revenue size criterion, DFS removed all PPP loans from the below small business lending analysis.

JB’s average lending rates to small businesses with revenues of less than \$1 million for the evaluation period were 64.2% by number and 69% by dollar value loans, which were well above the aggregate’s rates of 47.9% and 31%, respectively.

Both the Bank’s and aggregate’s average lending rates were below the average percentage (87.4%) of small businesses business with revenue of \$1 million or less located in JB’s assessment area.

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

Distribution of Small Business Lending by Revenue Size of Business									
2020									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	45	63.4%	7,836	64.6%	587	37.6%	12,971	24.6%	86.4%
Rev. > \$1MM	19	26.8%	4,226	34.8%					3.9%
Rev. Unknown	7	9.9%	66	0.5%					9.7%
Total	71		12,128		1,560		52,818		
2021									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	42	67.7%	7,898	80.6%	927	48.0%	11,128	28.0%	87.4%
Rev. > \$1MM	14	22.6%	1,790	18.3%					3.3%
Rev. Unknown	6	9.7%	105	1.1%					9.4%
Total	62		9,793		1,931		39,801		
2022									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	42	61.8%	9,122	64.7%	1,154	53.3%	18,337	41.5%	87.9%
Rev. > \$1MM	21	30.9%	4,005	28.4%					3.1%
Rev. Unknown	5	7.4%	975	6.9%					9.1%
Total	68		14,102		2,167		44,223		
GRAND TOTAL									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	129	64.2%	24,856	69.0%	2,668	47.2%	42,436	31.0%	87.2%
Rev. > \$1MM	54	26.9%	10,021	27.8%					
Rev. Unknown	18	9.0%	1,146	3.2%	0				
Total	201		36,023		5,658		136,842		

JEFF BANK – CRA PERFORMANCE EVALUATION

4. Geographic Distribution of Loans: Needs to Improve

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

a. HMDA-Reportable Loans:

The distribution of JB's HMDA-reportable loans among census tracts of different income levels was poor.

JB's average rates of lending in LMI census tracts for the evaluation period were 11.9% by number and 12.1% by dollar value, which were substantially below the aggregate's average rates of lending of 24.3% and 21.1%, respectively. Furthermore, the Bank's annual lending rates were substantially lower than the aggregate's rates for each year of the evaluation period, except for JB's lending rate by dollar value in 2020. It is to note that JB's poor performance in this criterion was due in large part to its disproportionately lower lending volume within the five census tracts located in Orange County.

The Bank's annual lending rates in LMI census tracts was also well below the percentage (24.8% - 29.2%) of owner-occupied housing units for each year of the evaluation period.

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

JEFF BANK – CRA PERFORMANCE EVALUATION

Distribution of HMDA-Reportable Lending by Geographic Income of the Census Tract									
2020									
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	10.5%	5,309	28.2%	491	23.1%	83,475	20.3%	29.2%
LMI	11	10.5%	5,309	28.2%	491	23.1%	83,475	20.3%	29.2%
Middle	86	81.9%	12,322	65.4%	1,178	55.4%	236,030	57.5%	54.8%
Upper	8	7.6%	1,199	6.4%	456	21.5%	91,010	22.2%	16.0%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	105		18,830		2,125		410,515		
2021									
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	22	14.5%	2,553	9.4%	732	26.1%	130,650	22.6%	29.2%
LMI	22	14.5%	2,553	9.4%	732	26.1%	130,650	22.6%	29.2%
Middle	116	76.3%	21,805	79.9%	1,500	53.5%	321,630	55.5%	54.8%
Upper	14	9.2%	2,927	10.7%	572	20.4%	127,080	21.9%	16.0%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	152		27,285		2,804		579,360		
2022									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	70	3.0%	12,590	2.3%	3.8%
Moderate	13	10.2%	2,314	6.1%	468	20.2%	96,380	17.7%	21.0%
LMI	13	10.2%	2,314	6.1%	538	23.2%	108,970	20.1%	24.8%
Middle	71	55.5%	22,869	60.6%	1,091	47.1%	267,665	49.3%	47.7%
Upper	37	28.9%	9,374	24.9%	635	27.4%	154,295	28.4%	25.8%
Unknown	7	5.5%	3,167	8.4%	51	2.2%	12,365	2.3%	1.8%
Total	128		37,724		2,315		543,295		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	70	1.0%	12,590	0.8%	
Moderate	46	11.9%	10,176	12.1%	1,691	23.3%	310,505	20.3%	
LMI	46	11.9%	10,176	12.1%	1,761	24.3%	323,095	21.1%	27.7%
Middle	273	70.9%	56,995	68.0%	3,769	52.0%	825,325	53.8%	
Upper	59	15.3%	13,500	16.1%	1,663	23.0%	372,385	24.3%	
Unknown	7	1.8%	3,167	3.8%	51	0.7%	12,365	0.8%	
Total	385		83,839		7,244		1,533,170		

b. Small Business Loans:

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

JB's average rates of lending in LMI census tracts for the evaluation period were 20.3% by number and 19.0% by dollar value of loans, substantially below the aggregate's average rates of lending of 35.3% and 33.4% respectively. Furthermore, the Bank's annual lending rates in LMI census tracts by number of loans and dollar value of loans trailed the aggregate's rates for each year of the evaluation period.

JEFF BANK – CRA PERFORMANCE EVALUATION

The Bank’s annual lending rates in LMI census tracts were also well below the percentages (28.4% - 38.7%) of small businesses (business demographics) located in LMI census tracts within the Bank’s assessment area.

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

Distribution of Small Business Lending by Geographic Income of the Census Tract									
2020									
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	51	23.2%	4,905	27.2%	590	37.8%	17,186	32.5%	38.7%
LMI	51	23.2%	4,905	27.2%	590	37.8%	17,186	32.5%	38.7%
Middle	124	56.4%	9,422	52.2%	684	43.8%	25,878	49.0%	45.6%
Upper	45	20.5%	3,717	20.6%	286	18.3%	9,754	18.5%	15.8%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	220		18,044		1,560		52,818		
2021									
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	13	21.0%	1,782	18.2%	644	33.4%	13,703	34.4%	38.1%
LMI	13	21.0%	1,782	18.2%	644	33.4%	13,703	34.4%	38.1%
Middle	43	69.4%	6,933	70.8%	924	47.9%	19,594	49.2%	45.7%
Upper	6	9.7%	1,078	11.0%	363	18.8%	6,504	16.3%	16.2%
Unknown		0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	62		9,793		1,931		39,801		
2022									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	1	1.5%	200	1.4%	55	2.5%	1,635	3.7%	2.6%
Moderate	6	8.8%	1,062	7.5%	524	24.2%	11,171	25.3%	25.8%
LMI	7	10.3%	1,262	8.9%	579	26.7%	12,806	29.0%	28.4%
Middle	44	64.7%	8,947	63.4%	1,043	48.1%	22,890	51.8%	47.9%
Upper	16	23.5%	3,883	27.5%	503	23.2%	7,917	17.9%	22.1%
Unknown	1	1.5%	10	0.1%	42	1.9%	610	1.4%	1.7%
Total	68		14,102		2,167		44,223		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	1	0.3%	200	0.5%		1.0%		1.2%	
Moderate	70	20.0%	7,749	18.5%		31.1%		30.7%	
LMI	71	20.3%	7,949	19.0%	1,813	32.0%	43,695	31.9%	35.1%
Middle	211	60.3%	25,302	60.3%		46.9%		50.0%	
Upper	67	19.1%	8,678	20.7%		20.4%		17.7%	
Unknown	1	0.3%	10	0.0%		0.7%		0.4%	
Total	350		41,939		5,658		136,842		

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

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

JEFF BANK – CRA PERFORMANCE EVALUATION

B. Community Development Test: Satisfactory

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

1. Community Development Lending: Satisfactory

During the evaluation period, JB originated \$13 million in new community development loans and had \$3.2 million loans outstanding from prior evaluation periods. This demonstrated an adequate level of community development lending over the course of the evaluation period.¹

A majority of JB's community development loans were made to organizations that provided community services. While the dollar amount of new community development loans originated during the current evaluation period (3 years) declined from the \$16 million originated during the prior evaluation period (2.75 years), the level of new community development loans was still adequate.

Community Development Loans				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
Purpose	# of Loans	\$000	# of Loans	\$000
Affordable Housing	4	725	2	3,161
Economic Development	2	20		
Community Services	6	10,299		
Revitalize and Stabilize	4	1,925		
Total	16	12,968	2	3,161

Below are highlights of JB's community development lending.

- JB originated two lines of credit ("LOC") and renewed two LOCs totaling \$9.7 million to a community service organization that provides medical services to persons with disabilities. More than 50% of the organization's annual revenue comes from Medicaid.
- The Bank originated a \$1 million commercial loan to a food supermarket cooperative to open a new location in a moderate-income census tract. This new location will help to revitalize/stabilize the area, provide jobs and provide residents of the area with more options for access to groceries.
- JB financed \$187,500 for the purchase of a two-unit investment property. Rents for both units were below the area's fair market rent value, providing affordable housing.

¹ For analytical purposes, renewals of lines of credit that occur during the evaluation period are considered new extensions of credit. However, the level of lending is reviewed across the time period of the exam.

JEFF BANK – CRA PERFORMANCE EVALUATION

2. Qualified Investments: Outstanding

During the evaluation period, JB made \$9.3 million in new qualified investments and had no outstanding investments from prior evaluation periods. In addition, JB made \$45,000 in qualified grants. This demonstrated an excellent 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	2	1,435		
Economic Development	1	266		
Revitalize Stabilize	10	7,564		
Other (Please Specify)				
Total	13	9,265	0	0
CD Grants	# of Grants	\$000	<i>Not Applicable</i>	
Affordable Housing				
Economic Development				
Community Services	76	45		
Other (Please Specify)				
Total	76	45		

Below are highlights of JB’s qualified investments and grants.

- The Bank invested a total of \$7.4 million in municipal obligations of a village located in a moderate-income census tract. The village used the funds for capital expenditures such as water and sewer improvements that benefited the entire community and contributing towards the revitalization and stabilization of the area.
- JB also invested a total of \$1.4 million in State of New York Mortgage Agency (“SONYMA”) mortgage-backed securities (“MBS”). The mortgages that secure these MBS are made primarily to first-time LMI homebuyers thus helping to finance affordable housing.
- The Bank invested \$187,500 in two City of Port Jervis bonds. The proceeds were used to meet essential community infrastructure needs involving public services and public safety so helping to revitalize and stabilize the city, made up primarily of LMI census tracts.

Grants

- JB made a total of 11 grants totaling \$7,410 during the evaluation period to an organization that provides after-school and summer programs to school aged children in Orange and Sullivan Counties. The majority (60%) of the children that benefit from these programs are economically-disadvantaged.

JEFF BANK – CRA PERFORMANCE EVALUATION

- The Bank donated a total of \$5,400 to a cooperative entity that attempts to find solutions to poverty and food insecurity and seeks to ensure that people living in poverty are part of the decision-making processes. This empowers the entity’s clients to self-identify strategies and community resources to help them move out of poverty. The organization also provides education and research-based programs to LMI residents of Orange and Sullivan Counties.
- As a part of its community outreach program, the Bank donated a total of \$4,900 to a medical institution located in a moderate-income census tract. The facility provides residents of Orange County with emergency care and some of the most critical care services, thus fulfilling an important community service need.

3. Community Development Services: Satisfactory

JB demonstrated an adequate level of community development services over the course of the evaluation period. Directors, managers and employees of the Bank participated in 94 instances of community development services, while serving primarily as board or committee members of several community development organizations. They also participated in financial literacy programs on two occasions.

Community Development Services	
Activity Type	Number of Activities
On-Going Board & Committee Memberships	92
Technical Assistance	0
Seminars	0
Credit Counseling	0
Financial Literacy	2
Total Community Development Services	94

Below are highlights of Jeff Bank’s community development services.

- The president and chief executive officer of JB serves on the board of an economic development organization that supports small businesses in Sullivan County. The organization seeks to improve the economic welfare of its residents by providing guidance, technical assistance, and a variety of financing options to small businesses that help to create and retain jobs.
- A director of the Bank is a board member of an organization that offers programs such as education, career, health and life skills, and a variety of after school programs and services. to help young people make good life choices and reach their full potential.
- An executive vice president and chief lending officer of JB serves on the board of an organization that participates in various economic development initiatives, that help to revitalize and stabilize LMI neighborhoods by developing solutions that address declining employment, population loss, transportation, and economic distress.

JEFF BANK – CRA PERFORMANCE EVALUATION

- A vice president of the Bank serves on the board of an organization that participates in the rehabilitation of vacant properties within the Bank’s assessment area. The organization partners with housing developers, property owners, and nonprofit organizations to rehabilitate vacant and distressed properties and return them to productive use.
- An assistant vice president and branch manager of JB is a board member of an organization that offers programs that include a head-start preschool program for children ages 3 to 5 from low-income families to promote healthy development and a prenatal and childcare services program for young mothers, which includes classes, support groups and home visits.

Responsiveness to Community Development Needs:

JB demonstrated an adequate level of responsiveness through community development lending, services and qualified investments needs.

C. Additional Factors

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

The CRA Committee of JB includes the Bank’s president, chief financial officer, chief lending officer and CRA officer, compliance officer and marketing director. The Bank’s CRA activities are reviewed and discussed by the CRA committee quarterly. The board of directors is presented with CRA updates quarterly. The compliance officer also performs an annual CRA self-assessment in the first quarter of the year. The CRA officer presents the CRA committee minutes and the annual self-assessment to the board of directors for review and discussion. The CRA policy is reviewed and approved annually by the board of directors.

2. 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 practices by JB intended to discourage applications for the types of credit offered by JB.

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

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

3. Record of opening and closing offices and providing services at offices

JB closed two branches on February 11, 2022. One branch was located in a moderate-income census tract in the hamlet of Narrowsburg and the other was located in a moderate-income census

JEFF BANK – CRA PERFORMANCE EVALUATION

tract in the hamlet of Loch Sheldrake.

JB operates 10 full-service branches and 12 on-site ATMs (Drive-up and Walk-up) in its assessment area. Nine of the Bank’s branches are located in Sullivan County and one branch is located in Orange County. All ATMs are accessible 24 hours a day and have deposit-taking capabilities. All branches offer lobby and drive-up hours, Monday through Friday from 8:30 a.m. to 5:00 p.m. Additionally, nine branches offer Saturday hours from 9:00 a.m. to 12:00 p.m.

Distribution of Branches within the Assessment Area							
County	N/A #	Low #	Moderate #	Middle #	Upper #	Total #	LMI %
Sullivan County			2	4	3	9	22%
*Orange County			1			1	100%
Total	-	-	3	4	3	10	30%

*Partial County

4. 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.

JB’s directors and other members of management serve on the boards of various organizations that operate throughout the Bank’s assessment area. This direct involvement and participation with these organizations helps JB to ascertain the credit needs of its community. Grant and donation requests received from community organizations that are involved in community services, economic development and affordable housing projects also help the Bank to ascertain the credit needs of its community.

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

JB utilizes media outlets, social media, and public forums to market its credit related programs and services. Furthermore, bank employees also participate in activities, events and organizations and maintain working relationships with local economic development groups and other nonprofit agencies, which allow employees to market and make the community aware of the Bank’s credit programs and services.

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

JB made an additional \$9.3 million of investments consisting of 13 revenue bonds that supported low- and moderate- income housing in New York State outside of the Bank’s assessment area. Accordingly, these investments are noted here but are not included in the Qualified Investments section of this report.

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 (DFS multifamily industry letter <https://www.dfs.ny.gov/system/files/documents/2020/03/il141204.pdf>);
- 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

JEFF BANK – CRA PERFORMANCE EVALUATION

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.

JEFF BANK – CRA PERFORMANCE EVALUATION

Fair Market Rents (“FMRs”)

Fair Market Rents are published and developed annually by the US Department of Housing and Urban Development (“HUD”) and used to determine rent payments for affordable housing projects such as Section 8 contracts in defined metropolitan statistical areas (“MSAs”) nationwide. For easy reference of annual FMRs in New York MSAs or counties, go to www.huduser.gov/portal/datasets/fmr.html

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.

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

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

JEFF BANK – CRA PERFORMANCE EVALUATION

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.

JEFF BANK – CRA PERFORMANCE EVALUATION

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%. The program officially ended May 31, 2021.

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.

Small Business Loan

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