



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

One State Street  
New York, NY 10004

**PUBLIC SUMMARY**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**Date of Evaluation:** December 31, 2012

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

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

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## **GENERAL INFORMATION**

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of Adirondack Trust Company (“ATC”) prepared by the New York State Department of Financial Services (“DFS” or the “Department”). The evaluation represents the Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of December 31, 2012.

Section 28-b of the New York State Banking Law, as amended, requires that when evaluating certain applications, the Superintendent of Banks 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 implements Section 28-b and further requires that the Department assess the CRA performance records of regulated financial institutions. Part 76 establishes the framework and criteria by which the Department will evaluate the performance. Section 76.5 further provides that the Department will prepare a written report summarizing the results of such assessment and will assign to each institution a numerical CRA rating based on a 1 to 4 scoring system. The numerical scores represent an assessment of CRA performance as follows:

- (1) Outstanding record of meeting community credit needs;
- (2) Satisfactory record of meeting community credit needs;
- (3) Needs to improve record of 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 be made available to the public (“Evaluation”). 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 State 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**

ATC is evaluated according to the intermediate small bank performance criteria pursuant to Part 76.7 and Part 76.12 of the General Regulations of the Superintendent. This assessment period included calendar years 2009, 2010, 2011 and 2012. ATC 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 ("LTD") Ratio and Other Lending-Related Activities:** "Satisfactory"

ATC's average loan-to-deposit ("LTD") ratio was reasonable considering its size, business strategy, financial condition, aggregate and peer group activity. ATC's LTD ratios were below its peer group because of its business practice of selling majority of its mortgage originations to Federal National Mortgage Association ("FNMA") within a few days of funding, reflecting lower borrowing activities.

- **Assessment Area Concentration:** "Satisfactory"

During the evaluation period, ATC originated 83.6% by number, and 78.5% by dollar volume of its HMDA and small business within the assessment area. This majority of lending inside its assessment area is a reasonable record of lending.

- **Distribution by Borrowers Characteristics:** "Satisfactory"

The distribution of loans based on borrower characteristics demonstrated a reasonable penetration rate of lending among individuals of different income levels and businesses of different revenue sizes.

While ATC's HMDA-reportable lending rates to LMI were below its peer in all years, its lending penetration rates to businesses with gross annual revenue ("GAR") of \$1.0 million or less was excellent, outperforming its peer group, both by loan number and by dollar volume. Moreover, for the twelfth consecutive year, ATC was named top lender by Small Business Administration ("SBA").

- **Geographic Distribution of Loans:** "Satisfactory"

The distribution of loans based on lending in census tracts of various income levels reflected a marginally adequate penetration rate of lending.

ATC's penetration rate of HMDA lending in moderate-income tracts was below its peer and demographics in all years during the evaluation period. ATC's small

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business lending reflected an averaged penetration ratio that was slightly below its aggregate level.

### **Action Taken in Response to Written Complaints With Respect to CRA**

Since the latest CRA evaluation as of December 31, 2008, neither ATC nor DFS has received any written complaints regarding ATC's CRA performance.

### **Community Development Test (Loans, Investments, Services): "Outstanding"**

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

- **Community Development Loans: "Outstanding"**

During the evaluation period, ATC had 66 qualified community development loans totaling \$38.8 million of which \$33.0 million or 85.1% were new money, and \$5.7 million were from prior evaluation period.

- **Community Development Qualified Investments: "Outstanding"**

During the evaluation period, ATC made 218 qualified community development investments in the total amount of \$14.6 million of which \$6.0 million or 41.1% were new money that included \$294,000 in total qualified grants..

- **Community Development Services: "Outstanding"**

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

- **Innovative or Complex Practices:**

ATC demonstrated an excellent level of flexible community development practices.

- **Responsiveness to Credit and Community Development Needs:**

ATC demonstrated an excellent level of responsiveness to credit and community development needs.

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

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## PERFORMANCE CONTEXT

### Institution Profile

Founded in 1901, Adirondack Trust Company (“ATC”) is a state chartered commercial bank located in Saratoga Springs, New York. ATC operates twelve offices: nine in Saratoga County and two in Warren County, in the Capital District Region of New York State. ATC offers banking, loan, insurance, investment management and trust services.

As per the Consolidated Report of Condition (the Call Report) as of December 31, 2012, filed with the Federal Deposit Insurance Corporation (“FDIC”), ATC reported total assets of \$1.02 billion, of which \$494.4 million were net loans and lease finance receivables. Compared to ATC’s prior evaluation of December 31, 2008 total assets increased by 33.9%. It also reported total deposits of \$894.7 million, resulting in a loan-to-deposit ratio of 55.2%. According to the latest available comparative deposit data as of June 30, 2012, ATC obtained a market share of 16.9%, or \$831.5 million in a market of \$4.9 billion inside its market, ranking ATC number one among 17 deposit-taking institutions in Saratoga and Warren Counties.

The following is a summary of ATC’s loan portfolio, based on Schedule RC-C of the bank’s December 31, 2009, 2010, 2011 and December 31, 2012’s Call Reports:

<b>TOTAL GROSS LOANS OUTSTANDING</b>								
Loan Type	2009		2010		2011		2012	
	\$000's	%	\$000's	%	\$000's	%	\$000's	%
1-4 Family Res. Mtge	102,108	23.5	123,545	27.7	140,416	29.7	155,497	30.8
Comm & Indus Loans	70,863	16.3	78,738	17.6	82,274	17.4	84,775	16.8
Comm Mtge Loans	178,475	41.1	171,535	38.4	181,343	38.4	188,160	37.3
Multifamily Mtges	9,442	2.2	8,942	2.0	8,752	1.9	8,706	1.7
Consumer Loans	47,814	11.0	38,826	8.7	31,812	6.7	35,152	7.0
Construction Loans	8,136	1.9	8,664	1.9	10,338	2.2	14,167	2.8
Ob. of States&Munis.	16,795	3.9	15,924	3.6	17,533	3.7	13,994	2.8
Other Loans	216	0.0	279	0.1	52	0.0	4,192	0.8
Total Gross Loans	433,849		446,453		472,520		504,643	

As illustrated in the above chart, ATC is primarily a commercial lender, with 37.3% in commercial mortgage loans and 16.8% in commercial and industrial loans, totaling at 54.1%. However, in terms of new originations that were submitted for consideration, ATC’s dollar volume lending in HMDA-reportable loans comprised of 58.0% of the total loans while small business loans were 42.0%.

ATC operates 11 banking offices, of which nine are located in Saratoga County and two are in Warren County. Supplementing the banking offices is an automated teller machine (“ATM”) network consisting of 25 machines including one at each nine branches and two branches that have two ATMs. All of the ATM branches have

deposit-taking capabilities. In addition, ATC has 12 off-site ATMs at various remote locations within the Saratoga County. ATC does not have any branch or off-site ATMs that are located in moderate-income census tracts. However, six of the branches that are located in middle-income census tracts are adjacent to moderate-income census tracts and two of the off-site ATMs are adjacent to moderate-income census tracts. And as mentioned below, ATC's assessment area does not have any low-income census tracts.

*There are no known financial or legal impediments that adversely impacted ATC's ability to meet the credit needs of its community.*

**Assessment Area:**

ATC's assessment area is comprised of portions of Saratoga County and Warren County.

There are 43 census tracts in the area, of which six are moderate-income, 28 are middle-income, and eight are upper-income and one tract with no income indicated.

<b>Assessment Area Census Tracts by Income Level</b>							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
Saratoga*	1	0	4	21	4	30	13.3
Warren*	0	0	2	7	4	13	15.4
Total	1	0	6	28	8	43	14.0

\* Partial County

*The assessment area appears reasonable based upon the location of ATC's offices and its lending patterns. There is no evidence that LMI areas have been arbitrarily excluded.*

**Demographic & Economic Data**

The assessment area had a population of 188,616 during the evaluation period according to the 2010 census. About 13.5% of the population were over the age of 65 and 19.5% were under the age of 16.

Of the 49,632 families in the assessment area, 17.9% were low-income, 19.0% were moderate-income, 24.8% were middle-income and 38.3% were upper-income families. There were 76,411 households in the assessment area, of which 8.2% had income below the poverty level and 1.7% was on public assistance.

The weighted average of median family income within the assessment area was \$75,129. The U.S. Department of Housing and Urban Development ("HUD") estimated median family income for the area to be \$73,414 in 2010 census report. However, by county, HUD estimated median family income for Saratoga to be



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\$78,100, and for Warren to be \$62,600.

There were 85,156 housing units within the assessment area, of which 89.4% were one- to four-family units, and 10.6% were multifamily units. A majority (63.2%) of the area's housing units were owner-occupied, while 26.6% were rental units. Of the 53,797 owner-occupied housing units, 6.9% were in moderate-income census tracts (no low-income tracts) while 93.1% were in middle- and upper-income census tracts. The median age of the housing stock was 43 years and the median home value in the assessment area was \$212,791.

There were non-farm businesses in the assessment area. Of these, 74.1% were businesses with reported revenues of less than or equal to \$1 million, 3.8% reported revenues of more than \$1 million and 22.1% did not report their revenues. Of all the non-farm businesses in the assessment area, 82.1% were businesses with less than fifty employees, and 92.0% operated from a single location. The largest industries in the area were Services (47.5%), followed by Retail Trade (13.6%) and Construction (8.0%), while 12.0% of businesses in the assessment area were not classified.

According to the New York State Department of Labor, the average unemployment rate for New York State in 2012 was 8.5% while Warren was slightly higher at 8.6% and Saratoga, showing the least at 7.0%.

Unemployment rates peaked statewide in 2010 at 8.6%, and peaked in both Warren (8.6%) and Saratoga (7.0%) in 2012. These rates, which reflected a rise of more than 50.0% compared to 2008 CRA evaluation, reflected the economic downturn experienced both nationally and globally.

<b>Assessment Area Unemployment Rate</b>			
<b>Year</b>	<b>NYS</b>	<b>Warren</b>	<b>Saratoga</b>
2009	8.4	8.0	6.4
2010	8.6	8.5	6.9
2011	8.3	8.3	6.7
2012	8.5	8.6	7.0

### **Community Contact Information**

Three community organizations were interviewed during this evaluation, and all of them expressed positive comments about ATC.

ATC's assessment area comprised of parts of Saratoga County and parts of Warren County in the Capital District region of New York State. The region is experiencing a rapid growth in technology that mostly require technically skilled, with higher education in science and engineering, work force, demanding high paying jobs. In 2009, an advanced semiconductor fabrication manufacturing facilities began construction in Saratoga County. These facilities, as noted in one economic impact

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report, projected a direct and indirect employment of more than 5,000 in the region.

Because of this, community contact observed a ripple effect through higher housing prices and a rise in bank products and services to cater to middle- and upper-income individuals.

Community contacts expressed a need for more affordable housing, especially in the current market condition, to accommodate LMI individuals; and secondly, to help address unemployment in the area.

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## **PERFORMANCE STANDARDS AND ASSESSMENT FACTORS**

*ATC was evaluated under the intermediate small banking institution's performance standards in accordance with Parts 76.7 and 76.12 of the General Regulations of the Superintendent. ATC's performance was evaluated according to the intermediate small bank performance criteria, which consists 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 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;*
- 4. Innovative or complex practices; and*
- 5. Responsiveness to community development needs.*

*The following factors were also considered in assessing the bank's record of performance: the extent of participation by the board of directors or board of trustees in formulating CRA policies and reviewing CRA performance; any practices intended to discourage credit applications, evidence of prohibited discriminatory or other illegal credit practices; record of opening and closing offices and providing services at offices; and process factors, such as activities to ascertain credit needs and the extent of marketing and special credit related programs. Finally, the evaluation considered other factors as delineated in Section 28-b of the Banking Law that reasonably bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community.*

Statistics employed in this evaluation were derived from various sources. Bank-specific information was submitted by the bank both as part of the examination process and on its Call Report submitted to FDIC. Aggregate lending data were obtained from the Federal Financial Institutions Examination Council ("FFIEC") and deposit data were obtained from the FDIC. Loan-to-deposit ratios were calculated from information shown in the bank's Uniform Bank Performance Report ("UBPR") as submitted to the FDIC.

The demographic data referred to in this report was derived from the 2000 U.S. Census and the U.S. Department of Housing and Urban Development ("HUD"). Business demographic data used in this report is based on Dun & Bradstreet reports which are updated annually. Unemployment data were obtained from the New York State Department of Labor. Some non-specific bank data are only available on a county-wide basis, and were used even where the institution's assessment area includes partial counties.

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The assessment period included calendar years 2009, 2010, 2011 and 2012.

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

Small business loan aggregate data are shown for comparative purposes. ATC is not required to report this data. As such ATC is not included in the aggregate data. As ATC did not make any small farm loans, all analyses were based on small business lending only.

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

ATC received a rating of "1", reflecting an "Outstanding" record of helping to meet community credit needs at its **prior** Performance Evaluation conducted by the New York State Banking Department as of December 31, 2008.

**Current CRA Rating: "Satisfactory"**

**Lending Test:** "Satisfactory"

ATC's small business and HMDA-reportable lending activities were reasonable in light of aggregate and peer group activity and demographics.

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

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

Compared to the average LTD ratios of prior CRA evaluation, ATC's and its peer group's ratios were both slightly down. However, peer group's current average LTD ratio of 78.8% outperformed ATC's ratio of 55.9%.

ATC's lower LTD ratios were attributed to its business practice of selling majority of its mortgage originations to Federal National Mortgage Association ("FNMA") within a few days of funding, reflecting lesser borrowing activities.

The chart below shows ATC's LTD ratios in comparison to the peer group's ratios for the 16 quarters since the prior evaluation.

<b>Loan-to-Deposit Ratios</b>																	
	2009 Q1	2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Q4	Avg.
Bank	52.9	55.0	54.5	56.2	55.6	60.8	55.4	56.6	54.3	56.7	55.0	58.5	56.6	55.9	55.7	55.4	55.9
Peer	86.8	86.0	84.8	82.6	80.9	80.4	79.7	78.9	76.5	76.6	75.9	75.1	73.3	74.3	74.5	74.0	78.8

Assessment Area Concentration: “Satisfactory”

During the evaluation period, totaling HMDA-reportable and small business lending, ATC originated 83.6% by number, and 78.5% by dollar value of its loans within the assessment area. This concentration of lending inside the assessment area is a reasonable record of lending.

HMDA-Reportable Loans:

ATC originated 83.5% by number, and 80.0% by dollar value of its HMDA-reportable loans within the assessment area. The ratios however indicated a declining trend from the first year in the evaluation period of 95.2% by loan count and 94.4% by dollar value, to the 80.4% by loan count and 76.3% by dollar value, respectively. Nevertheless, the ratios represent majority of lending made inside of its assessment area, which is a reasonable record of lending.

Small Business Loans:

During the evaluation period ATC originated 83.6% by number, and 78.5% by dollar value in small business loans within the assessment area. The small business lending also displayed a slightly declining trend. The ratios were at 88.7% by loan count and 81.9% by dollar value in 2009, and declined to 83.9% by loan count and 77.0% by dollar value in 2012. Nevertheless, the small business lending inside of its assessment area represented a reasonable record of lending.

The following table shows the percentages of ATC’s small business and HMDA-reportable 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
	#	%	#	%		\$	%	\$	%	
<b>HMDA-Reportable</b>										
2009	159	95.2%	8	4.8%	167	27,181	94.4%	1,599	5.6%	28,780
2010	155	84.2%	29	15.8%	184	28,083	80.8%	6,657	19.2%	34,740
2011	186	80.5%	45	19.5%	231	34,020	77.4%	9,934	22.6%	43,954
2012	360	80.4%	88	19.6%	448	68,456	76.3%	21,221	23.7%	89,677
Subtotal	860	83.5%	170	16.5%	1,030	157,740	80.0%	39,411	20.0%	197,151
<b>Small Business</b>										
2009	330	88.7%	42	11.3%	372	35,448	81.9%	7,839	18.1%	43,287
2010	236	77.9%	67	22.1%	303	24,417	69.8%	10,541	30.2%	34,958
2011	247	82.9%	51	17.1%	298	27,507	75.9%	8,730	24.1%	36,237
2012	213	83.9%	41	16.1%	254	25,830	77.0%	7,722	23.0%	33,552
Subtotal	1,026	83.6%	201	16.4%	1,227	113,202	76.5%	34,832	23.5%	148,034
Grand Total	1,886	83.6%	371	16.4%	2,257	270,942	78.5%	74,243	21.5%	345,185

### Distribution by Borrower Characteristics: "Satisfactory"

The distribution of loans based on borrower characteristics demonstrated a reasonable penetration rate of lending among individuals of different income levels and businesses of different revenue sizes.

While ATC's HMDA-reportable lending rates to LMI borrowers were below its peer in all years, its lending penetration rates to businesses with gross annual revenue ("GAR") of \$1.0 million or less was excellent, outperforming its peer group, both by loan number and by dollar value. Moreover, for the twelfth consecutive year, ATC was named top lender by Small Business Administration ("SBA").

### HMDA-Reportable Loans:

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

HMDA-reportable penetration lending rates of ATC and market aggregate to LMI borrowers were lower than the assessment area's family demographics of 36.4%. ATC reached a four-year average penetration ratio of 17.4% by loan count and 10.5% by dollar value, which compared unfavorably to its peer group's ratio of 24.0% by loan count and 16.6% by dollar value, respectively.

The following chart provides a summary of the HMDA-reportable lending distribution based on borrower income.

Distribution of 1-4 Family Loans by Borrower Income									
2009									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	5	3.2%	375	1.4%	255	4.7%	24,635	2.5%	17.0%
Moderate	28	17.8%	3,651	13.4%	1,080	19.8%	145,603	15.0%	19.4%
LMI	33	21.0%	4,026	14.8%	1,335	24.5%	170,238	17.6%	36.4%
Middle	39	24.8%	5,782	21.3%	1,495	27.4%	237,146	24.5%	24.2%
Upper	72	45.9%	15,492	57.1%	2,331	42.8%	506,515	52.3%	39.4%
Unknown	13	8.3%	1,848	6.8%	289	5.3%	54,148	5.6%	
<b>Total</b>	<b>157</b>		<b>27,148</b>		<b>5,450</b>		<b>968,047</b>		
2010									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	7	4.5%	690	2.5%	221	4.6%	21,329	2.5%	17.0%
Moderate	19	12.3%	2,159	7.7%	910	19.0%	122,129	14.1%	19.4%
LMI	26	16.9%	2,849	10.2%	1,131	23.7%	143,458	16.6%	36.4%
Middle	36	23.4%	4,616	16.6%	1,275	26.7%	203,570	23.5%	24.2%
Upper	86	55.8%	19,773	70.9%	2,273	47.6%	500,768	57.9%	39.4%
Unknown	6	3.9%	645	2.3%	99	2.1%	17,412	2.0%	
<b>Total</b>	<b>154</b>		<b>27,883</b>		<b>4,778</b>		<b>865,208</b>		
2011									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	5	2.8%	460	1.4%	223	5.3%	20,396	2.7%	17.0%
Moderate	22	12.2%	2,135	6.4%	806	19.0%	102,407	13.7%	19.4%
LMI	27	15.0%	2,595	7.7%	1,029	24.3%	122,803	16.5%	36.4%
Middle	40	22.2%	6,028	18.0%	1,194	28.2%	187,929	25.2%	24.2%
Upper	107	59.4%	23,779	70.9%	1,905	45.0%	416,590	55.8%	39.4%
Unknown	6	3.3%	1,159	3.5%	107	2.5%	19,069	2.6%	
<b>Total</b>	<b>180</b>		<b>33,561</b>		<b>4,235</b>		<b>746,391</b>		
2012									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	14	4.0%	1,315	1.9%	363	6.4%	35,715	3.4%	17.9%
Moderate	47	13.3%	5,662	8.4%	975	17.1%	131,172	12.4%	19.0%
LMI	61	17.3%	6,977	10.3%	1,338	23.5%	166,887	15.8%	36.9%
Middle	73	20.7%	11,487	17.0%	1,501	26.3%	254,707	24.1%	24.8%
Upper	201	56.9%	47,301	70.0%	2,601	45.7%	586,312	55.5%	38.3%
Unknown	18	5.1%	1,806	2.7%	257	4.5%	47,674	4.5%	
<b>Total</b>	<b>353</b>		<b>67,571</b>		<b>5,697</b>		<b>1,055,580</b>		
GRAND TOTAL									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	31	3.7%	2,840	1.8%		5.3%		2.8%	
Moderate	116	13.7%	13,607	8.7%		18.7%		13.8%	
LMI	147	17.4%	16,447	10.5%	4,834	24.0%	603,386	16.6%	
Middle	188	22.3%	27,913	17.9%		27.1%		24.3%	
Upper	466	55.2%	106,345	68.1%		45.2%		55.3%	
Unknown	43	5.1%	5,458	3.5%		3.7%		3.8%	
<b>Total</b>	<b>844</b>		<b>156,163</b>						

Small Business Loans:

The distribution of small business loans based on the revenue size of the business demonstrated an excellent penetration rate of lending among businesses of different revenue sizes.

Both ATC and its peer group rate of lending to businesses with GAR of \$1.0 million or less were below the assessment area's business demographics. However, ATC's lending in this category outperformed its market aggregate in all years.

Distribution of Small Business Lending by Revenue Size of Business								
2009								
Rev. Size	Bank				Aggregate			
	#	%	\$000's	%	#	%	\$000's	%
Rev. <= \$1MM	140	42.4%	15,917	44.9%	770	29.6%	36,842	30.4%
Rev. > \$1MM	111	33.6%	13,029	36.8%				
Rev. Unknown	79	23.9%	6,502	18.3%				
<b>Total</b>	<b>330</b>		<b>35,448</b>		<b>2,604</b>		<b>121,199</b>	
2010								
Rev. Size	Bank				Aggregate			
	#	%	\$000's	%	#	%	\$000's	%
Rev. <= \$1MM	108	45.8%	9,009	36.9%	695	29.8%	42,423	34.5%
Rev. > \$1MM	50	21.2%	6,811	27.9%				
Rev. Unknown	78	33.1%	8,597	35.2%				
<b>Total</b>	<b>236</b>		<b>24,417</b>		<b>2,332</b>		<b>123,065</b>	
2011								
Rev. Size	Bank				Aggregate			
	#	%	\$000's	%	#	%	\$000's	%
Rev. <= \$1MM	122	49.4%	13,511	49.1%	1,027	38.0%	31,992	28.8%
Rev. > \$1MM	64	25.9%	8,425	30.6%				
Rev. Unknown	61	24.7%	5,571	20.3%				
<b>Total</b>	<b>247</b>		<b>27,507</b>		<b>2,701</b>		<b>111,121</b>	
2012								
Rev. Size	Bank				Aggregate			
	#	%	\$000's	%	#	%	\$000's	%
Rev. <= \$1MM	111	52.1%	10,459	40.5%	1,035	38.2%	30,504	32.0%
Rev. > \$1MM	61	28.6%	10,407	40.3%				
Rev. Unknown	41	19.2%	4,964	19.2%				
<b>Total</b>	<b>213</b>		<b>25,830</b>		<b>2,707</b>		<b>95,271</b>	
GRAND TOTAL								
Rev. Size	Bank				Aggregate			
	#	%	\$000's	%	#	%	\$000's	%
Rev. <= \$1MM	481	46.9%	48,896	43.2%		34.1%		31.5%
Rev. > \$1MM	286	27.9%	38,672	34.2%				
Rev. Unknown	259	25.2%	25,634	22.6%				
<b>Total</b>	<b>1,026</b>		<b>113,202</b>					



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Geographic Distribution of Loans: “Satisfactory”

The distribution of loans based on lending in census tracts of various income levels was marginally adequate.

ATC’s assessment area does not have any low-income census tracts. Its penetration rate of HMDA lending in moderate-income tracts was below its peer and demographics in all years during the evaluation period. ATC’s small business lending reflected an average ratio that was slightly below its aggregate level.

HMDA-Reportable Loans:

The distribution of HMDA-reportable loans based on the income level of the geography demonstrated a less than adequate penetration rate of lending.

There are no low-income census tracts in Saratoga and Warren Counties. In each year during the evaluation period, both ATC and aggregate penetration rates in moderate-income census tracts compared unfavorably with the assessment area’s owner-occupied household demographic of 12.5% (based on 2000 Census) and 6.9% (based on 2010 Census). ATC’s lending in moderate-income census tracts was 3.6% by loan number and 2.4% by dollar value during the evaluation period. The aggregate’s ratios were 7.9% by loan number and 5.5% by dollar value, outperforming ATC’s level.

The following chart provides a summary of ATC’s HMDA-reportable lending distribution based on the income level of the geography.

Distribution of HMDA-Reportable Lending by Geographic Income of the Census Tract									
2009									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	5	3.1%	853	3.1%	547	9.8%	72,183	7.3%	12.5%
LMI	5	3.1%	853	3.1%	547	9.8%	72,183	7.3%	12.5%
Middle	102	64.2%	17,511	64.4%	3,483	62.4%	605,859	61.3%	63.4%
Upper	52	32.7%	8,817	32.4%	1,547	27.7%	310,673	31.4%	24.1%
Unknown	0	0.0%	0	0.0%	1	0.0%	80	0.0%	0.0%
<b>Total</b>	<b>159</b>		<b>27,181</b>		<b>5,578</b>		<b>988,795</b>		
2010									
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	6	3.9%	441	1.6%	429	8.8%	53,812	6.1%	12.5%
LMI	6	3.9%	441	1.6%	429	8.8%	53,812	6.1%	12.5%
Middle	102	65.8%	18,356	65.4%	3,038	62.2%	529,117	59.8%	63.4%
Upper	47	30.3%	9,286	33.1%	1,417	29.0%	302,526	34.2%	24.1%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
<b>Total</b>	<b>155</b>		<b>28,083</b>		<b>4,884</b>		<b>885,455</b>		
2011									
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	8	4.3%	1,121	3.3%	402	9.2%	52,505	5.5%	12.5%
LMI	8	4.3%	1,121	3.3%	402	9.2%	52,505	5.5%	12.5%
Middle	119	64.0%	21,385	62.9%	2,781	63.7%	641,020	66.7%	63.4%
Upper	59	31.7%	11,514	33.8%	1,181	27.1%	267,113	27.8%	24.1%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
<b>Total</b>	<b>186</b>		<b>34,020</b>		<b>4,364</b>		<b>960,638</b>		
2012									
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	12	3.3%	1,447	2.1%	252	4.4%	34,881	3.3%	6.9%
LMI	12	3.3%	1,447	2.1%	252	4.4%	34,881	3.3%	6.9%
Middle	244	67.8%	42,775	62.5%	4,110	72.1%	735,556	69.7%	71.1%
Upper	104	28.9%	24,234	35.4%	1,335	23.4%	285,143	27.0%	22.0%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
<b>Total</b>	<b>360</b>		<b>68,456</b>		<b>5,697</b>		<b>1,055,580</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	31	3.6%	3,862	2.4%		7.9%		5.5%	
LMI	31	3.6%	3,862	2.4%	1,630	7.9%	213,381	5.5%	
Middle	567	65.9%	100,027	63.4%		65.4%		64.6%	
Upper	262	30.5%	53,851	34.1%		26.7%		30.0%	
Unknown	-	0.0%	-	0.0%		0.0%		0.0%	
<b>Total</b>	<b>860</b>		<b>157,740</b>						

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Small Business Loans:

The distribution of small business loans based on the income level of the geography demonstrated an adequate penetration rate of lending.

ATC's small business lending during the evaluation period was 9.1% by loan number and 8.0% by dollar value, which were below the aggregate level of 10.8% by loan number and 11.9% by dollar value, respectively.

The following chart provides a summary of ATC's small business lending distribution based on the income level of the geography.

<b>Distribution of Small Business Lending by Geographic Income of the Census Tract</b>									
<b>2009</b>									
<b>Geographic Income</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	0	0.0%		0.0%	0	0.0%	0	0.0%	0.0%
Moderate	19	5.8%	2,266	6.4%	309	11.9%	16,895	13.9%	13.3%
LMI	19	5.8%	2,266	6.4%	309	11.9%	16,895	13.9%	13.3%
Middle	246	74.5%	26,221	74.0%	1,515	58.2%	74,975	61.9%	62.4%
Upper	65	19.7%	6,961	19.6%	780	30.0%	29,329	24.2%	24.3%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
<b>Total</b>	<b>330</b>		<b>35,448</b>		<b>2,604</b>		<b>121,199</b>		
<b>2010</b>									
<b>Geographic Income</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	0	0.0%		0.0%	0	0.0%	0	0.0%	0.0%
Moderate	21	8.9%	2,380	9.7%	263	11.3%	12,674	10.3%	13.6%
LMI	21	8.9%	2,380	9.7%	263	11.3%	12,674	10.3%	13.6%
Middle	181	76.7%	17,407	71.3%	1,412	60.5%	73,816	60.0%	61.6%
Upper	34	14.4%	4,630	19.0%	657	28.2%	36,575	29.7%	24.8%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
<b>Total</b>	<b>236</b>		<b>24,417</b>		<b>2,332</b>		<b>123,065</b>		
<b>2011</b>									
<b>Geographic Income</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	32	13.0%	3,145	11.4%	309	11.4%	14,904	13.4%	12.9%
LMI	32	13.0%	3,145	11.4%	309	11.4%	14,904	13.4%	12.9%
Middle	174	70.4%	18,207	66.2%	1,632	60.4%	64,166	57.7%	61.3%
Upper	41	16.6%	6,155	22.4%	760	28.1%	32,051	28.8%	25.8%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
<b>Total</b>	<b>247</b>		<b>27,507</b>		<b>2,701</b>		<b>111,121</b>		
<b>2012</b>									
<b>Geographic Income</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	21	9.9%	1,454	5.6%	232	8.6%	9,276	9.7%	8.6%
LMI	21	9.9%	1,454	5.6%	232	8.6%	9,276	9.7%	8.6%
Middle	145	68.1%	18,644	72.2%	1,899	70.2%	70,604	74.1%	71.9%
Upper	46	21.6%	5,560	21.5%	576	21.3%	15,391	16.2%	19.5%
Unknown	1	0.5%	172	0.7%	0	0.0%	0	0.0%	0.0%
<b>Total</b>	<b>213</b>		<b>25,830</b>		<b>2,707</b>		<b>95,271</b>		
<b>Geographic Income</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	0	0.0%	0	0.0%		0.0%		0.0%	
Moderate	93	9.1%	9,245	8.2%		10.8%		11.9%	
LMI	93	9.1%	9,245	8.2%		10.8%		11.9%	
Middle	746	72.7%	80,479	71.1%		62.4%		62.9%	
Upper	186	18.1%	23,306	20.6%		26.8%		25.2%	
Unknown	1	0.1%	172	0.2%		0.0%		0.0%	
<b>Total</b>	<b>1,026</b>		<b>113,202</b>						

Action Taken In Response to Written Complaints With Respect to CRA: "Satisfactory"

Since the latest CRA evaluation as of December 31, 2008, neither ATC nor DFS has

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received any written complaints regarding ATC's CRA performance.

**Community Development Test:** "Outstanding"

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

During the evaluation period, ATC originated \$34.8 million in new community development loans, and had \$5.8 million outstanding from prior evaluation periods. ATC also made \$5.7 million in new community development investments and had \$8.5 million outstanding from prior evaluation periods. ATC made \$294,200 in community development grants. ATC's community development loans and investments totaled \$53.4million.

**Community Development Lending:** "Outstanding"

During the evaluation period, ATC originated \$34.8 million in new community development loans, and had \$5.8 million outstanding from prior evaluation periods. This demonstrated an excellent level of community development lending over the course of the evaluation period.

<b>Community Development Loans</b>				
	<b>This Evaluation Period</b>		<b>Outstandings from Prior Evaluation Periods</b>	
<b>Purpose</b>	<b># of Loans</b>	<b>\$000</b>	<b># of Loans</b>	<b>\$000</b>
Affordable Housing	11	12,515	9	1,718
Community Services	25	9,128	5	940
Economic Development	4	6,820	1	20
Revitalize/Stabilize	10	4,565	1	3,116
<b>Total</b>	<b>50</b>	<b>33,028</b>	<b>16</b>	<b>5,794</b>

Below are highlights of ATC's community development lending:

*Community Service*

- A \$2.7 million term loan was extended to a nonprofit organization specializing in providing residential and community-based services to LMI and disabled individuals. Funds were used for the construction of its administrative building in the assessment area.
- ATC renewed a \$500,000 line of credit and extended a \$820,000 term loan to a

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nonprofit organization, dedicated in helping people with intellectual and other developmental disabilities in the assessment area. The line of credit was to support the operating expenses of the organization, and the term loan funded the costs associated with the purchase and renovation of a building to house its special projects.

#### *Affordable Housing*

- In 2010, ATC extended two term loans, in the total amount of \$2.3 million, to a nonprofit organization that provides affordable housing in Saratoga Springs. Funds were used to construct and renovate buildings for low-income housing and section 8 voucher programs.

#### *Revitalization and Stabilization*

- In 2012, ATC extended a \$3.5 million term loan to fund the construction of a mixed-use apartment building containing 48 apartments for students and retail stores. The property is located in moderate-income census tract.
- In 2012, ATC extended a \$5.7 million permanent financing to fund the construction of a student housing project which is located in low-income census tract.

#### Community Development Investments: “Outstanding”

During the evaluation period, ATC made \$5.8 million in new community development investments, and had \$8.5 million outstanding from prior evaluation periods. In addition, ATC made \$294,200 in community development grants. This demonstrated an excellent level of community development investments over the course of the evaluation period.

The majority of ATC’s community development investments were bonds or notes issued by local municipalities.

Community Development Investments and Grants				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Inv.	\$000	# of Inv.	\$000
CD Investments				
Affordable Housing				
Community Services			1	2,925
Economic Development			3	225
Revitalize/Stabilize	14	\$ 5,735	5	5,392
<b>Total</b>	<b>14</b>	<b>\$ 5,735</b>	<b>9</b>	<b>8,542</b>
CD Grants	# of Grants	\$000	Not Applicable	
Affordable Housing	5	\$ 31		
Community Services	170	\$ 184		
Economic Development	28	\$ 76		
Revitalize/Stabilize	1	\$ 1		
<b>Total</b>	<b>204</b>	<b>\$ 294</b>		

Below are highlights of ATC's community development investments and grants.

- In years 2009 and 2010, ATC invested a total of \$2.6 million in six municipal bonds, issued by a town that is within the assessment area. The investments were in the form of serial bonds and bond anticipation notes ("BANs"). Funds were used for various infrastructure projects to revitalize and stabilize a moderate income census tract.
- ATC carried forward, from prior period, four local municipal bonds with proceeds being used to support various local economic development and revitalization projects in the assessment area. The total outstanding balance of the bonds eligible for CRA credit was \$5.1 million.
- In 2011, ATC invested \$400,000 in municipal serial bonds to fund the renovation, reconstruction and upgrades to the facilities in the school district located in LMI census tracts.

Community Development Services: "Outstanding"

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

ATC reaffirmed its leadership in providing community development services. During the evaluation period, members of ATC's board of directors served as president, chairman, trustee and/or board members of various entrepreneurial, nonprofit, civic and charitable

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organizations, providing technical and financial expertise. These organizations focused on promoting affordable housing, community services and economic development in the assessment area. Examples of these community services are as follows:

- As a leader in community development services, ATC was a founding member of a consortium of twelve lenders, providing a subordinate loan fund to small businesses, who otherwise cannot obtain traditional financing. In addition to being a founding member, ATC staff volunteered to administer this subordinate loan program since 2004. The effort included a bank officer acting as treasurer, and contributing bank staff hours and computer capabilities to administer the loan portfolio.
- ATC continued its partnerships with New York Business Development Corporation (“NYBDC”) and Empire State Certified Development Corporation (“ESCDC”) in the SBA 504 program. Both corporations promote economic development by providing flexible term loans to small businesses that may otherwise do not meet requirements for traditional loans. An executive vice president of ATC was a member of the board of directors and also a member of investment committee of the ESCDC, while a vice president of the bank was a member of regional loan committee of NYBDC.
- ATC provided the City of Saratoga Springs’ Economic Development Revolving Loan Fund with volunteer loan portfolio servicing and underwriting consultation. ATC volunteered its staff and computing facilities to administer the said Fund which were funded through the US Department of Housing and Urban Development’s Community Development Block grant program.
- A credit analyst of the bank served as president, providing leadership to a nonprofit organization, servicing Saratoga, Washington and Warren Counties. This organization builds and rehabilitates decent, affordable homes to LMI individuals.
- An assistant treasurer of the bank served on the board of a nonprofit, community center in Saratoga Springs, NY, that provides safe and affordable housing (19 efficiency apartments for single, low-income individuals). This organization also addresses the basic necessities like food, clothing and furniture distribution; advocacy and referral information; and other services.

#### Innovative and/or Flexible Practices

ATC demonstrated an excellent level of innovative community development practices.

ATC has lending facilities in partnership with government and municipal agencies and local colleges which are innovative and/or flexible practices. Partnerships with these entities have enabled ATC to provide flexible credit facilities to small businesses which would otherwise not get approved from traditional lending. Some of these lending



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practices are described below:

- ATC extended various flexible loans through SBA Loan Guaranty Programs. In 2012, ATC won the “SBA Small Community Lender of the Year Award” for the twelfth consecutive year in the Capital Region, approving twenty two loans totaling \$1.1 million to startup and existing small businesses.
- As noted above, ATC was a founding member of a consortium of twelve local lenders providing subordinate loan fund to small businesses who failed to obtain traditional financing. During the evaluation period, ATC extended two loans in the total amount of \$85,000 under this program.
- Under the program of City of Saratoga Springs Economic Development Revolving Loan Fund, three loans were extended in the total amount of \$630,000 during the evaluation period.
- In 2009, ATC extended one loan in the amount of \$4.6 million through Saratoga County Industrial Development Agency (“SCIDA”). SCIDA is a public benefit corporation created to promote, develop, encourage and assist in the construction, expansion, and equipping of economically sound industrial and commercial facilities in order to advance the job opportunities, general prosperity, and economic welfare of Saratoga County.
- ATC and a local college established a “Linked Deposit Loan Program” to assist small businesses in the City of Saratoga Springs promoting economic development. A subsidy of up to two percent reduction of normal small business lending rates is available for a period of up to three years. During the evaluation period, ATC extended 15 loans in the total amount of \$942,500 through this program.

#### Responsiveness to Community Development Needs:

As noted above, ATC’s lending practices, both in community development activities and innovative and flexible practices demonstrated an excellent level of responsiveness to credit and community development needs.

#### Additional Factors

**The extent of participation by the banking institution’s board of directors or board of trustees in formulating the banking institution’s policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act**

The board of directors reviews and approves ATC’s CRA policy statement on an annual basis. The board last reviewed ATC’s CRA statement in 2012. During this board meeting, the CRA officer reviewed ATC’s CRA data and initiatives with the board

members. It is through these measures that the board is able to formulate and review its policies regarding ATC's CRA performance and purposes.

**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 noted no practices that were intended to discourage applications for the types of credit offered by the institution. .

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

DFS noted no evidence of prohibited discriminatory or other illegal practices.

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

In 2010, ATC opened its eleventh branch in Warren County, in the town of Queensbury which is located in a middle-income census tract. This is ATC's second branch in Warren County.

Except for Wilton Office in Saratoga County, which is located in an upper-income census tract, all of ATC's branches are located in middle-income census tracts. All of ATC's branches have ATMs with deposit-taking capabilities.

ATC also has twelve stand-alone or offsite ATM locations which are all located in Saratoga County; eleven are within the City of Saratoga Springs (eight in middle-income and three in upper-income census tracts) and one in Ballston Spa (upper-income census tract).

Six of ATC's branches in middle-income census tract are adjacent to moderate-income census tracts (four in Saratoga County and two in Warren County) and two of the stand alone or offsite ATMs in middle-income and upper-income census tracts are adjacent to moderate-income census tracts, making ATC's banking products and services accessible to other levels of income geographies.

Distribution of Branches within the Assessment Area							
County	N/A #	Low #	Moderate #	Middle #	Upper #	Total #	LMI %
*Saratoga				8	1	9	0%
*Warren				2		2	0%
<b>Total</b>	-	-	-	<b>10</b>	<b>1</b>	<b>11</b>	<b>0%</b>

\*Partial County

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## Process Factors

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

Members of the board, bank officers and employees are active members of various civic, nonprofit, community-based organizations. Bank officers are in regular contact with real estate brokers, developers and contractors to monitor the credit needs of all income levels, including low- and moderate-income. Staffs also meet with local municipal officers, as well as civic, religious, neighborhood, minority and nonprofit organizations.

In addition to being in contact with the community, a committee of ATC's Board of Directors tours ATC's market area to analyze and inspect the different portions of the communities it serves. This systematic review provides the board and management with information in helping ATC to meet and ascertain the credit needs of its communities.

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

ATC uses a variety of media to inform the public of their products and services including advertising in local newspapers, business journals and in local radio and television outlets. ATC primarily makes members of the community aware of the credit and banking services it offers through these marketing efforts.

**Other factors that in the judgment of the Superintendent and Banking Board bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community**

DFS notes none.

## GLOSSARY

### Aggregate Penetration Rate

The number of loans originated and purchased by all reporting lenders in specified categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the assessment area.

### Community Development

“Community development”:

1. Affordable housing (including multifamily housing) for low- or moderate-income (“LMI”) individuals;
2. Community services targeted to LMI individuals;
3. Activities that promote economic development by financing business or farms that meet the size eligibility standards of the United States Small Business Administration (“SBA”) Development Company or Small Business Investment Company programs, or have gross annual incomes of \$1 million or less;
4. Activities that revitalize or stabilize LMI geographies; and
5. Activities that seek to prevent defaults and/or foreclosures in loans included in (1) and (3) above.

### Community Development Loan

A loan that has its *primary purpose* community development. This includes but is not limited to loans to:

- Borrowers for affordable housing rehabilitation and construction, including construction and permanent financing for multifamily rental property serving low or moderate income (“LMI”) persons;
- Nonprofit organizations serving primarily LMI or other community development needs;
- Borrowers to construct or rehabilitate community facilities that are located in LMI areas or that primarily serve LMI individuals;
- Financial intermediaries including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds or pools, micro-finance institutions, and low-income or community development credit unions that primarily lend or facilitate lending to promote community development;
- Local, state and tribal governments for community development activities; and
- Borrowers to finance environmental clean up or redevelopment of an industrial site as part of an effort to revitalize the LMI community in which the property is located.

## **Community Development Service**

Service that has community development as its *primary purpose*, is related to the provision of financial services, and has not been considered in the evaluation of the banking institution's retail banking services. This includes but is not limited to:

- Providing technical assistance on financial matters to nonprofit, tribal or government organizations serving LMI housing or economic revitalization and development needs;
- Providing technical assistance on financial matters to small businesses or community development organizations;
- Lending employees to provide financial services for organizations facilitating affordable housing construction and rehabilitation or development of affordable housing;
- Providing credit counseling, home buyers and home maintenance counseling, financial planning or other financial services education to promote community development and affordable housing;
- Establishing school savings programs for LMI individuals;
- Providing seminars for LMI persons on banking and bank account record-keeping;
- Making ATM “Training Machines” available for extended periods at LMI community sites or at community facilities that serve LMI individuals; and
- Technical assistance activities to community development organizations such as:
  - ❖ Serving on a loan review committee;
  - ❖ Developing loan application and underwriting standards;
  - ❖ Developing loan processing systems;
  - ❖ Developing secondary market vehicles or programs;
  - ❖ Assisting in marketing financial services, including the development of advertising and promotions, publications, workshops and conferences;
  - ❖ Furnishing financial services training for staff and management;
  - ❖ Contributing accounting/bookkeeping services; and
  - ❖ Assisting in fund raising, including soliciting or arranging investments.

## **Geography**

A census tract delineated by the United States Bureau of the Census in the most recent decennial census

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

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

## **Income Level**

The income level for borrowers is based on household or family income. A geography's income is categorized by median family income for the geography. In both cases, the income is compared to the 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

## **Loans to Small Businesses**

Small business loans to businesses with gross annual revenues of \$1 million or less.

## **Low or Moderate Income ("LMI") Geographies**

Those census tracts or block numbering areas where, according to the 2000 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 Metropolitan Statistical Area ("MSA") or Primary Metropolitan Statistical Area ("PMSA"), this would relate to the median family income for the MSA or PMSA in which the tracts are located. In the case of BNAs and tracted areas that are not part of a MSA or PMSA, the area median family income would be the statewide non-metropolitan median family income.

## **LMI Borrowers**

Borrowers whose income, as reported on the loan application which the lender relied upon in making the credit decision, is less than 80% of the area median family income. In cases where the residential property is located in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure borrower income levels are updated annually by the U.S. Department of Housing and Urban Development ("HUD").

## **LMI Individuals/Persons**

Individuals or persons whose income is less than 80% of the area median family income. In the case where the individual resides in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure individual income levels are updated annually by HUD.

### **LMI Penetration Rate**

A number that represents the percentage of a bank's total loans (for a particular product) that was extended to LMI geographies or borrowers. For example, an LMI penetration rate of 20% would indicate that the bank made 20 out of a total of 100 loans in LMI geographies or to LMI borrowers.

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

A dollar for dollar tax credit for affordable housing, created under the Tax Reform Act of 1986, that provides incentives to invest in projects for the utilization of private equity in the development of affordable housing aimed at low income Americans. It is also more commonly called Section 42 credits in reference to the applicable section of the IRC. The tax credits are more attractive than tax deductions as they provide a dollar for dollar reduction in a taxpayer's federal income tax. It is more commonly attractive to corporations since the passive loss rules and similar tax changes greatly reduced the value of tax credits and deductions to individual taxpayers.

### **New Markets Tax Credit (NMTC)**

The New Markets Tax Credits (NMTC) Program was established by Congress in December 2000 to stimulate economic and community development and job creation in low-income communities. It permits individual and corporate taxpayers to receive a credit against federal income taxes for making qualified equity investments in Community Development Entities (CDEs). The credit provided to the investor totals 39% of the cost of the investment and is claimed over a 7-year period. CDEs must use substantially all of the taxpayer's investments to make qualified investments in low-income communities. The Fund is administered by the US Treasury Department's Community Development Financial Institutions Fund (CDFI).

### **Qualified Investment**

A lawful investment, deposit, membership share or grant that has community development as its *primary purpose*. This includes but is not limited to investments, deposits, membership shares or grants in or to:

- Financial intermediaries (including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds, micro-finance institutions and low-income or community development credit unions) that primarily lend or facilitate lending in LMI areas or to LMI individuals in order to promote community development;
- Organizations engaged in affordable housing rehabilitation and construction;
- Organizations, including, for example, small business investment corporations that promote economic development by financing small businesses;

- Facilities that promote community development in LMI areas or LMI individuals, such as youth programs, homeless centers, soup kitchens, health care facilities, battered women's centers, and alcohol and drug recovery centers;
- Projects eligible for low-income housing tax credits;
- State and municipal obligations, such as revenue bonds that specifically support affordable housing or other community development needs;
- Organizations serving LMI housing or other community development needs, such as counseling for credit, home ownership, home maintenance, and other financial services education; and
- Organizations supporting activities essential to the capacity of LMI individuals or geographies to utilize credit to sustain economic development, such as day care operations and job training programs that facilitate access to permanent jobs.