



NEW YORK STATE BANKING DEPARTMENT
CONSUMER SERVICES DIVISION
One State Street
New York, NY 10004

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: December 31, 2008

Institution: Capital Bank
1375 Washington Avenue
Albany, NY 12206

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 Banking Department 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 Capital Bank (“CBT”) prepared by the New York State Banking Department. The evaluation represents the Banking Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of December 31, 2008.

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 Banking Board implements Section 28-b and further requires that the Banking 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 Banking 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 small banking institutions are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Section 76.12. 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.

OVERVIEW OF INSTITUTION'S PERFORMANCE

CBT's performance was evaluated according to the small bank performance criteria. CBT is rated "1," indicating an "**Outstanding**" record of helping to meet community credit needs. This rating is an improvement over the prior rating of "2", a "Satisfactory" record based on the NYSBD Performance Evaluation dated December 31, 2005. This rating is based on the following factors:

- ***Loan-to-Deposit ("LTD") Ratio and Other Lending-Related Activities¹: "Outstanding"***

CBT's LTD ratio is more than reasonable in light of its size, financial condition and the credit needs of its assessment area. During the assessment period, CBT had an average LTD ratio of 98% compared to CBT's peers, which had an average LTD ratio of 84.

CBT enhanced the availability of credit with community development loans and qualified investments totaling \$65.4 million.

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

For all three years of the evaluation, in considering both the number and dollar of loan originations, CBT extended a majority of its lending within its assessment area. The bank extended 76.6% by number and 57.6% by dollar volume of its business loans in the assessment area.

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

The distribution of small business loans based on borrower characteristics reflected a consistently excellent penetration among businesses of different revenue sizes. For all three years, based on number of loans, more than 2/3 of CBT's loans were made to businesses with revenues of < = \$1 MM. For both 2006 and 2007, the aggregate data showed that businesses with revenues of < = \$1 MM received 1/3 of the total number of small business loans. In all three years, CBT's percentage of lending exceeded the business demographic data.

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

The bank's geographic distribution of loans, particularly in 2007, reflected an excellent dispersion among census tracts of different income levels. In terms of number of loans, CBT's LMI penetration rate ranged from 27% to 31%, while the aggregate LMI penetration rate was 15%. In addition, CBT's lending to businesses exceeded the business demographics. Only

¹ CBT did not originate any home purchase loans nor refinance any home purchase loans that were secured by a first lien on 1-4 family dwelling. Therefore, CBT does not report loans under HMDA. However, CBT purchases 1-4 family loans. These were included in the loan-to-deposit ratios, but no data were available as to assessment area concentration, geographic distribution or borrower characteristics.

23% of businesses were located in LMI geographies, while CBT made 30 – 40% of small business loans in these geographies (2007 and 2008).

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

Neither the bank nor the New York State Banking Department received any complaints with respect to its CRA performance during the evaluation period.

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

PERFORMANCE CONTEXT

Institution's Profile:

CBT is a commercial bank chartered in 1995 with headquarters in Albany, New York. In 2006, the bank became a wholly owned subsidiary of Fort Orange Financial Corp.

According to the Call Report dated December 31, 2008, CBT reported total assets of \$248.6 million with \$209.5 million in net loans and total deposits of \$187.9 million. According to the latest available comparative deposit data, dated June 30, 2008, CBT has a market share of 1.41%, or \$181 million out of \$12.8 billion inside its market, ranking it 13th among 23 deposit-taking institutions in its assessment area. CBT's 2008 annual report reflects an annual loan growth rate of 32% during the previous four years.

The following is a summary of the bank's lending portfolio, based on Schedule RC-C of the December 31st call reports from 2006 to 2008:

TOTAL GROSS LOANS OUTSTANDING						
LOAN TYPE	12/31/2006		12/31/2007		12/31/2008	
	\$000	%	\$000	%	\$000	%
1-4 Residential Loans	43,697	26.4	43,089	23.1	47,450	22.4
Commercial Mortgage Loans	41,474	25.0	40,915	21.9	52,051	24.6
Commercial & Industrial Loans	33,882	20.4	37,161	19.9	48,039	22.7
Consumer Loans	330	0.2	292	0.2	357	0.2
Construction Loans	30,273	18.3	38,452	20.6	41,709	19.7
Multifamily Loans	11,597	7.0	15,476	8.3	13,403	6.3
Other Loans	4,563	2.8	11,373	6.1	8,423	4.0
Total Gross Loans	165,816	100.0	186,758	100.0	211,432	100.0

Most of the lending portfolio is split between four products, 1-4 family residential loans (which are all purchased), commercial mortgage loans, commercial and industrial loans and construction loans.

CBT operates five branches, four in Albany County and one in Saratoga County. CBT opened two new branches since the prior evaluation dated December 31, 2005. CBT opened a new branch at 1475 Western Avenue in Guilderland, NY on September 22, 2006 and another branch at 594 Loudon Road in Latham, NY on October 31, 2007. On May 29, 2007, CBT moved its headquarters in downtown Albany from 7 Southwoods Boulevard to 1375 Washington Avenue. CBT closed a loan production office in Saratoga Springs on April 1, 2008.

Supplementing the banking offices is an Automated-Teller-Machine ("ATM") network consisting of five machines with one at each branch office.

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

Assessment Area:

The bank's assessment area is comprised of Albany and Saratoga Counties. The assessment area consists of entire counties in which 25% of the census tracts are LMI.

Distribution of Assessment Area Census Tracts by Income Level							
County	N/A	Low	Moderate	Middle	Upper	Total	
	#	#	#	#	#	#	LMI %
Albany	0	10	10	35	18	73	27.4%
Saratoga	1	0	9	24	11	45	20.0%
Total	1	10	19	59	29	118	24.6%

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

Details of Assessment Area:

The total population for Albany and Saratoga Counties is 495,000. Thirty-six percent of families are considered low- and moderate-income. The median family income is \$58,566, with Albany County at \$57,868 and Saratoga County at \$59,488. The HUD Updated Income for the MSA is \$66,300 According to the New York State Department of Labor, annual unemployment rates from 2006 to 2008 for the entire state of New York were higher than for Albany and Saratoga County.

Assessment Area and New York State Unemployment Rates			
	2006	2007	2008
Albany County	3.9	3.9	4.9
Saratoga County	3.6	3.7	4.6
NY State	4.6	4.5	5.4

There were approximately 43,000 non-farm businesses in Albany and Saratoga Counties, with 27,000 in Albany and 16,000 in Saratoga. Sixty-one percent of businesses report revenues of less than or equal to \$1 million; 5% report revenues of more than \$1 million, and an additional 34% do not report revenues. More than 1/3 of the businesses are in the service industries.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

CBT's performance was evaluated according to the small bank performance criteria, which include the following: (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 following factors were also considered in assessing CBT'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 of 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 that reasonably bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community.

The assessment period includes calendar years 2006 to 2008. For CBT, the CRA regulations do not require 1-4 family mortgage¹ or consumer loans to be considered for factors (2), (3) and (4) above, and neither was used. For these factors, the assessment focused on small business lending. Small business lending is a much larger business for CBT than either 1-4 family mortgage or consumer lending. Small business loan aggregate data are shown for comparative purposes, CBT is not required to report this data and as such, CBT is not included in the aggregate data.

Statistics employed in this evaluation were derived from various sources. In addition to bank-specific loan information submitted by CBT, aggregate data for small business were obtained from the Federal Financial Institutions Examination Council ("FFIEC"). The demographic data referred to in this report was derived from the U.S. Census Data, with the updated median family income figures provided by the US Department of Housing and Urban Development ("HUD"). Business demographic data used in this report are information on US businesses, enhanced by Dun & Bradstreet and updated annually. As CBT does not make farm loans, the data only include non-farm loans.

CBT received a rating of "2" reflecting a "Satisfactory" record of helping to meet community credit needs based on the **prior** NYSBD Performance Evaluation dated December 31, 2005.

CRA Rating: "Outstanding"

¹ CBT is not required to report loans under the Home Mortgage Disclosure Act (HMDA).

- **Loan-to-Deposit Ratio Analysis and other Lending-Related Activities:**
“Outstanding”

CBT’s LTD ratio is more than reasonable in light of its size, financial condition and the credit needs of the assessment area. During the assessment period, CBT had an average LTD ratio of 98% compared to CBT’s peers, which had an average LTD ratio of 84.

Loan-to-Deposit Ratios													
	2006 (Q1)	2006 (Q2)	2006 (Q3)	2006 (Q4)	2007 (Q1)	2007 (Q2)	2007 (Q3)	2007 (Q4)	2008 (Q1)	2008 (Q2)	2008 (Q3)	2008 (Q4)	Average LTD
Bank	87	88	93	97	96	94	100	100	103	98	106	112	98
Peer	82	83	83	82	82	84	85	86	85	87	87	87	84

These ratios were calculated from information shown in the bank’s Uniform Bank Performance Report (“UBPR”) prepared by the Federal Deposit Insurance Corporation (“FDIC”). As shown in the table above, the bank’s LTD ratios have been increasing at a faster rate than the peer group.

Community Development Loans/Qualified Investments: Community development loans and qualified investments can enhance a small institution’s ability to meet community needs. As such, CBT enhanced the availability of credit with community development loans and qualified investments totaling \$65.4 million.

The majority of CBT’s community development lending was done with Community Preservation Corporation (“CPC”), a not-for-profit corporation whose primary purpose is to stabilize, strengthen and sustain low- and mixed-income communities of NY, NJ and CT through the provision of mortgage, construction and other lending. This regional area encompasses CBT’s assessment area. CBT participated in six CPC construction pools for a total of \$56.7 million. CBT committed \$450 thousand to a \$355 million syndication by CPC on June 11, 2008 with a three year term maturing on June 30, 2011. CBT also participated in four individual transactions with CPC, totaling \$8 million, to finance the construction and/or rehabilitation of affordable or special needs housing. One of these transactions is within CBT’s assessment area (Albany County). It is a \$1.9MM participation in a construction loan to rehabilitate and develop eleven parcels of land with seven commercial units and 23 apartments for low-income housing in an LMI geography.

CBT committed \$50 thousand for five years beginning July 21, 2004 to the Capital District Community Loan fund, Inc. which is the only federally certified not-for-profit Community Development Financial Institution in the capital region. The mission of this organization is to re-invigorate inner-city areas by lending to projects in economically disadvantaged communities for affordable housing, non-profit groups, low-income micro-entrepreneurs and child care providers.

CBT committed \$50 thousand annually to one year investments to the New York Business Development Corporation on August 1, 2006, 2007 and 2008.

- **Assessment Area Concentration: “Satisfactory”**

For all three years of the evaluation, in considering both the number and dollar of loan originations, CBT extended a majority of its lending within its assessment area. The bank extended 76.6% by number and 57.6% by dollar volume of its business loans in the assessment area.

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Category or Type	Number of Loans					Dollars in Loans (000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Small Business										
2006	85	85.0	15	15.0	100	10,840	84.9	1,934	15.1	12,774
2007	80	80.0	20	20.0	100	10,459	71.8	4,108	28.2	14,567
2008	103	74.1	36	25.9	139	14,245	50.3	14,058	49.7	28,303
Total	183	76.6	56	23.4	239	24,704	57.6	18,166	42.4	42,870

However, in 2008, in part due to the purchase of a large portfolio of loans outside of CBT's assessment area, the percent of dollars lent within the assessment area dropped to 50%. The number of loans within the assessment area grew, but the percentage of lending in the assessment area decreased.

- **Distribution by Borrower Characteristics: “Outstanding”**

The distribution of small business loans based on borrower characteristics reflected a consistently excellent penetration among businesses of different revenue sizes. For all three years, based on number of loans, more than 2/3 of CBT's loans were made to businesses with revenues of \leq \$1 MM. For both 2006 and 2007, the aggregate data showed that businesses with revenues of \leq \$1 MM received 1/3 of the total number of small business loans. In all three years, CBT's percentage of lending exceeded the business demographic data.

The following chart provides a summary of the bank's small business lending distribution during the evaluation period, including a comparison to the aggregate's record and the presence of businesses located in the assessment area):

Distribution of Small Business Loans by Revenue Size									
2006									
Revenues	Bank				Aggregate				Bus. Demographics
	#	%	\$ (000)	%	#	%	\$ (000)	%	
<= \$1MM	63	74.1	8,847	81.6	6,818	33.8	185,170	32.4	60.4
> \$1MM	22	25.9	1,993	18.4	13,341	66.2	386,624	67.6	5.7
Total	85	100	10,840	100	20,159	100	571,794	100	
2007									
Revenues	Bank				Aggregate				Bus. Demographics
	#	%	\$ (000)	%	#	%	\$ (000)	%	
<= \$1MM	62	77.5	8,956	85.6	7,640	34.8	178,121	28.7	61.7
> \$1MM	18	22.5	1,503	14.4	14,345	65.2	441,728	71.3	5.7
Total	80	100	10,459	100	21,985	100	619,849	100	
2008									
Revenues	Bank				Aggregate				Bus. Demographics
	#	%	\$ (000)	%	Not Available				
<= \$1MM	69	67	9,209	64.6	Not Available				60.6
> \$1MM	34	33	5,038	35.4	Not Available				5.2
Total	103	100	14,247	100	Not Available				

CBT's record of dollars lent to businesses with less than \$1 million in revenues is also excellent. For both 2006 and 2007, CBT's record of lending to businesses with revenues of \$1 million or less was double the record for the aggregate. 2008 aggregate data are not yet available for comparison, but CBT's record continues to be strong.

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

The bank's geographic distribution of loans, particularly in 2007, reflected an excellent dispersion among census tracts of different income levels. In terms of number of loans, CBT's LMI penetration rate ranged from 27% to 31%, while the aggregate LMI penetration rate was 15%. In addition, CBT's lending to businesses exceeded the business demographics. 23% of businesses were located in LMI geographies, while CBT made 27 – 31% of small business loans in these geographies.

The following chart provides a summary of the bank's small business lending distribution during the evaluation period, including a comparison to the aggregate's record and the presence of businesses located in the assessment area):

Distribution of Small Business Loans by Geography Income Level*									
2006									
Geography	Bank				Aggregate				Bus. Demographics
	#	%	\$ (000)	%	#	%	\$ (000)	%	%
Low	9	10.6	716	6.6	1,255	6.2	56,963	10	12.7
Moderate	14	16.5	1,172	10.8	1,741	8.6	69,380	12.1	10.5
Middle	45	52.9	5,092	47	10,078	50	258,173	45.2	47.9
Upper	16	18.8	3,760	34.7	7,085	35.1	187,278	32.8	29.0
N/A	1	1.2	100	0.9	-	-	-	-	0.0
Total	85	100	10,840	100	20,159	100	571,794	100	100.0
2007									
Geography	Bank				Aggregate				
	#	%	\$ (000)	%	#	%	\$ (000)	%	%
Low	11	13.8%	703	6.7	1,302	5.9	52,649	8.5	12.3
Moderate	12	15.0%	3,525	33.7	2,011	9.1	67,313	10.9	10.8
Middle	36	45.0%	3,680	35.2	10,907	49.6	288,392	46.5	48.3
Upper	21	26.3%	2,551	24.4	7,765	35.3	211,495	34.1	28.7
N/A	-	-	-	-	-	-	-	-	0.0
Total	80	100	10,459	100	21,985	100	619,849	100	100.0
2008									
Geography	Bank				Aggregate				
	#	%	\$ (000)	%	Not Available				%
Low	22	21.4	1,747	12.3	Not Available				12.0
Moderate	10	9.7	2,774	19.5	Not Available				10.8
Middle	44	42.7	4,978	34.9	Not Available				47.5
Upper	27	26.2	4,746	33.3	Not Available				29.7
N/A	-	-	-	-	Not Available				0.0
Total	103	100	14,245	100	Not Available				100.0

In 2006, based on number of loans, CBT's penetration in LMI geographies was almost double that of the aggregate, although the penetration based on the dollar value of loans was less than the aggregate. In 2007, CBT was significantly better than the aggregate, with number of loans in LMI geographies at almost double the aggregate rate, and the dollar volume at more than double the aggregate rate.

In 2008, CBT's record of lending in LMI geographies decreased for the dollar volume of loans, but was still above 30%. 2008 aggregate data are not available for comparison, but this record is still considerably higher than the aggregate data for prior years and also exceeds the business demographics.

- **Action Taken In Response to Written Complaints With Respect to CRA:**
“Satisfactory”

Neither the bank nor the New York State Banking Department received any complaints with respect to its CRA performance during the evaluation period.

- **Additional factors:**

The extent of participation by the banking institution’s board of directors/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 monitors CRA activities primarily through the Compliance Committee. Beginning in the fourth quarter of 2007, CRA issues were presented to the Compliance Committee quarterly. Prior to the fourth quarter in 2007, CRA issues were discussed by the Audit Committee. Compliance Committee minutes are prepared and submitted to the Board of Directors.

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

Examiners 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.

The most recent regulatory compliance and fair lending examinations conducted indicate satisfactory adherence to anti-discrimination and other applicable laws and regulations. No evidence of prohibited discriminatory or other illegal credit practices was noted.

The banking institution’s record of opening and closing offices and providing services at offices

CBT operates five branches, four in Albany County and one in Saratoga County. CBT opened two new branches since the prior evaluation dated December 31, 2005. CBT opened a new branch at 1475 Western Avenue in Guilderland, NY on September 22, 2006 and another branch at 594 Loudon Road in Latham, NY on October 31, 2007. On May 29, 2007, CBT moved its headquarters in downtown Albany from 7 Southwoods Boulevard to 1375 Washington Avenue. CBT closed a loan production office in Saratoga Springs on April 1, 2008.

Supplementing the banking offices is an Automated-Teller-Machine (“ATM”) network consisting of five machines with one at each branch office.

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.

CBT ascertains the credit needs of its assessment area through participation with community groups, as detailed below.

From May 2007 to December 2008, a vice president and credit officer was on the Albany Loan (Approval) Board of CPC. An assistant vice president sits on the credit committee of the Entrepreneurial Assistance Center Loan Fund of the Albany-Colonie Regional Chamber of Commerce. He also mentors prospective business owners on how to obtain bank loans. A branch manager is active with the Southern Saratoga County Chamber of Commerce Start-Up Smart Program which features seminars on developing a smart business and avoiding costly mistakes.

- 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

CBT advertises in the largest Albany newspaper named the Times Union. Advertising is for deposit-type accounts. The bank uses a local television network and radio talk show to market its product and services.

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

In addition to the activities noted under CBT's efforts to ascertain the credit needs of the community, bank officers and employees also participate in community development services. Of particular note are the following activities: 1) a vice president and senior commercial lending officer gives classroom instruction through the Junior Achievement Economic Education Project of the North Colonie School District; 2) CBT sponsored two fundraising/networking events for the Women's Employment & Resource Center in Albany, a not-for-profit that helps displaced homemakers return to the workforce.

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

The term “community development” is defined to mean:

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.

A “community development loan” is defined as a loan that has as 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.

A “qualified investment” is defined as a lawful investment, deposit, membership share or grant that has as its *primary purpose* community development. 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.

A “community development service” is defined as a service that has as its *primary purpose* community development, 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.

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 of the person, family or household is based on the income of person, family or household. 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.

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

Loans to Small Businesses

Small business loans to businesses with gross annual revenues (“GAR”) of \$1 million or less (“< = \$ 1MM”).

Low or Moderate Income (“LMI”) Geographies

Those census tracts or block numbering areas (“BNAs”), where according to the 2000 US 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 the case 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 depicts 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.

Small Business Loans

Loans to businesses with original amounts of \leq \$1MM.