



**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: June 30, 2016

Institution: Adirondack Trust Company
473 Broadway, Saratoga
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”). This evaluation represents the Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of June 30, 2016.

Section 28-b of the New York Banking Law, as amended, requires that when evaluating certain applications, the Superintendent of Financial Services shall assess a banking institution’s record of helping to meet the credit needs of its entire community, including low- and moderate-income (“LMI”) areas, consistent with safe and sound operations.

Part 76 of the General Regulations of the Superintendent 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 in meeting community credit needs; and
- (4) Substantial noncompliance in meeting community credit needs.

Section 76.5 further requires that the CRA rating and the written summary (“Evaluation”) be made available to the public. Evaluations of banking institutions are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Sections 76.8 through 76.13. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York Banking Law.

For an explanation of technical terms used in this report, please consult the **GLOSSARY** at the back of this document.

OVERVIEW OF INSTITUTION'S PERFORMANCE

DFS evaluated ATC according to the intermediate small bank performance criteria pursuant to Part 76.7 and Part 76.12 of the General Regulations of the Superintendent ("GRS"). The evaluation period included calendar years 2013, 2014, 2015 and the first six months of 2016 (June 30, 2016). 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: "Satisfactory"

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

ATC's average LTD for the evaluation period was 66.1%. While this was well below its peer group's ratio of 78.1% it was an improvement over ATC's average LTD ratio of 55.9% for the prior evaluation period. ATC's lower LTD ratio is due primarily to its business strategy of selling a high percentage of its originated HMDA-reportable loans to the Federal National Mortgage Association ("FNMA"). Still, ATC's average LTD ratio for the evaluation period was reasonable.

Assessment Area Concentration: "Satisfactory"

During the evaluation period, ATC originated 82.5% by number and 77.8% by dollar value of its HMDA-reportable and small business loans within the assessment area. This majority of lending inside of its assessment area is a reasonable concentration of lending within the assessment area.

Distribution by Borrower Characteristics: "Satisfactory"

ATC's small business and HMDA-Reportable loans demonstrated a reasonable distribution of loans among businesses of different revenue sizes and individuals of different income levels. The rating reflects the equal weight given to small business and HMDA lending.

ATC's small business lending to businesses with annual revenue of \$1 million or less was excellent for the evaluation period and well above the aggregate's rate. However, ATC's HMDA-reportable rate of lending to LMI borrowers for the evaluation period was less than adequate as its rate was well below the aggregate's rate.

Geographic Distribution of Loans: "Satisfactory"

ATC's origination of loans in census tracts of varying income levels demonstrated a reasonable distribution of lending. ATC's assessment area contains 43 census tracts of

which six are moderate-income and none are low-income census tracts.

Action Taken in Response to Written Complaints with Respect to CRA: “Not Rated”

Neither DFS nor ATC received any written complaints during the evaluation period 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 for and availability of such opportunities for community development in its assessment area.

Community Development Lending: “Outstanding”

During the evaluation period, ATC originated \$23.7 million in new community development loans, and had \$11.4 million outstanding from prior evaluation periods, for a total of \$35.1 million in community development loans. This demonstrated an excellent level of community development lending during the evaluation period.

Community Development Qualified Investments: “Satisfactory”

During the evaluation period, ATC made \$4.6 million in new community development investments, and had \$499,729 outstanding from prior evaluation periods. In addition, ATC made a total of \$405,957 in community development grants. This demonstrated a reasonable level of community development investments during the evaluation period.

Community Development Services: “Outstanding”

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

ATC’s management and employees continue to be very active, as many serve on boards or committees of various entrepreneurial, nonprofit, civic and charitable organizations providing financial expertise and guidance.

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

PERFORMANCE CONTEXT

Institution Profile

Adirondack Trust Company (“ATC”), founded in 1901, is a state chartered commercial bank located in Saratoga Springs, New York. ATC has two affiliates Adirondack Trust Company Financial Services, Inc, an insurance agency offering a full line of insurance products for consumers and businesses and Adirondack R.E.I.T., Inc. a real estate investment trust that holds quality first residential and commercial mortgages.

ATC offers many of the traditional banking services and products, which include personal and business checking and savings accounts, consumer loans and residential mortgage loans as well as commercial loans and commercial mortgage loans. In addition, ATC offers online banking, bill-pay, investment and trust services including retirement planning as well as insurance products through its affiliate insurance agency.

Per the Consolidated Report of Condition (the Call Report) as of June 30, 2016, filed with the Federal Deposit Insurance Corporation (“FDIC”), ATC reported total assets of \$1.1 billion of which \$693 million were net loans and lease financing receivables. Total assets have increased 5.9% from the prior December 31, 2012 examination. The bank also reported total deposits of \$939 million, resulting in a loan-to-deposit ratio of 66.1% as of June 30, 2016. According to the latest available comparative deposit data as of June 30, 2015, ATC had a deposit market share of 16.1%, or \$893.3 million in a market of \$5.6 billion, ranking it 2nd among 18 deposit-taking institutions in Saratoga and Warren counties.

The following is a summary of ATC’s loan portfolio, based on Schedule RC-C Call report of the bank’s December 31, 2013, 2014, 2015 and first six months of 2016.

TOTAL GROSS LOANS OUTSTANDING								
Loan Type	2013		2014		2015		2016	
	\$000's	%	\$000's	%	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	171,145	30.1	170,285	27.3	171,834	26.8	184,443	26.2
Commercial & Industrial Loans	68,051	12.0	66,553	10.7	63,870	10.0	76,226	10.8
Commercial Mortgage Loans	226,461	39.9	245,022	39.3	249,346	38.9	257,098	36.5
Multifamily Mortgages	8,988	1.6	9,095	1.5	11,083	1.7	10,492	1.5
Consumer Loans	57,769	10.2	94,176	15.1	96,707	15.1	115,693	16.4
Construction Loans	22,666	4.0	26,838	4.3	36,920	5.8	49,408	7.0
Obligations of States & Municipalities	8,987	1.6	8,227	1.3	7,497	1.2	7,059	1.0
Other Loans	3,913	0.7	3,595	0.6	3,376	0.5	3,264	0.5
Total Gross Loans	567,980		623,791		640,633		703,683	

As illustrated in the above table, ATC is primarily a commercial lender, with 36.5% of its loan portfolio in commercial mortgage loans and 10.8% in commercial and industrial loans. While 1-4 family residential mortgage loans and consumer loans totaled 26.2% and 16.4%, respectively.

ATC operates 12 full-service banking offices in the capital district region of New York. Ten of its offices are in Saratoga County and two are in Warren County. None of ATC’s offices are in low- or moderate-income census tracts. Supplementing the banking offices is an automated teller machine (“ATM”) network consisting of 24 machines of which 14 are located at the banking offices with at least one at each office and are available 24 hours a day. The remaining 10 ATMs are off-site at various locations.

Examiners did not find evidence of financial or legal impediments that had an adverse impact on 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 none are low-income, six are moderate-income, 28 are middle-income, eight are upper-income and one tract with no income indicated.

Assessment Area Census Tracts by Income Level							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
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*

Demographic & Economic Data

The assessment area had a population of 188,616 during the examination period. About 13.5% of the population were over the age of 65 and 19.5% were under the age of sixteen.

Of the 49,632 families in the assessment area, 17.4% were low-income, 18.4% were moderate-income, 22.4% were middle-income and 41.8% 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% were on public assistance.

The weighted average median family income in the assessment area was \$75,129

and the weighted average FFIEC updated MSA median family income was \$77,470.

There were 85,156 housing units within the assessment area, of which 80.4% were one-to-four family units, and 10.6% were multi-family 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 (none in low-income census tracts) while 93.1% were in middle- and upper-income census tracts. The median age of the housing stock was 47 years, and the median home value in the assessment area was \$212,791.

There were 12,806 non-farm businesses in the assessment area. Of these, 78.4% were businesses with reported revenues of less than or equal to \$1 million, 4.8% reported revenues of more than \$1 million and 16.7% did not report their revenues. Of all the businesses in the assessment area, 88.7% were businesses with less than fifty employees while 89.1% operated from a single location. The largest industries in the area were services (50.3%), followed by retail trade (15.6%) and construction (8.9%), while 4.0% of businesses in the assessment area were not classified.

According to the New York State Department of Labor, the annual average unemployment rate during the evaluation period for New York State, Saratoga County and Warren County peaked in 2013. During the evaluation period, Warren County's annual average unemployment rates were consistently higher than Saratoga County and New York State's. Saratoga County consistently had the lowest unemployment rates. The steady decline in unemployment rates is indicative of improving economic conditions.

Assessment Area Unemployment Rate			
Year	NYS	Saratoga	Warren
2013	7.7	5.8	8.1
2014	6.3	4.7	6.6
2015	5.3	4.2	5.6
Jan.-June average 2016	4.9	3.9	5.6

Community Information

As a part of the evaluation, examiners conducted an interview with the executive director of a nonprofit organization, which provides veterans facing financial difficulties with both shelter and support not limited to transitional housing for homeless veterans, permanent housing for veterans and their families, employment and training assistance for veterans, rental assistance programs, and mortgage assistance for affordable home ownership. The organization partners with government agencies like Department of Veterans Affairs, the US Department of Housing and Urban Development to accomplish its mission.

The interviewee stressed that the need for more affordable housing continues to be an issue as LMI families and veterans struggle to find affordable housing. Real estate prices and rents in the area have increased partly due to a large global manufacturing and technology company (GlobalFoundaries) establishing itself in the area. Though the company has provided employment for residents, it has also attracted people to the area resulting in an increase in housing prices.

The interviewee noted that banks in the area are responsive to the community and its credit needs; although, some are more responsive than others by providing grants and offering workshops for LMI families and individuals.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

DFS evaluated ATC under the intermediate small banking institution's performance standards in accordance with Parts 76.7 and 76.12 of the GRS, which consist of the lending test and the community development test.

The lending test includes:

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

The community development test includes:

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

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

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

DFS derived statistics employed in this evaluation from various sources. ATC submitted bank-specific information both as part of the examination process and on its Call Report submitted to the FDIC. DFS obtained aggregate lending data from the Federal Financial Institutions Examination Council ("FFIEC") and deposit data from the FDIC. DFS calculated loan-to-deposit ("LTD") ratios from information shown in the Bank's Uniform Bank Performance Report, submitted to the FDIC.

DFS derived the demographic data referred to in this report from the 2010 U.S. Census and the FFIEC. DFS based business data on Dun & Bradstreet reports, which Dun & Bradstreet updates annually. DFS obtained unemployment data from the New York State Department of Labor. Some non-specific bank data are only available on a county-wide basis, and are used even where the institution's assessment area includes partial counties.

The evaluation period included calendar years 2013, 2014, 2015 and the first six months of 2016.

Examiners considered ATC's HMDA-reportable and small business loans originated in

2013, 2014 and 2015 in evaluating factors (2), (3) and (4) of the lending test. Community development activities were considered through June 30, 2016.

Loans made under a Modifications, Extensions and Consolidation Agreement are not required to be reported under HMDA. While ATC offers these type of loans, it elected not to have them considered during this evaluation.

At its **prior** Performance Evaluation, as of December 31, 2012, DFS assigned ATC a rating of “2,” reflecting a “Satisfactory” record of helping to meet community credit needs.

Current CRA Rating: “Satisfactory”

Lending Test: “Satisfactory”

ATC’s HMDA-reportable and small business lending activities were reasonable considering its business strategy and financial condition, as well as, aggregate, peer group activity, and the demographic characteristics of the assessment area.

Loan-to-Deposit Ratio and other Lending Related Activity: “Satisfactory”

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

ATC’s average LTD for the evaluation period was 66.1%. While this was well below its peer group’s ratio of 78.1% it was an improvement over ATC’s average LTD ratio of 55.9% for the prior evaluation period. ATC’s lower LTD ratio is primarily due to its business strategy of selling a high percentage of its HMDA-reportable loans to the Federal National Mortgage Association. Still, ATC’s average LTD ratio for the evaluation period was reasonable.

The table below shows ATC’s LTD ratios in comparison with the peer group’s ratios for the 14 quarters since the prior evaluation.

Loan-to-Deposit Ratios															
	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	Avg.
Bank	55.5	60.4	60.4	64.9	65.4	77.0	69.5	67.9	66.5	68.9	64.3	64.6	66.2	73.8	66.1
Peer	73.6	75.4	75.5	75.7	75.7	70.3	79.0	79.7	78.9	81.0	81.7	81.9	81.4	83.7	78.1

Assessment Area Concentration: “Satisfactory”

During the evaluation period, ATC originated 82.5% by number and 77.8% by dollar value of its HMDA-reportable and small business loans within the assessment area. This majority of lending inside of its assessment area was a reasonable concentration of

lending within the assessment area.

HMDA-Reportable Loans:

During the evaluation period, ATC originated 80.5% by number, and 78.6% by dollar value of its HMDA-reportable loans within the assessment area. This majority of lending was a reasonable concentration of lending within the assessment area.

Small Business Loans:

During the evaluation period, ATC originated 84.2% by number and 76.7% by dollar value of its small business loans within the assessment area. This majority of lending was a reasonable concentration of lending within its assessment area.

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

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Loans in Dollars (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	0	%		%			%		%	
HMDA-Reportable										
2013	292	77.0%	87	23.0%	379	59,100	73.3%	21,513	26.7%	80,613
2014	103	81.7%	23	18.3%	126	19,728	79.5%	5,084	20.5%	24,812
2015	124	88.6%	16	11.4%	140	26,505	93.0%	2,002	7.0%	28,507
Subtotal	519	80.5%	126	19.5%	645	105,333	78.6%	28,599	21.4%	133,932
Small Business										
2013	220	83.3%	44	16.7%	264	29,072	76.9%	8,750	23.1%	37,822
2014	199	82.2%	43	17.8%	242	19,851	75.1%	6,578	24.9%	26,429
2015	228	87.0%	34	13.0%	262	23,883	77.8%	6,812	22.2%	30,695
Subtotal	647	84.2%	121	15.8%	768	72,806	76.7%	22,140	23.3%	94,946
Grand Total	1,166	82.5%	247	17.5%	1,413	178,139	77.8%	50,739	22.2%	228,878

Distribution by Borrower Characteristics “Satisfactory”

ATC’s HMDA-Reportable and small business loans demonstrated a reasonable distribution of loans among individuals of different income levels and businesses of different revenue sizes. The rating reflects the equal weight given to small business and HMDA lending.

ATC’s small business lending to businesses with annual revenue of \$1 million or less was excellent for the evaluation period and well above the aggregate’s rate. However, ATC’s HMDA-reportable rates of lending to LMI borrowers for the evaluation period was less than adequate as it was well below the aggregate’s rates of lending.

HMDA-Reportable Loans:

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

ATC's rates of lending to LMI borrowers of 16.9% by number and 9.8% by dollar value of loans during the evaluation period, were well below the aggregate's rates of 24.6% and 16.4%, respectively.

ATC's and the aggregate's rates of lending to low-income borrowers was well below the percentage of low-income families (family demographics) living in the assessment area. While this may be explained by the ratio of the median housing value in the assessment area of \$212,791 to the estimated median income for low-income families of \$38,735 (based on the weighted average FFIEC MSA updated median family income of the assessment area of \$77,470), which may make it difficult for low-income families to qualify for a mortgage. It does not explain ATC's performance for lending to moderate-income borrowers when compared to the aggregate and family demographics. ATC's lending rates to moderate-income borrowers for the evaluation period were 13.0% by number and 8.3% by dollar value of loans while the aggregate's rates were 19.0% and 13.8%, respectively. Furthermore, the aggregate's rates were comparable to the 18.4% of moderate-income families living in the assessment area while ATC's rates compared unfavorably.

In December 2015, ATC began to participate in the Federal National Mortgage Association's ("FNMA") HomeReady program. The program is designed for creditworthy low- to moderate-income borrowers, with expanded eligibility for financing homes in designated low-income communities. The program offers more flexible underwriting guidelines, which include a low-down payment, flexible sources of funds and affordable and cancellable mortgage insurance.

The following table provides a summary of the distribution of HMDA-reportable lending by borrower income.

Distribution of 1-4 Family Loans by Borrower Income

2013									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	9	3.1%	918	1.6%	265	5.2%	23,189	2.4%	17.4%
Moderate	40	13.9%	5,199	8.9%	931	18.2%	129,512	13.3%	18.4%
LMI	49	17.0%	6,117	10.4%	1,196	23.4%	152,701	15.7%	35.8%
Middle	67	23.3%	10,950	18.7%	1,386	27.1%	236,803	24.4%	22.4%
Upper	160	55.6%	38,295	65.3%	2,332	45.5%	540,299	55.7%	41.8%
Unknown	12	4.2%	3,240	5.5%	208	4.1%	40,372	4.2%	0.0%
Total	288		58,602		5,122		970,175		
2014									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	4	3.9%	177	0.9%	227	6.4%	21,376	3.1%	17.4%
Moderate	12	11.8%	1,223	6.3%	686	19.2%	94,752	13.9%	18.4%
LMI	16	15.7%	1,400	7.2%	913	25.6%	116,128	17.0%	35.8%
Middle	20	19.6%	3,616	18.6%	938	26.3%	157,730	23.1%	22.4%
Upper	58	56.9%	13,431	69.1%	1,586	44.5%	381,385	55.9%	41.8%
Unknown	8	7.8%	996	5.1%	128	3.6%	26,566	3.9%	0.0%
Total	102		19,443		3,565		681,809		
2015									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	7	5.9%	440	2.1%	229	5.5%	20,857	2.4%	17.4%
Moderate	14	11.8%	1,800	8.4%	816	19.7%	121,644	14.1%	18.4%
LMI	21	17.6%	2,240	10.5%	1,045	25.2%	142,501	16.6%	35.8%
Middle	25	21.0%	3,256	15.2%	1,034	25.0%	183,573	21.3%	22.4%
Upper	61	51.3%	13,870	64.8%	1,842	44.5%	475,197	55.2%	41.8%
Unknown	12	10.1%	2,034	9.5%	220	5.3%	59,551	6.9%	0.0%
Total	119		21,400		4,141		860,822		
GRAND TOTAL									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	20	3.9%	1,535	1.5%	721	5.6%	65,422	2.6%	
Moderate	66	13.0%	8,222	8.3%	2,433	19.0%	345,908	13.8%	
LMI	86	16.9%	9,757	9.8%	3,154	24.6%	411,330	16.4%	
Middle	112	22.0%	17,822	17.9%	3,358	26.2%	578,106	23.0%	
Upper	279	54.8%	65,596	66.0%	5,760	44.9%	1,396,881	55.6%	
Unknown	32	6.3%	6,270	6.3%	556	4.3%	126,489	5.0%	
Total	509		99,445		12,828		\$2,512,806		

Small Business Loans:

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

During the evaluation period, ATC originated 60.1% by number and 53.9% by dollar value of its small business loans to businesses with annual revenue of \$1 million or less, well above its aggregate's lending rates of 43.8% and 32.3%, respectively. In addition, ATC rates of lending were comparable to the percent of businesses in the assessment area with annual revenue of \$1 million or less.

In September 2014, ATC was recognized as the top SBA active large community bank lender (banks with assets from \$1-\$10 billion) in the capital region. ATC approved 29 SBA-backed loans totaling over \$1.8 million for startups and existing small businesses. Prior to 2014, ATC had been named the top active small community bank lender by the SBA for 13 straight years.

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

Distribution of Small Business Lending by Revenue Size of Business									
2013									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	116	52.7%	15,066	51.8%	1,149	45.0%	41,517	31.6%	74.5%
Rev. > \$1MM	60	27.3%	9,705	33.4%					4.3%
Rev. Unknown	44	20.0%	4,301	14.8%					21.2%
Total	220		29,072		2,554		131,230		
2014									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	121	60.8%	12,151	61.2%	1,185	39.6%	39,669	30.4%	74.0%
Rev. > \$1MM	53	26.6%	6,373	32.1%					4.7%
Rev. Unknown	25	12.6%	1,327	6.7%					21.3%
Total	199		19,851		2,996		130,358		
2015									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	152	66.7%	12,022	50.3%	1,411	47.0%	46,502	34.8%	78.4%
Rev. > \$1MM	51	22.4%	8,259	34.6%					4.8%
Rev. Unknown	25	11.0%	3,602	15.1%					16.7%
Total	228		23,883		3,003		133,788		
GRAND TOTAL									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	389	60.1%	39,239	53.9%	3,745	43.8%	127,688	32.3%	
Rev. > \$1MM	164	25.3%	24,337	33.4%					
Rev. Unknown	94	14.5%	9,230	12.7%					
Total	647		72,806		8,553		395,376		

Geographic Distribution of Loans: “Satisfactory”

ATC’s origination of loans in census tracts of varying income levels demonstrated a reasonable distribution of lending. ATC’s assessment area contains 43 census tracts of which none are low-income and six are moderate-income census tracts.

HMDA-Reportable Loans:

The distribution of ATC’s HMDA-reportable loans among census tracts of different income levels was reasonable.

ATC originated 2.5% by number and 1.6% of dollar value of its loans in moderate-income census tracts during the evaluation period, which was comparable to its aggregate’s rate of lending of 2.8% and 1.7%, respectively. ATC’s rate of lending in moderate-income census tracts improved every year of the evaluation period. Still, ATC’s and the aggregate’s rate of lending in moderate-income census tracts trailed the percentage of owner-occupied housing located in moderate-income census tracts.

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

Distribution of HMDA Reportable Lending by Geographic Income of the Census Tract									
2013									
Geographic	Bank				Aggregate				OO HUs
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	1	0.3%	6	0.0%	0.0%
Moderate	5	1.7%	742	1.3%	7	1.8%	1,077	1.3%	6.9%
LMI	5	1.7%	742	1.3%	8	2.1%	1,083	1.3%	6.9%
Middle	179	61.3%	32,311	54.7%	218	57.5%	41,016	50.9%	71.1%
Upper	108	37.0%	26,047	44.1%	153	40.4%	38,514	47.8%	22.0%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	292		59,100		379		80,613		
2014									
Geographic	Bank				Aggregate				OO HUs
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	3	2.9%	365	1.9%	4	3.2%	515	2.1%	6.9%
LMI	3	2.9%	365	1.9%	4	3.2%	515	2.1%	6.9%
Middle	66	64.1%	11,418	57.9%	79	62.7%	13,869	55.9%	71.1%
Upper	34	33.0%	7,945	40.3%	43	34.1%	10,428	42.0%	22.0%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	103		19,728		126		24,812		
2015									
Geographic	Bank				Aggregate				OO HUs
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	5	4.0%	623	2.4%	6	4.3%	743	2.6%	6.9%
LMI	5	4.0%	623	2.4%	6	4.3%	743	2.6%	6.9%
Middle	81	65.3%	15,986	60.3%	93	66.4%	17,641	61.9%	71.1%
Upper	38	30.6%	9,896	37.3%	41	29.3%	10,123	35.5%	22.0%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	124		26,505		140		28,507		
GRAND TOTAL									
Geographic	Bank				Aggregate				OO HUs
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	1	0.2%	6	0.0%	
Moderate	13	2.5%	1,730	1.6%	17	2.6%	2,335	1.7%	
LMI	13	2.5%	1,730	1.6%	18	2.8%	2341	1.7%	
Middle	326	62.8%	59,715	56.7%	390	60.5%	72,526	54.2%	
Upper	180	34.7%	43,888	41.7%	237	36.7%	59,065	44.1%	
Unknown	-	0.0%	-	0.0%	0	0.0%	0	0.0%	
Total	519		105,333		645		\$133,932		

Small Business Loans:

The distribution of ATC's small business loans among census tracts of varying income level was reasonable.

ATC's rate of lending in moderate-income census tracts for the evaluation period of 7.4% by number of loans and 4.3% by dollar value of loans were comparable to its aggregate's rates of 7.4% and 6.5%, respectively. While ATC's rate of lending trailed the aggregate in 2013 and 2014 it exceeded the aggregate by number of loans in 2015.

ATC and the aggregate's rate of lending was just below the business demographics in moderate-income census tracts; however, ATC's rate of lending by number of loans exceeded the business demographics in 2015.

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

Distribution of Small Business Lending by Geographic Income of the Census Tract									
2013									
Geographic	Bank				Aggregate				Bus.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	15	6.8%	1,007	3.5%	207	8.1%	10,398	7.9%	8.8%
LMI	15	6.8%	1,007	3.5%	207	8.1%	10,398	7.9%	8.8%
Middle	170	77.3%	24,151	83.1%	1,819	71.2%	95,388	72.7%	71.6%
Upper	35	15.9%	3,914	13.5%	528	20.7%	25,444	19.4%	19.7%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.6%
Total	220		29,072		2,554		131,230		
2014									
Geographic	Bank				Aggregate				Bus.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	11	5.5%	677	3.4%	212	7.1%	7,262	5.6%	8.6%
LMI	11	5.5%	677	3.4%	212	7.1%	7,262	5.6%	8.6%
Middle	144	72.4%	13,589	68.5%	2,178	72.7%	105,234	80.7%	72.4%
Upper	44	22.1%	5,585	28.1%	605	20.2%	17,832	13.7%	19.0%
Unknown	0	0.0%	0	0.0%	1	0.0%	30	0.0%	0.2%
Total	199		19,851		2,996		130,358		
2015									
Geographic	Bank				Aggregate				Bus.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	22	9.6%	1,417	5.9%	216	7.2%	8,102	6.1%	8.3%
LMI	22	9.6%	1,417	5.9%	216	7.2%	8,102	6.1%	8.3%
Middle	164	71.9%	17,182	71.9%	2,186	72.8%	101,126	75.6%	72.7%
Upper	42	18.4%	5,284	22.1%	601	20.0%	24,560	18.4%	19.0%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	228		23,883		3,003		133,788		
Grand Total									
Geographic	Bank				Aggregate				Bus.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
Moderate	48	7.4%	3,101	4.3%	635	7.4%	25,762	6.5%	
LMI	48	7.4%	3,101	4.3%	635	7.4%	25,762	6.5%	
Middle	478	73.9%	54,922	75.4%	6,183	72.3%	301,748	76.3%	
Upper	121	18.7%	14,783	20.3%	1,734	20.3%	67,836	17.2%	
Unknown	-	0.0%	-	0.0%	1	0.0%	30	0.0%	
Total	647		72,806		8,553		395,376		

Action Taken in Response to Written Complaints with Respect to CRA: “Not Rated”

Neither DFS nor ATC received any written complaints during the evaluation period 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 opportunities for community development in its assessment area.

During the evaluation period, ATC originated \$23.7 million in new community development loans, and still had \$11.4 million outstanding from prior evaluation periods. ATC made \$4.6 million in new community development investments and had \$0.5 million outstanding from prior evaluation periods. ATC also made \$0.4 million in community development grants.

Community Development Lending: “Outstanding”

During the evaluation period, ATC originated \$23.7 million in new community development loans, and had \$11.4 million outstanding from prior evaluation periods, for a total of \$35.1 million in community development loans. This demonstrated an excellent level of community development lending over the course of the evaluation period.

ATC’s annualized ratio of community development loans to average assets totaled 1.0% for the current evaluation period. Community contacts identified affordable housing and community services as vital needs within the community. Affordable housing and community services make up 42.4% and 32.1%, respectively, of ATC’s community development loans.

Community Development Loans				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
Purpose	# of Loans	\$000	# of Loans	\$000
Affordable Housing	12	10,825	10	4,047
Economic Development	0	0	1	2
Community Services	11	7,436	8	3,846
Other (Please Specify)	16	5,463	4	3,493
Total	39	23,724	23	11,388

Below are highlights of ATC's community development lending.

Affordable housing

- In 2014, ATC originated a \$225 thousand multifamily mortgage loan for a six-unit apartment building located in a moderate-income census tract in Warren County. The building was acquired in foreclosure and renovated to provide affordable housing to low- and moderate-income families. All six units were rented at rates below the 2014 HUD fair market rent guidelines for Warren County.

Community Services

- In 2014, ATC made a \$150 thousand commercial mortgage loan for an office building used as headquarters for a nonprofit organization. The property is in a moderate-income census tract in Glens Falls, NY. The organization offers programs and services that provide financial assistance to children, individuals and families to help them through an unexpected job loss, accident or long illness.

Revitalize and Stabilize

- In 2013, ATC extended \$1.7 million, to a not-for-profit community hospital, as a participation in a \$5 million commercial mortgage loan with other local financial institutions. The hospital is the largest employer in the region with over 3,000 employees and provides health care within the communities of Warren, Washington, Essex, Rensselaer, Hamilton and northern Saratoga counties, which include distressed or underserved middle income geographies.

Community Development Investments: "Satisfactory"

During the evaluation period, ATC made \$4.6 million in new community development investments, and had \$499,729 outstanding from prior evaluation periods. In addition, ATC made a total of \$405,957 in community development grants. This demonstrated a reasonable level of community development investments over the course of the evaluation period.

Community development investments decreased by 64.4% or \$9.2 million from the prior period, while grants increased by 38.1% or \$112,000. Management attributed the decline in community development investments to less municipal bonds issuance by local municipalities as well as less investment opportunities in the assessment area during the evaluation period.

ATC, made a total of 298 qualified community development grants in the amount of \$405,957 during the evaluation period. Most of ATC's grants supported community services that assisted low- and moderate-income individuals in the assessment area; however, it also made some grants to organizations in Schenectady and Albany counties which are adjacent to Saratoga County.

Community Development Investments and Grants				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
CD Investments	# of Inv.	\$000	# of Inv.	\$000
Affordable Housing				
Economic Development				
Community Services				
Revitalize/Stabilize	7	4,584	1	500
Total	7	4,584	1	500
CD Grants	# of Grants	\$000	Not Applicable	
Affordable Housing	16	19		
Economic Development				
Community Services	270	357		
Revitalize/Stabilize	12	30		
Total	298	406		

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

Investments

- In 2013, ATC invested in a \$1.5 million bond anticipation note issued by a local village. ATC renewed the bond in 2014 for a total community development investment of \$3.0 million. The funds were used to finance the cost of improvements to the village's water facilities. The village is adjacent to two moderate-income census tracts within the assessment area.
- ATC invested in five bonds totaling \$1.6 million during the evaluation period. The bonds were issued by three local school districts, of which two are in moderate-income census tracts and the other is adjacent to a moderate-income census tract. The funds were used to finance the purchase of school buses and a bus garage and for various other projects.

Grants

- The bank issued 14 grants for a total amount of \$10,995 to a local economic opportunity council. The council's mission is to promote opportunities targeted to low- and moderate-income individuals and families. Services and programs offered include lunch programs, emergency food pantry, rural food delivery, energy services and wheels for work.
- ATC, during the evaluation period, made several grants totaling \$33,175 to a non-profit organization supporting people with intellectual, developmental, and other disabilities. A majority of the organization's revenue comes from services certified by New York State and funded by Medicaid.
- In 2014, ATC made a \$50,000 grant to a local community health center in the assessment area. The center provides quality and affordable healthcare to individuals and families who could not afford or do not have any health insurance.

Community Development Services: “Outstanding”

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

ATC management and employees were very active in the community with more than 100 qualified community development services during the current evaluation period. Bank personnel actively provide financial expertise or guidance as board or committee members of various organizations that promote affordable housing, community services and economic development in the assessment area. Examples of these community services are as follows:

- A senior vice president of ATC serves as treasurer and is a board member of a nonprofit organization. The organization provides housing to low- or moderate-income individuals or families and serves the City of Saratoga Springs.
- An assistant vice president of the bank serves as a board member and treasurer of a nonprofit organization that provides affordable housing, clothing (through donations), food (from its food pantry) and other programs and services to LMI individuals and families in the Saratoga area.

Innovativeness of Community Development Investments:

ATC did not use innovative investments to support community development.

Responsiveness to Community Development Needs:

ATC demonstrated a reasonable 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 CRA.

The bank’s CRA Committee meets quarterly and members include senior management, the CRA officer, and vice presidents in commercial lending and compliance. The committee discuss CRA strategies to improve performance as well as providing additional training to commercial loan officers to improve identification of community development loans. The bank also performs periodic CRA self-assessments to assess its CRA performance.

Discrimination and other illegal practices

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

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

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

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

Record of opening and closing offices and providing services at offices

On February 14, 2013 ATC opened the Exit 11 branch located at 322 Ruhle Road in Ballston Lake, NY, a middle-income census tract. ATC did not close any branch office during the evaluation period.

ATC's branch office hours are reasonable. Most branches offer lobby hours Monday through Friday from 9:00am to 3:00pm with extended hours on Thursday and Friday until 6:00pm. All branches except the Glen Falls branch offer some Saturday hours either from 9:00am to 1:00pm or 3:00pm. Ten of the branches also offer drive-thru service hours Monday through Friday from 7:30am to 3:00pm and extended hours on Thursday and Friday until 6:00 pm or 7:00pm. Drive-thru hours are also offered on Saturday from 9:00am to 1:00pm or 3:00pm.

ATC's branch network is supported by 24 automated teller machines (ATM's) of which 14 ATM's are in the 12 branch offices and the other ATM's are located one each (unless otherwise noted) at the following locations: Marion Avenue Kiosk, Skidmore College, Saratoga Hospital, Saratoga National Golf Club, our Milton Center Plaza Kiosk, Saratoga West Avenue YMCA, the Saratoga Springs Public Library located on Henry Street, Downstreet Marketplace (lower level), National Museum of Racing and Wilton Mall and two machines at Wesley Health Care Center.

Customers have access to their accounts and many of the banking products either through the 12 banking offices, WebWi\$e Banking (ATC's on-line banking service) or the 24 ATM's. ATC also offers its customers access to their accounts nationally through the NYCE and PLUS networks.

Distribution of Branches within the Assessment Area							
County	N/A	Low	Moderate	Middle	Upper	Total	LMI
	#	#	#	#	#	#	%
*Saratoga	0	0	0	9	1	10	0%
*Warren	0	0	0	2	0	2	0%
Total	0	0	0	11	1	12	0%

*Partial County

Process Factors

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

Members of the board, senior management and employees are active members of various civic, nonprofit, community-based organizations. Management, through interactions with these organizations as well as real estate brokers, developers and contractors, ascertains the credit needs of the community.

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

ATC markets its products and services primarily through newspaper and radio advertisements and advertises and markets in ethnically diverse media.

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

- ATC continues its partnerships with the New York Business Development Corporation ("NYBDC") in the SBA 504 program. The corporation promotes economic development by providing loans with flexible term to small businesses that may otherwise not meet requirements for financing.
- ATC maintains a partnership with schools and colleges serving the areas of Saratoga and Warren counties. Programs offered provide education and skills on personal finance and budgeting.
- ATC provides its computer and servicing capabilities, at no cost, to the city of Saratoga Springs, Office of Community Development for loan programs to increase affordable housing.

-
- ATC allows community groups to use the meeting room located in the Mabee Building. During the evaluation period the following groups have used the room: Saratoga 150 Committee, ATC Community Fund, Sustainable Saratoga, Saratoga Center for the Family, Saratoga Hospital Foundation, Women in Business, Shelters of Saratoga, Wellspring (f/k/a Domestic Violence and Rape Crisis Services of Saratoga County), Saratoga Convention & Tourism
 - ATC provides no charge free checking accounts to many nonprofit or not-for-profit organizations located within the assessment area. Organizations include: Franklin Community Center, American Camping, Saratoga Affordable Housing Inc., Cub Scout Pack 2, Gold Wing Riders, I.B.E.W. Local 179, Center for Hope, Masonic Hall Association, Saratoga Job Fair and United Methodist Church.
 - In 2009, the bank established the ATC Community Fund an independent charitable organization. The bank serves as the Trustee and Administrator of the Fund, which has an independent advisory committee comprised of individuals from the community. The fund makes donations to local community organizations.

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.

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

Small Business Loan

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

Low or Moderate Income ("LMI") Geographies

Those census tracts or block numbering areas where, according to the 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.