



**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, 2013

Institution: Sawyer Savings Bank
87 Market Street
Saugerties, NY 12477

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 Sawyer Savings Bank (“SSB”) 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 December 31, 2013.

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 SSB according to the small bank performance criteria pursuant to Part 76.12 of the General Regulations of the Superintendent. The assessment period included calendar years 2009 through 2013. SSB is rated "2," indicating a "**Satisfactory**" record of helping to meet community credit needs. This is the first evaluation conducted by DFS.

The rating is based on the following factors:

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

SSB's average loan-to-deposit ("LTD") ratio for the evaluation period was reasonable considering its size, business strategy, financial condition, and peer group's activity. SSB's average LTD ratio was 82.0%, which was slightly less than its peer group's average of 82.6%.

- **Assessment Area Concentration:** "Outstanding"

During the evaluation period, SSB originated 87.4% by number, and 87.7% by dollar value of its total HMDA-reportable and small business loans within the assessment area. This was an excellent record of lending inside of the assessment area.

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

SSB's distribution of loans by borrower characteristics demonstrated reasonable percentages of lending among individuals of different income levels and businesses of different revenue sizes.

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

SSB's distribution of loans in census tracts of varying income levels demonstrated reasonable lending penetration in low- and moderate-income ("LMI") areas for HMDA-reportable and business loans.

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

Neither SSB nor DFS received any written complaints regarding SSB's CRA performance.

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 General Regulations of the Superintendent.

PERFORMANCE CONTEXT

Institution Profile

SSB is a mutual savings bank, chartered in 1871, and headquartered in Saugerties, NY in Ulster County. SSB offers personal and business banking products and services. In 1991 SSB established a subsidiary, Sawyer Savings Corp., to offer non-deposit products, such as insurance and investments.

Per SSB's Consolidated Report of Condition (the "Call Report") as of December 31 2013, filed with the Federal Deposit Insurance Corporation ("FDIC"), SSB reported total assets of \$191.6 million, of which \$104.3 million were net loans and lease finance receivables. It also reported total deposits of \$141.9 million, resulting in a loan-to-deposit ratio of 73.5%. According to the latest available comparative deposit data, as of June 30, 2013, SSB had a market share of 4.1%, or \$139.6 million in a market of \$3.4 billion, ranking it ninth among 20 deposit-taking institutions in Ulster County.

The following is a summary of SSB's loan portfolio, based on Schedule RC-C of SSB's December 31, 2009, 2010, 2011, 2012 and 2013 Call Reports:

| Loan Type | 2009 | | 2010 | | 2011 | | 2012 | | 2013 | |
|-------------------------------|----------------|------|----------------|------|----------------|------|----------------|------|----------------|------|
| | \$000's | % | \$000's | % | \$000's | % | \$000's | % | \$000's | % |
| 1-4 Family Residential Mtge | 81,954 | 70.0 | 83,843 | 69.9 | 82,529 | 69.9 | 74,139 | 69.5 | 69,370 | 66.5 |
| Commercial & Industrial | 7,756 | 6.6 | 8,132 | 6.8 | 9,095 | 7.7 | 7,304 | 6.8 | 5,440 | 5.2 |
| Commercial Mtge | 16,959 | 14.5 | 16,585 | 13.8 | 15,583 | 13.2 | 14,717 | 13.8 | 13,133 | 12.6 |
| Multifamily Mtge | 3,277 | 2.8 | 3,640 | 3.0 | 4,008 | 3.4 | 5,141 | 4.8 | 6,427 | 6.2 |
| Consumer Loans | 582 | 0.5 | 520 | 0.4 | 478 | 0.4 | 298 | 0.3 | 2,339 | 2.2 |
| Agricultural Loans | 4,622 | 3.9 | 5,154 | 4.3 | 4,439 | 3.8 | 3,804 | 3.6 | 6,109 | 5.9 |
| Construction Loans | 1,284 | 1.1 | 1,551 | 1.3 | 1,504 | 1.3 | 973 | 0.9 | 1,328 | 1.3 |
| Obligations of States & Munis | 616 | 0.5 | 527 | 0.4 | 404 | 0.3 | 290 | 0.3 | 223 | 0.2 |
| Total Gross Loans | 117,050 | | 119,952 | | 118,040 | | 106,666 | | 104,369 | |

As illustrated in the above table, 72.7% of SSB's loan portfolio in 2013 was in residential real estate loans (66.5% in 1-4 family and 6.2% in multifamily), followed by commercial lending at 17.8%, agricultural loans at 5.9%, and 5.2% in commercial and industrial loans.

Except for 2010 when SSB's gross loan portfolio increased, the following three years of the evaluation period each had decreased loan volume. One-to-four family residential mortgage loans showed the biggest decline from \$83.8 million in 2010 to \$69.4 million in 2013, followed by commercial loans, from \$24.7 million to \$18.6 million over the same period.

SSB originated 308 HMDA-reportable loans totaling \$50.5 million and 345 small business loans totaling \$43.2 million during the evaluation period.

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

Assessment Area

SSB's assessment area comprises 39 (83.0%) of 47 census tracts in Ulster County, and SSB serves the assessment area with three branches.

Three of the 39 census tracts in the area are moderate-income, 30 are middle-income, and six are upper-income.

| Assessment Area Census Tracts by Income Level | | | | | | | | | |
|---|-----|-----|-----|--------|-------|-------|-------|----------------------------|---------------------|
| County | N/A | Low | Mod | Middle | Upper | Total | LMI % | Dis-tressed & Under-served | LMI & Dis-tressed % |
| *Ulster | | | 3 | 30 | 6 | 39 | 7.7 | 0 | 7.7% |
| Total | 0 | 0 | 3 | 30 | 6 | 39 | 7.7 | 0 | 7.7% |

* Partial County

Demographic & Economic Data

The assessment area had a population of 151,130 as of December 31, 2013. About 14.5% of the population were over the age of 65 and 17.6% were under the age of sixteen.

Of the 37,996 families in the assessment area, 18.8% were low-income, 17.8% were moderate-income, 23.2% were middle-income and 40.2% were upper-income families. There were 60,726 households in the assessment area, of which 9.5% had income below the poverty level and 1.9% were on public assistance. The weighted average median family income for the assessment area was \$73,108.

There were 69,363 housing units within the assessment area, of which 84.3% were one-to-four family units, and 9.8% were multifamily units. A majority (60.4%) of the area's housing units were owner-occupied, while 27.1% were rental units. Of the 41,903 owner-occupied housing units, 5.6% were in LMI census tracts, and 94.4% were in middle- and upper-income census tracts. The median age of the housing stock was 51 years, and the median home value was \$250,976.

There were 13,932 non-farm businesses in the assessment area. Of these, 74.0% were businesses with reported revenues of less than or equal to \$1 million, 3.2% reported revenues of more than \$1 million, and 22.8% did not report their revenues. Of all the businesses in the assessment area, 81.3% were businesses with less than

fifty employees and 92.9% operated from a single location. The largest industries in the area were services (43.6%), retail trade (14.4%), and construction (8.8%), while 12.7% were not classified.

According to the New York State Department of Labor, the average unemployment rate for New York State started to show improvement during the evaluation period, from 8.3% in 2009 to 7.7% in 2013. Ulster County's rate increased and then decreased over the same period.

| Assessment Area Unemployment Rate | | | | | |
|--|------|------|------|------|------|
| | 2009 | 2010 | 2011 | 2012 | 2013 |
| New York State | 8.3 | 8.6 | 8.2 | 8.5 | 7.7 |
| Ulster County | 7.8 | 8.3 | 8.3 | 8.7 | 7.8 |

Community Information

Except for the City of Kingston, Ulster County is mostly rural. A nonprofit organization that works with local communities to provide affordable housing was interviewed for this evaluation. This organization indicated that access to credit was limited, especially for LMI borrowers, because of stricter underwriting standards. With less than stellar credit scores and lack of down payment equity, LMI borrowers found it harder to qualify for conventional loans.

The nonprofit, together with SSB, help LMI borrowers with first-time homebuyer seminars and SSB's special mortgage program. SSB received positive comments from the nonprofit because of SSB's active participation in the organization and the community.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

DFS evaluated SSB according to the small bank performance standards of General Regulations of the Superintendent (“GRS”) Parts 76.7 and 76.12, which consist of the lending test. This 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. DFS also considered the following factors 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; the institution’s 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 New York Banking Law that reasonably bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community.

DFS derived the statistics employed in this evaluation from various sources. The bank submitted bank-specific information both as part of the examination process and on its Call Report submitted to the FDIC. DFS obtained aggregate lending data from the Federal Financial Institutions Examination Council (FFIEC) and deposit data from the FDIC. DFS calculated 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 2000 and 2010 U.S. Censuses and the U.S. Department of Housing and Urban Development. DFS based business demographic data on Dun & Bradstreet reports, which are updated annually. DFS obtained unemployment data from the New York State Department of Labor. Some non-specific bank data were only available on a county-wide basis and were used even where the institution’s assessment area included partial counties.

The assessment period included calendar years 2009, 2010, 2011, 2012 and 2013.

The examiners considered SSB’s HMDA-reportable and small business loans in evaluating factors (2), (3) and (4) of the lending test noted above.

SSB is not required to report small-business loan data, and SSB’s small-business lending was not included in the aggregate data. This evaluation presents small business aggregate data for comparative purposes. Since SSB made very few small farm loans, all analyses were based only on small business loans.

HMDA-reportable loan data evaluated in this performance evaluation represented actual originations, whereas business loans were evaluated using a sample of loans. HMDA-

reportable loans were given greater weight in this evaluation since they represented 65.0% of total loans submitted for review.

At its **prior** Performance Evaluation, as of December 31, 2008, DFS assigned SSB a rating of “2,” reflecting a “Satisfactory” record of helping to meet community credit needs.

Current CRA Rating: “Satisfactory”

Lending Test: “Satisfactory”

SSB’s small business and HMDA-reportable activities are reasonable in light of its aggregate and peer group activity and the demographics of the assessment area.

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

SSB’s average LTD ratio for the 20 quarters of the evaluation period was reasonable considering its size, business strategy, financial condition, and peer group’s activity. SSB’s LTD ratios trended downward during the evaluation period. The Bank’s overall LTD ratio mirrored its peer group’s ratio, with an average of 82.0% compared to 82.6% for its peer group. These ratios were reasonable.

The table below shows SSB’s LTD ratios in comparison with its peer group’s ratios for the 20 quarters since the prior evaluation.

| Loan-to-Deposit Ratios | | | | | | | | | | | | | | | | | | | | | |
|-------------------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| | 2009 | 2009 | 2009 | 2009 | 2010 | 2010 | 2010 | 2010 | 2011 | 2011 | 2011 | 2011 | 2012 | 2012 | 2012 | 2012 | 2013 | 2013 | 2013 | 2013 | Avg. |
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | |
| Bank | 95.7 | 92.7 | 88.2 | 86.4 | 85.5 | 83.6 | 84.2 | 81.2 | 82.6 | 84.2 | 83.4 | 83.3 | 83.4 | 80.6 | 80.2 | 75.5 | 74.1 | 72.2 | 70.7 | 72.2 | 82.0 |
| Peer | 89.6 | 88.4 | 88.8 | 87.3 | 85.0 | 84.7 | 85.0 | 83.3 | 80.8 | 81.6 | 81.9 | 81.3 | 78.9 | 78.9 | 80.2 | 79.8 | 78.4 | 79.3 | 78.9 | 80.2 | 82.6 |

Assessment Area Concentration: “Outstanding”

During the evaluation period, SSB originated 87.4% by number, and 87.7% by dollar value of its total HMDA-reportable and small business loans within the assessment area. These percentages reflected an excellent record of lending inside SSB’s assessment area.

HMDA-Reportable Loans:

SSB originated 79.2% by number, and 79.4% by dollar value of its HMDA-reportable loans within the assessment area. This majority of lending inside of the assessment area was a reasonable record of lending.

Small Business Loans:

SSB originated 94.8% by number, and 97.4% by dollar value of its small business loans within the assessment area. This substantial majority of lending inside of the assessment area was an excellent record of lending.

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

| Distribution of Loans Inside and Outside of the Assessment Area | | | | | | | | | | |
|---|-----------------|--------|---------|-------|-------|---------------------------------|--------|---------|-------|--------|
| Loan Type | Number of Loans | | | | | Loans in Dollars (in thousands) | | | | |
| | Inside | | Outside | | Total | Inside | | Outside | | Total |
| | # | % | # | % | | \$ | % | \$ | % | |
| HMDA-Reportable | | | | | | | | | | |
| 2009 | 57 | 74.0% | 20 | 26.0% | 77 | 8,944 | 71.0% | 3,655 | 29.0% | 12,599 |
| 2010 | 38 | 80.9% | 9 | 19.1% | 47 | 5,984 | 79.7% | 1,523 | 20.3% | 7,507 |
| 2011 | 44 | 83.0% | 9 | 17.0% | 53 | 7,660 | 84.1% | 1,444 | 15.9% | 9,104 |
| 2012 | 49 | 79.0% | 13 | 21.0% | 62 | 8,460 | 81.6% | 1,907 | 18.4% | 10,367 |
| 2013 | 56 | 81.2% | 13 | 18.8% | 69 | 9,044 | 82.7% | 1,897 | 17.3% | 10,941 |
| Subtotal | 244 | 79.2% | 64 | 20.8% | 308 | 40,092 | 79.4% | 10,426 | 20.6% | 50,518 |
| Small Business | | | | | | | | | | |
| 2009 | 83 | 100.0% | - | 0.0% | 83 | 12,081 | 100.0% | - | 0.0% | 12,081 |
| 2010 | 86 | 100.0% | - | 0.0% | 86 | 10,918 | 100.0% | - | 0.0% | 10,918 |
| 2011 | 60 | 95.2% | 3 | 4.8% | 63 | 7,017 | 98.5% | 109 | 1.5% | 7,126 |
| 2012 | 56 | 84.8% | 10 | 15.2% | 66 | 7,339 | 89.6% | 849 | 10.4% | 8,188 |
| 2013 | 42 | 89.4% | 5 | 10.6% | 47 | 4,702 | 97.0% | 145 | 3.0% | 4,847 |
| Subtotal | 327 | 94.8% | 18 | 5.2% | 345 | 42,057 | 97.4% | 1,103 | 2.6% | 43,160 |
| Grand Total | 571 | 87.4% | 82 | 12.6% | 653 | 82,149 | 87.7% | 11,529 | 12.3% | 93,678 |

Analysis of small business loans was performed on an average of 19 loans for each year of the evaluation period. The number and dollar volume of loans were then extrapolated from the resulting percentages and are not actual results. HMDA-reportable lending analysis was based on actual loan volume.

Distribution by Borrower Characteristics: “Satisfactory”

The distribution of loans based on borrower income demonstrated reasonable rates of lending to individuals of different income levels and businesses of different revenue sizes.

HMDA-Reportable Loans:

SSB’s HMDA-reportable loans demonstrated reasonable percentages of lending among individuals of different income levels.

SSB’s average rates of lending to LMI borrowers of 20.9% by number of loans and 13.7% by dollar value were lower than its aggregate’s average rates of 24.2% and 16.0%, respectively. SSB’s and the aggregate’s LMI lending rates were lower than the assessment area’s family demographics of 36.6%.

The following table 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 | 2 | 3.6% | 234 | 2.7% | 139 | 4.4% | 13,352 | 2.4% | 18.7% |
| Moderate | 7 | 12.7% | 533 | 6.1% | 587 | 18.6% | 74,415 | 13.4% | 18.4% |
| LMI | 9 | 16.4% | 767 | 8.8% | 726 | 23.0% | 87,767 | 15.8% | 37.1% |
| Middle | 14 | 25.5% | 1,829 | 21.1% | 887 | 28.1% | 139,758 | 25.2% | 23.9% |
| Upper | 30 | 54.5% | 5,647 | 65.1% | 1,412 | 44.7% | 299,693 | 54.1% | 39.0% |
| Unknown | 2 | 3.6% | 433 | 5.0% | 136 | 4.3% | 26,821 | 4.8% | |
| Total | 55 | | 8,676 | | 3,161 | | 554,039 | | |
| 2010 | | | | | | | | | |
| Borrower Income | Bank | | | | Aggregate | | | | Fam.Dem. |
| | # | % | \$000's | % | # | % | \$000's | % | % |
| Low | 3 | 8.3% | 281 | 4.8% | 157 | 6.1% | 13,655 | 3.1% | 18.7% |
| Moderate | 8 | 22.2% | 627 | 10.8% | 439 | 17.0% | 52,958 | 11.9% | 18.4% |
| LMI | 11 | 30.6% | 908 | 15.6% | 596 | 23.0% | 66,613 | 14.9% | 37.1% |
| Middle | 6 | 16.7% | 1,103 | 19.0% | 695 | 26.9% | 108,564 | 24.3% | 23.9% |
| Upper | 18 | 50.0% | 3,538 | 60.9% | 1,209 | 46.8% | 254,798 | 57.0% | 39.0% |
| Unknown | 1 | 2.8% | 260 | 4.5% | 86 | 3.3% | 16,743 | 3.7% | |
| Total | 36 | | 5,809 | | 2,586 | | 446,718 | | |
| 2011 | | | | | | | | | |
| Borrower Income | Bank | | | | Aggregate | | | | Fam.Dem. |
| | # | % | \$000's | % | # | % | \$000's | % | % |
| Low | 2 | 5.0% | 139 | 2.3% | 172 | 7.4% | 14,579 | 3.8% | 18.7% |
| Moderate | 9 | 22.5% | 1,095 | 18.3% | 458 | 19.8% | 53,055 | 13.7% | 18.4% |
| LMI | 11 | 27.5% | 1,234 | 20.6% | 630 | 27.2% | 67,634 | 17.5% | 37.1% |
| Middle | 12 | 30.0% | 1,671 | 27.9% | 558 | 24.1% | 81,849 | 21.2% | 23.9% |
| Upper | 16 | 40.0% | 2,985 | 49.8% | 1,032 | 44.5% | 218,062 | 56.4% | 39.0% |
| Unknown | 1 | 2.5% | 100 | 1.7% | 98 | 4.2% | 19,206 | 5.0% | |
| Total | 40 | | 5,990 | | 2,318 | | 386,751 | | |
| 2012 | | | | | | | | | |
| Borrower Income | Bank | | | | Aggregate | | | | Fam.Dem. |
| | # | % | \$000's | % | # | % | \$000's | % | % |
| Low | 2 | 4.3% | 206 | 2.9% | 167 | 6.0% | 15,556 | 3.3% | 18.8% |
| Moderate | 7 | 15.2% | 855 | 11.9% | 499 | 18.0% | 60,207 | 12.7% | 17.8% |
| LMI | 9 | 19.6% | 1,061 | 14.8% | 666 | 24.1% | 75,763 | 16.0% | 36.6% |
| Middle | 14 | 30.4% | 2,263 | 31.5% | 707 | 25.5% | 108,826 | 23.0% | 23.2% |
| Upper | 22 | 47.8% | 3,805 | 53.0% | 1,271 | 45.9% | 267,422 | 56.5% | 40.2% |
| Unknown | 1 | 2.2% | 45 | 0.6% | 124 | 4.5% | 21,005 | 4.4% | |
| Total | 46 | | 7,174 | | 2,768 | | 473,016 | | |
| 2013 | | | | | | | | | |
| Borrower Income | Bank | | | | Aggregate | | | | Fam.Dem. |
| | # | % | \$000's | % | # | % | \$000's | % | % |
| Low | 3 | 5.7% | 292 | 3.4% | | | | | 18.8% |
| Moderate | 5 | 9.4% | 731 | 8.4% | | | | | 17.8% |
| LMI | 8 | 15.1% | 1,023 | 11.8% | | | | | 36.6% |
| Middle | 15 | 28.3% | 1,943 | 22.4% | | | | | 23.2% |
| Upper | 24 | 45.3% | 4,400 | 50.7% | | | | | 40.2% |
| Unknown | 6 | 11.3% | 1,305 | 15.1% | | | | | |
| Total | 53 | | 8,671 | | | | | | |
| GRAND TOTAL | | | | | | | | | |
| Borrower Income | Bank | | | | Aggregate | | | | Fam.Dem. |
| | # | % | \$000's | % | # | % | \$000's | % | % |
| Low | 12 | 5.2% | 1,152 | 3.2% | 635 | 5.9% | 57,142 | 3.1% | |
| Moderate | 36 | 15.7% | 3,841 | 10.6% | 1,983 | 18.3% | 240,635 | 12.9% | |
| LMI | 48 | 20.9% | 4,993 | 13.7% | 2,618 | 24.2% | 297,777 | 16.0% | |
| Middle | 61 | 26.5% | 8,809 | 24.3% | 2,847 | 26.3% | 438,997 | 23.6% | |
| Upper | 110 | 47.8% | 20,375 | 56.1% | 4,924 | 45.5% | 1,039,975 | 55.9% | |
| Unknown | 11 | 4.8% | 2,143 | 5.9% | 444 | 4.1% | 83,775 | 4.5% | |
| Total | 230 | | 36,320 | | 10,833 | | 1,860,524 | | |

Small Business Loans:

Based on the revenue size of the business, SSB demonstrated a reasonable distribution of lending to businesses of different revenue sizes.

SSB's average rate of lending of 79.8% by number, and 82.4% by dollar value, to small businesses with gross annual revenues of \$1.0 million or less, outperformed its aggregate's average rates by margins of 46.7% and 54.4%, respectively. SSB's lending outperformed the demographic characteristics of businesses in the assessment area in 2009 – 2011 by a wide margin but underperformed the characteristics in 2012 and 2013.

The following table provides a summary of SSB's small business lending distribution based on revenue size.

| Distribution of Business Lending by Revenue Size of Business | | | | | | | | | |
|---|-------------|-------|---------------|-------|--------------------|-------|---------------|-------|-----------------|
| 2009 | | | | | | | | | |
| Rev. Size | Bank | | | | Aggregate | | | | Bus.Dem. |
| | # | % | \$000's | % | # | % | \$000's | % | % |
| Rev. <= \$1MM | 74 | 89.2% | 11,356 | 94.0% | 616 | 27.4% | 14,674 | 34.5% | 78.4% |
| Rev. > \$1MM | 9 | 10.8% | 725 | 6.0% | | | | | 3.7% |
| Rev. Unknown | | 0.0% | | 0.0% | | | | | 17.4% |
| Total | 83 | | 12,081 | | 2,246 | | 42,555 | | |
| 2010 | | | | | | | | | |
| Rev. Size | Bank | | | | Aggregate | | | | Bus.Dem. |
| | # | % | \$000's | % | # | % | \$000's | % | % |
| Rev. <= \$1MM | 72 | 83.7% | 10,375 | 95.0% | 528 | 26.1% | 10,458 | 23.2% | 79.5% |
| Rev. > \$1MM | 9 | 10.5% | 420 | 3.8% | | | | | 3.6% |
| Rev. Unknown | 5 | 5.8% | 123 | 1.1% | | | | | 16.9% |
| Total | 86 | | 10,918 | | 2,024 | | 45,115 | | |
| 2011 | | | | | | | | | |
| Rev. Size | Bank | | | | Aggregate | | | | Bus.Dem. |
| | # | % | \$000's | % | # | % | \$000's | % | % |
| Rev. <= \$1MM | 56 | 93.3% | 6,864 | 97.8% | 936 | 39.4% | 14,638 | 26.6% | 70.0% |
| Rev. > \$1MM | | 0.0% | | 0.0% | | | | | 2.5% |
| Rev. Unknown | 4 | 6.7% | 153 | 2.2% | | | | | 27.4% |
| Total | 60 | | 7,017 | | 2,376 | | 55,070 | | |
| 2012 | | | | | | | | | |
| Rev. Size | Bank | | | | Aggregate | | | | Bus.Dem. |
| | # | % | \$000's | % | # | % | \$000's | % | % |
| Rev. <= \$1MM | 33 | 58.9% | 3,748 | 51.1% | 974 | 37.9% | 15,384 | 28.5% | 73.7% |
| Rev. > \$1MM | 20 | 35.7% | 3,510 | 47.8% | | | | | 3.1% |
| Rev. Unknown | 3 | 5.4% | 81 | 1.1% | | | | | 23.2% |
| Total | 56 | | 7,339 | | 2,573 | | 53,912 | | |
| 2013 | | | | | | | | | |
| Rev. Size | Bank | | | | Aggregate | | | | Bus.Dem. |
| | # | % | \$000's | % | # | % | \$000's | % | % |
| Rev. <= \$1MM | 26 | 61.9% | 2,328 | 49.5% | Data Not Available | | | | 74.0% |
| Rev. > \$1MM | 14 | 33.3% | 2,350 | 50.0% | | | | | 3.2% |
| Rev. Unknown | 2 | 4.8% | 24 | 0.5% | | | | | 22.8% |
| Total | 42 | | 4,702 | | | | | | |
| GRAND TOTAL | | | | | | | | | |
| Rev. Size | Bank | | | | Aggregate | | | | Bus.Dem. |
| | # | % | \$000's | % | # | % | \$000's | % | % |
| Rev. <= \$1MM | 261 | 79.8% | 34,671 | 82.4% | | 33.1% | | 28.0% | |
| Rev. > \$1MM | 52 | 15.9% | 7,005 | 16.7% | | | | | |
| Rev. Unknown | 14 | 4.3% | 381 | 0.9% | | | | | |
| Total | 327 | | 42,057 | | | | | | |

Small business lending analysis was performed on an average of 19 loans for each year of the evaluation period. The number and dollar volume of loans were then extrapolated from the resulting percentages and are not actual results.

Geographic Distribution of Loans: "Satisfactory"

SSB's lending in census tracts of varying income levels demonstrated a reasonable distribution of lending for HMDA-reportable and small business loans. SSB has no low-income census tracts in its assessment area.

HMDA-Reportable Loans:

SSB's distribution of HMDA-reportable loans based on the geographic income of the geography demonstrated reasonable rates of lending among areas of varying income levels.

SSB originated 5.3% by number and 4.0% by dollar value of its HMDA-reportable loans in moderate-income census tracts, compared to its aggregate's 5.4% and 3.6%, respectively.

SSB's assessment area has only three moderate-income census tracts with a 5.6% owner-occupied household demographic.

The following table provides a summary of SSB'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% |
| Moderate | 5 | 8.8% | 630 | 7.0% | 194 | 6.0% | 23,858 | 4.1% | 6.2% |
| LMI | 5 | 8.8% | 630 | 7.0% | 194 | 6.0% | 23,858 | 4.1% | 6.2% |
| Middle | 46 | 80.7% | 7,205 | 80.6% | 2,441 | 75.7% | 442,997 | 75.9% | 78.6% |
| Upper | 6 | 10.5% | 1,109 | 12.4% | 586 | 18.2% | 116,429 | 20.0% | 15.1% |
| Unknown | | 0.0% | | 0.0% | 3 | 0.1% | 205 | 0.0% | |
| Total | 57 | | 8,944 | | 3,224 | | 583,489 | | |
| 2010 | | | | | | | | | |
| Geographic Income | Bank | | | | Aggregate | | | | OO Hus |
| | # | % | \$000's | % | # | % | \$000's | % | % |
| Low | | 0.0% | | 0.0% | | 0.0% | | 0.0% | 0.0% |
| Moderate | 3 | 7.9% | 315 | 5.3% | 138 | 5.3% | 15,378 | 3.3% | 6.2% |
| LMI | 3 | 7.9% | 315 | 5.3% | 138 | 5.3% | 15,378 | 3.3% | 6.2% |
| Middle | 29 | 76.3% | 4,762 | 79.6% | 2,002 | 76.2% | 344,334 | 74.9% | 78.6% |
| Upper | 6 | 15.8% | 907 | 15.2% | 487 | 18.5% | 100,058 | 21.8% | 15.1% |
| Unknown | | 0.0% | | 0.0% | | 0.0% | | 0.0% | |
| Total | 38 | | 5,984 | | 2,627 | | 459,770 | | |
| 2011 | | | | | | | | | |
| Geographic Income | Bank | | | | Aggregate | | | | OO Hus |
| | # | % | \$000's | % | # | % | \$000's | % | % |
| Low | | 0.0% | | 0.0% | | 0.0% | | 0.0% | 0.0% |
| Moderate | | 0.0% | | 0.0% | 116 | 4.9% | 13,678 | 3.5% | 6.2% |
| LMI | 0 | 0.0% | 0 | 0.0% | 116 | 4.9% | 13,678 | 3.5% | 6.2% |
| Middle | 40 | 90.9% | 6,841 | 89.3% | 1,812 | 76.7% | 291,538 | 74.0% | 78.6% |
| Upper | 4 | 9.1% | 819 | 10.7% | 433 | 18.3% | 88,675 | 22.5% | 15.1% |
| Unknown | | 0.0% | | 0.0% | | 0.0% | | 0.0% | |
| Total | 44 | | 7,660 | | 2,361 | | 393,891 | | |
| 2012 | | | | | | | | | |
| Geographic Income | Bank | | | | Aggregate | | | | OO Hus |
| | # | % | \$000's | % | # | % | \$000's | % | % |
| Low | | 0.0% | | 0.0% | | 0.0% | | 0.0% | 0.0% |
| Moderate | 2 | 4.1% | 197 | 2.3% | 146 | 5.2% | 17,021 | 3.5% | 5.6% |
| LMI | 2 | 4.1% | 197 | 2.3% | 146 | 5.2% | 17,021 | 3.5% | 5.6% |
| Middle | 41 | 83.7% | 7,177 | 84.8% | 2,161 | 76.4% | 366,403 | 74.6% | 77.9% |
| Upper | 6 | 12.2% | 1,086 | 12.8% | 521 | 18.4% | 107,609 | 21.9% | 16.6% |
| Unknown | | 0.0% | | 0.0% | | 0.0% | | 0.0% | |
| Total | 49 | | 8,460 | | 2,828 | | 491,033 | | |
| 2013 | | | | | | | | | |
| Geographic Income | Bank | | | | Aggregate | | | | OO Hus |
| | # | % | \$000's | % | # | % | \$000's | % | % |
| Low | | 0.0% | | 0.0% | | | | | 0.0% |
| Moderate | 3 | 5.4% | 463 | 5.1% | | | | | 5.6% |
| LMI | 3 | 5.4% | 463 | 5.1% | | | | | 5.6% |
| Middle | 44 | 78.6% | 6,608 | 73.1% | | | | | 77.9% |
| Upper | 9 | 16.1% | 1,973 | 21.8% | | | | | 16.6% |
| Unknown | | 0.0% | | 0.0% | | | | | |
| Total | 56 | | 9,044 | | | | | | |
| GRAND TOTAL | | | | | | | | | |
| Geographic Income | Bank | | | | Aggregate | | | | OO Hus |
| | # | % | \$000's | % | # | % | \$000's | % | % |
| Low | | 0.0% | | 0.0% | | 0.0% | | 0.0% | |
| Moderate | 13 | 5.3% | 1,605 | 4.0% | 594 | 5.4% | 69,935 | 3.6% | |
| LMI | 13 | 5.3% | 1,605 | 4.0% | 594 | 5.4% | 69,935 | 3.6% | |
| Middle | 200 | 82.0% | 32,593 | 81.3% | 8,416 | 76.2% | 1,445,272 | 75.0% | |
| Upper | 31 | 12.7% | 5,894 | 14.7% | 2,027 | 18.4% | 412,771 | 21.4% | |
| Unknown | | 0.0% | | 0.0% | 3 | 0.0% | 205 | 0.0% | |
| Total | 244 | | 40,092 | | 11,040 | | 1,928,183 | | |

Small Business Loans:

The distribution of business loans based on the income level of the geography of the business demonstrated less than reasonable rates of lending.

SSB did not originate any loans to businesses located in moderate-income census tracts between 2009 and 2012 while the aggregate's lending rates ranged from 5.9% to 7.0% by number and 6.8% to 12.5% by dollar value. In 2013, SSB originated 4.8% by number and 10.6% by dollar value in moderate-income geographies. SSB averaged 0.6% originations by number and 1.2% by dollar value of business loans in LMI geographies, compared to the aggregate's rates of 6.6% and 9.6%, respectively.

Business demographic data in 2013 indicated that 8.7% of small businesses in the assessment area were located in moderate-income census tracts and a majority, or 73.0% were in middle-income census tracts. SSB has no low-income census tracts in its assessment area.

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

| Distribution of Business Lending by Geographic Income of the Census Tract | | | | | | | | | |
|--|-------------|----------|----------------|----------|------------------|----------|----------------|----------|-----------------|
| 2009 | | | | | | | | | |
| Geographic Income | Bank | | | | Aggregate | | | | Bus.Dem. |
| | # | % | \$000's | % | # | % | \$000's | % | % |
| Low | | 0.0% | | 0.0% | | 0.0% | | 0.0% | |
| Moderate | | 0.0% | | 0.0% | 141 | 6.3% | 3,519 | 8.3% | 8.3% |
| LMI | 0 | 0.0% | 0 | 0.0% | 141 | 6.3% | 3,519 | 8.3% | 8.3% |
| Middle | 70 | 84.3% | 10,921 | 90.4% | 1,695 | 75.5% | 33,362 | 78.4% | 77.9% |
| Upper | 13 | 15.7% | 1,160 | 9.6% | 410 | 18.3% | 5,674 | 13.3% | 13.8% |
| Unknown | | 0.0% | | 0.0% | | 0.0% | | 0.0% | |
| Total | 83 | | 12,081 | | 2,246 | | 42,555 | | |
| 2010 | | | | | | | | | |
| Geographic Income | Bank | | | | Aggregate | | | | Bus.Dem. |
| | # | % | \$000's | % | # | % | \$000's | % | % |
| Low | | 0.0% | | 0.0% | | 0.0% | | 0.0% | |
| Moderate | | 0.0% | | 0.0% | 119 | 5.9% | 3,085 | 6.8% | 8.0% |
| LMI | 0 | 0.0% | 0 | 0.0% | 119 | 5.9% | 3,085 | 6.8% | 8.0% |
| Middle | 72 | 83.7% | 10,227 | 93.7% | 1,518 | 75.0% | 35,187 | 78.0% | 78.3% |
| Upper | 14 | 16.3% | 691 | 6.3% | 387 | 19.1% | 6,843 | 15.2% | 13.7% |
| Unknown | | 0.0% | | 0.0% | | 0.0% | | 0.0% | |
| Total | 86 | | 10,918 | | 2,024 | | 45,115 | | |
| 2011 | | | | | | | | | |
| Geographic Income | Bank | | | | Aggregate | | | | Bus.Dem. |
| | # | % | \$000's | % | # | % | \$000's | % | % |
| Low | | 0.0% | | 0.0% | | 0.0% | | 0.0% | |
| Moderate | | 0.0% | | 0.0% | 167 | 7.0% | 5,626 | 10.2% | 8.1% |
| LMI | 0 | 0.0% | 0 | 0.0% | 167 | 7.0% | 5,626 | 10.2% | 8.1% |
| Middle | 49 | 81.7% | 5,506 | 78.5% | 1,758 | 74.0% | 41,890 | 76.1% | 77.7% |
| Upper | 11 | 18.3% | 1,511 | 21.5% | 451 | 19.0% | 7,554 | 13.7% | 14.3% |
| Unknown | | 0.0% | | 0.0% | | 0.0% | | 0.0% | |
| Total | 60 | | 7,017 | | 2,376 | | 55,070 | | |
| 2012 | | | | | | | | | |
| Geographic Income | Bank | | | | Aggregate | | | | Bus.Dem. |
| | # | % | \$000's | % | # | % | \$000's | % | % |
| Low | | 0.0% | | 0.0% | | 0.0% | | 0.0% | |
| Moderate | | 0.0% | | 0.0% | 181 | 7.0% | 6,719 | 12.5% | 8.6% |
| LMI | 0 | 0.0% | 0 | 0.0% | 181 | 7.0% | 6,719 | 12.5% | 8.6% |
| Middle | 53 | 94.6% | 7,258 | 98.9% | 1,860 | 72.3% | 37,035 | 68.7% | 73.3% |
| Upper | 3 | 5.4% | 81 | 1.1% | 532 | 20.7% | 10,158 | 18.8% | 18.1% |
| Unknown | | 0.0% | | 0.0% | | 0.0% | | 0.0% | |
| Total | 56 | | 7,339 | | 2,573 | | 53,912 | | |
| 2013 | | | | | | | | | |
| Geographic Income | Bank | | | | Aggregate | | | | Bus.Dem. |
| | # | % | \$000's | % | # | % | \$000's | % | % |
| Low | | 0.0% | | 0.0% | | | | | |
| Moderate | 2 | 4.8% | 497 | 10.6% | | | | | 8.7% |
| LMI | 2 | 4.8% | 497 | 10.6% | | | | | 8.7% |
| Middle | 31 | 73.8% | 2,531 | 53.8% | | | | | 73.0% |
| Upper | 9 | 21.4% | 1,674 | 35.6% | | | | | 18.2% |
| Unknown | | 0.0% | | 0.0% | | | | | |
| Total | 42 | | 4,702 | | | | - | | |
| GRAND TOTAL | | | | | | | | | |
| Geographic Income | Bank | | | | Aggregate | | | | Bus.Dem. |
| | # | % | \$000's | % | # | % | \$000's | % | % |
| Low | | 0.0% | 0 | 0.0% | - | 0.0% | - | 0.0% | |
| Moderate | 2 | 0.6% | 497 | 1.2% | 608 | 6.6% | 18,949 | 9.6% | |
| LMI | 2 | 0.6% | 497 | 1.2% | 608 | 6.6% | 18,949 | 9.6% | |
| Middle | 275 | 84.1% | 36,443 | 86.7% | 6,831 | 74.1% | 147,474 | 75.0% | |
| Upper | 50 | 15.3% | 5,117 | 12.2% | 1,780 | 19.3% | 30,229 | 15.4% | |
| Unknown | | 0.0% | 0 | 0.0% | - | 0.0% | - | 0.0% | |
| Total | 327 | | 42,057 | | 9,219 | | 196,652 | | |

For small business lending, analysis was performed on an average of 19 loans for each year of the evaluation period. The number and dollar volume of loans were then extrapolated from the resulting percentages and are not actual results.

Action Taken In Response to Written Complaints with Respect to CRA: “Satisfactory”

Neither SSB nor DFS received any written complaints related to SSB’s CRA performance since the prior CRA evaluation.

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.

SSB’s compliance officer and internal auditor perform the CRA assessments, and the CRA policy is then updated from the results of these reports. Quarterly, the CRA officer reviews SSB’s public file for updates. Annually, the board reviews and reaffirms the CRA policy. As of the evaluation date, the CRA policy was last reviewed and approved in September 2013.

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 SSB intended to discourage applications for the types of credit offered by SSB.

Evidence of prohibited discriminatory or other illegal credit practices.

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

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

SSB operates three branches (Saugerties, Marlboro and Highland) and maintains its main office in a building next to the Saugerties branch. The Saugerties and Highland branches are located in middle-income census tracts while the Marlboro branch is in an upper-income census tract. Branch hours are from 8:30AM to 5:00PM, Monday through Friday, with the exception of the Marlboro branch which is open from 8:30AM until 4:30PM. Supplementing the banking offices are automated teller machines at each of the branches. Only the Saugerties and Marlboro branches have deposit-taking capabilities. In addition, these two branches have drive-through or drive-up services and offer Saturday banking hours from 9:00AM until 1:00PM.

| Distribution of Branches within the Assessment Area | | | | | | | | |
|---|-------|-------|------------|----------|---------|---------|-------|-----------------------------------|
| County | N/A # | Low # | Moderate # | Middle # | Upper # | Total # | LMI % | LMI and Distressed or Underserved |
| Ulster* | | | | 3 | 1 | 4 | 0% | 0% |
| Total | - | - | - | 3 | 1 | 4 | 0% | 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.

The members of the Board of Trustees, the officers and the staff of SSB are actively involved in a variety of community organizations. SSB is a member of the local realtors association, the local Chamber of Commerce, and the American Bankers' Association. In addition, a vice president is an active member of a local economic development committee whose goal is to support and attract businesses in the assessment area. Through these involvements and affiliations, SSB ascertains 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

SSB advertises its products, services and special credit-related programs on a local radio station and on billboards, in newspapers and print ads, and through its collaboration with a local nonprofit organization specializing in affordable housing in the assessment area. In addition, SSB has a website that describes its products and services, as well as an internet link to a list of local businesses, services and nonprofit organizations in the community.

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.

SSB participates in the Federal Home Loan Bank of New York's First Home Club Savings Program to enhance and meet the credit needs of its community. The program allows qualified first-time homebuyers the opportunity to earn \$4 for every \$1 saved during a 10 to 24 month savings period. SSB will match the savings up to a maximum of \$7,500. These funds will be used toward down payment and closing costs.

As a small bank, SSB is not required to report community development activities.

Nevertheless, SSB has participated in New York Business Development Corporation and Statewide Zone Capital Corporation of New York's small business loan program for a total of \$202,075 in order to promote economic development activities through financing small businesses. In addition, SSB conducts financial literacy and affordable housing seminars for the public at least twice a year, along with a nonprofit organization.

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 |

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.