

PUBLIC DISCLOSURE

OCTOBER 5, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**MARINE MIDLAND BANK
RSSD No. 413208**

**ONE MARINE MIDLAND CENTER
Buffalo, New York 14203**

FEDERAL RESERVE BANK OF NEW YORK

**33 LIBERTY STREET
NEW YORK, NEW YORK 10045**

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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GENERAL INFORMATION

The Community Reinvestment Act (“CRA”) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the CRA performance of **Marine Midland Bank** prepared by the **Federal Reserve Bank of New York** on behalf of the Board of Governors of the Federal Reserve System (“the Board”), the institution's supervisory agency, as of **October 5, 1998**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.*

INSTITUTION

INSTITUTION'S CRA RATING: Marine Midland Bank is rated “SATISFACTORY.”

The level of compliance of Marine Midland Bank (“Marine”) with the CRA is based on an evaluation of the performance criteria for large retail institutions specified under the CRA with respect to the lending, investment and service tests.

Performance under the lending test is rated “high satisfactory” based on the following findings:

- The number of home improvement and home purchase loans, and refinancings of such loans (“refinancings”), as well as small business loans originated by the bank and its affiliate during the examination period reflect an excellent response to credit needs in the bank’s assessment areas.
- The overall distribution of loans reflects good loan penetration throughout the assessment areas, including low- and moderate-income (“LMI”) areas. The geographic distribution of home improvement and small business loans was excellent, while the distribution of home purchase loans and refinancings was adequate.
- There was a good distribution overall of loans to borrowers of different income levels and to businesses of different sizes. The distribution was good among moderate-income borrowers and adequate among low-income borrowers.
- Community development lending was excellent totaling \$137.7 million.

Performance under the investment test is rated “low satisfactory” based on the following finding:

- The bank’s level of qualified investments was adequate, totaling \$15.5 million. Most of the investments were the type that can be made through intermediaries and that are routinely provided by other investors.

Performance under the service test is rated “outstanding” based on the following findings:

- The bank’s delivery systems were accessible to essentially all portions of the bank’s assessment areas.
- The bank’s record of opening and closing branches was excellent. Marine improved the accessibility of its delivery systems and increased the number of branches in LMI geographies since the previous examination.
- Marine provided an excellent level of community development services that included seminars, technical assistance, and special products and services.

Lending, Investment, and Service Tests Table

The following table summarizes the performance level of Marine Midland Bank with respect to the lending, investment and service tests.

PERFORMANCE LEVELS	MARINE MIDLAND BANK		
	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			X
High Satisfactory	X		
Low Satisfactory		X	
Needs to Improve			
Substantial Noncompliance			

* Note: The lending test is weighted more heavily than the investment and service tests in determination of the overall rating.

DESCRIPTION OF INSTITUTION

Marine is a full-service commercial bank headquartered in Buffalo, New York. It is a wholly owned subsidiary of Hong Kong Shanghai Banking Corporation Americas, Inc. (“HSBCA”), a New York State-based bank holding company. HSBCA is wholly owned by London-based HSBC Holdings, a global financial service company. Effective March 1997, First Federal Savings and Loan Association of Rochester (“First Federal”) was acquired by Marine. As of June 30, 1998, the bank had total assets of \$34 billion, net loans and leases of \$21 billion, and total deposits of \$27 billion. Subsequent to this examination, Marine changed its name to HSBC Bank, USA.

Marine is HSBCA’s principal subsidiary with 379 retail branches located throughout 16 assessment areas including 39 fully and 15 partially delineated New York State counties. Marine Midland Mortgage Corporation (“MMC”) is a subsidiary of Marine and originates residential mortgage loans. Marine’s previous CRA examination was conducted as of November 4, 1996, at which time the bank received an overall rating of “satisfactory.”

There are no financial or legal factors that would impede Marine in fulfilling its responsibilities under the CRA.

DESCRIPTION OF ASSESSMENT AREAS

The demographic and economic information used to describe Marine’s assessment areas and to evaluate the performance context within which the bank operates was obtained from publicly available sources that include the U.S. Department of Commerce’s Bureau of the Census, 1990, the New York State Department of Labor, the New York State Department of Economic Development and the U.S. Department of Housing and Urban Development (“HUD”).

Marine’s assessment areas include the following Primary Metropolitan Statistical Areas (“PMSAs”), Metropolitan Statistical Areas (“MSAs”) and non-MSA counties:

- PMSA 5600 (New York, NY), consisting of Bronx, Kings, New York, Putnam, Queens, Richmond, Rockland and Westchester Counties.
- PMSA 5380 (Nassau-Suffolk, NY), consisting of Nassau and Suffolk Counties.
- MSA 1280 (Buffalo-Niagara Falls, NY), consisting of Erie and Niagara Counties.
- Most of MSA 6840 (Rochester, NY), consisting of Genesee, Livingston, Monroe, Orleans and Wayne Counties, and the northwestern portion of Ontario County.
- Most of MSA 0160 (Albany-Schenectady-Troy, NY), consisting of Albany, Rensselaer, Schenectady and Saratoga Counties, as well as the eastern portion of Montgomery County.

- Most of MSA 8160 (Syracuse, NY), consisting of Madison, Onondaga and Oswego Counties, and the northern half of Cayuga County.
- Non-MSA Group 1, consisting of Clinton, Franklin, Jefferson, Lewis and St. Lawrence Counties, and parts of Essex and Hamilton Counties.
- Non-MSA Group 2, consisting of Cortland, Sullivan and Tompkins Counties, and parts of Chenango, Delaware, Greene, Otsego, Schuyler and Ulster Counties.
- Non-MSA Group 3, consisting of portions of Cattaraugus and Wyoming Counties.
- MSA 8680 (Utica-Rome, NY), consisting of Herkimer and Oneida Counties.
- A portion of PMSA 5660 (Newburgh, NY-PA), consisting of Orange County in New York State.
- MSA 0960 (Binghamton, NY), consisting of Broome and Tioga Counties.
- PMSA 2281 (Dutchess County, NY), consisting of Dutchess County.
- MSA 3610 (Jamestown, NY), consisting of Chautauqua County.
- MSA 2335 (Elmira, NY), consisting of Chemung County.
- A portion of MSA 2975 (Glens Falls, NY), consisting of most of the southwestern portion of Warren County and all but the two northernmost census tracts in Washington County.

Since the previous examination, Marine expanded its assessment areas to include parts of the non-MSA counties of Chenango, Delaware and Otsego, while decreasing its assessment area in the Ontario County portion of MSA 6840. The bank is in compliance with the requirements of Section 228.41 of Regulation BB and does not arbitrarily exclude any LMI geographies.

Performance Context

Demographic Characteristics

Marine's assessment areas include 4,559 populated census tracts and block numbering areas ("BNAs") of which 1,237 (or 27 percent) are LMI. The total population in the assessment areas is 17,215,567 (96 percent of New York State's population) of which 4,562,057 (or 26.5 percent) live in LMI geographies. PMSA 5600 (New York, NY) contains 50 percent of the assessment areas' population and 65 percent of the population living in LMI geographies.

Income Characteristics

The 1998 HUD-adjusted median family income for New York State is \$46 thousand, up \$2 thousand from the 1996 median family income. Every geographic area in the state recorded an increase in median family income between 1996 and 1998.

Housing Characteristics

Overall, the assessment areas have approximately 6.9 million housing units, with 1.7 million or 25 percent in LMI geographies. Forty-eight percent of all units in the assessment areas are owner-occupied (11 percent in LMI areas) with a high of 74 percent in PMSA 5380 (Nassau/Suffolk, NY) and a low of 32 percent in PMSA 5600 (New York, NY). Rental units make up 45 percent of housing in the assessment areas. In PMSA 5600 (New York, NY), rentals account for 63 percent of housing units. The comparison of the median housing values with median family incomes in PMSA 5600 (New York, NY) and PMSA 5380 (Nassau-Suffolk, NY) indicates that affordable owner-occupied housing is generally beyond the reach of LMI families.

According to community contacts made as part of this examination, the construction and rehabilitation of affordable owner-occupied housing and rental housing units are primary credit needs in the assessment areas. Other needs include job training programs and economic development to trigger expansion of businesses and jobs. Specific demographic information about credit needs is contained in the descriptions of the individual assessment areas beginning on page BB23.

Labor, Employment and Economic Characteristics

Recovery from the economic downturn of 1989-1992 has been slower in New York State, especially in the upstate regions, than in the rest of the U.S. According to the state's Department of Labor, the state unemployment rate decreased from 6.2 percent in June 1997 to 5.3 percent in June 1998. The services industry is the major source of employment in all the assessment areas followed by retail and government. Although manufacturing has declined throughout the bank's assessment areas, it still ranks fourth as an employment factor in many counties.

Exhibits 15 and 16 provide demographic summaries of the bank's combined and individual assessment areas. Additional information is contained in the performance context portion of the analyses of the bank's performance in each PMSA, MSA and Non-MSA.

The following map represents Marine's assessment areas:

INSERT MAP OF ASSESSMENT AREAS

SCOPE OF EXAMINATION

This examination covers the lending activities of Marine and MMC from September 1, 1996, through June 30, 1998. The bank's performance was evaluated in New York State using the Federal Financial Institutions Examination Council's *Interagency Procedures and Guidelines for Large Retail Institutions*.

Overall conclusions regarding the bank's CRA rating were heavily influenced by performance in six assessment areas that contain more than 80 percent of the bank's business presence: PMSA 5600 (New York, NY), PMSA 5380 (Nassau-Suffolk, NY), MSA 1280 (Buffalo-Niagara-Falls, NY), MSA 6840 (Rochester, NY), MSA 0160 (Albany-Schenectady-Troy, NY) and MSA 8160 (Syracuse, NY). A full-scope examination, including peer and aggregate comparisons, was conducted for the six assessment areas, which represent 86 percent of the assessment areas' population, 91 percent of the population living in LMI geographies, 87 percent of deposits and 78 percent of the branches. At this examination, the six assessment areas represent 87 percent of home purchase loans, 84 percent of refinancings, 73 percent of home improvement loans and 86 percent of small business loan activity. For details, see Exhibit 2.

In the remaining assessment areas, an analysis using portions of the interagency procedures for the bank's lending, investment and service tests was conducted to determine Marine's general level of performance in these areas.

Loan products evaluated include home purchase and home improvement loans, refinancings, and small business loans as well as loans submitted for community development consideration. In addition, bank investments, grants and services were evaluated for consideration as qualified investments.

The evaluation included home purchase and home improvement loans and refinancings of such loans as reported pursuant to Regulation C – Home Mortgage Disclosure Act ("HMDA") and originated by Marine and its MMC affiliate.

For evaluation of the geographic distribution of loans, geographies were classified on the basis of the Census Bureau's 1990 Census income data. The distribution of loans to borrowers of different income levels was determined based on 1998 HUD estimated median family income data.

In evaluating the geographic distribution of HMDA-related loans, a demand-adjusted analysis was performed, comparing the proportion of loans per thousand owner-occupied housing units in LMI and non-LMI geographies. For small business loans, a demand-adjusted analysis was performed comparing the proportion of loans per thousand small businesses in LMI and non-LMI geographies.

This evaluation of the bank's performance under the tests includes information about the institution and its community, competitors and peers. Consideration was given to the economic and demographic characteristics of the assessment areas ("performance context"), and to the lending, investment and service opportunities available in each of them. The bank's responsiveness to the credit needs within each of its assessment areas relative to the aggregate

lenders (“aggregate”) and to similarly situated institutions (“peers”) was also considered in evaluating the bank’s performance. Aggregate and peer information is reported annually, and the most recent full year for which information was available is 1997; therefore, all aggregate and peer references are for that calendar year.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

Marine's performance under the lending test is rated “high satisfactory.” The bank's lending levels exhibited excellent responsiveness to the credit needs of its assessment areas, with a substantial number of the loans originated in the bank’s assessment areas. The overall geographic distribution of the bank's lending activity reflects good penetration throughout its assessment areas. The overall distribution of loans shows good penetration among borrowers of different income levels and businesses of different sizes. The level of community development lending was excellent and responsive to community credit needs. Innovative or flexible lending practices were used on a limited basis to address the credit needs of LMI individuals and geographies.

Lending Activity

The bank’s lending activity reflects excellent responsiveness to the assessment areas' credit needs. Marine’s total lending for small business and HMDA-related loans, including affiliate lending activities, totaled 57,589 loans for \$6.1 billion. HMDA-related loans represented 50.5 percent of the loans made by the bank and its affiliate, while small business and small farm loans represented 49.5 percent.

The volume of loans increased substantially since the previous examination. On an annualized basis, the number of HMDA-related loans increased 23 percent while the number of small business loans increased 30 percent. The additional activity is attributed to the acquisition of First Federal, lower interest rates and the bank's efforts to increase loan volume.

Lending activity was concentrated in the six areas selected for full-scope review, which as discussed earlier represent 87 percent of home purchase, 84 percent of refinance, 73 percent of home improvement and 86 percent of small business loan activity.

Marine originated a total of 98 multifamily loans (87 percent) within its assessment areas since the previous examination. These loans accounted for 4,861 additional housing units totaling \$125.1 million.

During the examination period, a substantial number of the bank’s loans were originated in Marine’s assessment areas. The bank’s activity (excluding affiliate activity) totaled 42,345 loans, consisting of 32,576 small business loans and 9,769 HMDA-related loans. The total dollar amounts of the loans were \$4.2 billion and \$572 million, respectively. Of the total small business loans, 28,476 (87 percent) were originated in the bank’s assessment areas. Of the total HMDA-related loans, 7,840 (80 percent) were originated in the bank’s assessment areas. On a combined

basis, 36,316 or 86 percent of the number of loans and \$3.6 billion or 75 percent of the dollar volume of loans were originated in the bank's assessment areas. For details see Exhibit 1.

Geographic Distribution of Lending

Overall, the analysis exhibited good loan distribution among the low-, moderate-, middle- and upper-income geographies in Marine's assessment areas. The distribution of home improvement and small business loans was excellent, while the distribution of home purchase loans and refinancings was adequate. A review of the bank's census tract penetration revealed no conspicuous gaps in lending, especially in LMI neighborhoods. For details, see Exhibits 3 through 6.

Home Purchase Loans

Overall, the geographic distribution of home purchase loans reflects adequate demand-adjusted distribution throughout the bank's assessment areas. Home purchase loans in non-LMI census tracts were 1.5 times greater than those in LMI tracts on a demand-adjusted basis. On a demand-adjusted basis, the aggregate lenders outperformed Marine in five of the six areas where a full-scope review was conducted, while the bank's peers outperformed Marine in all six areas.

Poor geographic distribution was noted in PMSA 5380 (Nassau-Suffolk, NY), MSA 6840 (Rochester, NY) and Non-MSA 3.¹ Despite the overall adequate performance, excellent geographic distribution was noted in MSA 8680 (Utica-Rome, NY) where lending in LMI census tracts was stronger than in non-LMI census tracts.

Refinance Loans

The overall geographic distribution of refinancings reflects adequate penetration in the bank's assessment areas on a demand-adjusted basis. Refinancings in non-LMI census tracts were almost 2 times greater than those in LMI census tracts. On a demand-adjusted basis, the aggregate lenders outperformed Marine in five of the six areas where a full-scope review was conducted. Marine outperformed similarly situated institutions in two of the six areas; the bank was comparable in one and was outperformed in three.

Poor geographic distribution was noted in PMSA 5380 (Nassau-Suffolk, NY), MSA 6840 (Rochester, NY), Non-MSA Group 3,² MSA 0960 (Binghamton, NY), PMSA 2281 (Dutchess County, NY) and MSA 3610 (Jamestown, NY). Despite the overall adequate performance, excellent geographic distribution was noted in MSA 8680 (Utica-Rome, NY), MSA 2335 (Elmira, NY), MSA 2975 (Glens Falls, NY) and Non-MSA 2.³

¹ Portions of Cattaraugus and Wyoming Counties

² Portions of Cattaraugus and Wyoming Counties

³ Cortland, Sullivan and Tompkins Counties, and portions of Chenango, Delaware, Greene, Otsego, Schuyler and Ulster Counties

Home Improvement Loans

Overall, the geographic distribution of home improvement loans reflects excellent demand-adjusted distribution throughout the bank's assessment areas. On a demand-adjusted basis, the level of home improvement loan originations was the same in LMI and non-LMI census tracts. Excellent geographic distribution was noted in 11 (69 percent) of the bank's 16 assessment areas.

On a demand-adjusted basis, Marine outperformed or was comparable to the aggregate and its peers in four of the six areas selected for full-scope review. It was outperformed by both the aggregate and its peers in MSA 0160 (Albany-Schenectady-Troy, NY) and MSA 8160 (Syracuse, NY).

Despite the overall strong performance, weaknesses were noted in MSA 2975 (Glens Falls, NY), Non-MSA 2⁴ and Non-MSA 3.⁵

Small Business Loans

The overall geographic distribution of small business loans reflects excellent penetration throughout all assessment areas. Small business loans in LMI census tracts were 1.3 times greater than loans in non-LMI census tracts on a demand-adjusted basis. Excellent geographic distribution was noted in 10 (63 percent) of the bank's 16 assessment areas. The bank outperformed both the aggregate and its peer group in all six areas selected for full-scope review.

Despite the overall strong performance, geographic distribution was poor in PMSA 5660 (Newburgh, NY-PA), MSA 2975 (Glens Falls, NY) and Non-MSA 3.⁶

Borrower Characteristics

Marine's overall distribution of lending reflects good penetration among borrowers of different income levels and businesses of different sizes for the product lines it offers (home purchase, refinance, home improvement and small business loans). For details see Exhibits 7 through 10.

HMDA-related Lending to Moderate-income Borrowers

The bank's lending to moderate-income borrowers was good. The percentage of home purchase loans, home improvement loans and refinancings made to moderate-income borrowers compared favorably in most cases with the percentage of moderate-income families in Marine's assessment areas. In the bank's assessment areas, 17 percent of families are of moderate income, while 18 percent of home purchase loans, 13 percent of refinancings, and 20 percent of home improvement loans were made to moderate-income borrowers. In particular, Marine's HMDA-related lending to moderate-income borrowers was excellent in MSAs 6840 (Rochester, NY) and

⁴ Cortland, Sullivan and Tompkins Counties, and portions of Chenango, Delaware, Greene, Otsego, Schuyler, and Ulster Counties

⁵ Portions of Cattaraugus and Wyoming Counties

⁶ Portions of Cattaraugus and Wyoming Counties

1280 (Buffalo-Niagara Falls, NY) because the percentage of loans to moderate-income borrowers exceeded the borrowers' percentage representation in these assessment areas.

Marine's refinance lending to moderate-income borrowers was poor in PMSA 5600 (New York, NY), and MSA 0160 (Albany-Schenectady-Troy, NY). The bank made a low percentage of its total loans to moderate-income borrowers in comparison with the percentage of moderate-income borrowers in the population, and also in comparison with the performance of other similarly situated financial institutions. Refinance lending was also poor in PMSA 5660 (Newburgh, NY), MSA 0960 (Binghamton, NY) and MSA 8680 (Utica-Rome, NY).

HMDA-related Lending to Low-income Borrowers

Marine's lending to low-income borrowers was adequate. Overall, the percentage of HMDA-related loans to low-income borrowers was lower than the percentage of low-income families in the bank's assessment areas. While 21 percent of families in the assessment areas are of low income, only 4 percent of home purchase, 3 percent of refinance, and 11 percent of home improvement loans went to low-income borrowers. The percentage of lending by peers to low-income borrowers was also lower than the percentage of low-income families in New York State, primarily because of the high cost of housing compared with family income throughout the state.

A review of Marine's peer group lending to low-income borrowers within each assessment area revealed that lending institutions generally have difficulty generating loan volumes that reflect the percentage of low-income families. Refinancings, for example, are difficult to make to low-income borrowers because closing costs can make the loans unaffordable. In addition, the higher loan-to-value ("LTV") ratios associated with applications from low-income borrowers for refinancings can disqualify them. Marine, however, made a lower percentage of home purchase loans and refinancings to low-income borrowers than its peers in five out of the six full-scope assessment areas. Marine's home improvement lending to low-income borrowers was generally comparable or superior to the peer group.

Despite the bank's overall adequate performance, HMDA-related lending to low-income individuals was poor in PMSAs 5380 (Nassau-Suffolk, NY) and 5660 (Newburgh, NY); and MSAs 3610 (Jamestown, NY), 2335 (Elmira, NY), 2975 (Glens Falls, NY); and in Non-MSA 2.⁷

Lending to Small Businesses and Small Farms ("Small Businesses")

The distribution of loans to businesses reflected a good penetration among businesses of different sizes. Of the 28,476 small business loans made in the assessment area, 21,178, or 74 percent, were for loan amounts less than or equal to \$100 thousand. The average size of the loans in this category was \$26 thousand. For details, see Exhibit 10.

Approximately 47 percent of Marine's small business loans were made to businesses with reportable gross annual revenues ("GAR") of \$1 million or less in the bank's full-scope

⁷ Cortland, Sullivan and Tompkins Counties, and portions of Chenango, Delaware, Greene, Otsego, Schuyler, and Ulster Counties

assessment areas. This compares favorably to the lending performance of aggregate lenders in the same assessment areas which made approximately 41 percent of their small business loans to businesses of this size. For details, see Exhibit 11.

Eighty-four percent of business establishments in the bank's entire assessment area have GAR of \$1 million or less.

Community Development Lending

Marine's community development lending performance was excellent. The significant level of community development loans made in its assessment areas reflects a high level of responsiveness to the credit needs of the assessment areas.

During the examination period, community development loan commitments totaled \$137.7 million, of which \$86 million or 63 percent were commitments originated since the previous examination. Commitments at this examination increased 29 percent since the previous examination when community development totaled \$107 million.

Community development lending in support of affordable housing initiatives totaled \$82.4 million or 60 percent of total activity. The initiatives provided for the construction or rehabilitation of 3,517 affordable housing units in the bank's assessment areas. Lending related to economic development activity totaled \$44 million or 32 percent of total activity, while community service lending totaled \$11.2 million or 8 percent.

The bank's community development activity was primarily in the form of direct lending initiatives. Of the total commitments extended during the examination period, 81 percent of the loans totaling \$112.2 million were direct loans. Many of the loans were complex and involved local, state and federal agencies providing multiple layers of financing. The loans also required a substantial amount of administrative time on the bank's part.

As shown in Exhibit 12, 60 percent of community development lending activity was concentrated in PMSA 5600 (New York, NY), where commitments totaled \$83 million. Since Regulation BB does not require an institution to make community development loans in all assessment areas, a lack of community development lending in a particular assessment area does not detract from the rating of the bank as a whole or its performance in a particular assessment area.

Innovative and Flexible Lending Practices

Marine has a variety of flexible lending programs to address the credit needs of LMI individuals and geographies as well as small businesses. However, it makes limited use of these programs. The bank has a strategy of becoming partners with established nonprofit agencies in its assessment areas that provide educational assistance with the home-buying process in their respective communities. These groups also administer public funding in the form of grants used to reduce the home mortgage principle and interest payments of eligible LMI borrowers, making homeownership affordable to these borrowers.

The following products represent some of the flexible home mortgage lending programs geared to LMI borrowers. These programs permit LMI borrowers who may not qualify for mortgages under traditional underwriting guidelines to finance up to 97 percent of the purchase price of a home. Affordable home loan programs offered in specific assessment areas are described in the assessment area analyses section of this evaluation. Marine's special small business loan programs are offered on a regional basis, and are also described in the individual assessment area analyses beginning on page BB23.

Marine '97 With 2/1 Option

This program lifts the traditional restrictions on sources of down payments. Of the 3 percent down payment, 2 percent must come from the borrower's savings and 1 percent may be a gift to, or separately financed by, the borrower before commitment. Eligible properties are owner-occupied, single-family primary residences. For two- to four-family dwellings located in HUD-designated central cities, a 5 percent down payment is required. Borrowers also may finance closing costs through gifts, grants, an unsecured loan from Marine, or by altering the pricing of the home mortgage. Creditworthiness may be established through unconventional sources such as rental/housing payment history, utility bills, local vendor repayment histories, and medical payments. Applicants may not have debts, including mortgage costs, that exceed 45 percent of their income.

The Marine '97 program is used as the lending instrument for several local organizations and municipalities involved in affordable housing initiatives, such as Albany City Access, Huntington Homebuyers, Lower West Side Development Corporation in Buffalo, Neighbors of Watertown, Madison County, North Country Affordable Housing, the town of Bombay, and the village of Illion. In some cases, Marine will discount the closing costs of eligible borrowers who have received homeownership counseling. Marine made 315 loans under this program totaling \$25,771,512.

Fannie Mae Community Home Buyer's ("CHB") Program

This fixed rate affordable housing program is targeted to LMI borrowers. Eligible properties are owner-occupied, single-family dwellings. The program features expanded debt-to-income ratios, and the ability to finance closing costs through either an initial increase in the mortgage rate or an unsecured loan made by Marine. Applicants may have instances of poor credit or late payments as long as they can explain any lapses in payment. Each borrower must participate in a home buyer educational program. Marine made 121 loans under this program totaling \$10,804,202.

State of New York Mortgage Agency ("SONYMA") Low Interest Rate Program

This is a fixed rate, below-market interest rate loan sponsored by SONYMA for first-time home buyers. SONYMA allows borrowers to qualify with higher debt levels in relation to income than most conventional mortgage programs. Private mortgage insurance ("PMI") is provided by

SONYMA's Mortgage Insurance Fund ("MIF"). Marine made 419 loans under this program for a total of \$32,764,374.

INVESTMENT TEST

Marine's performance under the investment test is rated "low satisfactory." The bank had an adequate level of qualified community development investments and grants, and exhibited an adequate responsiveness to the credit and community development needs of its assessment areas. The investments were largely traditional facilities issued through financial intermediaries, but the bank's support of its subsidiary CDC demonstrated significant use of an innovative and complex investment.

Volume of Investments

Marine's level of qualified investments was adequate, totaling \$15.5 million at this examination. This includes \$14.3 million in new investments since the previous examination. Total activity consisted of \$14.9 million in investments and deposits in various community development entities, and \$639 thousand in charitable grants and contributions to organizations supporting community development projects and programs. Investments for statewide programs constitute \$14.2 million or 92 percent of total investment activity.

Qualified investments are not required to be made in all of a bank's assessment areas. Therefore, the lack of qualified investments in a particular assessment area does not detract from the evaluation of that assessment area or the bank as a whole. For details, see Exhibit 13.

Responsiveness to Credit and Community Development Needs

Marine's investments demonstrate an adequate response to the most pressing credit and community development needs in the assessment areas. A total of \$14.2 million (92 percent) in investments and grants targeted affordable housing, which was identified by community contacts as the primary need in the bank's assessment areas. Investments in affordable housing were primarily through intermediaries that develop LMI housing.

In addition, investments and grants totaling \$867 thousand were made to promote economic development activities, and investments and grants totaling \$363 thousand were made to support community development services. This included \$100 thousand deposited in community development credit unions to provide consumer and small business credit in predominately LMI communities. The bank also made grants totaling \$2,000 to organizations promoting the revitalization and stabilization of economically depressed areas.

Innovative and Complex Investment

BHD Properties, Inc. ("BHD"), a subsidiary of First Federal involved in LMI housing development in Rochester and Buffalo, was acquired by Marine in March 1997 as a result of the merger of the two banks. Now called the Marine Midland Community Development Corporation ("MCDC"), this CDC is considered unique and innovative because it acted as both developer and

contractor in the construction of 88 affordable housing units valued at \$8.9 million. The units were sold to LMI borrowers. In addition, the bank's financial, technical and personnel support for a Buffalo high school (Riverside) located in an LMI community is an activity not routinely provided by other banks.

SERVICE TEST

Marine's performance under the service test is "outstanding" based on the bank's record of providing a very high level of banking services in its assessment area.

Accessibility of Delivery Systems

Marine's delivery systems, including the branch network, automated teller machines ("ATMs") and alternative delivery systems (such as banking by mail, telephone and personal computer), were accessible to essentially all portions of Marine's assessment areas.

Branch Network

As of June 30, 1998, Marine operated 379 full-service branches throughout the bank's assessment areas. Ninety-two (24 percent) of the bank's branches and 24 percent of all families within the assessment areas reside in LMI geographies. This compares favorably with the fact that 27 percent of all the geographies within the bank's assessment areas are LMI. For details, see Exhibits 14 and 15.

Marine also provided the following alternative delivery systems to enhance the distribution of its services throughout its assessment areas:

ATMs

As of June 30, 1998, Marine maintained 426 ATMs of which 375 were located in branch offices and 51 were off-site. Eighty (or 21 percent) of the branches do not have ATMs; 25 (or 31 percent) of these offices are in LMI tracts. Out of the total of 426 ATMs, 89 (or 21 percent) are located in LMI tract offices. Of the 51 off-site ATM locations, 25 (or 49 percent) are in LMI areas. Among the offices with ATMs, all but three have ATMs that are available to the general public 24 hours a day, 365 days a year. Marine is a member of three nationwide ATM networks.

Telephone Banking

Marine's free telephone services are available to all customers 24 hours a day, 365 days a year. Telephone banking enables customers to obtain balance information on loans and deposits, transfer funds among linked accounts, make loan payments, apply for loans, and access other banking functions. Telephone bill payment is also available for a fee. Spanish- and Chinese-speaking representatives are available to speak with telephone customers in PMSA 5600 (New York, NY).

Banking by Mail

Customers can make deposits and loan payments by mail. Deposits and loan payments can be mailed to any Marine branch or post office box specifically set up for this service.

Personal Computer ("PC") Banking

Marine's PC Banking provides customers with access to their checking and savings accounts 24 hours a day, 365 days a year. PC Banking can be used to reconcile accounts, transfer funds, pay bills and obtain account information. Customers may also access product information via electronic mail. The bank provides free software to all customers but charges a monthly fee for the PC Banking services. Marine also maintains an informational site on the Internet.

Loan Production Offices

Marine operates 15 residential mortgage loan production offices in the assessment areas. The offices are located in and serve the metropolitan areas of New York City, Buffalo, Rochester, Syracuse, Albany, Poughkeepsie, Ithaca and Elmira. Eight (or 53 percent) of these offices are located in LMI geographies. In addition, the bank maintains satellite operations enabling loan representatives to work out of their home and travel to Binghamton, Jamestown and the northern New York State counties.

Changes in Branch Locations

Marine's record of opening and closing branches during the examination period has improved the accessibility of its delivery systems, especially in LMI geographies. The bank had a net increase of 56 branches, and it closed 24 branches (18 through consolidations) and relocated 4. Marine acquired 79 branches in the First Federal merger; 64 remain open as Marine branches, with 13 (or 20 percent) in LMI geographies. Of the acquired offices, 15 (2 in LMI tracts) were consolidated into Marine branches in the nearby areas.

In other branch changes, three Marine offices (including one in an LMI tract) were consolidated into three of the acquired First Federal branches. The offices were combined in accordance with the branch closures, consolidations and relocations plan approved on March 25, 1997. For details, see Appendix A. In addition, one new office was opened in PMSA 5600 (New York, NY) in a moderate-income tract in Brooklyn. Six Marine branches were closed, two in moderate-income tracts and four in upper-income areas. Four Marine offices were relocated, all within upper-income tracts.

Marine's branch closing policy conforms to the *Joint Interagency Policy Statement Regarding Branch Closings*. Under this policy, before the bank considers closing a branch, it must consider the availability of other financial services in the branch's area and the banking alternatives to customers affected by the closure. The policy also requires the bank to consider actions that would minimize the impact of a branch closing on the affected neighborhood. Marine is required to give at least 90 days written notice of all branch closings. Branch closings were conducted in

accordance with the bank's policy, and the bank provided reasons for closings as well as timely advance notification to affected customers and regulatory authorities.

Based on the number and proximity of alternative financial institutions, including other Marine branch locations, the bank's record of opening and closing branches has not adversely impacted the accessibility of its delivery systems.

Reasonableness of Business Hours and Services in Meeting Assessment Area Needs

The branch hours are tailored to the convenience and needs of the assessment areas. Regular banking hours are 8:30 a.m. or 9 a.m. to 4 p.m. Monday through Wednesday with extended hours on Thursdays and Fridays. Of the 379 branches, 186 (or 49 percent) have Saturday hours; 29 (or 16 percent of 186) are in LMI tracts. Sunday hours are available at four locations: three in LMI census tracts in PMSA 5600 (New York, NY) and one in a middle-income census tract in MSA 8160 (Syracuse, NY).

Community Development Services

Marine provided a high level of community development services in its assessment areas, including seminars and technical assistance to various community development organizations. The bank is especially active in western New York State. Marine is actively involved in the JumpStart Program at the Riverside High School in Buffalo. The bank provides financial advice, hands-on guidance and some funding to reverse the distressed conditions of this inner-city school.

Seminars

During the examination period, Marine sponsored or participated in 61 home buyer seminars, 2 credit counseling workshops and 12 home improvement seminars located throughout the assessment areas, with combined attendance approaching 2,200. The bank works with approximately 100 community groups in organizing first-time home buyer sessions in addition to its sessions related to the Federal Home Loan Bank of New York's ("FHLBNY") First Home Club. The presentations cover the mortgage loan application and approval process and financial management. Some of the groups involved include Neighborhood Housing Services of Buffalo, Rural Opportunities Inc., Syracuse United Neighbors, Rockland Housing Action Coalition, Housing Action Council, and Long Island Housing Partnership.

The bank also sponsored or participated in 54 small business financing seminars attended by approximately 600 people. Some of the seminars were conducted in conjunction with economic development and small business groups such as Rensselaer County Enterprise Assistance Program, Clinton County Chamber of Commerce and the Small Business Development Center. These seminars dealt with financing, qualifying for credit and operating small businesses.

Technical Assistance

More than 100 Marine employees serve on the boards of organizations serving community, housing and economic development needs. These groups include Cornell Cooperative Extension, Wyoming City Business Development Corporation and Arbor Hill Development Corporation. Technical assistance is provided through leadership positions in over 100 groups and organizations.

FHLBNY Affordable Housing Programs

Marine is a member of the FHLBNY's Affordable Housing Program ("AHP") and an active participant in the First Home Club Program. AHP provides subsidies to projects that finance homeownership for households having 80 percent of the area median income or below, or projects that finance rental housing where at least 20 percent of the units will be occupied by households with 50 percent of the area median income or below. Since only FHLBNY members can submit AHP applications, nonprofit agencies, local governments and community development organizations must obtain the support of member institutions if they wish to apply for AHP funds.

During the examination period, Marine sponsored and monitored 32 affordable housing projects through this program. Marine sponsored seven First Home Club Programs throughout the assessment areas. The program is designed to assist LMI first-time home buyers to save for a down payment. As of the examination date, Marine had 76 participants in the First Home Club Program and 8 participants that had completed the savings program and purchased homes in Rochester and Buffalo.

Marine has entered into partnerships with numerous community groups that provide homeownership counseling, such as Kensington Bailey Neighborhood Housing Services Inc., Lackawanna Housing Development Corporation, Rural Opportunities, Inc., Cornell Cooperative Extension and NHS of New York City.

Small Business Loan Participation

Marine participates in three statewide business loan programs: New York Business Development Corporation, Excelsior Link Program and the Business Consortium Fund. In addition, the bank is involved in approximately 15 regional economic development and small business loan programs, such as Five Lakes Development Corporation Revolving Loan Fund, Rockland Economic Development Corporation, Rochester Economic Development Corporation, the Community Preservation Corporation and the Community Lending Corporation.

Special Products and Services

Throughout its assessment areas, Marine offers no- or low-minimum balance savings deposit products for all customers, with special accounts for students and minors. The bank also offers various combinations of linked deposit, loan and investment services, known as “Marinextra,” which reduce overall maintenance and transaction costs based on combined household balances.

COMPLIANCE WITH FAIR LENDING LAWS

No credit practices were identified that violated the substantive provisions of the antidiscrimination laws and regulations, including the Equal Credit Opportunity Act (Regulation B), the Fair Housing Act, the Home Mortgage Disclosure Act (Regulation C), and all relevant agency regulations pertaining to nondiscriminatory treatment of credit applicants.

ASSESSMENT AREA ANALYSES

PMSA 5600 (NEW YORK, NY)

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN PMSA 5600
(NEW YORK, NY)**

Overall, performance in the PMSA was good, based on the following summary conclusions:

- The overall distribution of loans across census tracts of different income levels in the PMSA was excellent.
- The distribution of loans reflects adequate penetration among borrowers of different income levels and good distribution among businesses of different sizes.
- Marine's delivery systems were accessible to essentially all portions of the bank's assessment area. The accessibility of the branch network was improved by an increase in the number of branches (especially in LMI geographies), multilingual services, and extended hours on weekends.

DESCRIPTION OF INSTITUTION'S OPERATIONS

Marine's assessment area in the New York, NY PMSA consists of Bronx, Kings, New York (Manhattan), Queens, Putnam, Richmond (Staten Island), Rockland and Westchester Counties. As of June 30, 1998, Marine maintained 95 branches in this PMSA, which represent approximately 25 percent of the bank's total branch network. These branches contained \$8 billion in deposits, representing 37.8 percent of total branch deposits. Of the total branches and deposits in the PMSA, 31 percent of branches and 54 percent of deposits were in New York County.

During the examination period, Marine and its MMC subsidiary originated 4,507 HMDA-related loans in the PMSA, approximately 15 percent of total activity during the examination period. Small business and small farm loan originations totaled 6,199 or 22 percent of such loans during the examination period.

DESCRIPTION OF ASSESSMENT AREA

Demographic and economic information used in this examination was obtained from publicly available sources that include the Bureau of the Census, 1990, U.S. Department of Commerce, the New York State Department of Labor, the U.S. Bureau of Labor Statistics, and HUD.

Performance Context

Demographic Characteristics

The PMSA's population of 8.5 million represents half of the bank's assessment area population. The PMSA has 2,437 populated census tracts, which were considered in the HMDA-related analyses. Thirty-one percent or 764 of these are LMI tracts in which 686 thousand (33 percent) of the PMSA's families reside.

Bronx and Kings Counties contain 47 percent (1,144 of 2,437) of all the census tracts in the PMSA, and 68 percent (516 of 764) of the LMI tracts. Kings County is the largest of the PMSA counties with a population of 2.3 million, or 27 percent of the PMSA population. Putnam County, with less than 1 percent of the PMSA population, contains only upper-income tracts. Rockland County, with 1.7 percent of the PMSA population, has only 7 percent of its geographic area, or .1 percent of the PMSA, in LMI tracts.

Income Characteristics

The 1990 median family income is \$37,515, compared with the New York State median family income of \$39,741. Bronx County's median family income is \$25,479, and Kings County, \$30,333. Putnam and Westchester Counties have the highest median family incomes with \$58,982 and \$58,938, respectively. The 1998 HUD-adjusted median family income for PMSA 5600 (New York, NY) is \$49,800. In 1990, 833 thousand or 40 percent of families fell within the LMI categories.

Housing Characteristics

Of the 3.4 million housing units in the PMSA, 1.1 million or 32 percent are owner-occupied, and 2.1 million or 62 percent are rentals, the highest percentage of rental units of any PMSA or MSA in the state. Forty-one percent of the PMSA's rental units are located in LMI geographies. Only 32 percent of the housing units are owner-occupied, one- to four-family dwellings, while 59 percent of total housing is found in multifamily units, the highest percentage in the state. In New York County, 96 percent of housing is multifamily with 75 percent rental stock. In the Bronx, 75 percent of housing is multifamily with a large proportion in public housing rentals.

Fifty-three percent of housing was built before 1950, giving this PMSA one of the oldest housing stocks in the state. According to the 1990 Census, the median housing value is \$207 thousand and median gross rent is \$503 per month. New York County's median housing value was \$471,074 while Richmond County's is \$184,599. Eighty-two percent of Richmond's housing stock is made up of single-family units.

The high cost of purchasing a house or condominium compared with the 1990 median family income of \$37,515 provides evidence that home purchasing is out of reach for most of the LMI population without the use of subsidies and assistance. Renting is the more affordable choice, although the aged housing stock needs rehabilitation and renovation.

Labor, Employment and Economic Characteristics

According to the 1990 Census, the services sector employed the greatest number of PMSA residents (1.8 million). Finance, insurance and real estate ("FIRE") are in a distant second place (669 thousand) and government is third (637 thousand). Government is an important employer in six of the eight counties while FIRE is a major factor in four counties. Manufacturing continues to be a major employer in Kings County. In Queens County, transportation and public utilities are the leading employers.

Although the construction industry has declined throughout the PMSA, new construction continues to grow. Building permits nearly doubled from 1994-1996 (6,614 to 11,539). In June 1998, the PMSA unemployment rate declined to 5.95 percent although Kings and Bronx Counties have the highest jobless rates with 8.3 and 9.1 percent, respectively.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

Geographic Distribution of Lending

The overall distribution of loans across census tracts of different income levels in PMSA 5600 (New York, NY) was excellent. The geographic distribution of refinance, home improvement and small business loans was excellent. The distribution of home purchase loans was good.

Home Purchase Loans

The overall geographic distribution of home purchase loans was good due to the number of loans made for multifamily housing. Demand-adjusted home purchase loan penetration in LMI census tracts was substantially less than the penetration in non-LMI census tracts. Loan activity was 2.9 times greater in non-LMI census tracts. The geographic distribution was poor in Kings, Bronx, Queens and Westchester Counties. Strong distribution was noted in Richmond County. This performance was offset by the nine multifamily loans made that provided 440 housing units in LMI census tracts. On a demand-adjusted basis, Marine ranked sixth of seven peer banks in home purchase loans made in the PMSA's LMI census tracts in 1997. That same year, the bank's demand-adjusted penetration in LMI census tracts was less than that of the aggregate lenders in the PMSA.

Refinance Loans

The overall geographic distribution of refinancings was excellent. Demand-adjusted penetration in LMI census tracts was substantially less than penetration in non-LMI census tracts. The geographic distribution was poor in Kings, New York, Westchester, Richmond and Rockland Counties. Adequate distribution was noted in Bronx and Queens Counties. This performance was offset by the 32 multifamily loans that provided 1,733 housing units in LMI census tracts. On a demand-adjusted basis, Marine ranked sixth of seven peer banks in refinance loans made in the

PMSA's LMI census tracts in 1997. The bank's demand-adjusted penetration in LMI census tracts the same year was less than that of the aggregate lenders the PMSA.

Home Improvement Loans

The overall geographic distribution of home improvement loans was excellent. Demand-adjusted penetration in LMI census tracts was 1.1 times greater than in non-LMI census tracts. Despite the overall strong performance, weaknesses were noted in Richmond County and Kings County. On a demand-adjusted basis, Marine ranked second of seven peer banks in home improvement loan activity in LMI census tracts within the PMSA in 1997. Marine's demand-adjusted penetration in LMI census tracts in the same year was less than that of the aggregate lenders in the PMSA.

Small Business Loans

Overall geographic distribution of small business loans was excellent. Loan activity on a demand-adjusted basis was the same in LMI and non-LMI census tracts. Despite the overall strong performance, distribution was poor in Richmond County and adequate in Bronx County. On a demand-adjusted basis, Marine ranked first of seven peer banks in small business loan originations in the PMSA's LMI census tracts in 1997. The bank's demand-adjusted penetration in LMI census tracts that same year was greater than that of the aggregate lenders in the PMSA.

Borrower Characteristics

Overall, the distribution of loans reflects adequate penetration among borrowers of different income levels and good distribution among businesses of different sizes. Lending to both moderate- and low-income borrowers was adequate.

HMDA-related Loans

In the PMSA, 15 percent of families are of moderate income while only 7 percent of home purchase and 5 percent of refinance loans were originated to moderate-income borrowers. In contrast, Marine made 18 percent of its home improvement loans to moderate-income borrowers in the PMSA. Similarly, 25 percent of the families in this PMSA are of low income, while only 0.4 percent of home purchase loans, 1 percent of refinance loans and 9 percent of home improvement loans were made to low-income borrowers.

The affordability of housing in this PMSA is very low because of the high cost of housing in relation to median family income. Even middle-income borrowers have difficulty qualifying for home mortgage loans. Consequently, all lenders' lending levels (percentage of loans to LMI borrowers) are well below the percentage of LMI families in the area. Making refinance loans to low-income borrowers can often be difficult because the borrowers cannot afford the closing costs. The higher LTV ratios of many applications submitted by low-income applicants can disqualify these applicants. Still, Marine trailed similarly situated peers in refinance and home purchase lending to LMI borrowers in this PMSA.

Marine placed fifth among seven peers in the percentage of home purchase loans to LMI borrowers, sixth for refinance loans and third for home improvement loans.

Since the previous examination, Marine's home purchase and refinance lending to LMI borrowers doubled in volume, while home improvement lending decreased slightly.

Small Business Loans

The distribution of loans to businesses of different sizes was good. Of the 6,199 small business loans made in this PMSA, 4,278, or 69 percent, were for amounts of \$100 thousand or less. The average size of originations in this category was approximately \$28 thousand, indicating the bank is responsive to the credit needs of very small businesses in this PMSA.

Approximately 46 percent of Marine's small business loans in the PMSA were made to businesses with reportable GAR of \$1 million or less. The aggregate lending performance to businesses of this size was 40 percent. Approximately 83 percent of business establishments in this PMSA have GAR of \$1 million or less. Marine ranked fourth among seven peers for the percentage of small business loans made to businesses of this size.

Community Development Lending

Marine's community development lending was strong in this PMSA, totaling \$83 million compared with \$42.8 million at the previous examination. Commitments in the PMSA as a percentage of all of Marine's CRA commitments increased from 40 percent to 60 percent.

Lending for affordable housing initiatives totaled \$79.3 million or 96 percent of all community development lending in this PMSA. Affordable housing lending provided for the rehabilitation or construction of 2,807 units.

Innovative and Flexible Lending Products

In addition to the products and programs listed on page BB14 in the general conclusions section, Marine offered the following flexible affordable housing programs exclusively in this assessment area:

Westchester Regional Small Business Loan Program

Sponsored by the local Chamber of Commerce, Marine participates in this program with several other banks. The Westchester Regional Committee approves small business borrowers for referral to the participating banks, which use their own underwriting criteria to approve loans. Marine booked one loan under this program for \$25 thousand.

INVESTMENT TEST

Qualified investments totaled \$280 thousand or 1.9 percent of the total investment activity in the assessment areas. Economic development was targeted with \$76 thousand, or 27 percent of the investments in a multi-bank CDC that lends to small businesses in LMI areas. The remaining investments were grants made to various organizations that promote affordable housing, economic development and community service.

SERVICE TEST

Accessibility of Delivery Systems

Marine's branch network was accessible to essentially all portions of the PMSA as a result of an increase in the number of branches (especially in LMI geographies), multilingual services, and branch hours on weekends.

The branch system was expanded during the examination period with the addition of 27 branches. Of the PMSA's 95 branches, 19 sites, or 20 percent, are located in LMI tracts. The availability of services is reasonable when compared with the demographics of the PMSA that show 31 percent of the tracts as LMI and 33 percent of the families as LMI residents.

In order to assist Spanish- and Chinese-speaking customers, 57 offices in the PMSA, or 60 percent of the total number of branches in the PMSA, are staffed with bilingual representatives, and 16 offices have trilingual representatives.

ATMs

Of the 128 ATMs in the PMSA, 26 percent are located in LMI areas. Except for eight branches (two in LMI tracts), all offices have ATMs. The ATMs have 24-hour access except for three branches in New York City. One office is located in the Financial District in lower Manhattan. The other two branches, located on commercial strips in the Bronx and Queens County, provide extended hours during the week in addition to hours on Saturdays.

Hours

Except for the downtown Manhattan office noted above, all branches in the PMSA have extended hours on Thursdays and Fridays, and 68 percent of the branches maintain Saturday hours (14 percent in LMI tracts). Three LMI offices (two in New York County and one in Kings County) are open on Sundays.

Loan Production Offices

Marine maintained three retail loan production offices in this PMSA, one in Rockland County and two in Westchester County. One of the Westchester sites is in an LMI tract.

Opening and Closing of Branches

Marine added 27 branches since the previous examination; 6 of them or 22 percent are in LMI census tracts. Five branches were closed, including two in LMI tracts. Of the 29 offices acquired from First Federal in this PMSA, 3 were consolidated into nearby Marine offices (1 in an LMI tract) and 26 remain open (5 in LMI tracts). One new office was opened in a moderate-income tract in Kings County.

Community Development Services

Marine provided a relatively high level of community development services targeting LMI individuals and small businesses in the New York PMSA. The bank sponsored or participated in 11 seminars, conferences and open houses on affordable housing, and two seminars and workshops on small business. Through its MMC subsidiary, the bank participated in counseling first-time home buyers with 19 community groups. Marine and three other banks provided loans to small businesses in the South Bronx, the New York City Small Business Reserve Fund and the Regional Economic Assistance Corporation.

The bank provided technical assistance to various community development, housing and economic development groups that benefit LMI individuals. Many employees and board members served on boards or provided financial expertise to approximately 40 organizations involved in affordable housing, small business opportunities or economic development.

PMSA 5380 (NASSAU-SUFFOLK, NY)

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN PMSA 5380
(NASSAU-SUFFOLK, NY)**

Overall, performance in this PMSA was adequate, based on the following summary conclusions:

- The overall distribution of loans across census tracts of different income levels in the PMSA was adequate.
- The overall distribution of loans reflects adequate penetration among borrowers of different income levels, and good distribution to businesses of different sizes.
- The bank's delivery systems were accessible to essentially all portions of the PMSA.

DESCRIPTION OF INSTITUTION'S OPERATIONS

This PMSA consists of Nassau and Suffolk Counties, As of June 30, 1998, Marine maintained 36 branches in this assessment area or 9.5 percent of the bank's total branch network. These branches contained \$1.5 billion in deposits, about 7 percent of total branch deposits. Of the total branches and deposits in the PMSA, 67 percent of branches and 60 percent of deposits were in Suffolk County.

During the examination period, 3,719 HMDA-related loans were originated in the PMSA, which represents 13 percent of all such loans originated in the bank's assessment area. Small business and small farm loan originations in the PMSA totaled 2,725 or 10 percent of all such loans for the examination period. For both HMDA-related and small business loans, the Suffolk County portion of the PMSA had 59 percent of the lending.

DESCRIPTION OF THE ASSESSMENT AREA

Performance Context

Demographic Characteristics

This PMSA, the wealthiest and second largest of Marine's assessment areas, has a population of 2.6 million, or about 15 percent of the bank's total assessment area population. While the population is evenly divided between the two counties, Nassau County, which is about one-third the geographic size of Suffolk County, is more densely populated. In the PMSA, 15 percent of the population, and 14 percent of the 690 thousand families, reside in LMI census tracts.

Of the 574 census tracts considered for the HMDA-related loan analyses, 84 or 14.6 percent are LMI. Less than 1 percent of the census tracts are low-income and 75 percent of the moderate-income tracts are in Suffolk County, particularly Babylon, Brookhaven, Islip and Riverhead. The LMI census tracts in Nassau County are concentrated in Hempstead, Roosevelt and Freeport.

Income Characteristics

The 1990 median family income in the PMSA is \$56,726, substantially higher than the New York State median family income of \$39,741. The 1998 HUD-adjusted median family income is \$70,200. Higher income levels are found in Nassau County, where the 1990 median family income is \$60,813, compared with the median family income of \$53,380 in Suffolk County. In 1990, 246 thousand or 36 percent of families were in the LMI categories.

Housing Characteristics

Of the 927,609 housing units in the PMSA, 687,506 or 74 percent, are owner-occupied, while 168,728 or 18 percent are rental units. Most of the housing units are single-family units, with only 8.5 percent or 78,542 units in multifamily structures of five or more units. Approximately 12 percent of the owner-occupied units are in LMI census tracts. According to the 1990 Census, the median housing value for the PMSA is \$186 thousand with only 6 percent of owner-occupied housing valued at less than \$100 thousand. The median gross rent is \$778. Housing values are approximately 26 percent higher in Nassau County, where the 1990 median housing value is \$208,514, compared with \$165,171 in Suffolk County.

Such high housing costs place a burden on LMI families who, according to community contacts made during the examination, need rental assistance, affordable housing options, and assistance with down payment and closing costs. In addition to affordable housing needs, contacts noted the need for small business financing, senior citizen programs and services, and economic development financing to revitalize local business districts.

Labor, Employment and Economic Characteristics

The dominant industries in the local economy are services and retail. In the early 1990s, major declines in the manufacturing sector, primarily in the defense industry, caused a 21 percent drop in manufacturing employment from 1990-1994. The economy has rebounded, however, with the growth of biotechnology firms and small service and retail businesses, many of which are high technology employers such as subcontracting firms in the aviation and automobile industries. Eastern Suffolk County continues to be known for its agricultural, fishing, wine and resort industries. Unemployment on Long Island declined from 4.6 percent in March 1996 to 3.6 percent in June 1997 and 3.3 percent in June 1998.

LENDING TEST

Geographic Distribution of Lending

The overall distribution of loans across census tracts of different income levels in the PMSA was adequate. Overall, the geographic distribution of home purchase loans and refinancings was poor, while the distribution of home improvement and small business loans was excellent.

Home Purchase Loans

The overall geographic distribution of home purchase loans was poor. Loan activity on a demand-adjusted basis was 1.6 times greater for loans in non-LMI census tracts. Geographic distribution was poor in both Nassau and Suffolk Counties. On a demand-adjusted basis, Marine ranked sixth of seven peer banks in home purchase loan activity in the PMSA's LMI census tracts in 1997. In the same year, the bank's demand-adjusted penetration in LMI census tracts was less than that of the aggregate lenders in the PMSA.

Refinance Loans

The overall geographic distribution of refinancings was poor. Loan activity on a demand-adjusted basis was 1.5 times greater in non-LMI census tracts. Geographic distribution was poor in both Nassau and Suffolk Counties. On a demand-adjusted basis, Marine ranked fifth of seven peer banks in refinance loan penetration in the PMSA's LMI census tracts in 1997. Marine's demand-adjusted penetration in LMI census tracts for the same year was less than that of the aggregate lenders in the PMSA.

Home Improvement Loans

The overall geographic distribution of home improvement loans was excellent. Demand-adjusted penetration in LMI census tracts was 2.4 times greater than penetration in non-LMI census tracts. The geographic distribution was strong in both Nassau and Suffolk Counties. On a demand-adjusted basis, Marine in 1997 ranked first of seven peer banks in home improvement lending in LMI census tracts in the PMSA. The bank's demand-adjusted penetration in LMI census tracts in the same year was more than that of the aggregate lenders in the PMSA.

Small Business Loans

The overall geographic distribution of small business loans was excellent. Lending activity on a demand-adjusted basis was the same in LMI and non-LMI census tracts. Geographic distribution was excellent in Nassau County and good in Suffolk County. On a demand-adjusted basis, Marine ranked first of seven peer banks in small business loan originations in the PMSA's LMI census tracts in 1997. The bank's demand-adjusted penetration in LMI census tracts in the same year was comparable to that of the aggregate lenders in the PMSA.

Borrower Characteristics

The bank's overall distribution of loans reflects adequate penetration among borrowers of different income levels, and good distribution to businesses of different sizes. Lending to moderate-income borrowers was good, but lending to low-income borrowers was poor.

HMDA-related Loans

Overall, the distribution of loans across borrower income levels was good for moderate-income borrowers and poor for low-income borrowers. While 19 percent of families in the PMSA are of moderate income, 15 percent of home purchase, 16 percent of refinance, and 32 percent of home improvement loans were made to moderate-income borrowers. Conversely, 16 percent of families are of low income while only 2 percent of home purchase and 3 percent of refinancings were made to low-income borrowers. The bank, however, made 17 percent of its home improvement loans to low-income borrowers.

Demographic information illustrates the difficulty in extending home purchase loans and refinancings to low-income borrowers in volumes that reflect the percentage of low-income families in the PMSA. The low level of originations to low-income borrowers is the result of the high cost of housing in relation to the income of low-income borrowers. The performance of similarly situated lenders in Nassau and Suffolk Counties in lending to low-income borrowers supports the conclusion that lenders generally have a difficult time making home purchase loans and refinancings to low-income borrowers. The bank, however, lagged behind similarly situated peers in both the volume and percentage of loans made to low-income borrowers.

Marine ranked sixth among seven peers in the percentage of home purchase loans extended to LMI borrowers, sixth in the percentage of refinance, and second in the percentage of home improvement loans. Marine, however, doubled its home improvement and refinance lending since the previous examination (as of November 4, 1996).

Small Business Loans

The distribution of loans to businesses of different sizes was good. Of the 2,725 small business loans made in the PMSA, 2,115 of them, or 78 percent, were for loan amounts less than or equal to \$100 thousand. The average size of the originations in this category was approximately \$28 thousand, indicating the bank's responsiveness to the credit needs of very small businesses.

Approximately 56 percent of Marine's small business loans were made to businesses with reportable GAR of \$1 million or less in this PMSA. Marine outperformed the aggregate lenders, which made 43 percent of their loans to businesses of this size. Approximately 83 percent of business establishments in this PMSA have GAR of \$1 million or less. Marine ranked third among seven peers in the PMSA in the percentage of small business loans made to businesses of this size.

Community Development Lending

Marine's community development lending in the PMSA totaled \$1.4 million compared with \$530 thousand at the previous examination. Economic development was the main purpose of lending activity totaling \$1 million or 72 percent of all community development lending in the PMSA.

Innovative and Flexible Lending Products

In addition to the products and programs listed on page BB14 in the general conclusions section, Marine offered the following flexible affordable housing programs exclusively in this assessment area:

Suffolk County Linked Deposit Loan Program

This program is geared toward manufacturing and service businesses that create or retain jobs by moving into Suffolk County or expanding operations if already based there. County officials qualify the businesses and refer them to participating banks. Marine, however, evaluates applicants using its own credit criteria. Loans of up to \$500 thousand are granted at the market interest rate less 200 basis points for the first two years. After that period, the interest rate reverts back to the market rate. In order to compensate participating banks for the discounted rate, Suffolk County places a certificate of deposit for the loan amount with the underwriting bank for two years and accepts a return discounted by 200 basis points.

INVESTMENT TEST

Investments in this PMSA consisted of \$23 thousand in grants to organizations promoting affordable housing and economic development. Qualified investments were less than 1 percent of the investment activity in the assessment areas.

SERVICE TEST

Accessibility of Delivery Systems

Overall, the distribution of Marine's branches throughout the PMSA was good. Of the 36 offices, 7 or 19 percent are located in LMI tracts. This compares favorably with the PMSA's portion of LMI tracts (15 percent) and LMI families (14 percent) residing in those tracts. There are no branches in the LMI tracts in Nassau County.

ATMs

There are 35 in-branch ATMs (20 percent in LMI areas). Seven of the branches do not have ATMs; none of these is in LMI tracts. All other offices maintained at least one 24-hour ATM. The bank maintained one off-site ATM in Suffolk County, outside LMI areas.

Hours

All offices have extended hours on Fridays, and 28 of the branches or 78 percent are open on Saturdays, including 6 branches in LMI tracts.

Loan Production Offices

The bank had one retail loan production office in Suffolk County (outside an LMI area).

Opening and Closing of Branches

Two branches were added in Nassau County as a result of the acquisition of First Federal; neither is in an LMI tract. No branches were closed.

Community Development Services

Marine provided an adequate level of community development services for LMI individuals and small businesses in this PMSA. The bank sponsored or participated in six home buyer seminars for LMI individuals, and five small business seminars and workshops throughout the assessment area. These presentations covered the mortgage application and approval process and basic small business financing.

Marine also provided technical assistance to numerous groups providing community development, housing and economic development for the benefit of LMI individuals or small businesses. The groups include Long Island Housing Services, North Fork Housing Alliance, Inc., and Hempstead Hispanic Civic Association.

MSA 1280 (BUFFALO-NIAGARA FALLS, NY)

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MSA 1280
(BUFFALO-NIAGARA FALLS, NY)**

Overall, performance in the MSA was good, based on the following summary conclusions:

- The overall distribution of loans across census tracts of different income levels in the MSA was good.
- Distribution of loans reflects good penetration among both borrowers of different income levels and business customers of different sizes.
- The bank's delivery systems were readily accessible to all portions of the bank's assessment area, with 28 percent of its 71 branches located in LMI tracts. Marine is also a leader in providing community development services in this MSA.

DESCRIPTION OF INSTITUTION'S OPERATIONS

This assessment area includes Erie and Niagara Counties located in western New York State. As of June 30, 1998, Marine maintained 71 branches in this MSA, 53 in Erie County and 18 in Niagara County, accounting for 19 percent of the bank's total number of branches. The MSA's branches had \$4.7 billion in deposits, or 22 percent of total branch deposits.

During the examination period, 7,375 HMDA-related loans were originated as follows: 6,074 in Erie County, and 1,301 in Niagara County. The MSA had 25 percent of all such loans originated in the bank's combined assessment areas. Small business and small farm loan originations totaled 5,625 or 20 percent of all such activity for the examination period and were distributed between the counties as follows: 4,473 in Erie, and 1,152 in Niagara.

DESCRIPTION OF THE ASSESSMENT AREAS

Performance Context

Demographic Characteristics

According to the 1990 Census, this MSA's population is 1.2 million, or 7 percent of the total population in the bank's statewide assessment area. Of the 287 census tracts considered in the HMDA-related loan analyses, 84, or 29 percent, are LMI tracts. Twenty-four percent of the MSA's population and 22 percent of the families resided in LMI tracts. Erie County is composed primarily of middle- and upper-income census tracts, while Niagara County has mostly middle-income census tracts.

Income Characteristics

The 1990 Census puts the median family income for the MSA at \$34,831 compared with the state median family income of \$39,741. The 1998 HUD-adjusted median family income is \$44 thousand, still lower than the state median family income of \$46 thousand. In 1990, 119 thousand or 38 percent of families were in the LMI categories.

Housing Characteristics

There are 492,516 housing units in the MSA, according to the 1990 Census: 298 thousand or 61 percent are owner-occupied, and 164 thousand or 33 percent are rental units. Sixteen percent of the owner-occupied housing is in LMI census tracts. Single-family structures account for 86 percent of the MSA's total housing, with only 11 percent in the multifamily category. Half of the housing stock was built before 1950. The 1990 median housing value is \$71,511, almost half the state median. The assessment area's median gross rent is \$381, which is 28 percent lower than state figure of \$486.

Labor, Employment and Economic Characteristics

As of June 1997, the unemployment rate for the MSA was 4.7 percent, which is lower than the state's rate of 6.2 percent. However, as of June 1998, the unemployment rate climbed to 5.5 percent. The dominant industries in the local economy are services, retail trade and wholesale trade. Employment in the manufacturing sector declined over the past 30 years, with the sharpest drops occurring during the recessions of the early 1970s and early 1980s. From 1992-1996, manufacturing sector jobs declined 2.6 percent, while the service sector expanded 9 percent. Lower paying service jobs have replaced manufacturing jobs. Unemployment rates have fallen generally since 1992 partly because of residential relocation out of the area and subsequent decline in the labor force.

LENDING TEST

Geographic Distribution of Lending

The overall distribution of loans across census tracts of different income levels in this MSA was good. In particular, the geographic distribution of home improvement and small business loans was excellent. The distribution of home purchase loans and refinancings was adequate.

Home Purchase Loans

The overall geographic distribution of home purchase loans was adequate. Loan activity on a demand-adjusted basis was 1.6 times greater in non-LMI census tracts. Geographic distribution was good in Niagara County and adequate in Erie County. On a demand-adjusted basis, Marine ranked fourth of five peer banks in home purchase lending in this MSA's LMI census tracts in

1997. For the same year, the bank's demand-adjusted penetration in LMI census tracts was comparable to that of the aggregate lenders in the MSA.

Refinance Loans

The overall geographic distribution of refinancings was barely adequate. Loan activity on a demand-adjusted basis was 2.8 times greater in non-LMI census tracts. Geographic distribution was similar in both Erie and Niagara Counties. On a demand-adjusted basis, Marine ranked fourth of five peer banks in refinancings in the MSA's LMI census tracts in 1997. Marine's demand-adjusted penetration in LMI census tracts was less than that of the aggregate lenders in the MSA during the same year.

Home Improvement Loans

The overall geographic distribution of home improvement loans was excellent. Demand-adjusted penetration in LMI census tracts was 1.2 times greater than penetration in non-LMI census tracts. Geographic distribution was excellent in Erie County and good in Niagara County. On a demand-adjusted basis, Marine ranked third of five peer banks in home improvement lending in the MSA's LMI census tracts in 1997. Despite the overall strong performance, Marine's demand-adjusted penetration in LMI census tracts in the same year was less than that of the aggregate lenders in the MSA.

Small Business Loans

The overall geographic distribution of small business loans was excellent. Demand-adjusted penetration in LMI census tracts was 1.2 times greater than penetration in non-LMI census tracts. Geographic distribution was excellent in Erie County and good in Niagara County. On a demand-adjusted basis, Marine ranked first of six peer banks in small business lending in the MSA's LMI census tracts in 1997. For the same year, the bank's demand-adjusted penetration in LMI census tracts was greater than that of the aggregate lenders in the MSA.

Borrower Characteristics

The overall distribution of loans reflects good penetration among both borrowers of different income levels and business customers of different sizes. The bank's lending to moderate-income borrowers was excellent, and lending to low-income borrowers was good. Good distribution of lending to businesses of different sizes was noted.

HMDA-related Loans

Overall, the distribution of loans across borrower income levels was excellent for moderate-income borrowers and good for low-income borrowers. While 18 percent of families are of moderate income, 23 percent of home purchase, 16 percent of refinance, and 22 percent of home improvement loans were made to moderate-income borrowers. Furthermore, 20 percent of families are of low income, but only 6 percent of home purchase loans and 3 percent of refinancings were made to low-income borrowers. While the percentage of home purchase loans

and refinancings made to low-income borrowers was lower than the percentage of low-income families in this MSA, Marine exceeded similarly situated peer institutions in the number of these loans made to low-income borrowers. In contrast, Marine made 16 percent of home improvement loans to low-income borrowers, almost matching the percentage of low-income borrowers in this MSA.

Marine placed fourth among five peers in the percentage of home purchase loans and refinancings made to LMI borrowers. The bank ranked second in the percentage of home improvement loans made to LMI borrowers.

The low level of home purchase loans and refinancings made to low-income borrowers is considered good in relation to the performance context and the bank's performance compared with the institutions in the market that report HMDA-related lending. The difficulties in making home purchase loans and refinancings to low-income borrowers in volumes that reflect the percentage of low-income families in this MSA result from high housing values in relation to the income of low-income borrowers. The performance of the market in lending to borrowers of low income supports the conclusion that all lenders have difficulty making home purchase loans and refinancings to low-income borrowers. No HMDA reporter matched the low-income demographic composition of this assessment area. Still, in comparison with other MSAs in the bank's assessment areas, owning a home is within reach of some low-income borrowers in this MSA because of lower housing costs in comparison to borrower income.

Small Business Loans

The distribution of loans to businesses of different sizes was good. Of the 5,625 small business loans made in this MSA, 4,031, or 72 percent, were for loan amounts less than or equal to \$100 thousand. The average size of the originations in this category was approximately \$27 thousand, indicating the bank's responsiveness to the credit needs of very small businesses.

Approximately 42 percent of Marine's small business loans were made to businesses with reportable GAR of \$1 million or less. This percentage compares favorably with the performance of the aggregate, which made 41 percent of their loans to businesses of this size. Approximately 82 percent of business establishments in this MSA have GAR of \$1 million or less. Marine ranked fourth among six peers for the percentage of small business loans made to businesses with GAR of \$1 million or less.

Community Development Lending

Marine's community development lending in the MSA totaled \$12.3 million compared with \$13.4 million at the previous examination. Lending activities in support of economic development totaled \$10.3 million or 84 percent of the MSA's community development lending. Community service initiatives totaled \$1.8 million or 15 percent of the MSA's community development lending, while affordable housing lending totaled \$100 thousand or 1 percent of total MSA lending.

Innovative and Flexible Lending Products

In addition to the products and programs listed on page BB14 in the general conclusions section, Marine offered the following flexible affordable housing programs exclusively in this assessment area:

University District

This is a 30-year fixed rate program designed to make homeownership affordable to families making 80 percent of the HUD median income for the area or below. Through this program, the Kensington-Bailey Neighborhood Housing Services (“NHS”) acquires vacant homes from HUD, the city of Buffalo or private individuals, and rehabilitates them. In addition, NHS provides pre- and post-purchase counseling to the borrower. The FHLB, through the Affordable Home Program (“AHP”), directly subsidizes interest rates and closing costs. Houses must be owner-occupied, one- to two-family detached properties located in the University District of Buffalo. Interest rates, subsidized by the FHLB, range from 5 percent to 8.5 percent. The applicants' debts, exclusive of mortgage costs, cannot exceed 33 percent of their income, or 41 percent if their debts include mortgage costs. The minimum required investment by the borrower is \$1,000. No reserves or PMI are required.

Marine made five loans under this program for \$329,440.

INVESTMENT TEST

Investments in the MSA consisted of \$127 thousand in grants to organizations that promote affordable housing, economic development, community services, and revitalization and stabilization.

SERVICE TEST

Accessibility of Delivery Systems

Marine's branch network was readily accessible to all portions of this MSA. Of the 71 branches, 20 or 28 percent are in LMI tracts, which compares favorably with the 29 percent of LMI tracts and the 22 percent of families residing in those tracts.

ATMs

There are 54 in-branch ATMs (19 percent in LMI areas) in this MSA. Twenty-five of the branches do not have ATMs; 12 are in LMI tracts. The bank maintained 17 off-site ATMs in this MSA with 16 in Erie County and 1 in Niagara County. Twelve or 71 percent are in LMI tracts in Erie County.

Hours

All branches have extended hours on Thursdays and Fridays, and 13, or 18 percent, have Saturday hours, including two in LMI tracts.

Loan Production Offices

The bank maintained one retail loan production office in Erie County. It is not in an LMI area.

Opening and Closing of Branches

Of the seven branches that were opened, three were placed in LMI tracts. Fifteen branches in this MSA were acquired in the merger with First Federal Savings; four were in LMI tracts. Seven of the 15 branches were consolidated into existing Marine branches within 100 to 1,300 feet of the original locations. Only one of these is in a moderate-income tract. One existing Marine branch within 1,300 feet of a former First Federal branch in a middle-income tract was consolidated into it. No other branches were opened or closed during the examination period.

Community Development Services

Marine provided an unusually high level of community development services designed for LMI individuals in this MSA. For example, the bank created the JumpStart Project at Riverside High School in Buffalo and provided funding and consistent guidance to students and faculty. The program helped revitalize the school, which is now considered a model of improved scholastics and job training.

In cooperation with local community organizations, the bank also provided funding for the Lower West Side Prospect Street Project and the Kensington Bailey NHS Residential Rehab Program, both in Buffalo.

The bank made ten presentations on affordable housing to first-time home buyers, worked with 28 participants in the First Home Club and offered counseling through 23 community organizations. Marine participated in eight small business seminars. Bank employees provided finance-related technical assistance through board memberships and other activities to community development, housing, economic development and charitable organizations that benefit LMI individuals and small businesses.

MSA 6840 (ROCHESTER, NY)

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MSA 6840
(ROCHESTER, NY)**

Overall, performance in this MSA was good, based on the following summary conclusions:

- The overall distribution of loans across census tracts of different income levels in the MSA was good.
- Overall, distribution of loans reflects good penetration among borrowers of different income levels and business customers of different sizes.
- The branch network was readily accessible to all portions of the MSA, with 26 percent of the 53 branches located in LMI tracts.

DESCRIPTION OF INSTITUTION'S OPERATIONS

Marine's assessment area in this MSA consists of the counties of Genesee, Livingston, Monroe, Orleans and Wayne, and the northwestern portion of Ontario County. As of June 30, 1998, Marine maintained 53 branches in this MSA, which contains 14 percent of the bank's total number of branches. These branches had \$2.7 billion in deposits, representing 12.5 percent of total branch deposits. Of the total branches and deposits in the MSA, 41 or 79 percent of the branches and 78 percent of the deposits were in Monroe County.

During the examination period, 4,088 HMDA-related loans were originated, which represents 14 percent of all such loans originated in the bank's assessment area. Small business and small farm loan originations totaled 5,019 or 18 percent of all such loan activity for the examination period. Most of the small business loan activity, 4,239 loans or 85 percent, was originated in Monroe County.

DESCRIPTION OF THE ASSESSMENT AREA

Performance Context

Demographic Characteristics

The Rochester MSA has a population of 961 thousand or 5.5 percent of the combined assessment areas' population. This analysis considered 251 census tracts, of which 84, or 33 percent, are LMI tracts. In 1990, 22 percent of the population and 20 percent of the 249 thousand families resided in LMI tracts.

Income Characteristics

The HUD-adjusted median family income has been increasing steadily since 1990 when it was \$40,519. In 1997 it rose to \$47,200 and reached \$49 thousand in the following year. The state median family income for 1998 is \$46 thousand. In 1990, 91 thousand or 36 percent of families were in LMI categories.

Housing Characteristics

Of the 381 thousand housing units located in the MSA, 258 thousand or 68 percent are owner-occupied, and 117 thousand or 31 percent are rental units. The 1990 Census median housing value is \$86,808 (the state median is \$130 thousand), and the median gross rent is \$468 (the state median is \$486). With the median family income in 1990 at \$40,519, those values place housing within reasonable levels for all but the very low-income residents. According to community contacts made as part of this examination, rental housing is in need of rehabilitation, especially in the city of Rochester.

Labor, Employment and Economic Characteristics

The dominant industries in the MSA are services, manufacturing and retail, all of which have steadily increased since 1991. Although manufacturing has lost 5,000 jobs since 1992, it still accounts for approximately 24 percent of the MSA's employment. In general, the services industry provides 29 percent of the jobs and the largest number of jobs in Monroe, Livingston, Ontario and Genesee Counties.

Monroe County has approximately 80 percent of all jobs in the MSA. Of the 8,874 retail and service businesses, over two-thirds are located in this county. Of the 85 businesses in the MSA employing over 500 people, 70 are located in Monroe County. Rochester has Eastman Kodak Company (with 34 thousand workers), Bausch & Lomb and the Xerox Corporation. Manufacturing is still the leading employer in Wayne County, while government services are the largest employer in Orleans County.

The June 1997 unemployment rate in the MSA was 3.4 percent. The jobless rate in both Ontario and Monroe Counties was 3.1 percent, while Wayne, Livingston and Genesee Counties each had unemployment rates of approximately 4 percent. Orleans County had a 5.1 percent unemployment rate. However, the jobless rate for the MSA rose to 4.4 percent by June 1998, with Livingston County experiencing an increase to 5.4 percent.

LENDING TEST

Geographic Distribution of Lending

The overall distribution of loans across census tracts of different income levels in the MSA was good. In particular, the geographic distribution of home improvement and small business loans was excellent. The distribution of home purchase loans and refinancings was poor.

Home Purchase Loans

The overall geographic distribution of home purchase loans was poor. Loan activity on a demand-adjusted basis was 1.5 times greater in non-LMI census tracts. Despite the overall poor performance, distribution was excellent in Genesee County. On a demand-adjusted basis, Marine ranked fifth of five peer banks in home purchase lending in the MSA's LMI census tracts in 1997. For the same year, the bank's demand-adjusted penetration in LMI census tracts was comparable to that of the aggregate lenders in the MSA.

Refinance Loans

The overall geographic distribution of refinancings was poor. Loan activity on a demand-adjusted basis was 2.1 times greater in non-LMI census tracts than in LMI tracts. Despite the overall poor performance, distribution was excellent in Livingston, Genesee and Ontario Counties, and good in Orleans County. On a demand-adjusted basis, Marine ranked third out of five peer banks in refinance activity in the MSA's LMI census tracts in 1997. That same year, the bank's demand-adjusted penetration in LMI census tracts was less than that of the aggregate lenders in the MSA.

Home Improvement Loans

The bank's overall geographic distribution of home improvement loans was excellent. Demand-adjusted penetration in LMI census tracts was 1.6 times greater than penetration in non-LMI census tracts. Despite the overall strong performance, distribution was poor in Ontario County and only adequate in Wayne County. On a demand-adjusted basis, Marine ranked second of five peer banks in home improvement lending in this MSA's LMI census tracts in 1997. The bank's demand-adjusted penetration in LMI census tracts in the same year was more than that of the aggregate lenders in the MSA.

Small Business Loans

The overall geographic distribution of small business loans was excellent. Demand-adjusted penetration in LMI census tracts was 2 times greater than penetration in non-LMI census tracts. Despite the overall strong performance, distribution was poor in Wayne and Ontario Counties and adequate in Orleans County. On a demand-adjusted basis, Marine in 1997 ranked first of six peer banks in small business loan originations in LMI census tracts within the MSA. During the same year, the bank's demand-adjusted penetration in LMI census tracts was greater than that of the aggregate lenders in the MSA.

Borrower Characteristics

Overall, distribution of loans reflects good penetration among both borrowers of different income levels and business customers of different sizes. Lending to low-income borrowers was good, and lending to moderate-income borrowers was excellent.

HMDA-related Loans

Overall, the distribution of HMDA-related loans across borrower income levels was excellent for moderate-income borrowers and good for low-income borrowers. While 18 percent of families in this MSA are of moderate income, 26 percent of home purchase, 16 percent of refinance, and 26 percent of home improvement loans were made to moderate-income borrowers. Furthermore, while 19 percent of families are of low income in this MSA, only 8 percent of home purchase loans and 3 percent of refinancings were made to low-income borrowers. In contrast, Marine made 14 percent of home improvement loans to low-income borrowers.

Marine placed fifth among five peers in the percentage of home purchase loans, fourth in the percentage of refinancings, and first in the percentage of home improvement loans made to LMI borrowers in the MSA. Home purchase loan activity in the MSA to LMI borrowers increased 32 percent while refinance lending increased 55 percent since the previous examination. Home improvement lending declined 44 percent in the same period.

The performance of similarly situated lenders in extending loans to low-income borrowers supports the conclusion that lenders generally have difficulty making home purchase loans and refinancings to low-income borrowers in volumes comparable to the MSA's low-income demographics. Refinancings, for example, are difficult to make to low-income borrowers because closing costs can make the loans unaffordable. In addition, the higher LTV ratios associated with applications from low-income borrowers for refinancings can disqualify these borrowers.

Small Business Loans

The distribution of loans to businesses of different sizes was good. Of the 5,019 small business loans made in this MSA, 3,972 of them, or 79 percent, were for loan amounts less than or equal to \$100 thousand. The average size of the loan originations in this category was approximately \$20 thousand, indicating the bank's responsiveness to the credit needs of very small businesses.

Approximately 32 percent of Marine's small business loans were made to businesses with reportable GAR of \$1 million or less in this MSA. In comparison, aggregate lenders extended 44 percent of their loans to businesses of this size. Approximately 83 percent of business establishments in this MSA have GAR of \$1 million or less. Marine ranked fifth among six peers in this MSA for the percentage of small business loans made to businesses of this size.

Community Development Lending

Marine's community development lending in the Rochester MSA totaled \$14.9 million compared with \$9.8 million at the previous examination. Lending activities in support of economic development totaled \$10.4 million or 70 percent of all MSA community development lending. Lending for community service initiatives totaled \$3.7 million or 25 percent of the MSA's community development lending, while affordable housing lending totaled \$808 thousand or 5 percent.

Innovative and Flexible Lending Products

In addition to the products and programs listed on page BB14 in the general conclusions section, Marine offered the following flexible affordable housing programs exclusively in this assessment area:

Edison Place Project

This 30-year fixed rate program was developed in conjunction with the FHLB, the Affordable Housing Corporation (“AHC”), and the Ibero-American Action League. The project provides for the redevelopment of a tract of vacant land in the Upper Falls neighborhood of Rochester into a community of 25 new single-family homes. As the developer, Marine was approved for an Affordable Housing Program subsidy, which was used to subsidize the purchase price, down payment, closing costs, and interest rate reduction for low-income buyers. In addition, eligible borrowers will receive grants of \$22,500 from the New York State AHC to reduce the purchase price and closing costs.

The maximum loan amount under this program is \$227,150 and the minimum is \$10,000. The required minimum down payment is 3 percent of the loan amount. In order to qualify, an applicant's debts excluding mortgage costs cannot be more than 33 percent of income, but may increase to 41 percent of income when mortgage costs are included. The borrower must provide a minimum of \$500 toward the down payment, closing costs and/or prepaid items. Properties must be owner-occupied, one-family homes. Financing is targeted to families with household incomes less than or equal to 80 percent of the HUD designated county median income limits. PMI is not required.

Marine made four loans totaling \$281,650 under this program.

Home Expo

Targeted to LMI borrowers, this program builds moderately priced homes on city-owned vacant lots. The program enlists builders and lenders to provide mortgage financing. In order to make the housing affordable, Rochester provides grants of \$22,500 to reduce the purchase price, and \$6,000 to assist with closing costs. Eligible properties include owner-occupied, one- to two-family primary residences. Debt of qualifying applicants may not exceed 33 percent of income, excluding mortgage costs, and 38 percent of income including mortgage costs. The minimum down payment is 3 percent of the loan amount. Borrowers must make a minimum personal investment of \$1,500. PMI is not required.

Marine has made 13 loans under this program for a total of \$779,215.

50/50 Rural Development

This 30-year fixed rate loan program developed in conjunction with Rural Development (“RD”), and Rural Opportunities, Inc. (“ROI”) is designed to promote affordable housing opportunities for eligible households in rural parts of Monroe, Genesee, Orleans and Ontario Counties. The

program targets families making 80 percent of the HUD median income or less. Marine extends the first mortgage and covers up to 50 percent of the purchase price of the home, and RD extends a low-interest second mortgage to fund the rest of the purchase price. The second mortgage has a fixed rate from 1 percent to 6.5 percent, depending on the borrower's income, and a 33-year term. Eligible properties are single-family and modular homes. Qualified borrowers are not required to make a down payment, but they must invest at least \$500 toward the mortgage costs. PMI is not required.

Marine made 39 loans for a total of \$722,275 under this program.

Footprints

MMC and the Community Alliance of Black Ministers cosponsor this housing program targeted to families with household incomes that are less than or equal to 80 percent of the HUD median income. The Alliance includes six churches, the Urban League of Rochester Minority Development Center, and Rochester area banks. In conjunction with the program, the FHLB offers \$228,750 in direct subsidies for 30 eligible Rochester households. The subsidies reduce mortgage costs, including down payment and closing costs. Loan terms are for 30 years with applicants' debts not to exceed 33 percent of income, excluding mortgage costs, or 41 percent of income including mortgage costs. The minimum down payment is 3 percent of the mortgage.

The Alliance provides home purchase and homeownership counseling through a series of meetings under the FHLB's First Home Club initiative. The borrower is obliged to become a member of the First Home Club and deposit a minimum savings amount for home purchase to receive the subsidies. Borrowers must provide a minimum cash investment equal to 25 percent of total closing costs. PMI is not required.

Marine made one loan of \$51,300 under this program.

Rochester Economic Development Corporation ("REDCO") and Community Commercial Development Partnership ("CCDP")

Marine participates in this program with six local banks and the city government. Loans are made to small businesses for working capital, inventory or equipment. These businesses generally are just starting up, ineligible for standard bank credit, or have limited collateral or credit experience. Marine provides a \$500 thousand line of credit to REDCO. In rotation, the bank will book those loans approved by the CCDP committee, which includes Marine officials, officials from other participating banks and city officials.

Marine made 13 loans under this program for a total of \$193,078.

INVESTMENT TEST

Qualified investments in this MSA totaled \$517 thousand or 3.5 percent of the investment activity in the assessment areas. Forty-eight percent of the investments were through a small business investment corporation that lends to and makes equity investments in small businesses. Additional investments included \$214 thousand in direct investments and grants to various organizations that support community services including a \$100 thousand deposit in a community development credit union. Additional grants were made to organizations that promoted affordable housing, economic development, and revitalization and stabilization.

SERVICE TEST

Accessibility of Delivery Systems

Marine's branch network was readily accessible to all portions of this MSA. Fourteen of the 53 branches (or 26 percent) are located in LMI tracts, which compares favorably with 33 percent of LMI tracts and the 20 percent of families in LMI geographies. Ontario County is included in the assessment area, but there are no branches there. Still, 127 HMDA-related loans and 77 small business and small farm loans were made in Ontario County.

ATMs

There are 55 in-branch ATMs (22 percent of which are in LMI tracts). Nine branches in this MSA do not have ATMs; three of these are located in LMI tracts. The bank maintained 11 off-site ATMs, 10 in Monroe County and 1 in Livingston County. Six of the Monroe County off-site ATMs are in LMI tracts.

Hours

All branches have extended hours on Thursdays and Fridays. Thirty-six of the offices, or 70 percent, have hours on Saturdays, including four offices in LMI tracts.

Loan Production Offices

The bank maintained one retail loan production office in Monroe County, which is not in an LMI area.

Opening and Closing of Branches

The bank added 16 branches in this MSA since the previous examination, two in LMI tracts. Twenty-one offices were acquired in the First Federal merger, three of which were consolidated into nearby Marine offices. Two Marine offices were consolidated into the First Federal branches. Only one office involved in these consolidations is in an LMI area.

Community Development Services

The bank sponsored or participated in 12 home buyer seminars and two credit counseling workshops. Bank employees also counseled 20 participants in the First Home Club resulting in the funding of six units.

Marine works with the Footprints Project, which offers two courses a year of eight sessions each for first time home buyers. The bank provided financial technical assistance to various community development, housing, economic and charitable groups that benefit LMI individuals and small businesses.

MSA 0160 (ALBANY-SCHENECTADY-TROY, NY)

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MSA 0160
(ALBANY-SCHENECTADY-TROY, NY)**

Overall, performance in the MSA was good, based on the following summary conclusions:

- The overall distribution of loans across census tracts of different income levels in this MSA was adequate, and the geographic distribution of small business loans was excellent.
- The distribution of loans reflects good penetration among borrowers of different income levels and excellent distribution of loans to businesses of different sizes.
- The bank's delivery systems were accessible to essentially all portions of this MSA.

DESCRIPTION OF INSTITUTION'S OPERATIONS

As of June 30, 1998, Marine maintained 19 branches in this MSA: nine in Albany County, five in Rensselaer County, three in Saratoga County, one in Schenectady County, and one in Montgomery County. The assessment area in this MSA encompasses the counties of Albany, Schenectady, Rensselaer and Saratoga, and the eastern half of Montgomery County. The MSA contains 5 percent of the bank's total number of branches and \$619 million in deposits, which is 2.9 percent of total branch deposits. Of the total branches and deposits in the MSA, 47 percent of branches and 45 percent of deposits were in Albany County.

During the examination period, 2,192 HMDA-related loans were originated, which represent 8 percent of all such loans originated in all of the bank's assessment areas. A significant portion of these HMDA-related loans (1,447 loans or 66 percent) were home improvement loans. Small business and small farm loan originations totaled 1,438 or 5 percent of such loans in all Marine's assessment areas.

DESCRIPTION OF THE ASSESSMENT AREA

Performance Context

Demographic Characteristics

According to the 1990 Census, this assessment area has a population of approximately 816 thousand, which represents 5 percent of the bank's total assessment area population. The HMDA-related loan analyses considered 202 census tracts, of which 50, or approximately 25 percent, are LMI tracts. Albany and Saratoga Counties are primarily composed of middle- and

upper-income census tracts. The census tracts in Schenectady and Montgomery Counties are largely moderate- and middle-income, while those in Rensselaer County are primarily middle-income. In 1990, 20 percent of the population and 18 percent of the assessment area's 210 thousand families resided in LMI tracts.

Income Characteristics

The 1990 median family income for the MSA is \$39,425, which is slightly lower than the New York State median family income of \$39,741. The 1998 HUD-adjusted median family income for the MSA is \$47,400. In 1990, 75 thousand or 36 percent of families were in LMI categories.

Housing Characteristics

Of the 340,855 housing units in the assessment area, 199,416 or 58.5 percent, are owner-occupied, and 114,582 or 33.6 percent, are rental units. Single-family dwellings with one to four units account for 55.9 percent of total units, compared with 13 percent of multifamily structures with five or more units. The 1990 median housing value for the assessment area is \$100,056, lower than the state median value of \$130,351. The gross median rent of \$461 is lower than the state's median rent of \$486. Forty-six percent of the housing stock was built prior to 1950, just below the state figure of 47.1 percent.

Labor, Employment and Economic Characteristics

From 1992-1996, manufacturing jobs in the MSA declined 11.5 percent, and retail and wholesale trade jobs increased 8 percent. Wholesale trade also increased. The unemployment rate (as of June 1998) is 3.9 percent, one of the lowest rates in the state. Compared with the June 1997 unemployment rate of 3.5 percent, employment in this MSA has been relatively stable.

LENDING TEST

Geographic Distribution of Lending

The overall distribution of loans across census tracts of different income levels in the MSA was adequate. Despite the overall adequate performance, the geographic distribution of small business loans was good. The distribution of home purchase loans was poor.

Home Purchase Loans

The overall geographic distribution of home purchase loans was poor. Loan activity on a demand-adjusted basis was 2 times greater in non-LMI census tracts. Despite the overall poor performance, distribution was excellent in Rensselaer and Montgomery Counties. On a demand-adjusted basis, Marine ranked fifth of six peer banks in 1997 home purchase lending in the MSA's LMI census tracts. Marine's demand-adjusted penetration in LMI census tracts in the same year was less than that of the aggregate lenders in the MSA.

Refinance Loans

The overall geographic distribution of refinancings was adequate. Loan activity on a demand-adjusted basis was 1.7 times greater in non-LMI census tracts. Distribution was excellent in Rensselaer and Saratoga Counties. Poor performance was noted in Albany and Schenectady Counties. On a demand-adjusted basis, the bank ranked second of six peer banks in refinance loan penetration in LMI census tracts within the MSA in 1997. That same year, Marine's demand-adjusted penetration in LMI census tracts was comparable with that of the aggregate lenders in the MSA.

Home Improvement Loans

The overall geographic distribution of home improvement loans was adequate. Loan activity on a demand-adjusted basis was 2.2 times greater in non-LMI census tracts. Distribution was excellent in Rensselaer County and poor in Albany and Saratoga Counties. On a demand-adjusted basis, Marine ranked fourth of six peer banks in home improvement lending in the MSA's LMI census tracts in 1997. The bank's demand-adjusted penetration in LMI census tracts for the same year was less than that of the aggregate lenders in the MSA.

Small Business Loans

The overall geographic distribution of small business loans was good. Loan activity on a demand-adjusted basis was 1.2 times greater in non-LMI census tracts. Despite the overall good performance, distribution was poor in Saratoga County and adequate in Schenectady County. On a demand-adjusted basis, Marine in 1997 ranked first of six peer banks in originations of small business loans in the MSA's LMI census tracts. Marine's demand-adjusted penetration in LMI census tracts for the same year was greater than that of the aggregate lenders in the MSA.

Borrower Characteristics

Overall, distribution of loans reflects good penetration among borrowers of different income levels and excellent distribution of loans to businesses of different sizes. Lending to low-income and moderate-income borrowers was good.

HMDA-related Loans

Overall, the distribution of loans across borrower income levels was good for LMI borrowers. While 19 percent of the MSA's families are of moderate income, 21 percent of home purchase, 9 percent of refinance, and 18 percent of home improvement loans were made to moderate-income borrowers. While 17 percent of families are of low income, only 3 percent of home purchase, 2 percent of refinance, and 7 percent of home improvement loans were made to low-income borrowers.

The bank placed third among six peers in the percentage of home purchase loans made to LMI borrowers, and sixth in the percentage of both refinancings and home improvement loans. While

home improvement and refinance lending to LMI borrowers remained constant since the previous examination, home purchase lending increased 43 percent.

Demographic information shows the difficulty in extending home purchase loans and refinancings to low-income borrowers in volumes that reflect the percentage of low-income families in the MSA. The low level of originations to low-income borrowers is the result of the high cost of housing in relation to the income of low-income borrowers. The performance of similarly situated lenders in lending to low-income borrowers supports the conclusion that lenders generally have a difficult time making home purchase loans and refinancings to low-income borrowers.

Small Business Loans

The distribution of loans to businesses of different sizes was excellent. Of the 1,438 small business loans made in this MSA, 1,130 of them, or 79 percent, were for loan amounts less than or equal to \$100 thousand. The average size of the originations in this category was approximately \$31 thousand, indicating the bank's responsiveness to the credit needs of very small businesses.

Approximately 58 percent of Marine's small business loans were made to businesses with reportable GAR of \$1 million or less in the MSA. This percentage compares favorably with the performance of the aggregate, which makes 49 percent of its loans to businesses of this size. Approximately 84 percent of business establishments in this MSA have GAR of \$1 million or less. Marine ranked second among six peers in the percentage of small business loans made to businesses of this size.

Community Development Lending

Marine's community development lending in the MSA totaled \$7.9 million compared with \$8.3 million at the previous examination. Lending activities in support of economic development totaled \$6.3 million or 80 percent of the MSA's community development lending. Affordable housing initiatives totaled \$1.4 million or 18 percent of the MSA's community development lending, while community service initiatives totaled \$200 thousand or 2 percent of the MSA's community development lending.

INVESTMENT TEST

Qualified investments totaled \$86 thousand or less than 1 percent of the total investment activity for the bank. Fifty-eight percent was targeted for economic development in a multi-bank CDC that lends to small businesses in LMI areas. The remaining investments were grants made to various organizations that promote affordable housing, economic development, and community service.

SERVICE TEST

Accessibility of Delivery Systems

The branch network was accessible to essentially all portions of this MSA. Of the 19 branches, 5 or 26 percent are located in LMI tracts, which compares favorably with the 25 percent LMI tracts and the 18 percent of families residing in LMI geographies.

ATMs

There are 18 in-branch ATMs; 22 percent of them are in LMI areas. Three branches in this MSA do not have ATMs; none are in an LMI tract. The bank maintained three off-site ATMs, two in Albany County and one in Rensselaer County. None are in an LMI tract.

Hours

Each branch maintains extended hours on Thursdays and Fridays, and 8 or 42 percent maintain Saturday hours, including one in an LMI tract.

Loan Production Offices

The bank's single retail loan production office in this MSA is in an LMI area of Albany County.

Opening and Closing of Branches

No branches were opened or closed since the previous examination.

Community Development Services

Marine provided a high level of community development services to LMI individuals and small businesses in this MSA. During the examination period, the bank sponsored or participated in 15 small business seminars and workshops dealing with business financing. Marine also participated in 12 home improvement seminars in cooperation with 13 community groups. Financial technical assistance was provided to 15 economic development and affordable housing groups that benefit LMI individuals and small businesses, such as the Albany County Rural Housing Alliance and United Tenants of Albany, Inc.

MSA 8160 (SYRACUSE, NY)

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MSA 8160 (SYRACUSE, NY)

Overall, performance in the MSA was good, based on the following summary conclusions:

- The overall distribution of loans across census tracts of different income levels was good.
- The distribution of loans reflects good penetration among borrowers of different income levels and to businesses of different sizes.
- The bank's delivery systems were accessible to essentially all portions of the MSA.

DESCRIPTION OF INSTITUTION'S OPERATIONS

Marine's assessment area in this MSA consists of Madison, Onondaga and Oswego Counties, and the northern portion of Cayuga County. As of June 30, 1998, Marine maintained 22 branches in this MSA, with 17 of them located in Onondaga County. The MSA contains 6 percent of the bank's overall branch network. These branches had \$1 billion in deposits, which is 4.8 percent of total branch deposits.

During the examination period, 2,064 HMDA-related loans were originated, representing 7 percent of all such loans originated in the bank's assessment area. Fifty-seven percent, or 1,163, were home improvement loans. Small business loan and small farm originations totaled 1,999 or 7 percent of all such originations for the examination period.

DESCRIPTION OF THE ASSESSMENT AREA

Performance Context

Demographic Characteristics

The assessment area has a population of 716,117 or 96 percent of the total population of the MSA. In 1990, the MSA had 4 percent of the state population and 4 percent of the statewide assessment area population. Of the assessment area's 200 census tracts, 50 (or 25 percent) are LMI. In 1990, 148 thousand or 21 percent of the population and 18 percent of the 183 thousand families in the MSA resided in LMI tracts.

Income Characteristics

The 1990 Census figure for median family income is \$36,672 while the 1998 HUD-adjusted median family income is \$44,500. The state median family income for 1998 is \$46 thousand. In 1990, 67 thousand or 37 percent of families were in the LMI categories.

Housing Characteristics

Of the 289 thousand housing units in the assessment area, 176 thousand or 61 percent are owner-occupied, and 89 thousand or 31 percent are rental. Sixty-two percent of the MSA's total housing stock is single-family, and 45 thousand or 16 percent of the total units are in the multifamily category (five or more units). Forty-seven percent of the multifamily housing is located in LMI tracts, one of the highest percentages in the northern assessment area.

Forty-one percent of the housing was built before 1950. In Cayuga County, 61 percent of the housing stock in the city of Auburn is at least 45 years old. In Onondaga County, 53 percent of the housing in Syracuse was built before 1939.

According to the 1990 Census, the median value of housing is \$75,399 and the median gross rent is \$428; both rates are lower than the state figures of \$130 thousand and \$486, respectively. Considering the 1990 median family income of \$36,672, housing is reasonably affordable for all but low-income families. According to community contacts and the Consolidated Plans for the counties and several municipalities, affordable housing rehabilitation options are needed for both individual homeowners and investors.

Labor, Employment and Economic Characteristics

The services industry is this MSA's dominant industry, providing 31 percent of the employment in 1995. Retail trade is the second largest source of jobs, and government is third although it has been losing jobs since 1991. Manufacturing is still a major employer, registering some growth in 1994 and 1995. The presence of these industries breaks down the same way in all the MSA's counties except Onondaga, where manufacturing maintains third place. The city of Syracuse in Onondaga County is a major transportation hub and center for the distribution of goods and services. Hancock International Airport, Syracuse University, and a broad base of industrial and technological companies are located in Syracuse.

Cayuga County is basically suburban in nature with many of its workers commuting to nearby Syracuse. Fifty-seven percent of this county is farmland, but less than 1 percent of the workforce is employed in agriculture.

Between 1992 and 1996, employment in the MSA increased, mainly in the construction and FIRE (finance, insurance and real estate) industries. Service sector employment increased in the same period. Expansion in area software development companies has contributed to recent economic growth.

The June 1997 unemployment rate for the MSA is 4 percent (compared with the state rate of 6.2 percent). Onondaga County has the lowest rate at 3.4 percent, while Madison and Cayuga Counties both have approximately 4 percent unemployment. Oswego County, with approximately 6 percent unemployment, has one of the highest unemployment rates in the northern part of the state. By June 1998, all MSA counties except Oswego registered slight increases in the unemployment rate for a composite rate of 4.3 percent.

LENDING TEST

Geographic Distribution of Lending

The overall distribution of loans across census tracts of different income levels in this MSA was good. Despite the overall good performance, the geographic distribution of home purchase and home improvement loans was poor.

Home Purchase Loans

The overall geographic distribution of home purchase loans was poor. Loan activity on a demand-adjusted basis was 1.8 times greater in non-LMI census tracts. Despite the overall poor performance, distribution was excellent in Cayuga and Madison Counties. On a demand-adjusted basis, Marine ranked fifth of five peer banks in home purchase lending in the MSA's LMI census tracts in 1997. For the same year, the bank's demand-adjusted penetration in LMI census tracts was less than that of the aggregate lenders in the MSA.

Refinance Loans

The overall geographic distribution of refinancings was good. Loan activity on a demand-adjusted basis was 1.7 times greater in non-LMI census tracts. Distribution was excellent in three of the four counties in the MSA; however, poor distribution was noted in Onondaga County. On a demand-adjusted basis, the bank ranked first of five peer banks in refinance loan activity in LMI census tracts in the MSA in 1997. Marine's demand-adjusted penetration in LMI census tracts in the same year was less than that of the MSA's aggregate lenders.

Home Improvement Loans

The overall geographic distribution of home improvement loans was poor. Loan activity on a demand-adjusted basis was 1.8 times greater in non-LMI census tracts. Despite the overall poor performance, distribution was good in Oswego and Cayuga Counties. On a demand-adjusted basis, Marine ranked fifth of five peer banks in home improvement loan activity in LMI census tracts in the MSA in 1997. Also in that year, the bank's demand-adjusted penetration in LMI census tracts was less than that of the aggregate lenders in the MSA.

Small Business Loans

The overall geographic distribution of small business loans was excellent. Demand-adjusted penetration in LMI census tracts was greater than the penetration in non-LMI census tracts. Loan activity on a demand-adjusted basis was 1 times greater in LMI census tracts. On a demand-adjusted basis, Marine ranked first of six peer banks in small business loan originations in LMI census tracts within the MSA in 1997. For the same year, the bank's demand-adjusted penetration in LMI census tracts was greater than that of the aggregate lenders in the MSA.

Borrower Characteristics

Overall, distribution of loans reflects good penetration among both borrowers of different income levels and businesses of different sizes. Lending to moderate-income borrowers was good, and lending to low-income borrowers was adequate.

HMDA-related Loans

Overall, the distribution of loans across borrower income levels was good for moderate-income borrowers and adequate for low-income borrowers. In this MSA 18 percent of families are of moderate income, and 18 percent of home purchase, 13 percent of refinance, and 18 percent of home improvement loans were made to moderate-income borrowers. Although 19 percent of families in this MSA are of low income, only 3 percent of home purchase, 3 percent of refinance, and 9 percent of home improvement loans were made to low-income borrowers.

Demographic information reveals the difficulty in extending home purchase loans and refinancings to low-income borrowers in volumes that reflect the percentage of low-income families in the MSA. The low level of originations to low-income borrowers is the result of the high cost of housing in relation to the income of low-income borrowers. Marine trailed most of the similarly situated peer institutions in volume of home purchase loans and refinancings made to low-income borrowers. In contrast, the bank outperformed most of its peers in the volume of home improvement loans made.

Marine placed fifth among five peers in the percentage of home purchase loans made to LMI borrowers and fourth for refinancings and home improvement loans.

When compared with other MSAs in the bank's assessment areas, the demographics reveal that homeownership is attainable for moderate-income borrowers because of the lower cost of housing in comparison with borrower income in this MSA.

Marine's HMDA-related lending in the MSA decreased 16 percent since the previous examination. The largest decrease occurred in home improvement lending.

Small Business Loans

The distribution of loans to businesses of different sizes was good. Of the 1,999 small business loans made in this MSA, 1,457, or 73 percent, were for loan amounts less than or equal to

\$100 thousand. The average size of the originations in this category was approximately \$27 thousand, indicating the bank's responsiveness to the credit needs of very small businesses.

Approximately 47 percent of Marine's small business loans were made to businesses with reportable GAR of \$1 million or less in the MSA. This percentage compares favorably with the performance of aggregate lenders, which made 45 percent of loans to businesses of this size. Approximately 83 percent of business establishments in this MSA have GAR of \$1 million or less. Marine ranked second among six peers in the percentage of loans to small businesses of this size.

Community Development Lending

Marine's community development lending in the MSA totaled \$614 thousand, all of which was indirect financing in support of affordable housing, and 76 housing units were constructed or rehabilitated. At the previous examination, community development lending totaled \$665 thousand.

Innovative and Flexible Lending Products

In addition to the products and programs listed on page BB14 in the general conclusions section, Marine offered the following flexible affordable housing programs exclusively in this assessment area:

Syracuse Area Small Business Loan Program

In conjunction with several local banks, Marine works with the Syracuse Chamber of Commerce to provide loans to small businesses. Eligible businesses include start-ups, those with limited credit experience, and those that would otherwise not qualify for a conventional bank loan. Loans are made for working capital, equipment, inventory, or façade enhancement. While the Chamber of Commerce receives, evaluates and underwrites the applications, each participating bank books approved loans in rotation. Under this program, Marine agreed to make up to \$250 thousand of credit available annually.

Marine made eight loans under this program totaling \$293 thousand during this examination period.

INVESTMENT TEST

Investments in the MSA consisted of \$38 thousand in grants to organizations promoting affordable housing, economic development and community services. Qualified investments were less than 1 percent of the investment activity in the assessment area.

SERVICE TEST

Accessibility of Delivery Systems

The branch network was accessible to essentially all portions of the MSA. Of the 22 branches, 6 or 27 percent are located in LMI tracts. This compares favorably with the 25 percent of LMI census tracts and the 18 percent of families that reside in LMI geographies.

ATMs

There are 23 in-branch ATMs (30 percent located in LMI tracts). Three of the branches do not have ATMs; one is in a moderate-income tract. The bank maintained ten off-site ATMs, eight in Onondaga County and one each in Oswego and Cayuga Counties. Five of the off-site ATMs in Onondaga County are in LMI tracts.

Hours

All branches maintain extended hours on Fridays. The branches in Onondaga and Oswego Counties also have extended hours on Thursday, and six of the branches (or 27 percent) have Saturday hours, including two in LMI tracts. One office in a middle-income tract in Syracuse is open on Sundays.

Loan Production Offices

The bank maintained one retail loan production office in a non-LMI area in Onondaga County.

Opening and Closing of Branches

Two branches were acquired in the First Federal merger; neither is in an LMI area. One branch remains open; the other was consolidated into an existing Marine branch that is within 1,200 feet. No other offices were opened or closed.

Community Development Services

Marine provided an adequate level of community development services in this MSA (Syracuse, NY). During the examination period, the bank participated in the previously noted Syracuse Area Small Business Loan Program. Marine sponsored three home buyer seminars and provided counseling in cooperation with 20 community groups. The bank provided technical assistance to 11 economic development and housing groups benefiting LMI individuals and small businesses, such as Syracuse NHS and Cons Credit Counseling Service.

As stated in the Scope of Examination comments on page BB9, the following conclusions discuss Marine's general level of performance in its remaining assessment areas. These PMSAs, MSAs and Non-MSAs contain approximately 14 percent of the assessment areas' population, 9 percent of the population living in LMI geographies, 13 percent of deposits and 22 percent of the bank's branches. At this examination, the following assessment areas also represent 13 percent of home purchase loans, 16 percent of refinancings, 27 percent of home improvement loans and 14 percent of small business loans.

Information about the geographic distribution of loans, the distribution of loans among borrowers of different income levels and businesses of different sizes, and the accessibility of the bank's services can be found in the Exhibits section of this report. Also, the exhibits for community development lending and qualified investments detail activity in these assessment areas, if it exists. Regulation BB does not require an institution to make community development loans or qualified investments in all assessment areas. Therefore, a lack of this activity in a particular assessment area does not detract from the evaluation of the assessment area or the bank as a whole.

NON-MSA GROUP 1

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NON-MSA GROUP 1 (CLINTON, FRANKLIN, JEFFERSON, LEWIS, ST. LAWRENCE, ESSEX, HAMILTON COUNTIES)

Performance in this area was generally consistent with the bank's overall performance.

DESCRIPTION OF INSTITUTION'S OPERATIONS

Non-MSA 1 in northeastern New York State includes the counties of Clinton, Franklin, Jefferson, Lewis and St. Lawrence, and parts of Essex and Hamilton Counties. As of June 30, 1998, the bank maintained 15 (4 percent) of its total branches in this non-MSA. These branches contained approximately \$573 million or 2.7 percent of the bank's total deposits. Most of the branches are located in Jefferson County. There are no branches in Essex County. No branches were opened or closed since the previous examination (as of November 4, 1996).

During the examination period, Marine originated 1,049 HMDA-related loans and 2,242 small business and small farm loans (62 percent were small farm) in the Non-MSA. This activity represents 5.7 percent of such loan originations by the bank in the combined assessment areas. Approximately 34 percent of the loans originated in Non-MSA 1 were in Jefferson County.

DESCRIPTION OF THE ASSESSMENT AREA

According to the 1990 Census, the population in this Non-MSA is 395 thousand with 28 percent residing in St. Lawrence County. Of the 97 BNAs (block numbering areas) considered for analysis, 26 (or 27 percent) are LMI. There are approximately 88 thousand owner-occupied

housing units in the assessment area; 18 percent are located in LMI BNAs. The 1998 HUD median family income is \$38 thousand, and the June 1998 unemployment rate is 6.2 percent.

NON-MSA GROUP 2

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NON-MSA GROUP 2 (CORTLAND, SULLIVAN, TOMPKINS, CHENANGO, DELAWARE, GREENE, OTSEGO, SCHUYLER, ULSTER COUNTIES)

Performance in this area was generally consistent with the bank's overall performance. However, the geographic distribution of home improvement loans in the assessment area was considerably weaker than Marine's overall performance. Conversely, the geographic distribution of refinancings was excellent. HMDA-related lending to low-income individuals was poor. Lending activity in this Non-MSA represents only 2 percent of the bank's overall lending activity; therefore, the performance had little material impact on the bank's overall rating.

DESCRIPTION OF INSTITUTION'S OPERATIONS

Non-MSA 2 includes Cortland, Sullivan and Tompkins Counties, and parts of Chenango, Delaware, Greene, Otsego, Schuyler and Ulster Counties. As of June 30, 1998, the bank maintained 12 branches in this Non-MSA, representing 3 percent of the bank's total number of branches. These branches contained \$348 million in deposits or 1.6 percent of the bank's total deposits. Most of the branches are located in Tompkins and Sullivan Counties (three in each county). No branches were opened or closed since the previous examination.

During the examination period, Marine originated 581 HMDA-related loans and 613 small business and small farm loans (18 percent small farm) in the Non-MSA. This activity represents 2 percent of total loan originations in the bank's combined assessment areas. Approximately 28 percent of the loans originated in this Non-MSA were in Sullivan County.

DESCRIPTION OF THE ASSESSMENT AREA

According to the 1990 Census, the total population is 451 thousand, with 37 percent residing in Ulster County. Of the 119 BNAs, 7 (6 percent) are LMI. There are approximately 108 thousand owner-occupied housing units of which only 2 percent are located in LMI BNAs. The 1998 HUD median family income is \$38 thousand, and the June 1998 unemployment rate is 6.2 percent.

NON-MSA GROUP 3

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NON-MSA GROUP 3 (CATTARAUGUS, WYOMING COUNTIES)

Performance in this Non-MSA was below the bank's overall performance, with poor geographic distribution of all HMDA-related and small business loans. The distribution of refinancings reflects poor penetration among borrowers of different income levels. The lending activity in this

Non-MSA represents less than 1 percent of the bank's overall lending and had little impact on the bank's overall performance.

DESCRIPTION OF INSTITUTION'S OPERATIONS

Non-MSA 3 includes portions of Cattaraugus and Wyoming Counties. As of June 30, 1998, the bank maintained three branches in this Non-MSA, containing \$114 million in deposits or .5 percent of the bank's total deposits. Two of the three branches are located in Cattaraugus County. No branches were opened or closed since the previous examination.

During the examination period, Marine originated 262 HMDA-related loans and 143 small business and small farm loans (36 percent small farm). This activity represents .7 percent of such loan originations by the bank. Approximately 68 percent of the loans originated were in Cattaraugus County.

DESCRIPTION OF THE ASSESSMENT AREA

According to the 1990 Census, Non-MSA 3's total population is 60 thousand, which represents .3 percent of the assessment areas' population. Of the 15 BNAs considered for analysis, 3 are LMI. There are 15 thousand owner-occupied housing units in the assessment area of which 12 percent are located in the LMI BNAs. The 1998 HUD median family income is \$38 thousand, and the unemployment rate is 6.2 percent.

MSA 8680 (UTICA-ROME, NY)

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MSA 8680 (UTICA-ROME, NY)

Performance in this MSA exceeded the bank's overall performance. The distribution of loans across census tracts of different income levels was excellent for all HMDA-related products. Refinance lending to moderate-income borrowers was poor, however.

DESCRIPTION OF INSTITUTION'S OPERATIONS

This MSA consists of Herkimer and Oneida Counties. As of June 30, 1998, Marine maintained 11 branches in the MSA, or 3 percent of the bank's total number of branches. These branches had \$421 million in deposits, or approximately 2 percent of total branch deposits. Of the total deposits in the MSA, 82 percent were in Oneida County, which also contains 9 of the 11 branches. During the examination period, one branch was consolidated into a nearby existing branch.

The bank originated 625 HMDA-related loans and 641 small business and small farm loans in the MSA, which represent 2 percent of all such loans in the bank's total assessment areas.

DESCRIPTION OF THE ASSESSMENT AREA

According to the 1990 Census, the MSA's population is 317 thousand, which represents 1.8 percent of the assessment areas' total population. Of the 98 census tracts considered for analysis, 26 tracts, or 27 percent, are LMI. There are approximately 78 thousand owner-occupied housing units in the MSA of which 8,600 (11 percent) are located in LMI census tracts. The 1998 HUD median family income for this MSA is \$37.7 thousand, and the unemployment rate is 4.6 percent.

PMSA 5660 (NEWBURGH, NY)

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN PMSA 5660 (NEWBURGH, NY)

Performance in this PMSA was below the bank's overall performance. The distribution of home purchase and small business loans across census tracts of different income levels was poor. Both refinance lending to moderate-income borrowers and HMDA-related lending to low-income borrowers were poor. The lending activity in this PMSA constitutes approximately 1 percent of the bank's overall lending and had little impact on the bank's overall performance.

DESCRIPTION OF INSTITUTION'S OPERATIONS

This PMSA consists of Orange County in southern New York State. As of June 30, 1998, Marine maintained five branches here, or 1 percent of the bank's total branch network. These branches had \$176 million in deposits, or less than 1 percent of total branch deposits. The bank originated 452 HMDA-related loans, and 278 small business loans and small farm loans in the PMSA, which represent 1.3 percent of all such loans in the assessment areas.

DESCRIPTION OF THE ASSESSMENT AREA

According to the 1990 Census, the PMSA's population is 308 thousand, which represents 1.8 percent of the total population in the assessment areas. Of the 66 census tracts considered for analysis, 14, or 21 percent, are LMI. Of the approximately 68 thousand owner-occupied housing units in the PMSA, 7 thousand or 10 percent are located in LMI census tracts. The 1998 HUD median family income for the PMSA is \$52.5 thousand, and the unemployment rate as of June 1998 is 3.9 percent.

MSA 0960 (BINGHAMTON, NY)

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MSA 0960 (BINGHAMTON, NY)

Performance in this MSA was generally consistent with Marine's overall performance. However, the geographic distribution of refinancings was weaker than the bank's overall performance.

Refinance lending to moderate-income borrowers was also poor. The lending activity was less than 2 percent of the bank's overall lending and had little impact on the bank's overall performance.

DESCRIPTION OF INSTITUTION'S OPERATIONS

This MSA includes Broome and Tioga Counties. As of June 30, 1998, Marine maintained 15 branches in this MSA, 13 in Broome County and 2 in Tioga County, representing 4 percent of the bank's entire branch network. The branches contained \$396 million in deposits, or 1.9 percent of total branch deposits. The bank originated 553 HMDA-related loans, and 378 small business and small farm loans in the MSA, which represent 1.7 percent of all such loans in the assessment areas.

DESCRIPTION OF THE ASSESSMENT AREA

According to the 1990 Census, the MSA population is 265 thousand, which represents 1.5 percent of the total population in the assessment areas. Of the 65 census tracts considered for analysis, 18, or 28 percent, are LMI. There are approximately 68 thousand owner-occupied housing units in the assessment area of which 10 thousand (15 percent) are located in LMI census tracts. The 1998 HUD median family income for the MSA is \$41.2 thousand, and the unemployment rate as of June 1998 is 3.5 percent.

PMSA 2281 (DUTCHESS COUNTY, NY)

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN PMSA 2281 (DUTCHESS COUNTY, NY)

Performance in this PMSA was generally consistent with Marine's overall performance. However, the geographic distribution of refinancings in the MSA was weaker than the bank's overall performance. The lending activity here accounted for 1.5 percent of the bank's overall lending and had little impact on the bank's overall performance.

DESCRIPTION OF INSTITUTION'S OPERATIONS

The PMSA includes Dutchess County, located in southern New York State. As of June 30, 1998, Marine maintained seven branches here, or 1.8 percent of the bank's total branch network. The branches' deposits totaled \$250 million, or 1.2 percent of total branch deposits. The bank originated 473 HMDA-related loans, and 380 small business and small farm loans in the PMSA, which represent 1.5 percent of all such loans in the bank's total assessment areas.

DESCRIPTION OF THE ASSESSMENT AREA

According to the 1990 Census, the PMSA population is 259 thousand, which represents 1.5 percent of the population in the assessment areas. Of the 68 census tracts considered for analysis, 16, or 24 percent, are LMI. The PMSA has approximately 62 thousand owner-occupied housing units, of which 6 thousand (11 percent) are located in LMI census tracts. The 1998 HUD

median family income for the PMSA is \$56.6 thousand, and the unemployment rate as of June 1998 is 3.3 percent.

MSA 3610 (JAMESTOWN, NY)

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MSA 3610 (JAMESTOWN, NY)

Performance in this MSA was generally consistent with the bank's overall performance. However, the geographic distribution of refinancings in the MSA was weaker than the bank's overall performance, and HMDA-related lending to low-income borrowers was poor.

DESCRIPTION OF INSTITUTION'S OPERATIONS

The Jamestown MSA consists of Chautauqua County in southwestern New York State. As of June 30, 1998, Marine maintained eight branches in this MSA, representing 2 percent of the bank's overall branch network. The branches' total deposits were \$262 million, or 1.2 percent of total branch deposits. The bank originated 695 HMDA-related loans and 539 small business and small farm loans in the MSA, which represent 2.1 percent of all such loans in the assessment areas.

DESCRIPTION OF THE ASSESSMENT AREA

According to the 1990 Census, the MSA population is 142 thousand, or less than 1 percent of the total population in the assessment areas. Of the 33 census tracts considered for analysis, 5, or 15 percent, are LMI. Of the approximately 37 thousand owner-occupied housing units in the MSA, 3,300 (.9 percent) are located in LMI census tracts. The 1998 HUD median family income for the MSA is \$36.3 thousand, and the unemployment rate as of June 1998 is 5.1 percent.

MSA 2335 (ELMIRA, NY)

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MSA 2335 (ELMIRA, NY)

Performance in this MSA was generally consistent with the bank's overall performance. However, the geographic distribution of refinancings in the MSA was considerably stronger than the bank's overall performance, and HMDA-related lending to low-income individuals was poor. The lending activity was less than 1 percent of the bank's overall lending and had little impact on the bank's overall performance.

DESCRIPTION OF INSTITUTION'S OPERATIONS

The MSA includes Chemung County. As of June 30, 1998, Marine maintained five branches in this MSA, which is 1.3 percent of the bank's total number of branches. These branches' deposits

totaled \$177 million, or .8 percent of total branch deposits. The bank originated 168 HMDA-related loans and 184 small business and small farm loans in the MSA, which is .6 percent of all such loans in the assessment areas.

DESCRIPTION OF THE ASSESSMENT AREA

According to the 1990 Census, the MSA population is 95 thousand, or .5 percent of the total population in the assessment areas. Of the 22 census tracts considered for analysis, 5 (or 22 percent) are LMI. The MSA has approximately 24 thousand owner-occupied housing units; 1,600 (or 7 percent) of units are located in LMI census tracts. The 1998 HUD median family income for the MSA is \$40.1 thousand, and the unemployment rate as of June 1998 is 4.4 percent.

MSA 2975 (GLENS FALLS, NY)

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MSA 2975 (GLENS FALLS, NY)

Performance in this MSA was below the bank's overall performance. The geographic distribution of home purchase, home improvement and small business loans was poor. Conversely, the geographic distribution of refinancings was stronger than the bank's overall performance. HMDA-related lending to low-income individuals was poor. Lending activity in the MSA was less than 1 percent of the bank's overall lending and had little impact on the bank's overall performance.

DESCRIPTION OF INSTITUTION'S OPERATIONS

The Glens Falls MSA includes portions of Warren and Washington Counties, located north of the Capital District. As of June 30, 1998, Marine maintained two branches in this MSA, or .5 percent of the bank's entire branch network. The branches' deposits totaled \$37 million, or .2 percent of total branch deposits. The bank originated 212 HMDA-related loans, and 73 small business and small farm loans in the MSA, which represent .5 percent of all such loans in the assessment areas.

DESCRIPTION OF THE ASSESSMENT AREA

According to the 1990 Census, the MSA's population is 87 thousand, or .5 percent of the total population in the assessment areas. Of the 25 census tracts considered for analysis, 1 (or 4 percent) is in an LMI tract. There are approximately 23 thousand owner-occupied housing units in the MSA of which 541 (2 percent) are located in LMI census tracts. The 1998 HUD median family income for the MSA is \$39.9 thousand, and the June 1998 unemployment rate is 4.7 percent.

EXHIBITS

EXHIBIT 1

Summary of Lending In & Out of Assessment Area

September 1, 1996 - June 30, 1998

Loan Purpose	In Assessment Area				Out of Assessment Area				TOTALS	
	# of Loans	% of Total	\$ Amt. of Loans ('000s)	% of Total	# of Loans	% of Total	\$ Amt. of Loans ('000s)	% of Total	# of Loans	\$ Amt. of Loans ('000s)
MMB Home Purchase	333	39.27%	\$26,162	22.08%	515	60.73%	\$92,318	77.92%	848	\$118,480
MMB Refinancing	564	35.21%	\$28,185	10.56%	1,038	64.79%	\$238,807	89.44%	1,602	\$266,992
MMB Home Improvement	6,845	94.99%	\$45,100	93.70%	361	5.01%	\$3,032	6.30%	7,206	\$48,132
MMB Multifamily	98	86.73%	\$125,070	90.27%	15	13.27%	\$13,475	9.73%	113	\$138,545
Total MMB HMDA	7,840	80.25%	\$224,517	39.24%	1,929	19.75%	\$347,632	60.76%	9,769	\$572,149
MMB Small Business	26,482	87.50%	\$3,234,380	78.96%	3,783	12.50%	\$861,750	21.04%	30,265	\$4,096,130
MMB Small Farm	1,994	86.28%	\$113,504	96.27%	317	13.72%	\$4,400	3.73%	2,311	\$117,904
Total MMB Small Business/ Small Farms	28,476	87.41%	\$3,347,884	79.45%	4,100	12.59%	\$866,150	20.55%	32,576	\$4,214,034
Total MMB HMDA/Small Business/Small Farms *	36,316	85.76%	\$3,572,401	74.64%	6,029	14.24%	\$1,213,782	25.36%	42,345	\$4,786,183
MMC Home Purchase	11,088	58.23%	\$1,353,426	46.74%	7,953	41.77%	\$1,542,135	53.26%	19,041	\$2,895,561
MMC Refinancing	10,185	41.79%	\$1,158,530	27.12%	14,189	58.21%	\$3,112,814	72.88%	24,374	\$4,271,344
Total MMC HMDA	21,273	49.00%	\$2,511,956	35.05%	22,142	51.00%	\$4,654,949	64.95%	43,415	\$7,166,905
TOTALS MMB & MMC **	57,589	67.15%	\$6,084,357	50.90%	28,171	32.85%	\$5,868,731	49.10%	85,760	\$11,953,088

* Totals used to analyze the "bank only" loans in/out of assessment area

** Totals reflect both Marine Midland Bank ("MMB") and affiliate Marine Midland Mortgage Corporation ("MMC") lending

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EXHIBIT 12

Summary of Community Development Lending

Assessment Area	Commitment ('000s)	%	Outstanding ('000s)	%	New Money ('000s)	%	Housing Units
PMSA 5600 (New York, NY)	\$83,022	60%	\$51,568	55%	\$59,689	70%	2,807
PMSA 5380 (Nassau-Suffolk, NY)	\$1,441	1%	\$376	0%	\$1,100	1%	0
MSA 1280 (Buffalo-Niagara Falls, NY)	\$12,264	9%	\$11,195	12%	\$4,053	5%	0
MSA 6840 (Rochester, NY) *	\$14,923	11%	\$13,056	14%	\$11,530	13%	634
MSA 0160 (Albany-Schenectady-Troy, NY) *	\$7,943	6%	\$7,593	8%	\$350	0%	0
MSA 8160 (Syracuse, NY) *	\$614	0%	\$179	0%	\$435	1%	76
Non-MSAs (Jefferson & Clinton, NY)	\$7,971	6%	\$6,971	7%	\$1,000	1%	0
MSA 8680 (Utica-Rome, NY)	\$300	0%	\$300	0%	\$75	0%	0
PMSA 5660 (Newburgh, NY-PA) *	\$0	0%	\$0	0%	\$0	0%	0
MSA 0960 (Binghamton, NY)	\$1,397	1%	\$1,397	2%	\$0	0%	0
PMSA 2281 (Dutchess, NY)	\$75	0%	\$0	0%	\$75	0%	0
MSA 3610 (Jamestown, NY)	\$200	0%	\$35	0%	\$100	0%	0
MSA 2335 (Elmira, NY)	\$0	0%	\$0	0%	\$0	0%	0
Statewide	\$7,500	6%	\$1,843	2%	\$7,500	9%	0
TOTALS	\$137,650	100%	\$94,513	100%	\$85,907	100%	3,517
Subtotal Direct Activity	\$112,158	81%	\$84,219	89%	\$72,081	84%	2,876
Subtotal Indirect Activity	\$25,492	19%	\$10,294	11%	\$13,826	16%	641
TOTAL ACTIVITY	\$137,650	100%	\$94,513	100%	\$85,907	100%	3,517
Affordable Housing ("AH")	\$82,422	60%	\$53,696	57%	\$57,972	67%	3,517
Community Services ("CS")	\$11,199	8%	\$5,069	5%	\$5,957	7%	0
Economic Development ("ED")	\$44,029	32%	\$35,748	38%	\$21,978	26%	0

* Partially delineated assessment areas

EXHIBIT 13

Summary of Qualified Investment Activity

Assessment Area	Commitment ('000s)	%	Outstanding ('000s)	%	Housing Units
Statewide	\$14,197	92%	\$14,197	92%	113
PMSA 5600 (New York, NY)	\$280	2%	\$280	2%	0
PMSA 5380 (Nassau-Suffolk, NY)	\$23	0%	\$23	0%	0
MSA 1280 (Buffalo-Niagara Falls, NY)	\$127	1%	\$127	1%	0
MSA 6840 (Rochester, NY)	\$517	3%	\$517	3%	0
MSA 0160 (Albany-Schenectady-Troy, NY)	\$86	1%	\$86	1%	0
MSA 8160 (Syracuse, NY)	\$38	0%	\$38	0%	0
Non-MSA Counties	\$39	0%	\$39	0%	0
MSA 8680 (Utica-Rome, NY)	\$15	0%	\$15	0%	0
PMSA 5660 (Newburgh, NY)	\$14	0%	\$14	0%	0
MSA 0960 (Binghamton, NY)	\$120	1%	\$120	1%	0
PMSA 2281 (Dutchess County, NY)	\$15	0%	\$15	0%	0
MSA 3610 (Jamestown, NY)	\$0	0%	\$0	0%	0
MSA 2335 (Elmira, NY)	\$4	0%	\$4	0%	0
MSA 2975 (Glen Falls, NY)	\$2	0%	\$2	0%	0
TOTALS	\$15,477	100%	\$15,477	100%	113
Affordable Housing	\$14,245	92%	\$14,245	92%	201
Community Service	\$363	2%	\$363	2%	0
Economic Development	\$867	6%	\$867	6%	0
Revitalization & Stabilization	\$2	0%	\$2	0%	0
TOTAL ACTIVITY	\$15,477	100%	\$15,477	100%	113

EXHIBIT 14

**Full-Service Branches
Opened and Closed**

September 1, 1996 – June 30, 1998

Beginning Number of Branches	323
Branches Opened	1
Branches Acquired (3/97)	79
Branches Closed *	6
Branches Consolidated **	18
Net Change	+56
Ending Number of Branches (6/30/98)	379

* Six Marine branches were closed

** Fifteen First Federal branches were consolidated into Marine branches; three Marine branches were consolidated into First Federal branches

EXHIBIT 15

**Demographic Summary of Combined
Assessment Areas**

	Census Tracts by Income Levels				Total
	Low	Moderate	Middle	Upper	
Census Tracts for Analysis	443	794	2,064	1,258	4,559
% of Tracts for Analysis	10%	17%	45%	28%	100%
Total Population	1,561,367	3,000,690	7,788,178	4,865,332	17,215,567
% of Total Population	9%	18%	45%	28%	100%
Families Residing In	338,042	714,904	2,024,554	1,247,741	4,325,241
% of Families Residing In	8%	16%	47%	29%	100%

EXHIBIT 16

PMSA 5600 (NEW YORK, NY)					
Demographic Summary					
	Census Tracts by Income Levels				
	Low	Moderate	Middle	Upper	Total
Census Tracts for Analysis*	326	438	818	855	2,437
% of Tracts for Analysis	13%	18%	34%	35%	100%
Total Population	1,256,123	1,708,978	2,537,150	3,044,595	8,546,846
% of Total Population	15%	20%	30%	35%	100%
Families Residing In	282,878	403,347	633,194	755,398	2,074,817
% of Families Residing In	14%	19%	31%	36%	100%

* Sixty low-income census tracts contain no reported income and no housing for sale, and were not used in the HMDA-related loan analyses. However, all of the tracts – 2,497 – were used for analysis of small business and small farm loans.

PMSA 5380 (NASSAU-SUFFOLK, NY)					
Demographic Summary					
	Census Tracts by Income Levels				
	Low	Moderate	Middle	Upper	Total
Census Tracts for Analysis*	5	79	385	105	574
% of Tracts for Analysis	<1%	14.6%	67.1%	18.3%	100%
Total Population	17,845	380,253	1,760,243	450,871	2,609,212
% of Total Population	<1%	14.6%	67.5%	17.3%	100%
Families Residing In	501	93,426	470,002	126,472	690,401
% of Families Residing In	<1%	13.5%	68.1%	18.3%	100%

* Eight low-income census tracts contain no reported income and no housing for sale, and were not used in the HMDA-related loan analyses. However, all of the tracts – 582 – were used for the analysis of small business and small farm loans.

MSA 1280 (BUFFALO-NIAGARA FALLS, NY)					
Demographic Summary					
	Census Tracts by Income Levels				
	Low	Moderate	Middle	Upper	Total
Census Tracts for Analysis*	28	56	144	59	287
% of Tracts for Analysis	10%	19%	50%	21%	100%
Total Population	89,675	195,085	599,090	305,438	1,189,288
% of Total Population	8%	16%	50%	26%	100%
Families Residing In	19,613	49,353	162,724	84,010	315,700
% of Families Residing In	6%	16%	52%	26%	100%

* Three low-income census tracts contain no reported income and no housing for sale, and were not used in the HMDA-related loan analyses. However, all of the tracts – 290 – were used for analysis of small business and small farm loans.

MSA 6840 (ROCHESTER, NY) Demographic Summary

	Census Tracts by Income Levels				Total
	Low	Moderate	Middle	Upper	
Census Tracts for Analysis*	35	49	123	44	251
% of Tracts for Analysis	14%	19%	49%	18%	100%
Total Population	65,831	148,211	513,180	233,677	960,899
% of Total Population	7%	15%	54%	24%	100%
Families Residing In	14,903	34,697	134,444	65,045	249,089
% of Families Residing In	6%	14%	54%	26%	100%

* Two low-income census tracts contain no reported income and no housing for sale, and were not used in the HMDA-related loan analyses. However, all of the tracts – 253 – were used for analysis of small business and small farm loans.

MSA 0160 (ALBANY-SCHENECTADY-TROY, NY) Demographic Summary

	Census Tracts by Income Levels				Total
	Low	Moderate	Middle	Upper	
Census Tracts for Analysis*	9	41	111	41	202
% of Tracts for Analysis	5%	20%	55%	20%	100%
Total Population	27,229	133,923	460,426	194,044	815,622
% of Total Population	3%	16%	57%	24%	100%
Families Residing In	5,526	32,284	121,782	50,816	210,408
% of Families Residing In	3%	15%	58%	24%	100%

* Two low-income census tracts contain no reported income and no housing for sale, and were not used in the HMDA-related loan analyses. However, all of the tracts – 204 – were used for analysis of small business and small farm loans.

MSA 8160 (SYRACUSE, NY) Demographic Summary

	Census Tracts by Income Levels				Total
	Low	Moderate	Middle	Upper	
Census Tracts for Analysis*	17	33	107	43	200
% of Tracts for Analysis	8.5%	16.5%	53.5%	21.5%	100%
Total Population	44,259	103,371	404,390	164,097	716,117
% of Total Population	6%	14%	57%	23%	100%
Families Residing In	7,054	24,470	106,598	44,510	182,632
% of Families Residing In	4%	14%	58%	24%	100%

* One low-income census tract contains no reported income and no housing for sale, and was not used in the HMDA-related loan analyses. However, all of the tracts – 201 – were used for analysis of small business and small farm loans.

**NON-MSA GROUP 1 (CLINTON, ESSEX,
 FRANKLIN, HAMILTON, JEFFERSON, LEWIS,
 ST. LAWRENCE COUNTIES, NY)
 Demographic Summary**

	Block Numbering Areas by Income Levels				Total
	Low	Moderate	Middle	Upper	
Census Tracts for Analysis*	5	21	65	6	97
% of Tracts for Analysis	5%	22%	67%	6%	100%
Total Population	10,491	91,179	266,915	25,961	394,546
% of Total Population	3%	23%	67%	7%	100%
Families Residing In	285	21,702	69,680	5,867	97,534
% of Families Residing In	<1%	22%	72%	6%	100%

* Two low-income block numbering areas ("BNAs") contain no reported income and no housing for sale, and were not used in the HMDA-related loan analyses. However, all of the BNAs – 99 – were used for analysis of small business and small farm loans.

**NON-MSA GROUP 2
 (CHENANGO, CORTLAND, DELAWARE, GREENE,
 OTSEGO, SCHUYLER, SULLIVAN, TOMPKINS,
 ULSTER COUNTIES, NY)
 Demographic Summary**

	Census Tracts by Income Levels				Total
	Low	Moderate	Middle	Upper	
Census Tracts for Analysis*	0	7	76	36	119
% of Tracts for Analysis	0%	6%	64%	30%	100%
Total Population	2,070	20,509	287,966	140,625	451,170
% of Total Population	<1%	5%	64%	31%	100%
Families Residing In	0	2,865	72,470	34,345	109,680
% of Families Residing In	0%	3%	66%	31%	100%

* One low-income BNA contains no reported income and no housing for sale, and was not used in the HMDA-related loan analyses. However, all of the BNAs – 120 – were used for analysis of small business and small farm loans.

NON-MSA GROUP 3 (CATTARAUGUS, WYOMING COUNTIES, NY) Demographic Summary

	Census Tracts by Income Levels				Total
	Low	Moderate	Middle	Upper	
Census Tracts for Analysis	1	2	11	1	15
% of Tracts for Analysis	7%	13%	73%	7%	100%
Total Population	200	7,476	49,296	3,046	60,018
% of Total Population	<1%	13%	82%	5%	100%
Families Residing In	49	1,899	12,118	874	14,940
% of Families Residing In	<1%	13%	81%	6%	100%

MSA 8680 (UTICA-ROME, NY) Demographic Summary

	Census Tracts by Income Levels				Total
	Low	Moderate	Middle	Upper	
Census Tracts for Analysis*	4	22	51	21	98
% of Tracts for Analysis	4%	23%	52%	21%	100%
Total Population	5,780	61,050	179,808	69,995	316,633
% of Total Population	2%	19%	57%	22%	100%
Families Residing In	565	13,754	48,228	19,136	81,683
% of Families Residing In	<1%	17%	59%	23%	100%

* Three low-income census tracts contain no reported income and no housing for sale, and were not used in the HMDA-related loan analyses. However, all of the tracts – 101 – were used for analysis of small business and small farm loans.

PMSA 5660 (NEWBURGH, NY) Demographic Summary

	Census Tracts by Income Levels				Total
	Low	Moderate	Middle	Upper	
Census Tracts for Analysis*	2	12	32	20	66
% of Tracts for Analysis	3%	18%	49%	30%	100%
Total Population	13,853	44,234	158,190	91,370	307,647
% of Total Population	5%	14%	51%	30%	100%
Families Residing In	2,529	10,716	40,701	23,949	77,895
% of Families Residing In	3%	14%	52%	31%	100%

*One low-income census tract contains no reported income and no housing for sale, and was not used in the HMDA-related loan analyses. However, all of the tracts – 67 – were used for analysis of small business and small farm loans.

MSA 0960 (BINGHAMTON, NY) Demographic Summary

	Census Tracts by Income Levels				Total
	Low	Moderate	Middle	Upper	
Census Tracts for Analysis*	3	15	35	12	65
% of Tracts for Analysis	5%	23%	54%	18%	100%
Total Population	5,590	46,741	151,398	60,768	264,497
% of Total Population	2%	18%	57%	23%	100%
Families Residing In	732	12,064	40,734	16,023	69,553
% of Families Residing In	1%	17%	59%	23%	100%

* Three low-income census tracts contain no reported income and no housing for sale, and were not used in the HMDA-related loan analyses. However, all of the tracts – 2,497 – were used for analysis of small business and small farm loans.

PMSA 2281 (DUTCHESS COUNTY, NY) Demographic Summary

	Census Tracts by Income Levels				Total
	Low	Moderate	Middle	Upper	
Census Tracts for Analysis	6	10	45	7	68
% of Tracts for Analysis	9%	15%	66%	10%	100%
Total Population	14,208	31,002	176,404	37,848	259,462
% of Total Population	5%	12%	68%	15%	100%
Families Residing In	2,141	7,431	45,826	9,940	65,338
% of Families Residing In	3%	12%	70%	15%	100%

MSA 3610 (JAMESTOWN, NY) Demographic Summary

	Census Tracts by Income Levels				Total
	Low	Moderate	Middle	Upper	
Census Tracts for Analysis	1	4	25	3	33
% of Tracts for Analysis	3%	12%	76%	9%	100%
Total Population	3,989	14,890	111,567	11,449	141,895
% of Total Population	3%	10%	79%	8%	100%
Families Residing In	789	3,793	30,396	2,471	37,449
% of Families Residing In	2%	10%	81%	7%	100%

MSA 2335 (ELMIRA, NY) Demographic Summary

	Census Tracts by Income Levels				Total
	Low	Moderate	Middle	Upper	
Census Tracts for Analysis*	1	4	14	3	22
% of Tracts for Analysis	4%	18%	64%	14%	100%
Total Population	4,224	12,072	58,743	20,156	95,195
% of Total Population	4%	13%	62%	21%	100%
Families Residing In	477	2,635	16,053	5,730	24,895
% of Families Residing In	2%	11%	64%	23%	100%

* One low-income census tract contains no reported income and no housing for sale, and was not used in the HMDA-related loan analyses. However, all of the tracts – 23 – were used for analysis of small business and small farm loans.

MSA 2975 (GLENS FALLS, NY) Demographic Summary

	Census Tracts by Income Levels				Total
	Low	Moderate	Middle	Upper	
Census Tracts for Analysis	0	1	22	2	25
% of Tracts for Analysis	0%	4%	88%	8%	100%
Total Population	0	1,716	73,432	11,392	86,540
% of Total Population	0%	2%	85%	13%	100%
Families Residing In	0	468	19,604	3,155	23,227
% of Families Residing In	0%	2%	84%	14%	100%

CRA APPENDICES

CRA APPENDIX A

COMPLIANCE WITH BOARD ORDER

On February 3, 1997, the Board of Governors of the Federal Reserve System (“the Board”) approved the application of HSBC Holdings PLC, London, United Kingdom; HSBC Holdings BV, Amsterdam, The Netherlands; and HSBC Americas, Inc., Buffalo, New York (“HSAI”) to acquire CTUS, Inc., Wilmington, Delaware, and its wholly owned subsidiary, First Federal Savings and Loan of Rochester, New York (“First Federal”); the application by Marine Midland Bank (“Marine”), Buffalo, New York, a wholly owned subsidiary of HSAI, to merge First Federal with and into Marine; and the application by Marine to establish branches that were incidental to the First Federal/Marine merger.

The Board carefully considered the effect of the proposed merger on the convenience and needs of neighborhoods within the assessment areas of First Federal and Marine. In weighing the convenience and needs factor in this application, the Board considered the actions taken by Marine when closing its branches and the adequacy of its branch closing policy pursuant to the requirements of section 42 of the Federal Deposit Insurance Act prior to approval of the application. The Board determined that the branch closing policy satisfies the requirements of the *Joint Interagency Policy Statement Regarding Branch Closings* (“Policy Statement”), and that the branch closing policy was consistently applied to Marine’s branch closings. For details concerning the requirements of the Policy Statement, see the Service Test portion of the general Conclusions with Respect to Performance Tests section of this report on page BB17.

In order to ensure Marine’s continued efforts to serve the convenience and needs of neighborhoods within its assessment areas after the merger, as a condition of the Order, the Board required the bank:

- to provide a copy of its proposed plan for future branch closures, consolidations and relocations to this Reserve Bank;
- to indicate in the plan how it would continue to help meet the convenience and needs of any community containing LMI or minority census tracts where branches were expected to be closed; and,
- to notify this Reserve Bank of any proposed changes to the plan for a period of two years or until this Reserve Bank conducts the next CRA performance examination whichever period is shorter.

Marine submitted a plan in March 1997, which satisfies the conditions of the Order and the requirements of the Policy Statement. At this examination, the examiners determined that branch closures, consolidations and relocations resulting from the merger were conducted in accordance with the plan and did not adversely affect neighborhoods within the bank’s assessment areas, particularly LMI and minority neighborhoods.

CRA APPENDIX B

SCOPE OF EXAMINATION : FULL SCOPE EXAMINATION			
TIME PERIOD REVIEWED	9/01/96 TO 6/30/98		
FINANCIAL INSTITUTION MARINE MIDLAND BANK BUFFALO, NEW YORK			PRODUCTS REVIEWED <ul style="list-style-type: none"> • Mortgage • Home Improvement • Small Business • Small Farm • Community Development Activities
AFFILIATE(S)	AFFILIATE RELATIONSHIP		PRODUCTS REVIEWED
Marine Midland Mortgage Company	Bank subsidiary		Mortgage loans
Marine Midland Community Development Corporation	Bank subsidiary		Community Development Activities (Loans and Investments)

LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
<i>NEW YORK</i>			<i>Loan products are offered in all areas except the following programs, which are offered in specific geographies.</i>
<i>PMSA 5600 (New York, NY)</i>	<i>On-site</i>	<i>5</i>	<ul style="list-style-type: none"> <i>Westchester Regional Small Business Loan Program</i>
<i>PMSA 5380 (Nassau-Suffolk, NY)</i>	<i>On-site</i>		<ul style="list-style-type: none"> <i>Suffolk County Linked Deposit Loan Program</i>
<i>MSA 1280 (Buffalo-Niagara Falls, NY)</i>	<i>On-site</i>	<i>5</i>	<ul style="list-style-type: none"> <i>University District Loan Program</i>
<i>MSA 6840 (Rochester, NY)</i>	<i>On-site</i>		<ul style="list-style-type: none"> <i>Edison Place Project</i> <i>Home Expo</i> <i>50/50 Rural Development</i> <i>Footprints</i> <i>Rochester Economic Development Corp./Community Commercial Development Partnership</i>
<i>MSA 0160 (Albany-Schenectady-Troy, NY)</i>	<i>On-site</i>		
<i>MSA 8160 (Syracuse, NY)</i>	<i>On-site</i>		<ul style="list-style-type: none"> <i>Syracuse Area Small Business Loan Program</i>
<i>MSA 8680 (Utica-Rome, NY)</i>	<i>On-site</i>		
<i>PMSA 5660 (Newburgh, NY-PA)</i>	<i>On-site</i>		
<i>MSA 0960 (Binghamton, NY)</i>	<i>On-site</i>		
<i>PMSA 2281 (Dutchess County, NY)</i>	<i>On-site</i>		
<i>MSA 3610 (Jamestown, NY)</i>	<i>On-site</i>		
<i>MSA 2335 (Elmira, NY)</i>	<i>On-site</i>		
<i>MSA 2975 (Glens Falls, NY)</i>	<i>On-site</i>		
<i>Non-MSAs</i>	<i>On-site</i>		

CRA APPENDIX C

GLOSSARY

ANNUALIZED: Conversion of an average monthly figure (for example, number of loan originations) to an annual basis in order to simplify comparisons with prior years.

AREA MEDIAN INCOME: (1) The median family income for the MSA, if a person or geography (block numbering area or census tract) is located in an MSA; or (2), if a person or geography (census tract or block numbering area) is located outside an MSA, the statewide non-metropolitan median family income.

ATM: Automated teller machine.

BNA: Block numbering area.

CDC: A community development corporation, or community development company, which can be organized under banks, bank holding companies, or independent nonprofit neighborhood or government-sponsored organizations. CDCs offer various services and implement various projects focusing on community improvement, housing development and job development, particularly for LMI persons.

COMMUNITY DEVELOPMENT: (1) Affordable housing including multifamily rental housing for low- or moderate-income individuals; (2) community services targeted to low- or moderate-income individuals; (3) activities that promote economic development by financing businesses or farms that meet the size eligibility standards of 13 CFR 121.802 (a)(2) or have GAR of \$1 million or less; or (4) activities that revitalize or stabilize low- or moderate-income geographies.

CRA: Community Reinvestment Act.

DEMAND-ADJUSTED: Proportion of mortgage loans per thousand owner-occupied housing units in an area, or proportion of small business loans per thousand small business establishments in an area, as applicable.

FANNIE MAE: Formerly the Federal National Mortgage Association.

FHLB: Federal Home Loan Bank.

FIRE: Finance, insurance and real estate industries.

GAR: Gross annual revenues.

GEOGRAPHY: A census tract or a block numbering area delineated by the United States Bureau of the Census in the most recent decennial census (1990).

HMDA: Home Mortgage Disclosure Act.

HMDA-RELATED LOANS: Loans reported by the bank under Regulation C, Home Mortgage Disclosure Act. They include home purchase mortgage loans, home improvement loans, and refinancings of such loans.

HUD: The United States Department of Housing and Urban Development.

LTV: Loan-to-value ratio, which is the relationship, expressed as a percent, between the principal amount of a loan and the appraised value of the asset securing the financing. In a residential mortgage loan, this is the percentage value of the property the lender is willing to finance with a mortgage (Dictionary of Banking Terms, 2nd Edition, by Thomas Fitch).

LMI: Low- and moderate-income, as in LMI census tracts.

LOW-INCOME: An individual income that is less than 50 percent of the area median income (i.e., of the median family income for the MSA, if the individual is located in an MSA, or, if the individual is located outside an MSA, of the statewide non-metropolitan median family income), or a BNA or census tract median family income that is less than 50 percent of the area median income. Accordingly, a low-income census tract is one in which the median family income is less than 50 percent of the area median income.

MIDDLE-INCOME: An individual income that is at least 80 percent and less than 120 percent of the area median income, or a BNA or census tract median family income that is at least 80 percent and less than 120 percent of the area median income.

MMC: Marine Midland Mortgage Company.

MODERATE-INCOME: An individual income that is at least 50 percent and less than 80 percent of the area median income, or a BNA or census tract median family income that is at least 50 percent and less than 80 percent of the area median income.

MSA: A metropolitan statistical area as defined by the director of the Office of Management and Budget.

PEERS: Similarly situated banks.

PERFORMANCE CONTEXT: The economic and demographic characteristics of a bank's assessment area(s). The following information is considered to help understand the context in which an institution's performance should be evaluated: (1) the economic and demographic characteristics of the assessment area(s); (2) lending, investment, and service opportunities in the assessment area(s); (3) the institution's product offerings and business strategy; (4) the institution's capacity and constraints; (5) the prior performance of the institution, and in

appropriate circumstance, the performance of similarly situated institutions; and (6) other relevant information.

PMI: Private mortgage insurance.

PMSA: A primary metropolitan statistical area as defined by the director of the Office of Management and Budget.

QUALIFIED INVESTMENT: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

REFINANCINGS: Refinancings of HMDA-reportable home purchase and/or home improvement loans.

SMALL BUSINESS LOANS: Such loans are defined in Regulation BB, Section 228.12 (u) with reference to the definition of such loans in the instructions for preparation of the Consolidated Report of Condition and Income. These instructions define small business loans as loans with original amounts of \$1 million or less that have been reported in Schedule RC-C, Part 1, (1.e)(4) of the report.

SMALL FARM LOANS: A loan for agricultural purposes with an origination amount of \$100 thousand or less; a loan with an origination amount of \$500 thousand or less made to a farm with GAR of \$1 million or less.

SONYMA: State of New York Mortgage Association.

UPPER-INCOME: An individual income that is 120 percent or more of the median family income in an MSA or a census tract in which the median family income is 120 percent or more of the median family income in an MSA.