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Comptroller of the Currency  
Administrator of National Banks

**LARGE**

**BANK**

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## **Public Disclosure**

November 2, 1998

### **Community Reinvestment Act Performance Evaluation**

**Trustco Bank, N.A.  
Charter Number: 22844**

**192 Erie Boulevard  
Schenectady, New York 12305**

**Office of the Comptroller of the Currency  
Syracuse Field Office  
100 Elwood Davis Road  
North Syracuse, New York 13212**

**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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## Definitions

Community development - affordable housing or community services targeted to low or moderate income individuals, activities that promote economic development by financing small businesses or farms, and activities that revitalize or stabilize low or moderate income geographies.

Community development loan - a loan that has its primary purpose in community development, benefits the AA, and has not been reported or collected by the bank for consideration as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling.

Community development service - a service that has its primary purpose in community development, is related to the provision of financial services, and has not been considered in the evaluation of the bank's retail banking services.

Geography - a census tract or block numbering area.

HMDA loan - a "home improvement loan", "refinance loan" or "home purchase loan" that is reported on the Home Mortgage Disclosure Act Report.

Home improvement loan - any loan that is for the purpose in whole or in part of repairing, rehabilitating, remodeling, or improving a dwelling or the real property on which it is located and is classified by the financial institution as a home improvement loan.

Home purchase loan - any loan secured by and made for the purpose of purchasing a dwelling.

Low Income - an individual income that is less than 50% of the area median income, or a median family income (MFI) that is less than 50%, in the case of a geography.

Middle Income - an individual income that is at least 80% and less than 120% of the area median income, or a MFI that is at least 80% and less than 120%, in the case of a geography.

Moderate Income - an individual income that is at least 50% and less than 80% of the area median income, or a MFI that is at least 50% and less than 80%, in the case of a geography.

Multifamily loan - any loan secured by and made for the purpose of purchasing a dwelling for five or more families. The Home Mortgage Disclosure Act does not require banks to report income data on these loans.

Upper Income - an individual income that is 120% or more of the area median income, or a MFI that is 120% or more, in the case of a geography.

Qualified investment - a lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Refinance loan - any loan in which the existing obligation, involving either a home purchase or a home improvement loan, is satisfied and replaced by a new obligation.

Small Business Loan - a business loan (Bank Call Report definition) for \$1 million or less.

Small Farm Loan - A farm loan (Bank Call Report definition) for \$500 thousand or less.

Small Business or Small Farm - A business or farm with annual revenues of \$1 million or less.

## 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 **Trustco Bank, N.A.** (Trustco) prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **November 2, 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 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 C.F.R. Part 25.

**Institution's CRA Rating:** This institution is rated "**Satisfactory.**"

The primary factors supporting the overall rating are:

- An excellent percentage (97%) of loans made in the bank's assessment area;
- A reasonable distribution of home loans to borrowers of different income levels;
- C A good distribution of loans to small size businesses, and a reasonable distribution of small size loans (loans for \$100,000 or less);
- C An adequate geographic distribution of home loans and small business loans in low income geographies, and a good geographic distribution of small business loans in moderate income geographies;
- C An adequate number of community development loans;
- C A significant level of qualified community development investments. Trustco was one of the first banks to pursue a security backed by mortgages made to low and moderate income individuals for residences in low and moderate income geographies;
- Service delivery systems that are reasonably accessible to all portions of the bank's assessment area; and,

- A good level of community development services.

The following chart indicates the performance level of Trustco with respect to the lending, investment, and service tests:

<b>Trustco Performance Tests</b>			
	<b>Lending Test*</b>	<b>Investment Test</b>	<b>Service Test</b>
Outstanding			
High Satisfactory		X	
Low Satisfactory	X		X
Needs to Improve			
Substantial noncompliance			

\* The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

### **Description of Institution**

Trustco is located in Schenectady, New York and is a wholly-owned subsidiary of TrustCo Bank Corp NY (TBC). TBC is the largest commercial banking enterprise headquartered in the Capital Region of New York State, and had total average assets of \$2.3 billion as of December 31, 1997. TBC's other subsidiaries are ORE Subsidiary Corp., and Trustco Realty Corp.

Trustco is a full service bank with 53 branches in the Capital Region of New York State. As of June 30, 1998, Trustco had total assets of \$2.4 billion that included \$1.3 billion in gross loans, which are 54% of total assets. The bank's loan mix consists of 96% real estate loans, 1% commercial & industrial loans, 2% loans to individuals, and 1% credit card loans. Since June 30, 1997, total assets increased 5.49%, real estate loans increased 5.31%, and gross loans increased 4.50%. During the same time period commercial loans and individual loans decreased 12.60% and 10.74%, respectively. Asset growth was primarily due to a rise in first mortgage loans.

As of June 30, 1998, Trustco's deposit market share ranking was in the top five in each of the counties in which it has offices. Trustco's ranking was first in Schenectady County; third in Saratoga, Washington, and Greene Counties; fourth in Albany, Rensselaer, and Warren Counties, and fifth in

Columbia County.

Trustco operates in a very competitive financial services market with mortgage companies, large regional banks, credit unions, savings banks, community banks and finance companies. Trustco is not subject to any known financial, legal, or regulatory restrictions that impede its ability to help meet the credit needs of its assessment areas.

### **Description of Assessment Areas (AA)**

Trustco has three AAs in the Capital Region of New York State. The combined AA consists of 213 geographies consisting of certain geographies in the Albany-Schenectady-Troy Metropolitan Statistical Area (MSA), certain geographies in the Glens Falls MSA, and certain geographies in the nonmetropolitan area of Columbia and Greene Counties. The AA's population is 876,181. The income designations for the combined area's geographies are 4% low income, 15% moderate income, 60% middle income, and 21% upper income. Eighty-one percent of the housing in the combined area is one- to four-family units, 13% are multifamily units, 5% are mobile homes, and 1% are condominiums. Of total housing units in the combined area, 59% is owner-occupied, 33% is renter-occupied, and 8% is vacant.

Our community contacts confirmed that affordable housing and small business financing are important community credit needs. Some of our contacts felt there were unmet credit needs in the Albany-Schenectady-Troy MSA for very small business financing, especially for new businesses, and for small dollar home improvement/rehabilitation loans. Our contacts also felt the involvement of banks in foreclosure prevention and homeowner/mortgage counseling activities is important.

**The Albany-Schenectady-Troy AA** includes 179, or 84%, of the 213 geographies in the combined AA. The AA includes all of Rensselaer and Schenectady Counties, Albany County except the extreme southern and southeast portions, and Saratoga County except the rural northwest portion. The area includes 83% of the geographies in the MSA, and is the largest portion of Trustco's combined AA. This AA's population is 738,483, or 84%, of the combined AA's population. The income designations for this AA's geographies are 4% low income, 17% moderate income, 55% middle income, 23% upper income, and 1% not designated. The geography without an income level designation is the campus of Skidmore College. Eighty-one percent of the housing in this AA is one- to four-family units, 14% is multifamily units, 4% is mobile homes, and 1% is condominiums. Of total housing units in this AA, 59% is owner-occupied, 34% is renter-occupied, and 7% is vacant. The 1990 U.S. Census Median Family Income for the MSA is \$39,425. This figure is used to determine the income designation of the MSA's geographies. The 1998 Updated Median Family Income for this MSA is \$47,000. This figure is used to determine the income designation of individuals in this MSA. The Updated Median Family Income is based on information from the Department of Housing and Urban Development (HUD). The October 1998 unemployment rate for the MSA is 3.1%. This figure compares favorably with the 5.1% rate for the State of New York and the 4.2% rate for the United

States for the same time period.

A comparison of October 1997 housing statistics with October 1998 housing statistics indicated that in Albany County, closed housing sales declined 5%, but pending sales rose 13%. The average sales price for single-family homes increased 1% to \$131,444. In Schenectady County, closed housing sales increased 29%, while pending sales were up 25%. The average sales price declined 3% to \$96,854. In Rensselaer County closed housing sales fell 19%, but pending sales rose 32%. The average sales price increased 1% to \$113,318. In Saratoga County completed sales rose 5% while pending sales declined 3%. The average sales price increased 1% to \$135,209. Lower interest rates, a strengthening economy, and soft prices have combined to improve sales for the first 10 months of 1998. Sales are at a level that is 10% ahead of the first 10 months of 1997. The median house price is \$85,000. These housing statistics suggest that the Capital Region is experiencing a stronger housing market than was experienced one year ago.

The National Association of Homebuilders designated the Capital Region as the second most affordable housing market in the Northeast and the seventh most affordable in the nation during the third quarter of 1998. The Capital Region has had an excess of unsold houses for several years, with 6,000 or more houses for sale through much of the 1990s.

According to 1998 business demographics there are 25,636 businesses, of which 552 are farms in the AA. Small businesses represent 90% of the 21,299 businesses reporting revenues. Approximately 81% of businesses reported having less than 10 employees. The primary industries in this AA are services 45%, retail trade 20%, and construction 11%. Since the early 1980s, the MSA has experienced the loss of a large number of manufacturing jobs at General Electric. General Electric now employs about 5,000 people in the area, down from a high of over 40,000 during its peak employment period. The MSA also suffered the loss of 900 State jobs in 1997, representing 1.6% of the State workforce in the area. During our examination, Charter One Bank announced it was cutting 330 jobs in the area, as a result of its acquisition of Albank.

**The Glens Falls AA** includes 26, or 12%, of the 213 geographies in the combined AA. The AA covers all of Washington County except the most northern portion and the southern and eastern portions of Warren County. This area includes 74% of the geographies in the MSA. The AA's population is 98,153, or 11%, of the combined AA's population. The income designations for this AA's geographies are 4% moderate income, 84% middle income, and 12% upper income. There are no low income tracts in this AA. Eighty-five percent of the housing in this AA is one- to four-family units, 7% is multifamily units, 7% is mobile homes, and 1% is condominiums. Of total housing units in this AA, 60% is owner-occupied, 26% is renter-occupied, and 14% is vacant. The 1990 U.S. Census Median Family Income for this MSA is \$34,038. The 1998 Updated Median Family Income for this AA is \$39,900. The October 1998 unemployment rate for the MSA is 4.3%, which compares favorably to the state and national rates for the same time period.

According to 1998 business demographics there are 3,236 businesses, of which 84 are farms in the AA. Small businesses represent 92% of the 2,713 businesses reporting revenues. Approximately 82% of businesses reported having less than 10 employees. The primary industries in this AA are services 41%, retail trade 26%, and construction 10%.

**The Columbia and Greene Counties AA** includes eight, or 4% of the 213 geographies in the combined AA. The AA consists of the west central portion of Columbia County and the south eastern and south central portions of Greene County. This area includes 26% of the geographies in the two counties. This AA's population is 39,545, or 5%, of the combined AA population. The income designations for this AA's geographies are 13% moderate income and 87% middle income. There are no low or upper income geographies in this AA. Eighty-one percent of the housing in this AA is one-to four-family units, 9% are multi-family units, and 10% are mobile homes. Of total housing units in this AA, 53% is owner-occupied, 31% is renter-occupied, and 16% is vacant. The 1990 U.S. Census Median Family Income for this nonmetropolitan area is \$31,473. The 1998 Updated Median Family Income for this nonmetropolitan area is \$37,700. The unemployment rates are 2.5% for Columbia County and 4.4% for Greene County, which compare favorably to the state and national rates for the same time period.

According to the 1998 business demographics there are 1,491 businesses, of which 25 are farms in this AA. Small businesses represent 93% of the 1,263 businesses reporting revenues. Approximately 85% of businesses reported having less than 10 employees. The primary industries in this AA are services 41%, retail trade 28%, and construction 8%.

## **Conclusions with Respect to Performance Tests**

### **Scope of Review**

This review covers the calendar years 1996 and 1997, and the first three quarters of 1998. The market share and peer lender comparisons contained in the Lending Test are based on information contained in the aggregate Home Mortgage Disclosure Act (HMDA) and Small Business Reports for 1996 and 1997. This information will not be available for 1998 activities until midyear 1999. The aggregate HMDA and Small Business Reports are available for public review. The 1998 information is based on the bank's HMDA Loan Application Register (LAR) and Small Business Register. Trustco did not make any small farm loans during the review period.

The peer comparisons in this report include only lenders who were required to file HMDA and Small Business Reports for 1996 or 1997. Essentially all lenders operating in Trustco's AA would have been required to file HMDA information. Small business reporting is required of bank and thrift institutions with assets of \$250 million or more as of December 31 of the prior two calendar years preceding the reporting year, or an affiliate of a holding company with \$1 billion or more in assets during the same time periods.



From this point forward, all information presented represents activities which occurred in Trustco's combined AA unless otherwise noted.

## Lending Test

### Lending Test

#### AA Concentration of Lending Activity

Trustco originated a total of 5,752 HMDA loans and 458 small business loans between January 1, 1996 and September 30, 1998. Table I shows the number and dollar amount of HMDA and small business loans that were originated during this time period. The bank made an excellent percentage of these loans (97%) inside its AA.

<b>Table I</b>			
<b>Ratio of Loans Originated Inside the AA - January 1, 1996-September 30, 1998</b>			
	<b>HMDA</b>	<b>Small Business</b>	<b>Total</b>
<b>Number</b>			
Number of loans inside the AA	5,595	430	6,025
Total number of Loans	5,752	458	6,210
% of Loans Inside/Total # of Loans	97	94	97
<b>Dollars (in 000's)</b>			
\$ of Loans Inside the AA	459,473	47,607	507,080
Total \$ of Loans	473,100	49,701	522,801
% of Loans Inside/Total \$ of Loans	97	96	97

#### Level of Lending Activity

Trustco is a very active HMDA lender. The bank held the largest share of the HMDA loan market in its AA in both 1996 and 1997, with a 6% market share and a 10% market share respectively.

Within the HMDA loan group, the bank ranked fourth for home purchase loans in 1996 and first in

1997; second for refinance loans in 1996 and first in 1997, and ninth for home improvement loans in 1996 and seventh in 1997. Trustco was ranked first in 1996 and 1997 for multifamily lending.

Trustco’s HMDA lending for the first nine months of 1998 was strong, with 1,856 loans for \$156.7 million made within the AA.

While Trustco’s primary business focus is on HMDA lending, small business loans are also offered. The bank ranked twelfth for small business loan market share among its peers in 1996, and fourteenth in 1997. For the first three quarters of 1998, Trustco originated 89 loans for \$12.8 million in the AA. An annualization of the loans made in the first three quarters of 1998 results in lending volume approximately 40% less than the lending volume in 1996, and 20% less than the 1997 lending volume.

**Borrower Characteristics**

**HMDA Loans**

Trustco has a reasonable distribution of HMDA loans to borrowers with low or moderate income. Table II shows the bank’s distribution of HMDA loans to low income borrowers equaling the average distribution for all lenders in 1996, and less than the average in 1997. Trustco’s distribution of loans to moderate income borrowers approximated the average lender distribution in 1996 and equaled the average distribution in 1997. The distribution levels in the first nine months of 1998 were less than the 1996 and 1997 levels, with the exception of lending to low income borrowers equaling 1997 at 3%.

<p align="center"><b>Table II</b>  <b>Borrower Distribution of HMDA Loans - 1996 &amp; 1997</b>  <b>Originations</b>  <b>Average Lender Distribution compared to Trustco Distribution</b></p>			
<b>Income Level of Families</b>	<b>% of Families by Income Level</b>	<b>Average % Distribution by all Lenders /Trustco 1996</b>	<b>Average % Distribution by all Lenders/Trustco 1997</b>
Low	16	5/5	5/3
Moderate	18	17/16	16/16
Middle	26	26/30	26/29
Upper	40	39/48	37/51
Income Not Available	0	13/1	16/1
Total	100	100	100

Table III compares Trustco’s distribution of each HMDA loan product to the average lender for distribution to low and moderate income individuals. The results vary by product, year and income

level. Trustco was below the average lender in five of the 12 categories, with the most notable being home purchase loans to moderate income individuals. Trustco exceeded the average lender in five categories, with the most notable the 20/30 ratio in home improvement loans to moderate income borrowers in 1997.

In the first nine months of 1998, the percentage distributions were equal or less than the previous years with one exception. The exception was home purchase loans to low income borrowers at 3%, which was slightly above the 2% for 1997. The percentages for the other categories were home purchase loans at 12% to moderate income borrowers, home improvement loans to low and moderate income borrowers at 9% and 16% respectively, and refinance loans to low and moderate income borrowers at 3% and 13% respectively.

<b>Table III</b> <b>Percentage Distribution of HMDA Loan Products to Low and Moderate Income Borrowers</b> <b>Average Lender vs. Trustco</b>			
<b>Year &amp; Borrower Income Level</b>	<b>Home Purchase Loans Average Lender/Trustco %</b>	<b>Home Improvement Loans Average Lender/Trustco %</b>	<b>Refinance Loans Average Lender/Trustco %</b>
1996 Low Income Borrowers	4/4	9/10	5/6
1997 Low Income Borrowers	5/2	9/9	6/4
1996 Moderate Income Borrowers	18/14	21/23	15/17
1997 Moderate Income Borrowers	20/16	20/30	16/15

### **Small Business Lending**

As noted previously, Trustco's primary focus is on HMDA lending. During the evaluation period, 93% of the loans reviewed were HMDA related, and 7% were small business. In 1996, 95% of Trustco's small business loans were made to small size businesses. Trustco ranked twelfth among small business reporting institutions, with market share of approximately 2%. The percentage of loans to small businesses remained high at 88% in 1997. Trustco ranked fourteenth among small business reporting institutions, with market share remaining at 2%. Lending to small businesses declined somewhat in the first three quarters of 1998, with 78% of the small business loans made to small size businesses. Small businesses represent 75% of the 28,236 businesses operating in the AA. A total of 4,828 or 17% of the businesses did not report annual revenues.

The majority of Trustco's small business loans were for amounts less than \$100,000. These smaller loans are often needed by small size businesses. Table IV shows the percentage distribution of Trustco's small business loans in three monetary categories.

<b>Table IV Small Business Loan Originations by Dollar Loan Size</b>			
<b>Origination Amount \$</b>	<b>Trustco 1996 Distribution %</b>	<b>Trustco 1997 Distribution %</b>	<b>Trustco 1/1/98- 9/30/98 Distribution %</b>
Less Than 100,000	71	69	61
100,000 - 250,000	20	21	22
250,000- 1,000,000	9	10	17
Total	100	100	100

## **Geographic Distribution**

### **HMDA Loans**

Trustco has an adequate distribution of HMDA loans in low or moderate income geographies. Table V shows Trustco's percentage of loans in low income geographies in 1996 equaled both the percentage of owner occupied housing and the average of all lenders. However, Trustco's distribution of HMDA loans to moderate income geographies in 1996, and to both low and moderate income geographies in 1997, was below the percentage of owner occupied housing and the average of all lenders.

<b>Table V Geographic Distribution of HMDA Loans - 1996 &amp; 1997 Originations All Lenders in the AA compared to Trustco</b>				
<b>Geography Income Level</b>	<b>% of Total Geographies</b>	<b>% of Owner Occupied Housing</b>	<b>1996 Average % Distribution all Lenders/Trustco</b>	<b>1997 Average % Distribution all Lenders/Trustco</b>
Low	4	1	1/1	1/ *
Moderate	15	8	8/7	8/5
Middle	60	64	62/61	62/59
Upper	21	27	29/31	29/36
Total	100	100	100	100

\* less than ½ of 1%.

Table VI compares Trustco’s distribution of each HMDA loan product to the average lender in the low and moderate income geographies. With the exception of multifamily loans, where the bank consistently exceeded the average lender in low and moderate geographies, and home improvement loans made in moderate income geographies in 1996, where the bank exceeded the average lender, Trustco either equals or has performance less than the average lender in 1996 and 1997.

<b>Table VI</b> <b>Percentage Distribution of HMDA Loan Products to Low and Moderate Income Geographies</b> <b>Average Lender vs. Trustco</b>				
<b>Year &amp; Geography</b> <b>Income Level</b>	<b>Home Purchase</b> <b>Loans</b> <b>Average</b> <b>Lender/Trustco</b> <b>%</b>	<b>Home Improvement</b> <b>Loans</b> <b>Average</b> <b>Lender/Trustco</b> <b>%</b>	<b>Refinance Loans</b> <b>Average</b> <b>Lender/Trustco</b> <b>%</b>	<b>Multifamily</b> <b>Loans Average</b> <b>Lender/Trustco</b> <b>%</b>
1996 Low Income Geographies	1/1	1/0	1/ *	4/9
1997 Low Income Geographies	1/ *	1/0	1/1	4/5
1996 Moderate Income Geographies	8/7	7/9	8/7	17/36
1997 Moderate Income Geographies	6/4	7/5	8/4	22/40

\* less than ½ of 1%.

For the first three quarters of 1998, Trustco’s distribution of HMDA loans in low and moderate income geographies was less than 1% and 5% respectively (see Table V above), the same as 1997. In 1998, there were no home improvement or refinance loans made in low income geographies, and home purchase loans were less than 1%. Lending in moderate income geographies for all products was equal to the 1997 results. There were no multifamily loans made by Trustco in low income geographies in the first three quarters of 1998, while 35% of multifamily loans were made in moderate income geographies.

### **Small Business Loans**

Table VII shows the average lender compared to Trustco’s geographic distribution of small business loans for 1996 and 1997. Trustco’s distribution of small business loans in low income geographies is below the distribution of small businesses located in these geographies and the average lender distribution. Trustco’s distribution in moderate income geographies is above the distribution of small businesses located in these geographies and the average lender distribution.

<b>Table VII</b> <b>Geographic Distribution of Small Business Loans - 1996 &amp; 1997</b> <b>Originations</b>				
<b>Geography Income Level</b>	<b>% of total geographies</b>	<b>% of Average Lender/Trustco 1996</b>	<b>% of Average Lender/Trustco 1997</b>	<b>% of Small Businesses</b>
Low	4	7/5	7/3	7
Moderate	15	11/16	11/16	13
Middle	60	57/50	56/52	54
Upper	21	25/29	26/29	26
Total	100	100	100	100

The bank's distribution of small business loans to low income geographies was at 6% through September 30, 1998, an increase compared to both 1996 and 1997. The distribution in moderate income geographies at 12%, was lower than 1996 and 1997.

### **Community Development Lending**

Trustco made an adequate number of separately identifiable community development loans, with two loans refinanced and one loan originated since the last examination totaling \$3.2 million. Additionally, several of the bank's small business loans have a community development purpose and are included within the small business loan data.

Trustco originated a \$150 thousand line of credit for a nonprofit mental health association in the nonmetropolitan portion of the bank's AA. The organization provides day treatment services to the mentally ill, 24 hour/day housing and treatment services, group and individual family support services, and a short term rehabilitation program to help individuals set and obtain their goals. A majority of the organization's revenues are funded by Medicaid, which is for low income individuals.

Trustco refinanced a \$515 thousand mortgage loan to an Albany real estate partnership. The loan was for a first mortgage on four 4-unit apartment buildings located in a low income geography, and rented primarily to low income renters.

Trustco refinanced a \$2.5 million mortgage loan secured by the packaging and distribution facility of a wholesale floral business. The facility is located in a moderate income geography in Albany, and employs over 20 local low or moderate income individuals. The business has helped to revitalize and stabilize the area, which consists mainly of empty industrial buildings and abandoned factories.

## **Innovative or Flexible Lending Practices**

Trustco offers a limited number of innovative products to address community credit needs. Some flexibility in underwriting is available as all loan originations are retained for the bank's portfolio rather than sold into the secondary market.

Trustco instituted its Affordable Housing Program in 1990. The program offers 90% financing through a maximum 30 year first mortgage and, for purchasers beyond the boundaries of the city of Schenectady, a simultaneous maximum 20 year second mortgage for the remaining 10% financing requirement. Borrowers in Schenectady can apply to The Schenectady Housing Development Corporation for a 10% downpayment loan. The program is available throughout the AA to first time homebuyers with family incomes that do not exceed the moderate income guidelines. Closing costs are reduced by \$500 from the closing costs the bank requires for a conventional mortgage. Thirty loans were made under this program throughout the AA during the evaluation period.

## **Investment Test**

Trustco's \$3.2 million in qualified investments is considered to be significant in relation to the bank's size and resources. Trustco's qualified investments consist of \$3.1 million in mortgage-backed securities, a \$10,000 grant to a Community Loan Fund, a \$79,000 investment in the Federal Home Loan Bank of New York's Affordable Housing Program, and \$57,350 in contributions to organizations whose primary purposes qualify as community development.

The \$3.1 million in mortgage-backed securities were purchased from a company that pooled loans made to low and moderate income individuals, secured by mortgages on one to four family owner occupied properties. The loans are located in low and moderate income geographies within Trustco's AA. Trustco was one of the first banks in the Northeast to pursue this type of investment, and has served as a reference to other banks considering this type of qualified CRA investment.

The bank provided a \$10,000 grant to a Community Loan Fund. The Loan Fund pools investments from individuals and institutions. It then makes loans to local groups for housing and economic development projects that benefit low income people, at terms that are appropriate for the particular project. The Loan Fund also assists loan applicants in other financial matters. Loans are also available to nonprofit community-based groups and small businesses located in low income neighborhoods.

Trustco reinvested the \$79,000 dividend it earned in 1997 from the Federal Home Loan Bank (FHLB) of New York into the FHLB's Affordable Housing Program. In 1990, the Federal Home Loan Bank of New York launched the Affordable Housing Program in response to a Congressional mandate. Since then, the FHLB, its 300 members and their nonprofit community partners joined together to fund numerous affordable housing initiatives in the FHLB's district, which includes all of New York State, New Jersey, Puerto Rico, and the Virgin Islands. This public/private partnership has helped generate

more than 11,700 new affordable housing units in the FHLB's district.

Trustco contributed \$57,350 to organizations whose primary purposes qualify for community development. Among the most significant contributions were \$22,000 to a revitalization project for the city of Schenectady, which consists primarily of low and moderate income geographies; \$20,000 toward the construction of a new community center in a low income area, which will serve primarily low and moderate income individuals; and \$13,000 to a regional foodbank which provides food to needy people.

## **Service Test**

### **Retail Banking Services**

Trustco's retail banking services are reasonably accessible to essentially all portions of the AA. Trustco operates 53 full service banking offices. Automated teller machines (ATMs) are located at 31 of the 53 offices. Of the 31 ATMs, 28 are available 24 hours a day, seven days a week. Customers and noncustomers alike can access their accounts through Trustco ATMs which are connected to the NYCE and PLUS ATM systems. Customers may also use their Trustco card to obtain cash at nonbank ATMs throughout the world, which bear the NYCE or PLUS logos. Since our last examination dated May 15, 1996, Trustco opened six full service banking offices - five in middle income geographies and one in an upper income geography. All of the new branches have ATM's. No branch offices have been closed since the last examination.

The table below shows the distribution of branches and ATMs by the income level of the geographies, including all branches and geographies in the AA as of September 30, 1998. The bank's distribution of branches is proportionate to the income level of the geographies. Trustco is the only financial institution with branches in Hamilton Hill, a lower income geography in Schenectady, and Central Avenue, a moderate income geography in Albany. Three banks have closed branches in these areas in the past two years.

The bank's distribution of ATMs in moderate income geographies is lower than the distribution of moderate income geographies in the AA. Some of these branches are located in very old buildings which would require significant renovations to install an ATM. In one case, an ATM at a branch in a moderate income geography was removed after being vandalized five times in eight weeks. In some branches, management does not feel that adding a branch lobby ATM would enhance the accessibility of services, since the branch has sufficient teller coverage.



<b>Table VIII</b>					
<b>Geographic Distribution of Branches &amp; ATMs</b>					
<b>Income Level of Geography</b>	<b># of Branches</b>	<b>% of Total Branches</b>	<b># of ATMs</b>	<b>% of Total ATMs</b>	<b>% of Total Geographies*</b>
Low	3	6%	1	3%	4%
Moderate	7	13%	2	7%	16%
Middle	32	60%	22	71%	60%
Upper	11	21%	6	19%	20%
Total	53	100%	31	100%	100%

\*Please note that the percent of total geographies differs slightly from figures used to conduct the lending and investment tests. To evaluate the service test, we included six geographies that were added to the AA during September 1998 with the opening of the Cobleskill branch. Since the Cobleskill branch was not open during a substantial portion of our evaluation period, we did not include the six new geographies in the AA when we evaluated the bank's performance under the lending and investment tests.

The lobby hours for branches in low and moderate income geographies are reasonable. Lobby hours for branches range between 9 AM to 2 PM and 9 AM to 8 PM on any given day. However, no branches in low or moderate income geographies are open past 6 PM. Branch hours are regularly reviewed by management, with revisions made if warranted by customer traffic patterns. Several branches close for one hour, usually between 2 PM and 3 PM, to accommodate lunches and to change over to the next day's business. Senior management indicated that this break is necessary due to staffing conditions.

Branches in low and moderate income geographies with Saturday hours compare favorably to branches in middle and upper income geographies with Saturday hours. Two branches in low income geographies and four branches in moderate income geographies have Saturday hours. The four branches in low and moderate income areas without Saturday hours are located in downtown areas that have very little activity on the weekend, and therefore, are not open on Saturday.

The geographic distribution of drive-up and walk-up teller facilities among all branches is reasonable. Management determined the location of drive-up and walk-up teller facilities based on customer demands and the ability of the branch premises to accommodate one of these facilities.

Trustco offers a wide variety of products and services. Available products include three different checking accounts for individuals, four different checking accounts for businesses, a money market account for individuals, and two savings accounts. The basic banking personal checking account, which does not require a minimum balance, is available to consumers for a \$3 monthly service charge.

Trustco's regular checking account requires a \$250 average available monthly statement balance or a

monthly electronic direct deposit to avoid a \$5 monthly service charge. The low volume business checking account costs \$12 per month; the fee covers the first 50 checks written and first 100 checks deposited. The two savings account options, a passbook savings account and a statement savings account, require only a \$100 minimum daily balance to avoid a \$1.50 monthly service charge. The passbook savings account, which has been discontinued by many banks due to operating costs, provides customers with an easy and convenient means of recordkeeping for their savings account. Trustco also offers trust services and safe deposit boxes.

Trustco offers both interest bearing and noninterest bearing nonpersonal checking accounts which are available to business and nonprofit organizations. Trustco's minimum charges for these accounts include an \$8 monthly service charge plus \$.17 per check paid, \$.15 per deposit, and \$.10 per item deposited. Trustco has waived these fees for many nonprofit organizations, upon request.

Trustco offers conventional mortgage products, as well as their own affordable housing loan program targeting low and moderate income applicants who are first time home buyers. Applicants for a conventional mortgage product can apply at any of Trustco's 53 branches. However, the application process for the affordable housing loan program is not as convenient for many applicants. An applicant must complete the application at the Main branch in downtown Schenectady and meet with one of two loan officers. The only known exception to the policy is for residents of Glens Falls. Customers may complete the application in the Glens Falls branch. Only residents in areas close to the Main and Glens Falls branches would find the application process convenient.

Trustco offers a 24 hour Customer Service System telephone service for customers with a touch tone phone. This service can provide information on deposit, loan and credit card balances; recent checks paid, deposits and withdrawals, and current rates on certificates of deposit. Customers can make savings and checking deposits and loan payments by mail.

## **Community Development Services**

Trustco provides a good level of community development services. The following is a description of the community development services conducted by the bank and its employees:

**Central Avenue Business Improvement District (C-BID)** - A bank employee serves as an Executive Board Member, Treasurer, Chairperson of the Finance and Budget Committee, Chairperson of the Search Committee, and member of the Steering Committee for Avenue 2000. C-BID was incorporated in January of 1998 to revitalize and stabilize Central Avenue in Albany from Washington Avenue to the city line at Colonie. This area consists primarily of moderate income geographies. C-BID's mission is to improve the cleanliness and safety in the area and to attract retail customers and new businesses. C-BID's most recent undertaking is a partnership with the City of Albany known as Avenue 2000. This partnership intends to address several issues including parking, mass transit and transportation; retail and service development; residential development; and neighborhood aesthetics.

**Schenectady 2000** - A member of executive management is a member of the Board of Directors for

this organization which was formed to revitalize and stabilize downtown Schenectady. This area consists primarily of low and moderate income geographies. This organization intends to improve the area through construction projects including a convention center, hotel, train and bus transportation center, and new office buildings for state workers.

**Albany Housing Coalition** - A bank employee serves on the Board of Directors of this organization which provides counseling services to low and moderate income homeowners and renters in the City of Albany. The Coalition also provides transitional and permanent housing, support services coordination for veterans, and housing development in the form of rehabilitation, new construction, and housing management.

**Better Neighborhoods, Inc.** - A bank employee serves on the Board of Directors and Finance Committee of this nonprofit corporation serving the Hamilton Hill and Vale neighborhoods of Schenectady. This area consists primarily of low and moderate income geographies. This organization offers a variety of housing renovation and community service activities benefitting low and moderate income families and first-time home buyers.

**Habitat for Humanity - Capital District** - A Vice President of the bank serves on the Finance Committee for this organization whose most recent project was to build a house for a low income family in Guilderland, New York.

**Bottomless Closet of Schenectady, Inc.** - A bank employee serves on the Board of Directors of this organization that provides career clothing to low income women who are graduates of a job readiness program. Additional services include workshops in job support skills, job survival skills, and life skills.

**DePaul Management Corporation** - A bank employee serves on the Finance Committee of this organization that provides housing to low and moderate income senior citizens under a program offered by the Department of Housing and Urban Development. The facility is located in Albany.

**Interfaith Partnership for the Homeless** - In 1997, a bank employee served on the Board of Directors for this organization which provides services for homeless people throughout the day. Additionally, it provides overnight shelter for 19 men and women, day program services, a community breakfast program, and a clothing pantry. The facility serves Albany County.

**Home Furnishings Program, Inc.** - A bank employee serves on the Board of Directors of this organization that provides used furniture, bedding, dishes, kitchenware and utensils to people in need. People must be referred by an agency or church. The organization serves Schenectady County.

**Regional Food Bank of Northeastern New York** - A bank employee serves on the Board of Directors and several committees for this organization that provides food indirectly to those in need through local food pantries and soup kitchens. The food bank serves Albany, Columbia, Fulton,

Greene, Montgomery, Rensselaer, Saratoga, Schenectady, Schoharie, Warren, and Washington Counties.

**Capital Area Council of Churches - Capital District** - A bank employee serves on the Board of Directors of the Council's Food Pantry Committee. This part of the organization is responsible for coordinating food pantry operations in the churches in Albany and Rensselaer Counties. This same employee serves on the fundraising committee for the Regional Food Bank of Northeastern New York. The food pantry services are used mainly by lower income people.

**Trinity Day Care Center** - A Vice President of the bank serves on the Board and the Budget and Finance Committee of this day care center which provides day care for residents in the City of Albany. Over 80% of the clientele is on public assistance.

**Project TOUCH - Teens Offering Understanding and Compassion to Persons with HIV** - A Vice President serves on the Finance and Advisory Boards. This organization pairs up high school students with young children who are somehow affected by HIV. All current program participants are from low or moderate income families.

**Schenectady Family Health Services** - A bank employee serves on the Board of Directors of this family practice that provides comprehensive medical, dental, and social work services to low and moderate income families in the city and county of Schenectady.

**Carver Community Center** - A bank employee serves on the Board of Directors and as the Youth Activity Chairperson. This organization oversees Family Health Services of Schenectady, day care and Headstart programs, and an after school program. The clientele for a majority of the programs offered are from low and moderate income families. This center targets Hamilton Hill, a low income geography in the city of Schenectady .

**Safe, Inc. of Schenectady/Safe House** - Two bank employees serve on the Board of Directors for Safe House. Safe House provides emergency shelter, counseling, meals, and relocation services to youth and young adults. A majority of the people using the services and shelter provided by Safe House are from low and moderate income families. This organization serves Albany, Columbia, Greene, Rensselaer, Saratoga, Schenectady, Schoharie, Warren, and Washington Counties.

## **Fair Lending Review**

No violations of the substantive provisions of the antidiscrimination laws and regulations were identified.

## **Albany-Schenectady-Troy MSA (MSA 0160)**

### **Albany-Schenectady-Troy MSA Performance Conclusion**

Trustco's performance in this MSA is consistent with its performance in its combined AA.

### **Description of the Institution's Operations in the MSA**

The vast majority of the bank's operations are in this MSA. Trustco has 45 or 85% of its full service branches in the MSA.

### **Discussion of Performance Tests in Albany-Schenectady-Troy MSA 0160**

During the evaluation period, 82% of the number and 84% of the dollar volume of HMDA loans originated were in this MSA. Eighty-four percent of the number and dollar volume of small business loans were in the MSA.

Trustco is an active HMDA lender in the MSA. The bank was ranked third in 1996, with 6% market share, and first in 1997, with 10% market share. Within the HMDA loan group, the bank ranked fourth for home purchase loans in 1996 and first in 1997; second for refinance loans in 1996 and first in 1997, and seventh for home improvement loans in both 1996 and 1997. Trustco was ranked first in 1996 and 1997 for multifamily lending.

## **Lending Test**

### **HMDA Loans**

Trustco has a reasonable distribution of HMDA loans to borrowers with low or moderate income. Table IX shows the bank's distribution of HMDA loans within the MSA to low income borrowers slightly exceeding the average for all lenders in 1996, while less than the average in 1997. Trustco's distribution of loans to moderate income borrowers approximates the average lender distribution in 1996 and 1997. For the first nine months of 1998, lending to low income borrowers equaled 1997 at 3%, and lending to moderate income borrowers declined to 13%.

<b>Table IX</b> <b>Borrower Distribution of HMDA Loans - 1996 &amp; 1997</b> <b>Originations in MSA 0160</b> <b>Average Lender Distribution compared to Trustco Distribution</b>			
<b>Income Level of Families</b>	<b>% of Families by Income Level</b>	<b>Average % Distribution by all Lenders /Trustco 1996</b>	<b>Average % Distribution by all Lenders/Trustco 1997</b>
Low	16	5/6	5/3
Moderate	18	17/16	16/16
Middle	26	26/30	25/30
Upper	40	38/47	37/50
Income Not Available	0	14/1	17/1
Total	100	100	100

Table X provides a comparison between Trustco and the average for all lenders in the MSA portion of the AA, for the distribution of the three HMDA products to low and moderate income individuals. In 1996, Trustco slightly exceeded the average lender to low income borrowers in each product. Lending to moderate income borrowers in 1996 varied, with home purchase loans below, while home improvement loans and refinance loans were above the average lender. In 1997, home purchase and refinance loans were below, and home improvement loans were slightly above the average lender. Home purchase lending to moderate income borrowers equaled the average lender, while refinance loans were slightly above, and home improvement loans were significantly above the average lender.

In the first nine months of 1998, the percentage distribution of loans to low and moderate income borrowers was less than 1996 and 1997, with the exception of two categories. The exceptions were in lending to low income borrowers for home purchase at 3%, slightly above the 2% rate for 1997, and for home improvement at 10%, slightly above the 9% rate for 1997. The percentage distributions for the remaining categories were 3% for refinances to low income borrowers, 13% for home purchase loans, 16% for home improvement loans and 13% for refinance loans, all to moderate income borrowers.

<b>Table X</b> <b>Percentage Distribution of HMDA Loan Products to Low and Moderate Income Borrowers</b> <b>in MSA 0160</b> <b>Average Lender vs. Trustco</b>			
<b>Year &amp; Borrower Income Level</b>	<b>Home Purchase Loans Average Lender/Trustco %</b>	<b>Home Improvement Loans Average Lender/Trustco %</b>	<b>Refinance Loans Average Lender/Trustco %</b>
1996 Low Income Borrowers	4/5	9/10	5/6
1997 Low Income Borrowers	4/2	8/9	5/4
1996 Moderate Income Borrowers	18/14	21/22	15/18
1997 Moderate Income Borrowers	16/16	21/28	14/15

### **Small Business Lending**

In 1996, 95% of Trustco's small business loans were made to small businesses. Trustco ranked eleventh among small business reporting institutions, with market share of approximately 2%. The percentage of loans to small businesses remained high at 87% in 1997. Trustco ranked fourteenth among small business reporting institutions, with market share remaining at 2%. Lending to small businesses declined somewhat in the first three quarters of 1998 with 78% of the small business loans made to small businesses. Small businesses represent 74% of the 25,084 businesses operating in this MSA portion of the AA. A total of 4,308 or 17% of the businesses did not report annual revenues.

The majority of Trustco's small business loans were for amounts less than \$100,000. Table XI shows the percentage distribution of Trustco's small business loans in three monetary categories.

<b>Table XI</b> <b>Small Business Loan Originations</b> <b>in MSA 0160</b> <b>by Dollar Loan Size</b>			
<b>Origination Amount \$</b>	<b>Trustco 1996 Distribution %</b>	<b>Trustco 1997 Distribution %</b>	<b>Trustco 1/1/98- 9/30/98 Distribution %</b>
Less Than 100,000	72	71	59
100,000 - 250,000	21	20	24
250,000- 1,000,000	7	9	17
Total	100	100	100

## Geographic Distribution

### HMDA Loans

Trustco has an acceptable distribution of HMDA loans in low or moderate income geographies. Table XII shows Trustco's percentage of loans in low and moderate income geographies in 1996 equaled both the percentage of owner occupied housing and the average of all lenders. However, Trustco's distribution of HMDA loans to both low and moderate income borrowers in 1997, was below the percentage of owner occupied housing and the average distribution of all lenders.

<b>Table XII</b> <b>Geographic Distribution of HMDA Loans - 1996 &amp; 1997 Originations</b> <b>All Lenders in MSA 0160 compared to Trustco</b>				
<b>Geography Income Level</b>	<b>% of Total Geographies</b>	<b>% of Owner Occupied Housing</b>	<b>1996 Average % Distribution all Lenders/Trustco</b>	<b>1997 Average % Distribution all Lenders/Trustco</b>
Low	5	1	1/1	1/*
Moderate	17	9	9/9	8/5
Middle	55	60	59/56	60/56
Upper	23	30	31/34	31/39
Total	100	100	100	100

\* less than ½ of 1%.

Table XIII compares Trustco's distribution of each HMDA loan product to the average lender in the low and moderate income geographies. With the exception of multifamily loans, where the bank consistently exceeded the average lender in low and moderate geographies, and home improvement loans made in moderate income geographies in 1996, where the bank slightly exceeded the average lender, Trustco either equals or has performance less than the average lender in 1996 and 1997.



**Table XIII**  
**Percentage Distribution of HMDA Loan Products to Low and Moderate Income Geographies**  
**in MSA 0160**  
**Average Lender vs. Trustco**

<b>Year &amp; Geography Income Level</b>	<b>Home Purchase Loans Average Lender/Trustco %</b>	<b>Home Improvement Loans Average Lender/Trustco %</b>	<b>Refinance Loans Average Lender/Trustco %</b>	<b>Multifamily Loans Average Lender/Trustco %</b>
1996 Low Income Geographies	1/1	1/0	1/*	5/11
1997 Low Income Geographies	1/*	1/0	1/1	3/5
1996 Moderate Income Geographies	9/7	8/9	9/9	18/44
1997 Moderate Income Geographies	8/4	8/5	9/5	22/40

\* less than ½ of 1%.

For the first three quarters of 1998, Trustco's distribution of loans in low and moderate income geographies was less than 1% and 5% respectively, the same as 1997. In 1998, there were no home improvement or refinance loans made in low income geographies, and home purchase loans were less than 1%. Lending in moderate income geographies for home purchase and home improvement loans was slightly above 1997 at 5% and 7% respectively, and equal to 1997 in refinance loans. There were no multifamily loans made by Trustco in low income geographies in the first three quarters of 1998, while 37% of multifamily loans were made in moderate income geographies.

### **Small Business Loans**

Tables XIV shows the average lender compared to Trustco's geographic distribution of small business loans for 1996 and 1997. In 1997, Trustco's lending in low income geographies was weak, while lending in moderate income geographies was strong.

**Table XIV**  
**Geographic Distribution of Small Business Loans - 1996 & 1997**  
**in MSA 0160**  
**Originations**

<b>Geography Income Level</b>	<b>% of total geographies</b>	<b>% of Average Lender/Trustco 1996</b>	<b>% of Average Lender/Trustco 1997</b>	<b>% of Small Businesses</b>
Low	5	8/6	8/3	8
Moderate	17	12/18	12/18	15
Middle	55	53/48	53/50	51
Upper	23	27/28	27/29	26
Total	100	100	100	100

The bank's distribution of small business loans to low income geographies was at 6% through September 30, 1998, an increase compared to 1997. The distribution in moderate income geographies at 14% was significantly lower than 1996 and 1997.

### **Community Development Lending**

Trustco refinanced two community development loans in this MSA during the evaluation period for \$3.0 million. *Please refer to the overall Community Development Lending section of this report for further information.*

### **Innovative or Flexible Lending Practices**

Trustco's innovative or flexible lending product is available in the bank's portion of this MSA. *Please refer to the overall Innovative or Flexible Lending Practices section of this report for further information.*

### **Investment Test**

All of Trustco's investments pertain to this MSA. *Please refer to the Investment Test for the combined assessment area.*

# Service Test

## Retail Banking Services

The retail banking services offered in this MSA are consistent with services offered by the overall bank. Trustco operates the vast majority of its branches in this MSA. ATMs are located at 28 of the 45 branches. Of the 28 ATMs, 25 are available 24 hours a day, seven days a week. All six of the branches opened since the last examination are located in this MSA.

The table below shows the distribution of branches and ATMs by the income level of the area geographies including all branches and geographies in the AA as of September 30, 1998. The distribution of branches and ATMs is reasonable in comparison to the distribution of geographies in this MSA. The distribution of branches and ATMs in low income geographies in this MSA is good compared to the distribution of low income geographies. The bank's ratio of branches in moderate and middle income geographies is similar to the ratio for the overall bank. Trustco is the only financial institution with branches in Hamilton Hill, a lower income geography in Schenectady and Central Avenue, a moderate income geography in Albany. The bank's distribution of ATMs in moderate income geographies is significantly below the percentage of geographies. Management provided reasonable justification for this disparity. Please refer to the Service Test portion of this report for the overall bank for additional details.

<b>Income Level of Geography</b>	<b># of Branches</b>	<b>% of Total Branches</b>	<b># of ATMs</b>	<b>% of Total ATMs</b>	<b>% of Total Geographies</b>
Low	3	7%	1	4%	4%
Moderate	5	11%	1	4%	17%
Middle	28	62%	21	75%	55%
Upper	9	20%	5	18%	22%
Total	45	100%	28	100%	100%*

\*Difference due to rounding (1%) and the exclusion of 2 geographies designated n/a constituting 1% of the total.

Trustco offers a wide variety of products and services in the MSA which do not differ from those previously described. *Please refer to the Service Test for the overall bank for additional information.*

## Community Development Services

The community development services benefitting this MSA do not differ from those described previously in the service test. *Please refer to the Service Test for the overall bank for additional*

*information.*

## **Glens Falls MSA (MSA 2975)**

### **Glens Falls MSA Performance Conclusion**

Overall, Trustco's performance in this MSA is consistent with its performance in its combined AA, except under the Lending Test, where its performance was not as strong as its performance in the combined AA. However, this does not change the overall rating for the bank.

### **Description of the Institutions's Operations in the MSA**

The bank's operations in this MSA consist of five or 9% of its branch offices, making it the second largest of the bank's three AAs.

### **Discussion of Performance Tests in Glens Falls MSA 2975**

During the evaluation period, 13% of the number and 12% of the dollar volume of HMDA loan originations were in this MSA. Eleven percent of the number and thirteen percent of the dollar volume of small business loans were in the MSA.

Trustco is an active HMDA lender in the MSA. The bank was ranked third in 1996, with 9% market share, and second in 1997, with 11% market share. Within the HMDA loan group, the bank ranked fourth for home purchase loans in 1996 and third in 1997; first for refinance loans in 1996 and 1997, and eighth for home improvement loans in 1996 and seventh in 1997. Trustco was ranked second in 1996 for multifamily lending, but made no multifamily loans in 1997.

### **HMDA Loans**

Trustco has a reasonable distribution of HMDA loans to borrowers with low or moderate income. Table XVI shows the bank's distribution of HMDA loans within the MSA, which was less than the average lender with the exception of lending to moderate income borrowers in 1997, which equaled the average lender. For the first nine months of 1998, lending to low income borrowers increased slightly to 4%, while lending to moderate income borrowers declined to 8%.

<b>Table XVI</b> <b>Borrower Distribution of HMDA Loans - 1996 &amp; 1997</b> <b>Originations in MSA 2975</b> <b>Average Lender Distribution compared to Trustco Distribution</b>			
<b>Income Level of Families</b>	<b>% of Families by Income Level</b>	<b>Average % Distribution by all Lenders /Trustco 1996</b>	<b>Average % Distribution by all Lenders/Trustco 1997</b>
Low	16	6/4	6/3
Moderate	18	17/13	16/16
Middle	26	27/31	26/25
Upper	40	41/51	37/56
Income Not Available	0	9/1	15/0
Total	100	100	100

Table XVII provides a comparison between Trustco and the average lender for the distribution of the three HMDA products to low and moderate income individuals. In home purchase lending, Trustco was significantly below the average lender in 1996 to both low and moderate income borrowers, and in 1997 to low income borrowers. Home improvement lending to low income borrowers in 1996 and 1997 was below the average lender, while lending to moderate income borrowers was well above the average lender in both years. Refinance loans were slightly above the average lender to low and moderate income borrowers in 1996, but below for both in 1997.

In the first nine months of 1998, the percentage distributions were less in all categories than 1996 and 1997, with two exceptions. The exceptions were lending to low income borrowers for home purchase lending at 2%, slightly above the 1% rate for 1996 and 1997. The percentages for the other categories were home purchase loans to moderate income borrowers at 4%, home improvement loans at 4% for low and 17% for moderate income borrowers, and refinance loans for low income borrowers 4% and 9% for moderate income borrowers.

<b>Table XVII</b> <b>Percentage Distribution of HMDA Loan Products to Low and Moderate Income Borrowers</b> <b>in MSA 2975</b> <b>Average Lender vs. Trustco</b>			
<b>Year &amp; Borrower Income Level</b>	<b>Home Purchase Loans</b> <b>Average Lender/Trustco</b> <b>%</b>	<b>Home Improvement Loans</b> <b>Average Lender/Trustco</b> <b>%</b>	<b>Refinance Loans</b> <b>Average Lender/Trustco</b> <b>%</b>
1996 Low Income Borrowers	6/1	8/7	4/6
1997 Low Income Borrowers	4/1	11/8	5/4
1996 Moderate Income Borrowers	19/10	21/29	12/13
1997 Moderate Income Borrowers	16/16	18/38	15/12

### Small Business Lending

In 1996, 100% of Trustco's small business loans were made to small businesses. Trustco ranked tenth among small business reporting institutions, with market share of approximately 2%. The percentage of loans to small businesses remained at 100% in 1997. Trustco ranked ninth among small business reporting institutions, with market share at 1%. Lending to small businesses declined in the first three quarters of 1998, with 67% of the small business loans made to small businesses. Small businesses represent 76% of the 3,152 businesses operating in this portion of the AA. A total of 520 or 17% of the businesses did not report annual revenues.

The majority of Trustco's small business loans were for amounts less than \$100,000. Table XVIII shows the percentage distribution of Trustco's small business loans in three monetary categories.

<b>Table XVIII</b> <b>Small Business Loan Originations</b> <b>in MSA 2975</b> <b>by Dollar Loan Size</b>			
<b>Origination Amount</b> <b>\$</b>	<b>Trustco 1996</b> <b>Distribution</b> <b>%</b>	<b>Trustco 1997</b> <b>Distribution</b> <b>%</b>	<b>Trustco 1/1/98- 9/30/98</b> <b>Distribution</b> <b>%</b>
Less Than 100,000	62	56	78
100,000 - 250,000	9	22	11
250,000- 1,000,000	29	22	11
Total	100	100	100

## Geographic Distribution

### HMDA Loans

Trustco has an acceptable distribution of HMDA loans in moderate income geographies. Table XIX shows Trustco's percentage of loans in moderate income geographies in 1996 and 1997 equaled the percentage of owner occupied housing but was slightly below the average distribution of all lenders.

<b>Table XIX</b> <b>Geographic Distribution of HMDA Loans - 1996 &amp; 1997 Originations</b> <b>All Lenders in MSA 2975 compared to Trustco</b>				
<b>Geography Income Level</b>	<b>% of Total Geographies</b>	<b>% of Owner Occupied Housing</b>	<b>1996 Average % Distribution all Lenders/Trustco</b>	<b>1997 Average % Distribution all Lenders/Trustco</b>
Low	There are no low income census tracts in the AA portion of the MSA			
Moderate	4	1	2/1	2/1
Middle	85	81	77/78	76/71
Upper	11	18	21/21	22/28
Total	100	100	100	100

Table XX compares Trustco's distribution of each HMDA loan product to the average lender in the moderate income geographies. With the exception of 1996 home purchase loans, Trustco's performance was less than the average lender.

<b>Table XX</b> <b>Percentage Distribution of HMDA Loan Products to Low and Moderate Income Geographies</b> <b>in MSA 2975</b> <b>Average Lender vs. Trustco</b>				
<b>Year &amp; Geography Income Level</b>	<b>Home Purchase Loans Average Lender/Trustco %</b>	<b>Home Improvement Loans Average Lender/Trustco %</b>	<b>Refinance Loans Average Lender/Trustco %</b>	<b>Multifamily Loans Average Lender/Trustco %</b>
1996 Moderate Income Geographies	2/3	*/0	2/0	13/0
1997 Moderate Income Geographies	2/1	3/0	2/1	20/0

\* less than 1/2 of 1%.

For the first three quarters of 1998, Trustco's distribution of loans in moderate income geographies equaled 1997's performance.

## Small Business Loans

Tables XXI shows the average lender compared to Trustco's geographic distribution of small business loans for 1996 and 1997. In 1996 and 1997, Trustco made no small business loans in moderate income geographies.

<b>Table XXI</b> <b>Geographic Distribution of Small Business Loans - 1996 &amp; 1997</b> <b>in MSA 2975</b> <b>Originations</b>				
<b>Geography Income Level</b>	<b>% of total geographies</b>	<b>% of Average Lender/Trustco 1996</b>	<b>% of Average Lender/Trustco 1997</b>	<b>% of Small Businesses</b>
Low	There are no low income census tracts in the AA portion of the MSA			
Moderate	4	4/0	6/0	5
Middle	85	80/62	75/67	77
Upper	11	16/38	19/33	18
Total	100	100	100	100

The bank made no small business loans in moderate income geographies through September 30, 1998.

## Community Development Lending

Trustco made no community development loans in this AA during the examination period.

## Innovative or Flexible Lending Practices

Trustco's innovative or flexible lending product is available throughout the AA.

## Investment Test

Trustco's investments in this MSA consist of the \$3.1 million in mortgage backed securities and the \$79,000 FHLB dividend reinvestment. *Please refer to the Investment Test for the combined assessment area.*



# Service Test

## Retail Banking Services

The retail banking services offered in this MSA are consistent with services offered by the overall bank. Trustco operates five of its 53 branches in this MSA. ATMs are located at three of the five branches, all of which are available 24 hours a day, seven days a week. No branches opened in this MSA since the last examination.

The table below shows the distribution of branches and ATMs by the income level of the area geographies including all branches and geographies in the AA as of September 30, 1998. The distribution of branches and ATMs is reasonable in comparison to the distribution of geographies in this MSA. The distribution of branches in moderate income geographies is good in comparison to the distribution of moderate income geographies in this MSA.

<b>Income Level of Geography</b>	<b># of Branches</b>	<b>% of Total Branches</b>	<b># of ATMs</b>	<b>% of Total ATMs</b>	<b>% of Total Geographies</b>
Low	0	0%	0	0%	0%
Moderate	1	20%	1	34%	4%
Middle	2	40%	1	33%	85%
Upper	2	40%	1	33%	11%
Total	5	100%	3	100%	100%

Trustco offers a wide variety of products and services. The products and services offered in the MSA do not differ from those previously described. *Please refer to the Service Test for the overall bank additional information.*

## Community Development Services

Only two of the bank's community development services applies to this MSA. Those services include the **Regional Food Bank of Northeastern New York** and **Safe Inc. of Schenectady/Safe House**. *Please refer to the Service Test for the overall bank for additional details.*

## Appendix

### Scope of Examination

The table below lists the scope of the examination. Specifically, it lists the lending products reviewed, the branches visited, and the time period covered in the review.

<b>Scope of Examination</b>			
<b>Time Period Reviewed</b>	January 1, 1996 - September 30, 1998		
<b>Financial institution</b>	<b>Products Reviewed</b>		
Trustco Bank, N.A. Schenectady, NY	Home purchase, home improvement and refinance loans reported on the HMDA LAR, and small business loans.		
<b>List of Assessment Areas and Type of Examination</b>			
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Branches Visited</b>	<b>Other Information</b>
The assessment consists of portions of the Albany-Schenectady-Troy (0160) and Glens Falls MSAs (2975), and portions of the nonmetropolitan areas of Columbia and Greene Counties.	On-site	Main Office	See "Description of Assessment Areas"