



**NEW YORK STATE BANKING DEPARTMENT  
CONSUMER SERVICES DIVISION**

One State Street Plaza  
New York, NY 10004

**PUBLIC SUMMARY**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**Date of Evaluation:** December 31, 2001

**Institution:** Putnam County Savings Bank  
2477 Route 6  
Brewster, NY 10509

**Note:** This evaluation is not an assessment of the financial condition of this institution. The rating assigned does not represent an analysis, conclusion or opinion of the New York State Banking Department concerning the safety and soundness of this financial institution.

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## GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of Putnam County Savings Bank (“PCSB”) prepared by the New York State Banking Department. The evaluation represents the Banking Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of December 31, 2001.

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

Part 76 of the General Regulations of the Banking Board implements Section 28-b and further requires that the Banking Department assess the CRA performance records of regulated financial institutions. Part 76 establishes the framework and criteria by which the Department will evaluate the performance. Section 76.5 further provides that the Banking Department will prepare a written report summarizing the results of such assessment and will assign to each institution a numerical CRA rating based on a 1 to 4 scoring system. The numerical scores represent an assessment of CRA performance as follows:

- (1) outstanding record of meeting community credit needs;
- (2) satisfactory record of meeting community credit needs;
- (3) needs to improve record of meeting community credit needs; and
- (4) substantial noncompliance in meeting community credit needs.

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

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

## OVERVIEW OF INSTITUTION'S PERFORMANCE

### Overall Rating: - Satisfactory

Putnam County Savings Bank ("PCSB" or the "bank") is rated "2", indicating a satisfactory record of helping to meet community credit needs. This rating is based on the following factors:

### **Lending Test** – High Satisfactory

- ❖ PCSB's lending levels reflect good responsiveness to its assessment area's credit needs. Of the 264 lenders originating HMDA-reportable loans within its assessment area in 2000, PCSB had a market share of 2.1%, the 12<sup>th</sup> largest in the area. For small business loans, the bank captured a market share of 0.3%, ranking 24<sup>th</sup> among 115 lenders in the area for the same period.
- ❖ A high percentage of HMDA-reportable and small business loans were made within the institution's assessment area. The assessment area concentrations for HMDA-reportable loans were 88.1% by number and 83.6% by dollar volume in 2000, and 89.0% by number and 83.2% by dollar volume in 2001. The small business loan assessment area concentrations were 85.6% by number and 74.6% by dollar volume in 2000, declining to 70.6% by number and 54.5% by dollar volume in 2001.
- ❖ The geographic distribution of loans reflects adequate penetration throughout the assessment area, considering that the bank has only one moderate-income area and no low-income areas within its assessment area.
  - The bank made no HMDA-reportable loans in the moderate-income tract in either 2000 or 2001, compared to a less than 1% LMI penetration by the aggregate. PCSB's middle-income percentages of 9.9% by number and 10.1% for dollar volume were less than the aggregate's ratios of 15.8% and 13.3% by dollar volume.
  - The bank made no small business loans in the moderate-income tract in either 2000 or 2001, while the aggregate achieved LMI ratios of 2.4% for both number and dollar volume of loans. For middle-income areas, the bank's 2000 ratios of 10.1% and 5.3% for number and dollar volume, respectively, and its corresponding 2001 ratios of 9.5% and 8.7%, were behind the 2000 aggregate's ratios of 11.6% for both number and dollar volume.
- ❖ The distribution of borrowers reflects a good penetration among customers of different income levels and businesses of different sizes.

- For HMDA-reportable originations, the bank's 12.3% LMI ratio in 2000 exceeded the aggregate's 9.5% ratio for the same year. PCSB's LMI percentage increased in 2001, to 13.8%.
- The bank's 66.3% ratio in 2000 for small business lending to businesses with gross annual revenues of less than \$1 million exceeded the aggregate's 40.9% ratio for the same year. PCSB's 2001 ratio was relatively unchanged from the prior year. In contrast, the bank's 75.3% penetration of loans in origination amounts of less than \$1 million in 2000 trailed the aggregate's 97.4% penetration. The bank's ratio declined in 2001, to 63.1%.
- ❖ PCSB has made a relatively high level of community development loans, given its size, capacity and assessment area credit needs. As of December 31, 2002, the bank had community development loans totaling \$2.1 million, of which \$1.8 million, or 84.8%, was defined as new money.

#### **Investment Test – Outstanding**

- ❖ PCSB has an excellent level of qualified investments, given its size and capacity. On December 31, 2001, the bank's qualified investments totaled \$4.2 million, of which \$4.1 million, or 98.5%, was new money. The bank's qualified investments included a minimal level of non-recoverable grants totaling \$14.8 thousand.
- ❖ While not innovative or complex, PCSB's qualified investments are satisfactorily responsive to the credit needs of its assessment area.

#### **Services Test – High Satisfactory**

- ❖ The bank's delivery systems are accessible to essentially all portions of the bank's assessment area. Services including business hours do not vary in a way that inconveniences certain portions of the assessment area or individuals.
- ❖ PCSB provided an adequate level of community development services. During the evaluation period, a trustee emeritus, the president, two vice presidents, an assistant vice president and the CRA officer of the bank served in six community development organizations.

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

## PERFORMANCE CONTEXT

### **Institution's Profile:**

Chartered in 1871, Putnam County Savings Bank ("PCSB" or the "bank") is a mutual savings bank headquartered in Brewster, New York. On December 31, 2001, PCSB had six full-service banking offices in three counties: three in Putnam County, two in Westchester County and one in Dutchess County. Each banking office is equipped with an Automated Teller Machine ("ATM").

On December 31, 2001, the bank reported total assets of \$663.4 million, which consisted of securities totaling \$296.1 million, loans and lease financing receivables totaling \$262.1 million, federal funds sold totaling \$53.4 million and cash due from banks totaling \$37.3 million. On the same date, bank deposits totaled \$605.3 million and equity totaled \$56.9 million.

According to the latest available deposit data, dated June 30, 2001, PCSB's home county of Putnam provided 51.2% of the bank's deposits. Based on its market share of deposits, the bank ranked second among 12 deposit-taking institutions in the county. Refer to the following chart for details:

<b>Deposit market share as of June 30, 2001</b>						
County name	County code	# of offices	Deposits \$000's	Market share	Ranking	# of banks
Dutchess	027	1	49,465	1.7%	12	16
Putnam	079	3	278,883	7.7%	2	12
Westchester	119	2	216,235	1.1%	17	30

The bank offers a wide variety of lending products including:

- ❖ Mortgages
  - ✓ Residential Mortgage Loans
  - ✓ Construction Mortgage Loans
  - ✓ Home Equity Loans
  - ✓ Home Equity Lines of Credit
- ❖ Consumer Loans
  - ✓ Home/Property Improvement Loans
  - ✓ Personal Loans
  - ✓ Automobile Loans
  - ✓ Higher Education Loans
  - ✓ Passbook Savings Loans
- ❖ Business Loans
  - ✓ Business Mortgage Loans
  - ✓ Business Loans
  - ✓ Business Lines of Credit

PCSB is an approved 7(a) Small Business Administration (“SBA”) lender. The bank does not participate in any other government guaranteed or subsidized loan programs for housing, small business or small farms.

The following chart shows the distribution of the bank’s gross loans as of December 31, 2001, 2000, 1999 and March 31, 1999, according to the corresponding Reports of Condition and Income (“Call Report”):

<b>TOTAL GROSS LOANS OUTSTANDING</b>								
LOAN TYPE	Dec. 31, 2001		Dec. 31, 2000		Dec. 31, 1999		March 31, 1999	
	\$000	%	\$000	%	\$000	%	\$000	%
1-4 Residential Loans	185,081	70.2	183,659	77.4	181,948	77.7	160,762	74.8
Mutifamily residential properties	4,502	1.7	3,872	1.6	1,924	0.8	2,131	1.0
Commercial mortgage loans	33,914	12.9	23,258	9.8	20,809	8.9	19,139	8.9
Consumer Loans	13,425	5.1	16,707	7.0	18,260	7.8	23,113	10.8
Commercial and Industrial Loans	10,969	4.2	6,638	2.8	4,905	2.1	2,936	1.4
Construction and land development	15,051	5.7	2,772	1.2	5,382	2.3	6,106	2.8
Obligations of states & political sub.	723	0.3	434	0.2	979	0.4	605	0.3
<b>Total Gross Loans</b>	<b>263,665</b>	<b>100.0</b>	<b>237,340</b>	<b>100.0</b>	<b>234,207</b>	<b>100.0</b>	<b>214,792</b>	<b>100.0</b>

The above chart shows that the bank is primarily a 1-4 family unit residential mortgage lender. Since the last evaluation (March 31, 1999), the bank’s loan portfolio has increased by \$48.8 million or 22.8% to \$263.7 million. There was no substantial change in the mix of loans, though commercial mortgages, commercial and industrial and construction and land development loans have all increased somewhat.

The bank received a rating of “2” at its last CRA evaluation by the Banking Department dated March 31, 1999, reflecting a Satisfactory record of helping to meet community credit needs.

There are no legal or financial impediments that would adversely impact the institution’s ability to meet the credit needs of its assessment area.

**Assessment Area:**

The bank has defined its assessment area to include Putnam County in its entirety and part of Westchester County in Primary Metropolitan Statistical Area (“PMSA”) 5600 (New York), and part of Dutchess County in Metropolitan Statistical Area (“MSA”) 2281.

The area has 54 census tracts, of which one (1.9%) is a moderate-income tract, eight (14.8%) middle and 44 (81.4%) are upper-income tracts. The assessment area has one (1.9%) zero-income tract. There are no low-income tracts.

According to the U.S. Census Bureau, in 1990, the bank's assessment area had a population of 217.4 thousand, of which 11.2% (24.3 thousand) were over the age of 65 and 22.0% (47.9 thousand) were under the age of 16.

In 1990, there were 58.3 thousand families in the assessment area, of which 4.4 thousand (7.7%) were low-income families, 5.0 thousand (8.5%) moderate, 10.2 thousand (17.5%) middle and 38.7 thousand (66.3%) upper-income families. There were 74.7 thousand households in the assessment area, of which 3.2 thousand (4.4%) had income below the poverty level.

Of these 9.4 thousand LMI families, 482 (5.1%) lived in the moderate-income tract and these families accounted for 60.8% of all families (793) that lived in that tract

There were 83.1 thousand housing units in the assessment area, 72.3 thousand (87.1%) of which were 1 to 4 family units, 8.2 thousand (9.9%) multifamily units and 1.4 thousand (1.7%) mobile homes. Fifty-eight point five thousand (70.4%) of the housing units were owner occupied and 0.4% of these were in the moderate-income tract. A further 16.2 thousand (19.5%) were rental occupied units and 6.9% of these were in the moderate-income tract. Ten point two percent (8.5 thousand) of the housing units were vacant/boarded up. In 1990, the median housing value was \$202.4 thousand and the median age of the housing was 29 years.

According to a Dun and Bradstreet survey, in 2000, there were 10.3 thousand businesses in the assessment area, of which 9.0 thousand (87.4%) had revenues of \$1.0 million or less. Six hundred and ninety-eight (6.8%) had revenues of more than \$1.0 million and six hundred and five (5.9%) were businesses on which no revenues were reported. Almost 9.7 thousand (93.8%) businesses in the county had fewer than 50 employees and 9.1 thousand (88.2%) operated from a single location.

Approximately 4.3 thousand (42.2%) firms were service providers, 2.0 thousand (19.3%) were in the retail trade, 1.5 thousand (14.3%) in construction and 681 (6.6%) in finance, insurance & real estate.

The assessment area appears reasonable based upon the location of branches and lending patterns. There is no evidence that LMI areas are arbitrarily excluded

### **Details of the Assessment Area**

#### **MSA 2281 (Dutchess)**

MSA 2281 consists of only Dutchess County in its entirety.

**Dutchess County** - Dutchess County has 68 census tracts, of which the bank has designated seven tracts in the southeast portion of the county as part of its assessment area. Six (85.7%) of these counties are middle-income tracts and one (14.3%) is a zero-income tract.

According to the U.S. Census Bureau, Dutchess County had a population of 259.5 thousand in 1990 and it increased by 20.7 thousand (8.0%) to 280.2 thousand in 2000. The area the bank has defined as part of its assessment area had a population of 22.2 thousand in 1990, of which 2.3 thousand (10.4%) were over the age of 65 and 5.3 thousand (23.8%) were under the age of 16.

In 1990, there were 5.7 thousand families in the portion of the county within the bank's assessment area, of which 911 (16.0%) were low-income families, 928 (16.3%) moderate, 1.9 thousand (32.7%) middle and 2.0 thousand (35.0%) were upper-income families. There were 7.5 thousand households in the area of which 351 (4.7%) had income below the poverty level.

There were 8.8 thousand housing units in Dutchess County's portion of the assessment area, 7.1 thousand (81.4%) of which were 1-4 family units and 611 (7.0%) were multifamily units. Almost 5.7 thousand (65.2%) of all housing units were owner-occupied and 1.6 thousand (18.6%) were rental-occupied. About 1.4 thousand (16.3%) of all the units were either vacant or boarded up. In 1990, the median housing value was \$155.8 thousand and the median age of the housing was 21 years.

In 1990, the median family income for the county and MSA was \$49.3 thousand. The HUD's estimated median family income for the MSA was \$58.5 thousand in 1999 and \$59.6 thousand in 2000.

The U.S. Department of Commerce's Bureau of Economic Analysis reported that the largest source of earnings in the county in 2000 were services 28.7%, durable goods manufacturing 24.7%, and state and local government 16.4%. In 1990, the major sources of earnings were durable goods manufacturing 34.3%, services 19.7% and state and local government 16.6%.

According to a Dun and Bradstreet survey, in 2000, there were 883 businesses in the portion of Dutchess County within the bank's assessment area, of which 757 (85.7%) had revenues of \$1.0 million or less. Fifty-eight (6.6%) had revenues of more than \$1.0 million and 68 (7.7%) were businesses on which no revenues were reported. Eight hundred and twenty-seven (93.7%) of all businesses in the portion of the county had fewer than 50 employees and 797 (90.3%) operated from a single location.

Almost 316 (35.8%) firms were service providers, 178 (20.2%) were in the retail trade, 162 (18.4%) in construction, 54 (6.1%) in transportation and communication, 45 (5.1%) in agriculture, forestry and fishing and 44 (5.0%) in finance, insurance & real estate.

According to the New York Department of Labor, the county's average unemployment rates were 3.0% in 2000 and 3.2% in 2001. The county's average unemployment rates were below the state's average rate of 4.6% in 2000 and 4.9% in 2001.

### **MSA 5600 (New York)**

The bank has elected to include all of Putnam County in its entirety and the northern part of Westchester County, two of the eight counties in PMSA 5600, in its assessment area.

**Putnam County** - Putnam County has 19 census tracts, all of which are upper income tracts.

According to the U.S. Census Bureau, Putnam County had a population of 83.9 thousand in 1990 and it increased by 11.8 thousand (14.1%) to 95.7 thousand in 2000. In 1990, 7.6 thousand (9.0%) of the population was over the age of 65 and 21.5 thousand (25.7%) were under the age of 16.

In 1990, there were 22.6 thousand families in the county, of which 1.4 thousand (6.2%) were low-income, 1.6 thousand (7.1%) moderate, 4.1 thousand (18.1%) middle and 15.5 thousand (68.6%) upper-income families. There were 28.0 thousand households in the county, of which 1.1 thousand (3.9%) had income below the poverty level.

There were 31.9 thousand housing units in Putnam County, 29.3 thousand (91.9%) of which were 1 to 4 family units and 1.9 thousand (6.0%) were multifamily units. About 23 thousand (72.1%) housing units were owner occupied and 5.1 thousand (16.0%) were rental occupied and almost 3.9 thousand (12.1%) housing units were vacant/boarded up. In 1990, the median housing value was \$197.8 thousand and the median age of housing was 29 years.

In 1990, the median family income for the county was \$58.9 thousand and for the MSA, it was \$37.5 thousand. HUD's estimated median family income for the MSA was \$53.4 thousand in 1999 and \$56.2 thousand in 2000.

The U.S. Department of Commerce's Bureau of Economic Analysis reported that the largest sources of earnings in the county in 2000 were services 32.3%, state and local government 15.1% and construction 11.8%. In 1990, the major sources of earnings were services 27.3%, state and local government 19.7% and construction 11.8%.

According to a Dun and Bradstreet survey, in 2000, there were 4.1 thousand businesses in Putnam County of which 3.6 thousand (86.9%) had revenues of \$1.0 million or less. Exactly 294 (7.2%) had revenues of more than \$1.0 million and 241 (5.9%) were businesses on which no revenues were reported. Approximately 3.9 thousand (94.4%) businesses in the county had fewer than 50 employees and 3.7 thousand (89.3%) operated from a single location.

Approximately 1.7 thousand (40.6%) firms were service providers, 751 (18.4%) were in the retail trade, 644 (15.8%) in construction, 279 (6.8%) in finance, insurance and real estate and 190 (4.7%) in the wholesale trade.

According to the New York State Department of Labor, the county's average unemployment rates were 2.4% in 2000 and 2.7% in 2001. The county's average unemployment rates were below both the MSA average rates of 5.3% in 2000 and 5.6% in 2001 and the state's average rates of 4.6% in 2000 and 4.9% in 2001.

**Westchester County** - Westchester County has 220 census tracts of which the bank has chosen to include 28 within its assessment area. These tracts include 1 (3.6%) moderate-income tract, 2 (7.1%) middle and 25 (89.3%) upper-income tracts. The assessment area has no low-income or zero-income tracts.

According to the U.S. Census Bureau, Westchester County had a population of 874.9 thousand in 1990 and it increased by 48.6 thousand (5.5%) to 923.5 thousand in 2000. The area within the bank's assessment area had a population of 111.3 thousand in 1990, of which 14.5 thousand (13.0%) were over the age of 65 and 23.4 thousand (21.0%) were under the age of 16.

In 1990, there were 30.0 thousand families in the assessment area portion of the county, of which 2.2 thousand (7.3%) were low-income families, 2.4 thousand (8.0%) moderate, 4.3 thousand (14.2%) middle and 21.1 thousand (70.5%) upper-income families. There were 39.2 thousand households in the area, of which 1.8 thousand (4.2%) had income below the poverty level.

Of the 4.6 thousand LMI families, 482 (10.5%) lived in the moderate-income tract and these families accounted for 60.8% of all the families (793) that lived in that tract.

There were 42.4 thousand housing units in the assessment area portion of Westchester County, 35.9 thousand (84.6%) of which were 1 to 4 family units and 5.7 thousand (13.5%) were multifamily units. Almost 29.8 thousand (70.3%) housing units were owner occupied and 0.74% (220) of these were in the moderate-income tract. A further 9.5 thousand (22.4%) were rental occupied and 11.7% (1.1 thousand) of these were in the moderate-income tract. Approximately 3.2 thousand (7.5%) housing units were vacant/boarded up. In 1990, the median housing value was \$215.4 thousand and the median age of housing was 30 years.

In 1990, the median family income for the county was \$58.9 thousand and, for the MSA, it was \$37.5 thousand. HUD's estimated median family income for the MSA was \$53.4 thousand in 1999 and \$56.2 thousand in 2000.

The U.S. Department of Commerce's Bureau of Economic Analysis reported that the largest source of earnings in this portion of the county in 2000 were services 32.4%, finance, insurance and real estate 13.7% and state and local government 11.9%. In 1990, the major sources of earnings were services 30.4%, state and local government 11.2% and durable goods manufacturing 9.7%

According to a Dun and Bradstreet survey, in 2000, there were 5.3 thousand businesses in the assessment area portion of Westchester County, of which 4.7 thousand (88.0%) had revenues of \$1.0 million or less. About 346 (6.5%) had revenues of more than \$1.0 million and 296 (5.6%) were businesses on which no revenues were reported. Almost 5 thousand (93.3%) businesses in the county had fewer than 50 employees and 4.6 thousand

(87.1%) operated from a single location.

Almost 2.4 thousand (44.4%) firms were service providers, 1.1 thousand (19.8%) were in the retail trade, 664 (12.5%) in construction, 358 (6.7%) in finance, insurance and real estate and 246 (4.6%) in the wholesale trade.

According to the New York Department of Labor, the county's average unemployment rates were 3.0% in 2000 and 3.5% in 2001. The county's average unemployment rates were below both the MSA's average rates of 5.3% in 2000 and 5.6% in 2001 and the state's average rates of 4.6% in 2000 and 4.9% in 2001.

## **PERFORMANCE TESTS AND ASSESSMENT FACTORS**

This Performance Evaluation incorporates a review of the bank's lending, investment, and service activities within the assessment area, during 2000 and 2001, utilizing the performance tests and standards for large banks.

Statistics utilized in this evaluation were derived from various sources. In addition to loan information submitted by the bank, aggregate data for HMDA-reportable loans, small business and small farm loans were obtained from the Federal Financial Institutions Examination Council ("FFIEC") and PCI Services, Inc. CRA Wiz©, an external vendor. Peer lending comparisons were made to the 2000 aggregate data, as the 2001 data were not available for purposes of this evaluation. Demographic data were obtained from the 1990 U.S. Census data, supplemented by the 2001 HUD-estimated median family income.

### **I. Lending Test: "High Satisfactory"**

The bank's lending performance was evaluated pursuant to the following criteria: (1) Lending Activity; (2) Assessment Area Concentration; (3) Distribution of Lending based on Census Tract income; (4) Distribution of Lending based on Borrower Characteristics; (5) Community Development Lending; and (5) Innovative or Flexible Lending Practices.

Both HMDA-reportable and small business loans were considered, with greater weight accorded to residential mortgages, the bank's primary product. While the distribution of lending based on census tract income was considered, it was not heavily weighted in arriving at a rating, because there are no low-income, one moderate-income and only eight middle-income tracts in the assessment area. Putnam County, the bank's primary market, contains only upper-income tracts.

#### **Lending Activity - High Satisfactory**

The bank's lending levels reflect good responsiveness to its assessment area's credit needs, based on an excellent level of HMDA-reportable and a satisfactory level of small business loans.

#### **HMDA-reportable loans**

PCSB's lending level of HMDA-reportable loans reflects excellent responsiveness to its assessment area's credit needs.

In 2000, the bank originated 141 HMDA-reportable loans totaling \$17.3 million within its assessment area. In 2001, the corresponding figures were 170 and \$19.5 million, reflecting an increase by number of 20.6% over the 2000 level. The largest increase occurred in refinancing loans, which grew more than three times over the 2000 level. Home purchase and home improvement loans, on the other hand, fell by 31.3% and 38.1%,

respectively, over the prior year levels. The level of multi-family loans remained the same.

With the lending reported for 2000, PCSB captured a market share of 2.1% of all HMDA-reportable loans within its assessment area, ranking the bank 12<sup>th</sup> among 264 lenders.

The following chart shows a distribution of the bank's HMDA-reportable loans by purpose during the Evaluation period:

DISTRIBUTION OF HMDA REPORTABLE LOANS BY PURPOSE								
PRODUCTS	2000				2001			
	#	%	\$(000's)	%	#	%	\$(000's)	%
HOME PURCHASE	96	68.1%	13,825	80.0%	66	38.8%	10,726	55.0%
REFINANCING	21	14.9%	1,887	10.9%	88	51.8%	8,218	42.1%
HOME IMPROVEMENT	21	14.9%	308	1.8%	13	7.6%	167	0.9%
MULTIFAMILY	3	2.1%	1,259	7.3%	3	1.8%	402	2.1%
<b>TOTAL</b>	<b>141</b>	<b>100.0%</b>	<b>#####</b>	<b>100.0%</b>	<b>170</b>	<b>#####</b>	<b>#####</b>	<b>100.0%</b>

The following chart shows a distribution of the bank's HMDA-reportable loans by MSA during the Evaluation period:

DISTRIBUTION OF HMDA-REPORTABLE LOANS BY MSA								
MSA	2000				2001			
	#	%	\$000	%	#	%	\$000	%
Dutchess	14	9.9%	1,798	10.4%	24	14.1%	2,329	11.9%
<b>2281</b>	14	9.9%	1,798	10.4%	24	14.1%	2,329	11.9%
Putnam	92	65.3%	10,567	61.2%	109	64.1%	12,489	64.0%
Westchester	35	24.8%	4,914	28.4%	37	21.8%	4,695	24.1%
<b>5600</b>	127	90.1%	15,481	89.6%	146	85.9%	17,184	88.1%
<b>TOTAL</b>	<b>141</b>	<b>100.0%</b>	<b>17,279</b>	<b>100.0%</b>	<b>170</b>	<b>100.0%</b>	<b>19,513</b>	<b>100.0%</b>

These figures show Putnam County as the bank's primary market for HMDA-reportable originations.

### **MSA 2281 (Dutchess)**

In 2000, the bank originated 14 HMDA-reportable loans totaling \$1.8 million in the portion of this MSA that is included in the assessment area. In 2001, the number of HMDA loan originations increased by 71.4%, to 24 loans totaling \$2.3 million. In 2001, refinancing loans increased more than five times over the 2000 level. Home purchase loans decreased by 18.2% in 2001 while home improvement loans remained unchanged. In 2000, the bank had one multi-family loan but in 2001, PCSB had no multifamily originations.

In 2000, the bank captured a market share of 1.6% of all HMDA-reportable loans in this MSA, ranking the bank 17<sup>th</sup> among 132 lenders in the area.

### **MSA 5600 (New York)**

In 2000, the bank originated 127 HMDA-reportable loans totaling \$15.5 million in the

portion of this MSA included in the assessment area. In 2001, the number of originations increased by 15.0%, to 146 loans for \$17.2 million. In 2001, refinancing loans increased three times over the 2000 level. In 2001, home purchase, home improvement and multi-family loans decreased by 32.9%, 40.0% and 33.3%, respectively, over 2000 levels.

Of 251 HMDA lenders in the assessment area of this MSA in 2000, the bank had the 12<sup>th</sup> largest market share of HMDA-reportable loans, with 2.2%.

#### *Putnam County*

The bank originated 92 HMDA-reportable loans totaling \$10.6 million in this county in 2000. In 2001, the number of HMDA-reportable loans increased by 18.5%, to 109 loans for \$12.5 million. The number of refinancing loans originated in 2001 increased two and one-half times over the level in 2000. The number of home purchase, home improvement and multi-family loans originated in 2001 decreased by 25.5%, 50.0% and 33.3%, respectively, over 2000 levels.

In 2000, of the 202 lenders that originated HMDA-reportable loans in Putnam County, PCSB ranked 8<sup>th</sup> with a 3.3% market share.

#### *Westchester County*

The bank originated 35 HMDA-reportable loans totaling \$4.9 million in the assessment area portion of this county in 2000. The number of HMDA-reportable loans originated in 2001 increased by 5.7%, to 37 loans for \$4.7 million. The number of refinancing loans originated in 2001 increased by five times over the 2000 level. In 2001, the number of home purchase loans originated in the county decreased by 46.7% over the 2000 level.

In 2000, the bank captured a market share of 1.1% in this area, which ranked PCSB 24<sup>th</sup> out of 215 HMDA lenders in this portion of Westchester County.

#### Other Residential Loans

During the evaluation period, the bank made 31 loans totaling \$4.9 million, of which \$3.3 million were made using Modification, Extension and Consolidation Agreements ("MECA") and \$1.5 million consisted of new money that was HMDA reportable (and are included in the figures above). MECAs are home mortgage loans that were assigned to the bank by other institutions or the bank's own loans for which the original mortgage was modified or extended.

#### Small business loans

The bank's level of small business lending is satisfactory.

PCSB originated 89 small business loans totaling \$7.3 million within the bank's assessment area in 2000. In 2001, the number of assessment area loans decreased by 5.6% to 84 loans, while the dollar volume increased by 58.1% to \$11.5 million.

In 2000, the bank captured a market share of 0.3% of all small business loan originations within its assessment area, ranking PCSB 24<sup>th</sup> among 115 lenders in the area.

The chart below shows a distribution of the bank's small business loans:

<b>DISTRIBUTION OF SMALL BUSINESS LOANS BY MSA</b>								
<b>MSA</b>	<b>2000</b>				<b>2001</b>			
	<b>#</b>	<b>%</b>	<b>\$000</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000</b>	<b>%</b>
Dutchess	9	10.1%	389	5.4%	8	9.5%	999	8.7%
<b>2281</b>	9	10.1%	389	5.4%	8	9.5%	999	8.7%
Putnam	59	66.3%	5,536	76.1%	49	58.3%	6,834	59.4%
Westchester	21	23.6%	1,352	18.6%	27	32.1%	3,673	31.9%
<b>5600</b>	80	89.9%	6,888	94.7%	76	90.5%	10,507	91.3%
<b>TOTAL</b>	<b>89</b>	<b>100.0%</b>	<b>7,277</b>	<b>100.0%</b>	<b>84</b>	<b>100.0%</b>	<b>11,506</b>	<b>100.0%</b>

The chart reveals that Putnam County is the primary market for the bank's small business loans

***MSA 2281 (Dutchess)***

During the same period, the bank originated nine small business loans totaling \$389 thousand in the assessment area of this MSA. In 2001, the number of small business loans decreased, to eight loans, while dollar volume increased to \$999 thousand.

In 2000, the bank had a market share of 0.3% of all small business loans originated within this area, ranking PCSB 24<sup>th</sup> among 51 lenders in the area.

***MSA 5600 (New York)***

PCSB originated 80 small business loans totaling \$6.9 million in the assessment area portion of this MSA in 2000. In 2001, the number of small business loan originations decreased by 5.0%, to 76 loans, while the dollar volume increased by 52.5% to \$10.5 million, over the prior year.

The bank captured a market share of 0.4% of all small business loans originated within the assessment area portion of this MSA in 2000, ranking PCSB 21<sup>st</sup> among 108 lenders in the area.

***Putnam County***

The bank originated 59 small business loans totaling \$5.5 million in this county in 2000. The number of small business loan originations in 2001 decreased by 17.0%, to 49 loans, while the dollar volume increased by 23.5%, to \$6.8 million.

PCSB captured a 2.5% market share of all small business loans originated within its home county of Putnam in 2000, ranking PCSB 9<sup>th</sup> among 45 lenders in the county.

### *Westchester County*

In 2000, the bank extended 21 small business loans totaling \$1.4 million in the assessment area portion of this county. In 2001, the number of small business loan originations increased, by 28.6% to 27 loans, while dollar volume increased by 171.7% to \$3.7 million.

Of the 101 lenders that originated small business loans in this area in 2000, PCSB ranked 26<sup>th</sup> with a market share of 0.1%.

### **Assessment Area Lending - High Satisfactory**

A high percentage of HMDA-reportable and small business loans were made within the institution's assessment area.

### HMDA

The following chart shows that the bank originated substantial majority of its HMDA-reportable loans in its assessment area in both 2000 and 2001.

<b>HMDA-REPORTABLE LOANS</b>								
<b>Location</b>	2000				2001			
	#	#%	\$000's	\$%	#	#%	\$000's	\$%
In Assessment Area	141	88.1%	17,279	83.6%	170	89.0%	19,513	83.2%
Outside Assessment Area	19	11.9%	3,384	16.4%	21	11.0%	3,942	16.8%
Total	160	100.0%	20,663	100.0%	191	100.0%	23,455	100.0%

### Small Business Loans

While a substantial majority of small business loans were originated within the assessment area in 2000, the assessment area concentration decreased somewhat in 2001.

<b>SMALL BUSINESS LOANS</b>								
<b>Location</b>	2000				2001			
	#	#%	\$000's	\$%	#	#%	\$000's	\$%
In Assessment Area	89	85.6%	7,277	74.6%	84	70.6%	11,506	54.5%
Outside Assessment Area	15	14.4%	2,481	25.4%	35	29.4%	9,618	45.5%
Total	104	100.0%	9,758	100.0%	119	100.0%	21,124	100.0%

### **Geographic Distribution of Loans - Low Satisfactory**

The geographic distribution of loans reflects adequate penetration throughout the assessment area, taking into consideration that the bank has only one moderate-income area and no low-income areas within its assessment area.

### HMDA-reportable loans

In 2000, PCSB, by number and dollar volume, originated no loans in the only moderate-income area within its assessment area, while the aggregate originated 0.6% and 0.3%, respectively. In the same period, the bank extended 9.9% by number and 10.1% by dollar volume of its loans in middle-income geographies, trailing the corresponding aggregates of 15.8% and 13.3%. The bank extended 89.4% by number and 89.1% by dollar volume in upper-income geographies, which are slightly higher than the corresponding aggregates of 83.6% and 86.4%.

In 2001, the bank originated no loans in the only moderate-income area in its assessment area and aggregate data was unavailable.

### ***MSA 2281 (Dutchess)***

The part of this MSA in the bank's assessment area has no low-income and moderate-income geographies. The area has six middle-income tracts and one zero-income tract. In 2000, the bank extended 92.9% by number and 91.9% by dollar volume in the middle-income geographies, trailing the corresponding aggregates ratios of 99.8% and 99.9%.

In 2001, the bank's originations in middle-income geographies increased, to 95.8% and 99.7%, of the number and dollar volume percentages, respectively. Aggregate data was unavailable.

### ***PMSA 5600 (New York)***

The only moderate-income area in the bank's assessment area is in PMSA 5600. The bank did not extend any loans in this moderate-income area in 2000, while the aggregate had ratios of 0.7% by number and 0.4% by dollar volume. The bank's performance in middle-income and upper-income geographies were in line with the aggregate's performance.

### ***Putnam County***

A geographic distribution analysis could not be performed, as all tracts in this county are upper-income geographies.

### ***Westchester County***

The portion of the county within the bank's assessment area has the only moderate-income area. The bank did not originate any loans in the moderate-income geography in 2000, while the aggregate had 1.3% by number and 0.7% by dollar volume, respectively.

### **Small business loans**

The bank made no small business loans in the only moderate-income geography within its assessment area in 2000, while the aggregate had 2.4% by number and 2.4% by dollar volume. In the same period, the bank extended 10.1% by number and 5.3% by dollar volume in middle-income geographies, compared with 11.6% and 11.6%, respectively, for the aggregate. The bank's loans, by number and dollar volume, were 89.9% and 94.7%,

respectively, in upper-income geographies, compared with the corresponding aggregate ratios of 86.1% and 86.1%.

In 2001, the bank, by number and dollar volume were 9.5% and 8.7%, respectively, in middle-income geographies. The corresponding upper-income ratios were 90.5% and 91.3%. Aggregate data was unavailable.

### ***MSA 2281 (Dutchess)***

The bank's performance in the assessment area of this MSA was in line with the aggregate's performance.

### ***PMSA 5600 (New York)***

The bank originated no small business loans in the moderate-income area in the assessment area portion of this MSA in 2000, while the aggregate had 2.5% by number and 2.6% by dollar volume in the moderate-income area. The bank also had no loans in middle-income geographies, while the aggregate had 4.2% by number and 3.5% by dollar volume. The bank originated all of its loans in upper-income geographies while the aggregate had 93.2% by number and 93.9% by dollar volume.

In 2001, the bank again had all its small business loans in upper-income geographies. Aggregate data was unavailable.

### ***Putnam County***

A geographic distribution analysis was not performed, as all of the tracts in the bank's assessment area are upper-income tracts.

### ***Westchester County***

The bank originated no small business loans in the moderate-income area of the assessment area portion of this county in 2000, while the aggregate had 4.6% by number and 4.5% by dollar volume in the moderate-income area. The bank also had no loans in middle-income geographies, while the aggregate had 7.7% by number and 6.2% by dollar volume. The bank originated all its loans in upper-income geographies while the aggregate had 87.6% by number and 89.3% by dollar volume.

### **Borrower characteristics - High Satisfactory**

The bank's lending reflects a good penetration among customers of different income levels and businesses of different sizes.

### **HMDA-reportable loans**

The bank's distribution of HMDA-reportable loans to borrowers of different income level is good.

The following chart shows that the bank outperformed the aggregate in lending to low- and

moderate-income individuals in 2000. The bank performed as well as or better than the aggregate across all product lines. In 2001, the bank's lending ratio to low-income individuals slightly decreased, while the lending ratio to moderate-income individuals increased. In home purchase loans, the bank's ratio slightly increased, while in refinancing loans, the ratio decreased. In home improvement loans, the ratio rose sharply. Aggregate data was not available.

<b>BORROWER INCOME LEVEL DISTRIBUTION OF HMDA LOANS</b>								
Borrower Income Level	Home Purchase		Refinancing		Home Improvement		Total	
	Bank	Aggr.	Bank	Aggr.	Bank	Aggr.	Bank	Aggr.
<b>2000</b>	%	%	%	%	%	%	%	%
Low	2.1	1.5	4.8	1.9	4.8	2.3	2.9	1.7
Moderate	9.4	7.9	14.3	7.8	4.8	7.5	9.4	7.8
<b>LMI Total</b>	<b>11.5</b>	<b>9.3</b>	<b>19.1</b>	<b>9.7</b>	<b>9.5</b>	<b>9.8</b>	<b>12.3</b>	<b>9.5</b>
<b>2001</b>								
Low	1.5	-	1.1	-	15.4	-	2.4	-
Moderate	10.6	-	10.2	-	23.1	-	11.4	-
<b>LMI Total</b>	<b>12.1</b>	<b>-</b>	<b>11.4</b>	<b>-</b>	<b>38.5</b>	<b>-</b>	<b>13.8</b>	<b>-</b>

### **MSA 2281 (Dutchess)**

PCSB extended no HMDA-reportable loans to low-income individuals in the assessment area portion of this MSA in 2000, while the aggregate had a ratio of 2.5%. The bank's lending ratio of 14.3% to moderate-income individuals was in line with the aggregate's ratio of 13.8%. The bank slightly under-performed the aggregate in lending to middle-income individuals and slightly outperformed the aggregate in lending to upper-income individuals.

In 2001, the bank extended no loans to low-income individuals, while the moderate-income ratio jumped to 34.8%. Aggregate data was unavailable.

### **PMSA 5600 (New York)**

In the assessment area portion of this MSA in 2000, the bank's performance was stronger with low-income and moderate-income lending ratios of 3.2% and 8.9%, respectively, compared with the corresponding aggregate ratios of 1.6% and 6.9%. The bank slightly outperformed the aggregate in lending to middle-income individuals and under-performed the aggregate in lending to upper-income individuals.

In 2001, the bank's low-income and moderate-income borrowers' ratios declined to 2.9% and 7.6%, respectively. Aggregate data was unavailable.

### *Putnam County*

In 2000, the bank's low-income and moderate-income individuals lending ratios of 3.4% and 10.1%, respectively, were better than the corresponding aggregate ratios of 1.2% and 7.9%, respectively. The bank's performance in lending to middle-income and upper-income individuals was in line with the aggregate's performance.

In 2001, the bank's low-income and moderate-income borrowers' ratios declined, to 1.9% and 7.5%, respectively. Aggregate data was unavailable.

*Westchester County*

In the assessment area portion of this county in 2000, the bank had a low-income borrowers' lending ratio of 2.9%, compared with 1.9% for the aggregate. The bank's moderate-income borrowers' lending ratio of 5.7% is in line with the aggregate's ratio of 6.0%. The bank's performance in lending to middle-income borrowers was slightly stronger than the aggregate's performance, resulting in a lower ratio of lending to upper-income borrowers.

The bank's lending ratios in all borrowers' categories improved in 2001, except in middle-income category, which declined.

Small business loans

PCSB's distribution of small business loans reflects a good penetration among businesses of different sizes.

The following chart shows that PCSB's performance by number of small business loans was significantly stronger than the aggregate's performance in 2000. The bank's performance by dollar volume was slightly weaker than the aggregate's performance, indicating a smaller average loan size than its peers. In 2001, the bank's number ratio remained almost unchanged, while the dollar volume increased sharply. Aggregate data was not available.

<b>Proportion of Small Business Loans Made to Small Businesses</b>				
Year	By Number Volume		By Dollar Volume	
	Bank	Aggregate	Bank	Aggregate
	%	%	%	%
2000	66.3	40.9	44.3	46.3
2001	66.7	-	72.7	-

The following chart shows that the bank under-performed the aggregate in originating small business loans in the amounts of \$100 thousand or less in 2000. The bank's ratio decreased to 63.1% in 2001, while aggregate ratio was not available.

<b>Distribution of Small Business Loans By Loan Size</b>				
Loan Size	2000		2001	
	Bank	Aggregate	Bank	Aggregate
(\$000's)	%	%	%	%
<=\$100	75.3%	97.4%	63.1%	-
> \$100 <=\$250	15.7%	1.7%	17.9%	-
> \$250<=1,000	9.0%	1.0%	19.0%	-

**MSA 2281 (Dutchess)**

Based on number, PCSB outperformed the aggregate in extending loans to small

businesses in the assessment area portion of this MSA in 2000. The bank's performance based on dollar volume was in line with the aggregate's performance. In 2001, the bank's number and dollar volume ratios weakened. Aggregate was not available.

The bank under-performed the aggregate in originating small business loans in the amounts of \$100 thousand or less in 2000. In 2001, the bank's performance weakened.

***PMSA 5600 (New York)***

PCSB's lending penetration by number of loans to small businesses in this portion of the assessment area was stronger than the aggregate's performance in 2000, while its performance by dollar volume was slightly weaker. In 2001, both ratios increased, most significantly the dollar volume ratio.

The bank under-performed the aggregate in originating small business loans in the amounts of \$100 thousand or less in 2000. In 2001, the bank's performance weakened.

***Putnam County***

The bank's penetration of loans to small businesses was much stronger than the aggregate's performance in 2000 based on loan number, but slightly weaker based on dollar volume. In 2001, both ratios increased, more significantly the dollar volume ratio.

The bank under-performed the aggregate in originating small business loans in amounts of \$100 thousand or less in 2000. In 2001, the bank's performance slightly weakened.

***Westchester County***

PCSB outperformed the aggregate in extending loans to small businesses in 2000. In 2001, both ratios increased, more significantly the dollar volume ratio.

The bank under-performed the aggregate in originating small business loans in amounts of \$100 thousand or less in 2000. In 2001, the bank's performance weakened.

**Community development loans - High Satisfactory**

PCSB has made a relatively high level of community development loans, given its size, capacity and assessment area credit needs.

As of December 31, 2001, the bank had community development loans totaling \$2.1 million, including prior examination commitments. For this evaluation, \$1.8 million, or 84.8%, was deemed new money. Almost 94% of the commitments were for community development services and 6.1% were for the creation, rehabilitation and preservation of affordable housing.

The bank's home county of Putnam received \$1.8 million or 82.2% of the bank's total community development commitments, to support the provision of community services. Westchester County received \$250 thousand, or 11.7%, for community services. A statewide community development organization received \$130 thousand or 6.1% for the

creation, rehabilitation and preservation of affordable housing.

### **Innovative and flexible lending practices - Low Satisfactory**

The bank makes limited use of innovative and/or flexible lending practices in order to serve assessment area credit needs.

## **II. Investment Test: “Outstanding”**

The bank has an excellent level of qualified investments for the evaluation period, given its size, capacity and assessment area community development needs.

As of December 31, 2001, the bank had qualified investments, including non-recoverable grants, totaling \$4.2 million, of which \$4.1 million or 98.5% was deemed new money. The bank’s qualified investments consisted primarily of collateral trust notes and equity investments in a statewide financial intermediary.

Excluding grants, \$3.8 million or 90.4% of the qualified investments was for the creation, rehabilitation and preservation of affordable housing and \$400 thousand or 9.6% was for economic development.

The bank’s total qualified investments also include a nominal contribution of \$21 thousand to the Federal Home Loan Bank of New York’s (“FHLBNY”) Affordable Housing Program. The contribution was the bank’s pro-rata share of FHLBNY’s earnings for the year 2000 and 2001 that is set aside for this program.

During the Evaluation period, the bank had a minimal level of non-recoverable grants totaling \$14.8 thousand to various community development organizations engaged in affordable housing, community service and economic development within its assessment area.

While not innovative or complex, the bank’s qualified investments are satisfactorily responsive to credit and community development needs of its assessment area.

## **III. Service Test: “High Satisfactory”**

### **Retail Banking Services – High Satisfactory**

#### Accessibility of Delivery Systems

Delivery systems are accessible to essentially all portions of the bank’s assessment area. In addition to the main office, the bank operated five full-service branch offices. Five of the branches are in upper-income geographies and one is a middle-income geography.

#### Alternative Delivery Systems

Each banking office is equipped with an ATM, which is accessible 24 hours a day.

#### Changes in Branch Locations

The bank opened one branch during the evaluation period and has not closed any branches since the prior evaluation. PCSB closed its only off-site ATM during the evaluation period when the supermarket it was located in closed. The bank has a branch closing policy in case a branch closure is contemplated.

#### Reasonableness of Business Hours and Services in Meeting Assessment Area Needs

Services including business hours do not vary in a way that inconveniences certain portions of the assessment area or individuals.

Branch hours are 9:00 a.m. to 3:00 p.m., Monday through Friday; each branch is open till 6:00 p.m. or 7:00 p.m. on Thursdays and Fridays. In addition, each branch is open on Saturdays. All branches have a drive up facility that operates similar hours as the branch.

The bank participates in the New York State Electronic Benefit Transfer System ("EBTS"). EBTS allows public assistant recipients to receive cash through participating banks' ATMs without charge.

#### **Community Development Services - Low Satisfactory**

The bank provided an adequate level of community development services. During the evaluation period, a trustee emeritus, the president, two vice presidents, an assistant vice president and the CRA officer of the bank served with six community development organizations. They served as board members or as committee members of Putnam County Housing Corporation, Putnam County Economic Development Corporation, Mid-Hudson Bankers' Small Business Fund, New York Business Development Corporation and Habitat for Humanity.

#### **IV. Discrimination or Other Illegal Practices**

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

There were no practices noted that were intended to discourage applications for the types of credit offered by the institution.

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

The most recent regulatory compliance report made concurrent with this assessment indicates a satisfactory performance in terms of adherence to anti-discrimination or other applicable laws and regulations. No evidence of prohibited discrimination or other illegal credit practices was noted.

#### **V. Process Factors**

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

PCSB ascertains its assessment area's credit needs through contacts with local community development organizations, realtors and membership in chambers of commerce where the bank has a presence.

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

The bank uses print and electronic media to advertise its products and credit services. The print media used include: *The Journal News*, *The Poughkeepsie Journal*, *The Courier*, *The North County News* and *The PennySaver*. Electronic media used include radio stations such as *WHUD* and *WPUT* and cable television stations.

**The extent of participation by the banking institution's board of trustees in formulating the banking institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.**

The bank's board of trustees reviews CRA activities through reviews of all loans and presentations of CRA matters by the bank's president and chairman of the board. PCSB has a CRA officer who prepares a CRA related activity report for the president.

## **VI. Other Factors**

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

During the Evaluation period, the bank extended a \$1.9 million loan to the Village of Brewster and invested \$243.6 thousand in a Pawling Central School District Bond. In addition, the bank made grants totaling \$13.3 thousand to organizations within its assessment area.

The bank has an "Adopt-A-Family Program" through which employees donate food, clothing and other personal items to families in need. Employees are reimbursed for their expenses. During the Evaluation period, the bank had reimbursed employees a total of \$38.2 thousand.

## GLOSSARY

### Aggregate

The cumulative lending by all HMDA-reporting lenders in the same geographic area under evaluation.

### Community Development

The term “community development” is defined to mean:

1. Affordable housing (including multifamily housing) for low- or moderate-income (“LMI”) individuals;
2. Community services targeted to LMI individuals;
3. Activities that promote economic development by financing business or farms that meet the size eligibility standards of the United States Small Business Administration (“SBA”) Development Company or Small Business Investment Company programs, or have gross annual incomes of \$1 million or less;
4. Activities that revitalize or stabilize LMI geographies; and
5. Activities that seek to prevent defaults and/or foreclosures in loans included in (1) and (3), above.

A “community development loan” is defined as a loan that has as its *primary purpose* community development. This includes but is not limited to loans to:

- Borrowers for affordable housing rehabilitation and construction, including construction and permanent financing for multifamily rental property serving low or moderate income (“LMI”) persons;
- Nonprofit organizations serving primarily LMI or other community development needs;
- Borrowers to construct or rehabilitate community facilities that are located in LMI areas or that primarily serve LMI individuals;
- Financial intermediaries including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds or pools, micro-finance institutions, and low-income or community development credit unions that primarily lend or facilitate lending to promote community development;
- Local, state and tribal governments for community development activities; and
- Borrowers to finance environmental clean-up or redevelopment of an industrial site as part of an effort to revitalize the LMI community in which the property is located.

A “qualified investment” is defined as a lawful investment, deposit, membership share or grant that has as its *primary purpose* community development. This includes but is not limited to investments, deposits, membership shares or grants in or to:

- Financial intermediaries (including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds, micro-finance institutions and low-income or community development credit unions) that primarily lend or facilitate lending in LMI areas or to LMI individuals in order to promote community development;
- Organizations engaged in affordable housing rehabilitation and construction;
- Organizations, including, for example, small business investment corporations that promote economic development by financing small businesses;
- Facilities that promote community development in LMI areas or LMI individuals, such as youth programs, homeless centers, soup kitchens, health care facilities, battered women’s centers, and alcohol and drug recovery centers;
- Projects eligible for low-income housing tax credits;
- State and municipal obligations, such as revenue bonds that specifically support affordable housing or other community development needs;
- Organizations serving LMI housing or other community development needs, such as counseling for credit, home ownership, home maintenance, and other financial services education; and
- Organizations supporting activities essential to the capacity of LMI individuals or geographies to utilize credit to sustain economic development, such as day care operations and job training programs that facilitate access to permanent jobs.

A “community development service” is defined as a service that has as its *primary purpose* community development, is related to the provision of financial services, and has not been considered in the evaluation of the banking institution's retail banking services. This includes but is not limited to:

- Providing technical assistance on financial matters to nonprofit, tribal or government organizations serving LMI housing or economic revitalization and development needs;
- Providing technical assistance on financial matters to small businesses or community development organizations;
- Lending employees to provide financial services for organizations facilitating affordable housing construction and rehabilitation or development of affordable housing;
- Providing credit counseling, home buyers and home maintenance counseling, financial planning or other financial services education to promote community development and affordable housing;
- Establishing school savings programs for LMI individuals;
- Providing seminars for LMI persons on banking and bank account record-keeping;
- Making ATM “Training Machines” available for extended periods at LMI community sites or at community facilities that serve LMI individuals; and
- Technical assistance activities to community development organizations such as:
  - ❖ Serving on a loan review committee;
  - ❖ Developing loan application and underwriting standards;
  - ❖ Developing loan processing systems;
  - ❖ Developing secondary market vehicles or programs;
  - ❖ Assisting in marketing financial services, including the development of

- ❖ advertising and promotions, publications, workshops and conferences;
- ❖ Furnishing financial services training for staff and management;
- ❖ Contributing accounting/bookkeeping services; and
- ❖ Assisting in fund raising, including soliciting or arranging investments.

### **Demand-Adjusted Penetration Rate**

The number of owner-occupied loans made by the institution (or aggregate as appropriate) in a geographic area per thousand owner-occupied housing units in that area.

Mathematically, it is arrived at by dividing the number of owner-occupied housing units into the number of loans made and then multiplying by 1,000.

### **Demand-Adjusted Penetration Ratio**

A ratio that depicts geographic penetration of loans by comparing demand-adjusted lending in LMI areas with non-LMI areas. Mathematically, it is arrived at by dividing the demand-adjusted penetration rate in non-LMI areas into the demand-adjusted penetration rate in LMI areas and then expressed as a percentage.

A ratio of 100% means that the institution (or aggregate as appropriate) made an equal number of loans proportionally in LMI and non-LMI areas. Less than 100 percent would indicate less lending in LMI areas on the same basis compared to non-LMI areas, whereas over 100 percent would indicate a greater level of lending in LMI areas versus non-LMI areas.

### **Home Mortgage Disclosure Act (“HMDA”)**

The Home Mortgage Disclosure Act, enacted by Congress in 1975, and subsequently amended, requires institutions to annually report data about applications for residential (including multifamily) financing.

### **Loans to Small Businesses**

Small business loans to businesses with gross annual revenues of \$1 million or less.

### **Low or Moderate Income (“LMI”) Geographies**

Those census tracts or block numbering areas (“BNAs”), where according to the 1990 US Census, the median family income is less than 80% of the area median family income. In the case of tracted areas that are part of a Metropolitan Statistical Area (“MSA”) or Primary Metropolitan Statistical Area (“PMSA”), this would relate to the median family income for the MSA or PMSA in which the tracts are located. In the case of BNAs and tracted areas that are not part of a MSA or PMSA, the area median family income would be the statewide non-metropolitan median family income.

### **LMI Borrowers**

Borrowers whose income, as reported on the loan application which the lender relied upon in making the credit decision, is less than 80% of the area median family income. In the case where the residential property is located in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure borrower income levels are updated annually by the U.S. Department of Housing and Urban Development (“HUD”).

### **LMI Individuals/Persons**

Those individuals, whose income is less than 80% of the area median family income. In the case where the individual resides in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure individual income levels are updated annually by HUD.

### **Small Business Loans**

Loans to businesses with original amounts of \$1 million or less.