



NEW YORK STATE BANKING DEPARTMENT
CONSUMER SERVICES DIVISION
1 State Street
New York, NY 10004

PUBLIC SUMMARY
OFF-SITE EVALUATION

COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION

Date of Evaluation: December 31, 2003

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 off-site 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, 2003.

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 an institution’s 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 (“Evaluation”) be made available to the public. 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. These tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York State Banking Law.

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

OVERVIEW OF INSTITUTION'S PERFORMANCE

Overall Rating

Putnam County Savings 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"**
 - The bank's lending reflects good responsiveness to the credit needs of the assessment area.
 - In 2002, PCSB ranked 26th in its assessment area among 291 lenders subject to Home Mortgage Disclosure Act ("HMDA") reporting requirements. The bank's market share for 2002 was 1.03% based on number of originations (174 loans) and 0.78% based on dollar volume (\$25.7 million).
 - Among 85 small business lenders in the assessment area, PCSB ranked 23rd by achieving a market share of 0.37% based on number of loans and 2.78% based on dollar volume.
 - During the evaluation period, PCSB originated a high percentage of its loans within the assessment area. Based on a review of its HMDA-reportable, small business, and modification, extension and consolidation agreement ("MECA") lending activity, PCSB originated 79.4% of its total number of transactions, and 69.1% of its total dollar volume, within its assessment area.
 - Considering the demographics of the area, the geographic distribution of PCSB's loans reflects adequate dispersion throughout the assessment area. Lending opportunities in LMI areas are limited by the fact that the assessment area contains no low-income tracts and only two moderate-income tracts.
 - The bank extended no MECAs or HMDA-reportable loans in LMI areas. By comparison, the market aggregate originated 1.8% of its total number of HMDA-reportable loans in moderate-income areas. Aggregate data is not available for MECAs.
 - PCSB's small business lending in LMI tracts has improved significantly since the prior evaluation period, when the bank made no loans in LMI areas. PCSB originated two loans (2.1%) in moderate-income tracts during 2002, and another three loans (3.7%) there in 2003. By comparison, the market aggregate originated 3.7% of its small business loans in moderate-income census tracts during 2002. Aggregate data for 2003 were not available when this evaluation was conducted.
 - The distribution of the PCSB's loans by borrower characteristics reflects good penetration among customers of different income levels and businesses of different revenue sizes.

- In 2002, PCSB achieved a penetration rate of 10.9% among LMI borrowers, which was slightly below the aggregate's rate of 11.5%. In 2003, the bank's penetration rate increased to 12.0%.
- During the evaluation period the bank extended 61.3% of its small business loans to businesses with gross annual revenues of \$1 million or less. In 2002, the bank's ratio of 52.1% far exceeded the aggregate's ratio of 30.4%.
- PCSB originates a relatively high volume of community development loans. During the evaluation period, the bank was responsible for \$5.4 million in community development loans and commitments.
- **Investment Test: "Outstanding"**
 - PCSB continues to maintain an excellent level of qualified investments and grants. The bank is often in a leadership position, especially with respect to initiatives not routinely provided by private investors. Investment and grants for the evaluation period totaled \$3.7 million, which was slightly lower than the \$4.2 million reported during the prior evaluation period.

While not innovative or complex, the bank's qualified investments are responsive to the credit needs of the assessment area.

- **Services Test: "High Satisfactory"**
 - The bank's retail service delivery system is reasonably accessible to all portions of the assessment area. In addition, the bank and its employees provide an adequate level of community development service.
 - The bank operates seven full-service branch offices, including its main office. Five branches are located in upper-income census tract and two branches are located in middle-income census tracts. The bank's alternative delivery systems include automated teller machines ("ATMs") and bank-by-mail services.
 - PCSB's record of opening and closing branches has not adversely affected the accessibility of its delivery systems. During the evaluation period, the bank opened one new branch in a middle-income area. No branches were closed.
 - PCSB's services are tailored to the convenience and needs of its assessment area. All branches offer extended hours during the week and are open on Saturdays.
 - PCSB provides a relatively high level of community development services.

This offsite 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 is a mutual savings bank located in the Hudson Valley Region of New York State. PCSB operates seven full-service banking offices, including a main office and two branches in Putnam County, two branches in Westchester County and two branches in Dutchess County. These offices are supplemented by a network of eight automated teller machines ("ATMs"). Each branch has at least one ATM, while the Fishkill branch has two ATMs. Currently, the machine at the Somers branch is the only ATM that accepts deposits.

On its year-end Call Report for 2003, PCSB reported total assets of \$853 million, including \$321 million in gross loans and lease finance receivables. PCSB also reported total deposits of \$777 million, resulting in a loan-to-deposit ratio of 41.3%.

According to the FDIC's most recent comparative deposit market data, collected as of June 30, 2003, PCSB achieved a market share of 2.54%, placing the bank 9th among 43 deposit-taking institutions in the assessment area.

As of December 31, 2003, the bank's branches in Putnam County provided 48.7% of the bank's total deposits, while Westchester and Dutchess County branches accounted for 39.8% and 11.4% of total deposits, respectively.

The table below provides a summary of PCSB's loan portfolio based on Schedule RC-C of the bank's year-end Call Reports for 2002 and 2003:

GROSS LOANS OUTSTANDING				
Loan Type	12/31/2003		12/31/2002	
	\$000	%	\$000	%
Residential Mortgage Loans	182,047	56.7	186,648	61.0
Commercial Mortgage Loans	82,095	25.5	56,104	18.3
Multifamily Mortgages	7,857	2.4	6,669	2.2
Consumer Loans	10,055	3.1	11,630	3.8
Commercial & Industrial Loans	19,078	5.9	14,597	4.8
Construction & Land Development	19,672	6.1	23,686	7.7
Obligation of States & Political Sub.	541	0.2	6,496	2.1
Gross Loans	321,345	100.0	305,830	100.0

Since the prior evaluation period, PCSB's loan portfolio has grown by 16%. Although the bank is primarily a one- to four-family residential mortgage lender, the focus of its lending has been shifting towards commercial mortgages. Commercial mortgage loans increased 65% since the prior evaluation period. In contrast, residential mortgage lending has fallen

as a percentage of the loan portfolio.

During the evaluation period, PCSB opened a subsidiary, PCSB Commercial Bank. This bank was designated as a special purpose bank and was created for the sole purpose of accepting municipal deposits. PCSB Commercial Bank does not offer any products to consumers nor does it make any loans.

Assessment Area:

Putnam County Savings Bank’s assessment area appears reasonable based upon the bank’s lending patterns and the location of its branches. There is no evidence that LMI geographies have been arbitrarily excluded from the assessment area.

PCSB expanded its assessment area during the current evaluation period. Specifically, in January 2002, the Board of Trustees expanded the bank’s assessment area by 12 census tracts. The additional census tracts are all located within Dutchess County and include the village of Fishkill and the towns of Fishkill, East Fishkill and Beacon. This expansion was necessary because the bank opened a new branch in the town of Fishkill.

PCSB’s assessment area now includes Putnam County in its entirety and portions of Westchester and Dutchess Counties. According to data from the 2000 U.S. Census, the assessment area contains 66 census tracts, including no low-income, two (3.0%) moderate-income; 14 (21.2%) middle-income, 48 (72.7%) upper-income and 2 (3.03%) zero-income census tracts.

During the evaluation period, the baseline Census data used in our analysis changed from the 1990 U.S. Census to the 2000 U.S. Census. Consequently, the demographic information detailed for the assessment area is based on 1990 Census data for calendar year 2002 and 2000 Census data for calendar year 2003.

Distribution of 1990 Assessment Area Census Tracts by Income Level							
Assessment Area	Zero	Low	Moderate	Middle	Upper	Total	LMI %
Putnam	0	0	0	0	19	19	0.0
Dutchess	2	0	1	15	1	19	5.3
Westchester	0	0	1	2	25	28	3.6
Total	2	0	2	17	45	66	3.0

Distribution of 2000 Assessment Area Census Tracts by Income Level							
Assessment Area	Zero	Low	Moderate	Middle	Upper	Total	LMI %
Putnam	0	0	0	0	19	19	0.0
Dutchess	2	0	1	12	4	19	5.3
Westchester	0	0	1	2	25	28	3.6
Total	2	0	2	14	48	66	3.0

1990 Census Data

Population: As of the 1990 Census, the assessment area (as currently defined) had a population of 272 thousand persons, including 59.9 thousand people (22.0%) under the age of 16, and 29.6 thousand people (10.9%) over the age of 65.

Housing: In 1990, the assessment area contained 101.4 thousand housing units, including 87.5 thousand units (86%) in one- to four-family structures, 10.7 thousand units (11%) in multi-family buildings and 1.8 thousand (2%) mobile homes. Owner-occupied units accounted for 70% (71.1 thousand units) of the area's housing stock, while rental and vacant units accounted for 21% (20.9 thousand units) and 9% (9.4 thousand units), respectively. The median housing value in the assessment area was \$194 thousand and the median age of the housing stock was 28 years.

2000 Census Data

The demographics of the bank's assessment area have changed significantly during the 10 years between Censuses. As of the 2000 Census, the assessment area's population had increased by 11.5%, to 303.7 thousand residents. The number of middle- income census tracts decreased to 14 (21.2%) from 17 (25.8%), while the number of upper-income census tracts increased to 48 (72.7%) from 45 (68.2%).

Housing: As of 2000, the number of housing units in the assessment area had increased to 112 thousand, including 98.7 thousand units (88%) in one- to four-family structures, and 11.1 thousand units (10%) in multi-family structures. Mobile homes remained at 2% of the area's housing units. Owner occupancy increased slightly, to 74% of total units, while renter-occupied units remained unchanged at 22%. Vacant housing units declined to 5% of the housing stock, reflecting the increased demand for housing in the area due to population growth. The median housing value increased to \$207 thousand and the median age of the area's housing stock was 25 years.

Business Demographic Data: According to a Dun and Bradstreet survey, in 2003, there were 18.8 thousand businesses in the bank's assessment area, including 12.7 thousand businesses (67.9%) with revenues of \$1.0 million or less. The services industry accounted for 7.3 thousand (38.7%) of the area's businesses, followed by retail trade with 2.8 thousand companies (14.7%) and construction with 2.4 thousand (12.9%) businesses. Non-classifiable establishments accounted for 2.4 thousand, or 13.0%, of businesses within the assessment area.

Putnam County

Putnam County is located within Metropolitan Statistical Area (“MSA”) 5600.

Population: All 19 census tracts in Putnam County are upper-income tracts. According to data from the 2000 Census, these tracts have a combined population of 95.7 thousand residents, which represents an increase of 14.1% since the 1990 Census. Residents over the age of 65 now account for 9.6% of the population, compared to 9.0% in 1990.

Housing: Between the 1990 and 2000 Censuses, the number of housing units in Putnam County increased by 9.7%, to 35.0 thousand units. As of the 2000 Census, approximately 94% of the county’s housing units were located in one- to four-family residential structures, while another 5.0% were located in multi-family buildings.

According to data from the 2000 Census, owner-occupied units account for 76.7% of total housing units in Putnam County. By comparison, renter-occupied units represent 16.6% of the county’s housing stock, while approximately 6.6% of the county’s housing units were vacant.

During the 10 years between Censuses, the median house price in Putnam County increased from \$197.8 thousand to \$208.4 thousand.

Business Demographics: Approximately 38% of businesses in Putnam County are in the service sector, while 14.9% are in construction and 14.3% are in retail trade. Approximately 71% of businesses in the county have annual revenues of \$1 million or less.

Westchester County

Westchester County is part of MSA 5600.

Population: As of 2003, Westchester County contained 221 census tracts. Only 28 (12.7%) of these tracts are included with PCSB’s assessment area, and those 28 tracts have the following income designations: one (3.6%) moderate-income, two (7.1%) middle-income and 25 (89.3%) upper-income. As of the 2000 Census, the Westchester County portion of PCSB’s assessment area had a population of 120.7 thousand residents, which represents an increase of 8.4% since 1990.

Housing: The number of housing units in the designated tracts increased from 42.4 thousand in 1990 to 45.0 thousand in 2000. A large majority (74.0%) of these housing units are owner occupied, while 22% are occupied by renters. Only 4% of the area’s housing units were vacant as of the 2000 Census. Most units (87%) were located in one- to four-family structures, while the remaining 13% were in multi-family buildings.

Business Demographics: Approximately 40% of businesses in this area were in the service sector, while businesses in retail trade and construction accounted for 14.3% and 11.1%,

respectively, of the total. A majority (64.8%) of businesses in the area have annual revenues of \$1 million or less.

Dutchess County #2281

Population: As of 2003, Dutchess County contained 68 census tracts. PCSB has included 19 (27.9%) of those tracts in its assessment area. The income designations for these 19 tracts are as follows: one (5.3%) moderate-income; 12 (63.2%) middle-income; four (21.1%) upper-income; and, two (10.5%) zero-income tracts. This portion of the assessment area has a population of 87.2 thousand residents, including 9.4 thousand people (10.8%) over 65 years of age.

Housing: The Dutchess County portion of the assessment area contains 31.4 housing units, including 26.8 thousand units (85%) in one- to four-family buildings and 3.3 thousand units (11.0%) in multifamily structures. Another 1.4 thousand units (4.0%) are mobile homes. Approximately 22.3 thousand (71%) of the area's housing units were owner occupied, while roughly 25% were occupied by renters.

Business Demographics: The primary business sectors in Dutchess County are services (38.3%), retail trade (15.9%) and construction (13.0%). More than 68% of the businesses in the area have annual revenues of \$1 million or less.

PERFORMANCE TESTS AND ASSESSMENT FACTORS

The Banking Department assesses a large bank's CRA performance by evaluating its lending, investment and service activities using the lending, investment and service tests described in Parts 76.8 through 76.10 of the General Regulations of the Banking Board.

This performance evaluation incorporates a review of PCSB's lending, investment and service activities within its assessment area during calendar years 2002 and 2003. Credit products reviewed as part of the evaluation include: HMDA-reportable loans; modification, extensions and consolidation agreements ("MECAs"); and, small business loans. For purposes of this evaluation, HMDA-reportable loans, which make up 60% of the bank's lending by number of loans (54% by dollar volume), were weighed more heavily than small business and MECA loans. Among the products reviewed, MECAs were given the least amount of weight due to a low volume of these transactions. Consumer loans -- an optional performance category under most circumstances -- did not account for a material portion of the PCSB's lending activity and thus were not evaluated.

Statistics employed in this evaluation were derived from various sources. In addition to bank-specific loan data submitted by Putnam County Savings Bank, aggregate data for HMDA-reportable and small business loans were obtained from the Federal Financial Institutions Examination Council ("FFIEC") and from PCi Corporation's CRA Wiz[®] software. When this evaluation was prepared, aggregate data for 2003 were not yet available.

I. Lending Test: "High Satisfactory"

PCSB's lending performance for the years 2002 and 2003 was evaluated pursuant to the following criteria: (1) Lending Activity, (2) Assessment Area Lending, (3) Geographic Distribution of Loans, (4) Borrower Characteristics, (5) Community Development Lending and (6) Innovative or Flexible Lending Practices.

- **Lending Activity:** "High Satisfactory"

PCSB's lending activity demonstrates good responsiveness to the assessment area's credit needs.

HMDA-reportable Loans

During the evaluation period, the bank originated 384 HMDA-reportable loans, totaling \$57.2 million, within the assessment area. This represents a 23% increase over the 311 loans reported during the prior two-year evaluation period. A majority of the bank's total HMDA-reportable loans were originated in Putnam County during both 2002 (57.5%) and 2003 (54.8%).

According to a 2002 market share report for HMDA-reportable loans, PCSB ranked 26th among 291 lenders in the assessment area. For that year, PCSB's market share was 1.03%.

HMDA-Reportable Lending Activity By County (Dollars Amounts Shown in Thousands)																		
Tract Income Level	2002								2003								Grand Total	
	Putnam		Dutchess		W-chester		Total		Putnam		Dutchess		W-chester		Total			
	#	\$	#	\$	#	\$	#	\$	#	\$	#	\$	#	\$	#	\$	#	\$
Low	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Moderate	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Middle	0	0	34	4,119	0	0	34	4,119	0	0	35	5,519	0	0	35	5,519	69	9,638
Upper	100	13,786	2	288	36	7,389	138	21,463	115	17,048	15	2,157	45	6,687	175	25,892	313	47,355
Zero	0	0	2	220	0	0	2	220	0	0	0	0	0	0	0	0	2	220
Total	100	13,786	38	4,627	36	7,389	174	25,802	115	17,048	50	7,676	45	6,687	210	31,411	384	57,213

Small Business Loans

The bank originated 240 small business loans, totaling \$46.2 million, within its assessment area during the evaluation period. This volume of lending represents a significant increase from the prior evaluation period, when a total of 173 loans for \$18.8 million were originated. This change amounts to a 39% increase in number of loans and a 146% increase in dollar volume between evaluation periods.

A majority of PCSB's small business loans were originated in Putnam County during both 2002 (57.3%) and 2003 (50.7%). Based on aggregated small business lending data, PCSB ranked 23rd among 85 lenders in its assessment area during 2002, with a market share of 0.37%.

MECAs

During the evaluation period, PCSB originated nine MECA transactions with a combined value of \$3.2 million. Six of these agreements, totaling \$1.4 million, were extended in 2002. The remaining three transactions, totaling \$1.8 million, were extended in 2003.

- **Assessment Area Concentration:** "High Satisfactory"

PCSB originated a high percentage of its loans within the assessment area. Based on number and dollar volume of loans, the bank's assessment area concentration ratios were 79.4% and 69.1%, respectively.

The following chart shows the distribution of PCSB's loans within and beyond its assessment area during the evaluation period:

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Dollar Volume (In Thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
HMDA										
2002	174	91.1	17	8.9	191	25,802	88.0	3,517	12.0	29,319
2003	210	94.6	12	5.4	222	31,411	93.2	2,277	6.8	33,688
<i>Subtotal</i>	<i>384</i>	<i>93.0</i>	<i>29</i>	<i>7.0</i>	<i>413</i>	<i>57,213</i>	<i>90.8</i>	<i>5,794</i>	<i>9.2</i>	<i>63,007</i>
MECAs										
2002	6	100.0	0	0.0	6	1,384	100.0	0	0.0	1,384
2003	2	66.7	1	33.3	3	1,111	60.2	736	39.8	1,847
<i>Subtotal</i>	<i>8</i>	<i>88.9</i>	<i>1</i>	<i>11.1</i>	<i>9</i>	<i>2,495</i>	<i>77.2</i>	<i>736</i>	<i>22.8</i>	<i>3,231</i>
Small Business										
2002	96	60.0	64	40.0	160	17,938	50.5	17,596	49.5	35,534
2003	144	67.3	70	32.7	214	28,282	54.9	23,256	45.1	51,538
<i>Subtotal</i>	<i>240</i>	<i>64.2</i>	<i>134</i>	<i>35.8</i>	<i>374</i>	<i>46,220</i>	<i>53.1</i>	<i>40,852</i>	<i>46.9</i>	<i>87,072</i>
Total	632	79.4	164	20.6	796	105,928	69.1	47,382	30.9	153,310

HMDA Loans

A substantial majority of PCSB's HMDA-reportable loans were originated within the assessment area.

In 2002, the bank originated 191 HMDA-reportable loans totaling \$29.3 million. Originations within the assessment area accounted for 174 (91.1%) of these loans and \$25.8 million (88.0%) of the dollar volume.

During 2003, the bank originated 222 HMDA-reportable loans, which included 210 loans (94.6%) originated within its assessment area. Out of the \$33.7 million of originations that year, \$31.4 million (93.2%) fell within the assessment area.

Between 2002 and 2003, PCSB increased its percentage of lending within the assessment area even as the absolute number and dollar volume of its originations increased by 20.7% and 21.7%, respectively.

MECAs

PCSB originated a majority of its MECA loans inside its assessment area. During the evaluation period, the bank reported 9 MECA loans worth \$3.2 million. Eight (88.9%) of these loans, totaling \$2.5 million (77.2%), were originated within the assessment area.

Small Business Loans

In 2002, the bank originated 60% of its small business loans within the assessment area. While this is an adequate percentage of lending within the assessment area, it represents a substantial decline from the bank's performance of 70.6% reported in 2001. Nonetheless,

the bank's performance rebounded in 2003, when 67.3% of originations fell within the assessment area.

Geographic Distribution of Lending: "Low Satisfactory"

The geographic distribution of PCSB's loans reflects adequate dispersion throughout the assessment area.

HMDA Loans

During the evaluation period, PCSB's HMDA-reportable loans were distributed adequately throughout the assessment area.

The bank did not originate any HMDA-reportable loans in LMI areas during 2002 and 2003; this level of lending is not unexpected given the demographics of the bank's assessment area. As previously stated, the assessment area contains no low-income census tracts and only two moderate-income tracts.

In 2002, the bank originated 34 loans (19.5%), totaling \$4.1 million (16.0%), in middle-income geographies. This level of performance is marginally adequate considering the demographics of the assessment area. In contrast, the aggregate originated 1.8% of its total number of loans, and 1.2% of its total dollar volume, in LMI census tracts during 2002. In middle-income areas, the market aggregate achieved a penetration rate of 25.6% by number of loans and 21.3% by dollar volume.

In 2003, the bank originated 35 HMDA-reportable loans, totaling \$5.5 million, in middle-income areas. These loans accounted for 16.7% of the total number, and 17.6% of the dollar volume, of PCSB's HMDA-reportable lending for the year.

Lending in upper-income tracts was more reflective of the area's demographics since approximately 83.3% of the bank's HMDA-reportable loans by number, and 82.4% by dollar volume, were originated in upper-income tracts. According to the 2000 U.S. Census, 80.2% of all owner-occupied housing units were located in upper-income areas, while only 18.4% of all units were located in middle-income areas.

When this report was prepared, aggregate lending data for 2003 were not yet available.

Dutchess County (MSA 2281, in part)

PCSB did not make any HMDA-reportable loans in the single LMI census tract within this portion of the assessment area. The bank originated approximately 78% of its HMDA-reportable loans in middle-income tracts based on both the number and dollar volume of loans. PCSB's lending in upper-income areas accounted for 19.3% by number and 19.9% by dollar volume of its reportable lending, whereas loans in zero-income tracts represented 2.3% of the number and 1.8% of the dollar volume of the bank's HMDA-reportable lending.

PMSA 5600 (New York)

o Putnam County

All census tracts in this county are upper-income tracts. Therefore, 100% of the loans originated in this county were made in upper-income areas.

o Westchester County

Although this county has one moderate-income and two middle-incomes census tracts, no loans were made in those tracts. All 81 loans originated were originated in upper-income census tracts.

Geographic Distribution of HMDA Reportable Loans								
2002								
Geography	Bank				Aggregate			
	#	%	\$000's	%	#	%	\$000's	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	298	1.8	37,990	1.2
Middle	34	19.5	4,119	16.0	4,320	25.6	700,308	21.3
Upper	138	79.3	21,463	83.2	12,253	72.6	2,542,500	77.5
N/A	2	1.1	220	0.9	5	0.0	491	0.0
Total	174	100.0	25,802	100.0	16,876	100.0	3,281,289	100.0
2003								
Geography	Bank				Aggregate			
	#	%	\$000's	%	#	%	\$000's	%
Low	0	0.0	0	0.0	NA	NA	NA	NA
Moderate	0	0.0	0	0.0	NA	NA	NA	NA
Middle	35	16.7	5,519	17.6	NA	NA	NA	NA
Upper	175	83.3	25,892	82.4	NA	NA	NA	NA
N/A	0	0.0	0	0.0	NA	NA	NA	NA
Total	210	100.0	31,411	100.0	NA	NA	NA	NA

Small Business Loans

PCSB's lending in moderate-income tracts has increased since the prior evaluation, when the bank made no small business loans in LMI census tracts within the assessment area. During 2002, the bank originated two loans in moderate-income census tracts, accounting for 2.1% of its total number and 1.5% of its total dollar volume of small business loans. By comparison, the aggregate's ratios were 3.7% by number and 4.3% by dollar volume.

In 2003, PCSB originated three small business loans, totaling \$993 thousand, in moderate-income census tracts. This represented 2.1% of PCSB's small business lending by number of loans and 3.5% by dollar volume. As mentioned previously, aggregate data for 2003 were not available for comparison when this report was prepared.

- Dutchess County

In 2002, the bank originated 14 small business loans, totaling \$3.0 million, in middle-income areas of Dutchess County. In 2003, the number of small business loans increased significantly to 26 loans totaling \$6.8 million. This lending activity comprised 23 loans (88.5%) in middle-income areas and three loans (11.5%) in upper-income areas. The loans in middle-income areas totaled \$6.4 million, compared to \$340 thousand for the loans in upper-income areas.

- PMSA 5600 (New York)

Putnam County

All census tracts in this county are upper-income tracts. Therefore, all loans were originated in upper-income areas.

Westchester County

During 2002, the bank originated 27 small business loans, totaling \$6.6 million. Included in this lending activity were two loans (7.4%) in moderate-income areas and 25 loans (92.6%) in upper-income areas. In 2003, PCSB's small business lending increased significantly to 45 loans totaling \$11.4 million. This lending during 2003 included three loans (6.7%) in moderate-income areas and 42 loans (93.2%) in upper-income areas.

- **Borrower Characteristics:** "High Satisfactory"

PCSB's distribution of loans reflects good penetration among customers of different income levels and businesses of different revenue sizes.

HMDA loans

During 2002, PCSB originated four loans (2.3%) totaling \$235 thousand (0.9%) to low-income borrowers and 15 loans (8.6%) totaling \$1.1 million (4.4%) to moderate-income borrowers. By comparison, the aggregate originated 2.0% of its loans by number and 0.9% by dollar volume to low-income borrowers and 9.5% of its loans by number and 5.8% by dollar volume to moderate-income borrowers.

In 2003, PCSB increased the number and dollar volume of loans it originated to LMI individuals by approximately 32%. During that year, lending to low-income borrowers fell to two loans (1%) totaling \$195 thousand (0.6%), while lending to moderate-income borrowers climbed to 23 loans (11.0%) totaling \$1.6 million (5.2%).

The following table shows PCSB's loan distribution by borrower income during the evaluation period:

Distribution of HMDA-reportable Loans by Borrower Income Level*								
2002								
Borrower Income Level	Bank				Aggregate			
	#	%	\$000s	%	#	%	\$000s	%
Low	4	2.3	235	0.9	332	2.0	27,897	0.9
Moderate	15	8.6	1,135	4.4	1,596	9.5	190,772	5.8
Middle	34	19.5	3,205	12.4	3,721	22.0	574,296	17.5
Upper	119	68.4	20,907	81.0	9,952	59.0	2,246,431	68.5
NA	2	1.1	320	1.2	1,275	7.6	241,893	7.4
Total	174	100.0	25,802	100.0	16,876	100.0	3,281,289	100.0
2003								
Borrower Income Level	Bank				Aggregate			
	#	%	\$000s	%	#	%	\$000s	%
Low	2	1.0	195	0.6				
Moderate	23	11.0	1,620	5.2				
Middle	43	20.5	4,174	13.3				
Upper	141	67.1	24,822	79.0				
NA	1	0.5	600	1.9				
Total	210	100.0	31,411	100.0				

Small Business Loans

The bank's distribution of small business loans reflects good penetration among businesses of different revenue sizes.

During the evaluation period, PCSB originated 61.3% by number, and 57.0% by dollar volume, of its small business loans to companies with gross annual revenues of \$1 million or less. By comparison, during 2002 the aggregate originated 30.4% of its small business loans to businesses in this revenue category.

PCSB's performance is consistent with the demographics of the area. According to a Dun & Bradstreet survey, 67.9% of businesses within the assessment area had revenues of \$1 million or less.

Distribution of Small Business Loans by Business Revenue Size												
Revenue Size	2002				2003				Total for Evaluation Period			
	#	% by #	\$000	% by \$	#	% by #	\$000	% by \$	#	% by #	\$000	% by \$
\$1 million or less	50	52.1	7,608	42.4	97	67.4	18,758	66.3	147	61.3	26,366	57.0
Over \$1 million	43	44.8	9,975	55.6	41	28.5	8,242	29.1	84	35.0	18,217	39.4
No Revenue Info	3	3.1	355	2.0	6	4.2	1,282	4.5	9	3.8	1,637	3.5
Total	96	100.0	17,938	100.0	144	100.0	28,282	100.0	240	100.0	46,220	100.0

- **Community Development Loans:** “High Satisfactory”

PCSB originates a relatively high volume of community development loans.

The bank’s portfolio of community development loans and commitments totaled \$5.4 million, of which \$4.4 million represented new money. As of year-end 2003, the outstanding balance of community development loans totaled \$3.4 million.

The following paragraphs provide examples of PCSB’s community development loans:

- PCSB made several loans totaling \$745 thousand to an organization that provides assistance to developmentally disabled individuals through residential, educational, training, treatment and rehabilitation facilities.
- The bank originated several loans totaling \$3.9 million to an organization that provides residential services for adults with developmental disabilities. The New York State Office for Mental Retardation and Developmental Disabilities (OMRDD) governs the programs administered by the organization.
- PCSB participates in a program that provides lines of credit to a nonprofit organization that uses the funding to build affordable housing for low- and moderate-income individuals. In 2003, the bank extended a \$675 thousand line of credit to this organization.
- The bank has helped fund a municipal housing corporation that provides affordable housing for low- to moderate-income residents in Putnam County. In 2003, the bank renewed a \$50 thousand line of credit to this entity.

II. Investment Test: “Outstanding”

PCSB continues to serve the needs of its assessment area by making CRA-qualified investments. The bank maintains an excellent level of responsiveness by investing in local organizations that promote affordable housing. Although there are very few LMI census tracts within the bank’s assessment area, PCSB actively seeks investment opportunities in statewide initiatives that benefit its assessment area.

Community development investments and grants for the evaluation period totaled \$3.7 million. The bank’s investment activities are described below:

- The bank invested \$250 thousand in a local Business Improvement District bond that was issued to fund redevelopment in the town of Ossining. The bank also invested \$305 thousand in bonds to support redevelopment efforts in Poughkeepsie, and another \$885 thousand to support a local Business Improvement District in Peekskill’s city center, which is a moderate-income area.

- PCSB purchased three collateral trust notes issued by Community Preservation Corporation (“CPC”). The value of these notes totaled \$48.7 thousand. CPC is a nonprofit organization that finances affordable housing throughout the state.
- PCSB is a member of the Federal Home Loan Bank of New York (“FHLB”) and has contributed \$16 thousand to the FHLB’s Affordable Housing Program. Members of the FHLB and their nonprofit community partners have funded numerous affordable housing initiatives in New York since 1989. In 2002, the FHLB provided \$16.9 million to fund 68 projects that created 2,486 housing units across New York State. During 2003, the FHLB funded 67 projects that created 2,066 housing units.
- The bank invested \$2.1 million in qualified Fannie Mae mortgage-backed securities.

Grants

- PCSB started its own “Adopt-A-Family” program in 1998. The bank has continued to sponsor this program annually during the December holiday season. Each branch or department within the bank contacts a local shelter or food pantry to identify a family in need. The employees then purchase food, clothing and other personal items for those families. The bank reimburses each employee for their purchases. During 2002, the bank sponsored 14 families and spent a total of \$19,223 on this program. In 2003 the bank sponsored 18 families for a total of \$26,052.
- During the evaluation period, PCSB made grants totaling \$32.6 thousand to various organizations within its assessment area. These organizations sponsor a variety of programs ranging from affordable housing to job training for individuals with special needs.

III. Service Test: “High Satisfactory”

PCSB’s delivery systems for retail banking services are accessible to essentially all portions of the assessment area. The bank’s business hours are reasonable and do not vary among locations in a way that would inconvenience any particular portion of the assessment area.

- **Retail Banking Services: “High Satisfactory”**

Retail Banking Services: At the end of the evaluation period, PCSB had a total of seven full-service branches. Five branches, including the main office, are located in upper-income census tract and two branches are located in middle-income census tracts.

Reasonableness of Hours and Services: PCSB’s branches generally are open from 9:00 am until 3:00 pm during the week, with extended hours offered until 6:00 pm or 7:00pm one night a week. Two branches are open until 6:00 pm on Fridays, while the remaining offices

re-open Thursday evenings from 5:00 pm to 7:00 pm. All branches offer Saturday hours from 9:00 am or 9:30 am until 1:00 pm.

Record of Opening and Closing Offices: In January 2002, the bank opened a new office in the town of Fishkill. No branches were closed during the evaluation period.

Alternative Delivery Systems: The bank's brick-and-mortar offices are supplemented by a network of eight automatic teller machines (ATMs). Each branch has an ATM, and the Fishkill branch has two ATMs. These machines give customers 24-hour access to their accounts. Currently, only the ATM at the bank's Somers branch accepts deposits.

PCSB offers bank-by-mail services when requested by customers. In addition, the bank is developing a voice response unit (VRU) that will give customers expanded access to their accounts by telephone. The VRU is expected to be fully functional by the fourth quarter of 2004.

The bank participates in New York State's Electronic Benefit Transfer (EBT) system. The EBT system enables recipients of welfare, disability or other government payments to access their benefits electronically using a debit card. Participating banks identify themselves as program participants by displaying the "Quest" signs on their ATMs. Program participants can withdraw their benefits from the bank's ATMs without being charged a transaction fee.

The bank has formalized a process for providing language assistance to customers for whom English is a second language, and bank employees are encouraged to volunteer as translators. The bank currently has employees who can serve as translators for customers who prefer to speak Bengali, Chinese, Italian, Portuguese or Spanish.

In addition, PCSB offers a competitive business checking account for small business owners. Business customers are assessed a maintenance fee of \$3.00 per month, \$0.05 per deposited check and \$0.10 per check written. These customers receive a credit of \$0.15 per \$100 in average balances they maintain in their accounts. These credits offset their service charges, creating a relatively inexpensive checking account.

- **Community Development Services:** "High Satisfactory"

PCSB continues to provide a relatively high level of community development services.

The bank has maintained a working relationship with Putnam County Housing Authority (PCHA). This organization provides training and counseling to first time homeowners. A bank employee provides training sessions on the mortgage lending process at the request of PCHA.

In July 2002, Habitat for Humanity of Putnam County was approved as an affiliation of Habitat for Humanity International. The CRA officer provides expertise on lending regulations since HFH is required to adhere to all federal laws and regulations for its applications. As the Chairperson of the Family Support Committee, the CRA Officer also

provides mortgage related support as the family prepares to handle a mortgage for the first time.

It should be noted that the bank has been involved in making loans to small businesses located in the Peekskill Business Improvement District (BID) that is one of the two moderate-income tracts within PCSB's assessment area. The Peekskill BID was established in 1996 to develop, organize and sponsor professional programs and community activities that maintain and promote Peekskill's vibrant commercial center. During the evaluation period, PCSB originated six small business loans totaling \$1.3 million to businesses located in the Peekskill BID.

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.

Examiners did not identify any practices 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 examination, conducted concurrently with this evaluation, indicated satisfactory performance in terms of adherence to anti-discrimination and 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 uses advertising to promote name recognition rather than specific products. To a limited extent, the bank advertises its home mortgage loans. Although not advertised as a special credit product, the bank tries to make loans available to first-time home buyers. The bank realizes that, although its branches are located in middle- and upper-income census tracts, many customers are outside of those income levels and find it difficult to purchase homes in the area. In 2003, PCSB originated 10 loans totaling \$2.0 million to first-time homebuyers. These loans represented 35.7% of all HMDA-reportable home purchase loans originated by the bank.

PCSB continues to participate in the Putnam County Housing Corporation, which is sponsored by the New York State Affordable Housing Corporation's Home Improvement Program. PCSB makes annual commitments of \$80,000 for loans under this program.

Other means of ascertaining the credit needs of the community include active participation in nonprofit organizations that provide community development services. The bank's CRA Officer is a member of the advisory board for the Putnam Community Action Program and the co-chair of the local Habitat for Humanity affiliate. Additionally, the bank's President is a board member of the Putnam County Economic Development Corporation. Furthermore, other bank employees participate in community activities and serve on the boards of various community groups such as the Hudson Valley Gateway Chamber of Commerce, Town of Cortland Economic Development, Mid-Hudson Bankers' Small Business Fund committee, Putnam County Housing Corporation and the Putnam Hospital Foundation. These contacts provide the bank with information regarding the credit needs of its community.

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

The Board of Trustees reviews and approves the bank's CRA loans and investments. Members of the board also are active in local service organizations.

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.

None.

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.