



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

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: December 31, 2003

Institution: The Warwick Savings Bank
18 Oakland Avenue
Warwick, NY 10990

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.

TABLE OF CONTENTS

	Section
General Information	1
Overview of Institution's Performance	2
Performance Context.....	3
Institution's Profile	
Assessment Area	
Performance Tests and Assessment Factors	4
Lending Test	
Investment Test	
Service Test	
Discrimination or Other Illegal Practices	
Process Factors	
Other Factors	
Glossary	5

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of The Warwick Savings Bank (“Warwick”) 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 (“LMI”) 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

Warwick is rated "2," indicating a satisfactory record of helping to meet community credit needs.

Lending Test: "Low Satisfactory"

- The bank's lending levels reflect good responsiveness to assessment area credit needs.
 - In 2002, Warwick originated 341 Home Mortgage Disclosure Act ("HMDA") reportable loans totaling \$48 million within the assessment area, ranking the bank 18th by number and 17th by dollar volume among 343 HMDA-reporting lenders. During 2003, the bank's lending activity increased 15.5% by number and 21.7% by dollar volume.
 - In 2002, Warwick originated 31 small business loans totaling \$3.2 million within the assessment area, ranking the bank 25th by number and 21st by dollar volume among 71 small business lenders. During 2003, the lending activity increased 29% by number and 12.5% by dollar volume.
- Warwick made a high percentage of its loans within the assessment area. During the evaluation period, the bank originated 84.5% by number and 80.3% by dollar volume of its combined HMDA-reportable and small business loans within the assessment area.
- The geographic distribution of the bank's loans reflects poor penetration throughout the assessment area.
 - In 2002, the bank's LMI geography penetration for its HMDA-reportable loans reflects a ratio of 2.4% by number and 1.5% by dollar volume; those ratios compared unfavorably to the aggregate's ratios of 6.6% and 4%, respectively. In 2003, the bank's LMI geography penetration ratios increased slightly to 2.8% and 1.8%.
 - In 2002, the bank's LMI geography penetration for its small business loans reflects a ratio of 6.4% by number and 1.1% by dollar volume; those ratios compared unfavorably to the aggregate's ratio of 10% and 9.9%, respectively. In 2003, the bank's LMI geography penetration ratios increased significantly to 15% and 14%.
- The distribution of the bank's loans by borrowers' characteristics reflects adequate penetration among customers of different income levels and businesses of different sizes.
 - The bank's LMI borrower penetration ratio of 8.8% by number and 4.9% by dollar volume for its HMDA-reportable loans in 2002 compared unfavorably with aggregate

ratios of 13.3% and 7.6%, respectively. The bank's ratios improved significantly in 2003 to 13.2% and 8.7%.

- In 2002, Warwick's origination of 83.9% by number and 92.9% by dollar volume of its small business loans to businesses with gross annual revenues of \$1 million or less outperformed the aggregate's ratios of 27.4% and 44.4%, respectively. In 2003, the bank's ratios declined to 80% and 83.4%.
- In 2002, the bank originated 80.6% by number and 35.8% by dollar volume of its small business loans in amounts of \$100 thousand or less, which was lower than the aggregate's ratios of 96.5% and 45.3%, respectively. In 2003, the bank's ratios improved to 87.5% by number and 49.9% by dollar volume.
- Warwick made a relatively high level of community development loans. During the evaluation period, the bank's commitments totaled \$3.4 million, of which 10.1% is considered new money.
- The bank makes limited use of innovative or flexible lending products in serving assessment area credit needs.

Investment Test: "Needs to Improve"

- Warwick had a poor level of qualified community development investments, including grants. The bank's qualified investments were limited to \$209 thousand in grants made to various community development organizations in the assessment area.

Service Test: "High Satisfactory"

- Warwick's delivery systems are accessible to essentially all portions of the bank's assessment area. The bank operates seven branch offices and two of those branches are located in areas that are adjacent to LMI census tracts.
- Between evaluation periods, Warwick opened a branch office in a middle-income area, and during the same period, did not close any branches.
- Services are tailored to the convenience and needs of the assessment area, particularly LMI geographies or LMI individuals. The bank expanded its business hours since the prior evaluation period.
- Warwick provides an adequate level of community development services.

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:

Founded in 1875, Warwick is a community-oriented savings bank offering a variety of financial services to meet the needs of the communities it serves. The bank is a wholly owned subsidiary of Warwick Community Bancorp, Inc., a bank holding company established in 1997 when the savings bank converted to stock form. At the same time, a holding company subsidiary, The Warwick Savings Foundation ("WSF"), was organized for charitable purposes.

The holding company also owns The Towne Center Bank, a *de novo* commercial bank formed under the laws of the State of New Jersey and headquartered in Lodi, New Jersey, and Hardenburgh Abstract Company of Orange County, Inc., a title insurance agency that operates in Goshen, New York.

The bank has three active wholly owned subsidiaries, Warwick Commercial Bank ("WCB"), WSB Financial and Warsave Development Corp. ("Warsave"). During 2002, Warwick discontinued operations of Town Center Mortgage Co. since the function of originating residential mortgage loans was outsourced to a third party.

WCB was formed in 2001 for the purpose of accepting deposits from public entities located in New York State. Warwick offers mutual funds and tax-deferred annuities through WSB Financial, while Warsave was formed to acquire and hold real estate.

Warwick also has a real estate investment trust subsidiary, WSB Funding Corp., which was incorporated in 1999 for the purpose of investment and reinvestment of its assets in mortgage loans secured by real property, interest in mortgage loans secured by real property and possibly mortgage-backed and mortgage-related securities and U.S. government and agency obligations.

As per the Federal Deposit Insurance Corporation's ("FDIC") Consolidated Report of Condition ("Call Report") as of December 31, 2003, Warwick reported total assets of \$714.2 million. Total assets, which were primarily comprised of \$337.7 million (47.3%) in securities and \$283.7 million (39.7%) in loans, reflected a decline of \$54.6 million since the prior evaluation date. This decline in total assets was primarily the result of a decrease in the bank's loan portfolio.

The bank maintains its headquarters in the village of Warwick in Orange County, and operates six additional branches, five in Orange County in the villages of Monroe and Goshen, and in the towns of Woodbury, Wallkill and Newburgh, and one in the town of Carmel in Putnam County. Supplementing the banking offices is an automated teller machine ("ATM") network.

Warwick offers a variety of credit products including:

- Residential Mortgages – 1-4 family residential, refinance and home improvement loans
- Commercial Loans – secured and unsecured commercial loans and lines of credit, multifamily loans, construction loans and small business loans
- Consumer Loans – secured and unsecured consumer loans, including automobile loans, home equity loans and overdraft lines of credit

The following is a summary of the bank’s loan portfolio based on Schedule RC-C of the bank’s December 31, 2003, December 31, 2002 and December 31, 2001 Call Reports:

TOTAL GROSS LOANS OUTSTANDING						
LOAN TYPE	12/31/2003		12/31/2002		12/31/2001	
	\$(000's)	%	\$(000's)	%	\$(000's)	%
1-4 Family Residential Mortgage Loans	125,258	44.2	257,264	60.4	336,506	68.4
Commercial Mortgage Loans	85,988	30.3	83,659	19.6	49,789	10.1
Commercial & Industrial Loans	18,115	6.4	18,396	4.3	26,464	5.4
Consumer Loans	18,778	6.6	27,161	6.4	43,065	8.8
Construction Loans	944	0.3	6,002	1.4	30,494	6.2
Multifamily Loans	33,093	11.7	31,777	7.5	4,205	0.9
Farm Loans	1,482	0.5	1,492	0.4	1,370	0.3
Other Loans	18	0.0	21	0.0	21	0.0
Total Gross Loans	283,676	100.0	425,772	100.0	491,914	100.0

In December 2001, Warwick changed its method of originating permanent residential mortgage loans from a team of commissioned loan originators working for Warwick to a third party system where an independent company (Cendant Mortgage) processes, underwrites and closes the loans on the bank’s behalf. Warwick may then retain the loans in its portfolio or sell the loans in the secondary market.

While the bank shifts its emphasis to increasing its commercial loan portfolio, residential mortgage loans still comprise the largest portion of Warwick’s loan portfolio.

Deposit Market Share

According to comparative deposit data as of June 30, 2003, Orange County provided 87.3% of the bank’s deposits. Warwick ranked 5th out of 24 deposit-taking institutions in Orange County and 8th out of 13 in Putnam County, with market shares of 8.8% and 1.8%, respectively.

Deposit Market Share as of June 30, 2003				
County	Number of Offices	Deposits \$(000's)	Market Share	Rank
Orange	6	412,474	8.8%	5th out of 24
Putnam	1	59,751	1.8%	8th out of 13
Total	7	472,225	5.8%	5th out of 28

Warwick received a rating of “2,” reflecting a satisfactory record of helping to meet community credit needs at its prior Performance Evaluation conducted by the New York State Banking Department as of December 31, 2001.

There are no known financial or legal impediments that adversely impacted the bank’s ability to meet the credit needs of its community.

Assessment Area:

The bank’s assessment area includes Orange and Putnam counties in their entirety. Orange County is part of Newburgh, NY-PA MSA 5660 and Putnam County is part of New York, NY MSA 5600. The assessment area is part of the seven-county Mid-Hudson region that lies north of New York City and south of the Capital Region.

This area consists of 86 census tracts. Based on the 2000 U.S. census data, five (5.8%) are low-income, 11 (12.8%) are moderate-income, 33 (38.4%) are middle-income and 37 (43%) are upper-income. The following chart details the distribution of the census tracts in the bank’s assessment area:

Assessment Area - Distribution by Census Tracts												
County	Low		Moderate		Middle		Upper		N/A		Total	
	#	%	#	%	#	%	#	%	#	%	#	%
Orange	5	7.5	11	16.4	33	49.3	18	26.9			67	100
Putnam	-	-	-	-	-	-	19	100.0			19	100
Total	5	5.8	11	12.8	33	38.4	37	43.0			86	100

According to the 1990 census, 14 (16.3%) of the 86 census tracts in the assessment area were LMI geographies.

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

Details of the Assessment Area

Orange County

According to the U.S. Census Bureau, the county had a population of 341.4 thousand in 2000. About 10% of the area population were over the age of 65 and 26% were under the age of 16.

There were 85 thousand families in the county, of which 19% (16.2 thousand) were low-income families, 16.9% (14.4 thousand) were moderate-income, 23% (19.5 thousand) were middle-income and 41.1% (34.9 thousand) were upper-income families. Of the 30.6 thousand LMI families, 32.7% (10 thousand) lived in LMI areas and these families accounted for 66.3% of all the families (15.1 thousand) that lived in LMI areas. There were 114.8 thousand households in the county, of which 9% (10.5 thousand) had income below the poverty level.

There were 112.8 thousand housing units in the county, 84.9% (104.2 thousand) of which were 1-4 family units and 12.1% (14.9 thousand) were multifamily units. Almost 62.7% (76.9 thousand) of all the housing units were owner-occupied and 9.9% (7.6 thousand) of those were in LMI areas. About 30.8% (37.8 thousand) were rental units and 39% (14.8 thousand) of those were in LMI areas. Approximately 6.5% (7.9 thousand) of all housing units were vacant. The median age of housing was 25 years and the median housing value was \$146.5 thousand.

In 2000, the county's median family income was \$61.3 thousand and the median family income for MSA 5660 was \$58.4 thousand. The U.S. Department of Housing and Urban Development's ("HUD") estimated median family income for MSA 5660 was \$63.5 thousand in 2003.

The leading industries in Orange County were educational, health and social services, 23.8%; retail trade, 13.4%; and manufacturing, 10.2%.

According to the New York State Department of Labor, Orange County's unemployment rates averaged 4.3% in 2002 and 4.6% in 2003. The county's average rates were significantly lower than the state's average rates of 6.1% in 2002 and 6.2% in 2003. The MSA's average rates were 4.4% and 4.7%, respectively.

Portions of Orange County (Newburgh) have been designated part of the Newburgh/Stewart Empire Zone by the State of New York. The Empire Zone program provides businesses that create new jobs in the zones with incentives such as credit for property taxes paid, a sales tax exemption on the purchase of property or services used by the business, and a tax credit for business taxes paid.

Putnam County

According to the U.S. Census Bureau, the county had a population of 95.7 thousand in 2000. About 10% of the area population were over the age of 65 and 23% were under the age of 16.

There were 25.4 thousand families in the county, of which 5.9% (1.5 thousand) were low-income families, 8.1% (2 thousand) were moderate-income, 13.4% (3.4 thousand) were middle-income and 72.6% (18.5 thousand) were upper-income families. There were 32.7 thousand households in the county, of which 3% (1.3 thousand) had income below the

poverty level.

There were 35 thousand housing units in the county, 93.9% (32.9 thousand) of which were 1-4 family units and 5% (1.8 thousand) were multifamily units. About 76.8% (26.9 thousand) of all the housing units were owner-occupied and 16.6% (5.8 thousand) were rental units. Almost 6.6% (2.3 thousand) of all housing units were vacant. The median age of housing was 26 years and the median housing value was \$208.4 thousand.

In 2000, the county's median family income was \$82.4 thousand and the median family income for MSA 5600 was \$46.5 thousand. HUD's estimated median family income for MSA 5600 was \$51.9 thousand in 2003.

The leading industries in Putnam County were educational, health and social services, 24.2%; professional, scientific, management, administrative and waste management services, 11.5%; and retail trade, 11.4%.

According to the New York State Department of Labor, Putnam County's unemployment rates averaged 3.4% in 2002 and 3.2% in 2003. The county's average rates were significantly lower than the state's average rates of 6.1% in 2002 and 6.2% in 2003. The MSA's average rates were 7.3% and 7.6%, respectively.

PERFORMANCE TESTS AND ASSESSMENT FACTORS

The Banking Department assesses a large bank's CRA performance by evaluating its lending, investment and service activities, and applies the lending, investment and service tests, as provided for in Parts 76.8, 76.9 and 76.10 of the General Regulations of the Banking Board in evaluating the performance of the institution.

This performance evaluation incorporates a review of Warwick's lending, investment and service activities within the assessment during 2002 and 2003. Products considered include HMDA-reportable and small business loans, with greater emphasis accorded to HMDA-reportable loans.

Statistics employed in this evaluation were derived from various sources. In addition to bank-specific loan information submitted by Warwick, aggregate data for HMDA-reportable loans and small business loans originated in 2002 was obtained from the Federal Financial Institutions Examination Council ("FFIEC") and PCI Services, Inc.'s CRA Wiz[®], an external vendor. Aggregate data for 2003 was not yet available.

I. Lending Test: "Low Satisfactory"

The bank's lending performance is 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"

Warwick's level of lending for both its HMDA-reportable and small business loans reflects good responsiveness to assessment area credit needs.

HMDA-Reportable Loans

In 2002, Warwick originated 341 HMDA-reportable loans totaling \$48 million within the assessment area. Although lending activity declined significantly, 49.9% by number and 47.5% by dollar volume, compared with 2001, the bank still ranked higher than most of its competitors in terms of market share. According to the 2002 Lender Market Share Report, Warwick ranked 18th by number and 17th by dollar volume among the 343 HMDA-reporting lenders in the assessment area, with a market share of 1.6% and 1.4%, respectively.

During 2003, HMDA-reportable lending activity increased 15.5% by number to 394 loans and 21.7% by dollar volume to \$58.4 million.

Small Business Loans

In 2002, the bank originated 31 small business loans totaling \$3.2 million within the assessment area. According to the 2002 Lender Market Share Report, Warwick ranked 25th by number and 21st by dollar volume among the 71 small business lenders in the assessment area, with a market share of 0.3% and 1.4%, respectively.

During 2003, the small business lending activity increased 29% by number to 40 loans and 12.5% by dollar volume to \$3.6 million.

Assessment Area Lending: “High Satisfactory”

Warwick made a high percentage of its loans within the assessment area. Overall, during the evaluation period, the bank originated 84.5% by number and 80.3% by dollar volume of its loans within the assessment area.

The table below illustrates the distribution of loans originated inside and outside of the assessment area during 2002 and 2003:

Distribution of Loans Inside and Outside of the Assessment Area											
Loan Category	Number of Loans					Dollars in Loans (000's)					
	Inside		Outside		Total	Inside		Outside		Total	
	#	%	#	%		\$	%	\$	%		
HMDA Reportable Loans											
2002	341	83.6	67	16.4	408	48,017	80.0	12,030	20.0	60,047	
2003	394	84.2	74	15.8	468	58,428	80.7	13,940	19.3	72,368	
Sub-total	735	83.9	141	16.1	876	106,445	80.4	25,970	19.6	132,415	
Small Business Loans											
2002	31	93.9	2	6.1	33	3,205	96.4	118	3.6	3,323	
2003	40	88.9	5	11.1	45	3,600	66.9	1,781	33.1	5,381	
Sub-total	71	91.0	7	9.0	78	6,805	78.2	1,899	21.8	8,704	
Combined Total	806	84.5	148	15.5	954	113,250	80.3	27,869	19.7	141,119	

Geographic Distribution of Loans: “Needs to Improve”

Overall, the geographic distribution of Warwick’s HMDA-reportable and small business loans reflects poor penetration throughout the assessment area and needs to improve. This assessment is a downgrade from the prior evaluation’s rating of “low satisfactory.”

HMDA-Reportable Loans

The geographic distribution of the bank’s HMDA-reportable loans reflects poor penetration throughout the assessment area. In 2002, Warwick’s LMI area penetration ratio was 2.4% by number and 1.5% by dollar volume, which was significantly lower than the aggregate’s ratios of 6.6% and 4%, respectively. Moreover, the bank’s 2002 ratios reflected a

proportional decline of 54.7% by number and 65.1% by dollar volume, over the prior year's ratios of 5.3% and 4.3%.

During 2003, Warwick's LMI area penetration ratio improved slightly to 2.8% by number and 1.8% by dollar volume.

The table below illustrates the distribution of HMDA-reportable loans by geography income level for 2002 and 2003:

Distribution of HMDA Reportable Loans by Geography Income Level*								
2002								
Geography	Bank				Aggregate			
	#	# %	\$ (000's)	\$ %	#	# %	\$ (000's)	\$ %
Low	3	0.9	289	0.6	332	1.5	42,712	1.2
Moderate	5	1.5	434	0.9	1,098	5.1	96,445	2.8
Middle	102	29.9	13,768	28.7	8,155	37.9	1,089,656	31.3
Upper	231	67.7	33,526	69.8	11,848	55.0	2,236,869	64.2
N/A	-	-	-	-	98	0.5	17,398	0.5
Total	341	100.0	48,017	100.0	21,531	100.0	3,483,080	100.0
2003								
Geography	Bank				Aggregate			
	#	# %	\$ (000's)	\$ %	#	# %	\$ (000's)	\$ %
Low	4	1.0	368	0.6				
Moderate	7	1.8	718	1.2				
Middle	172	43.7	25,096	43.0				
Upper	211	53.6	32,246	55.2				
N/A	-	-	-	-				
Total	394	100.0	58,428	100.0				

* Geography income level for loans originated in 2002 is based upon 1990 census data on median family income figures for the MSA of the mortgaged property. Geography income level for loans originated in 2003 is based upon 2000 census data. Low-income is defined as <50% of the MSA median, moderate-income is 50% to <80% of the MSA median income, middle-income is 80% to <120%, and upper-income is at least 120%.

Small Business Loans

The geographic distribution of Warwick's small business loans reflects adequate penetration throughout the assessment area. In 2002, the bank's LMI area penetration ratio was 6.4% by number and 1.1% by dollar volume, significantly lower than the aggregate's ratio of 10% and 9.9%, respectively.

During 2003, the bank's LMI area penetration ratio improved significantly to 15% by number and 14% by dollar volume.

The table below illustrates the distribution of small business loans by geography income level for 2002 and 2003:

Distribution of Small Business Loans by Geography Income Level								
2002								
Geography	Bank				Aggregate			
	#	# %	\$ (000's)	\$ %	#	# %	\$ (000's)	\$ %
Low	1	3.2	25	0.8	227	2.1	3,206	1.4
Moderate	1	3.2	9	0.3	856	7.9	20,093	8.5
Middle	10	32.3	761	23.7	3,607	33.5	71,570	30.3
Upper	19	61.3	2,410	75.2	5,027	46.7	129,925	55.0
N/A	-	-	-	-	1,052	9.8	11,550	4.9
Total	31	100.0	3,205	100.0	10,769	100.0	236,344	100.0
2003								
Geography	Bank				Aggregate			
	#	# %	\$ (000's)	\$ %	#	# %	\$ (000's)	\$ %
Low	1	2.5	100	2.8				
Moderate	5	12.5	404	11.2				
Middle	20	50.0	1,457	40.5				
Upper	14	35.0	1,639	45.5				
Total	40	100.0	3,600	100.0				

Borrowers' Characteristics: "Low Satisfactory"

The distribution of Warwick's loans by borrowers' characteristics reflects adequate penetration among customers of different income levels and businesses of different sizes. This assessment is a downgrade from the prior evaluation's rating of "outstanding" and is attributed mainly to the sharp decline in the bank's LMI borrower penetration ratio.

HMDA-Reportable Loans

Based on borrowers' characteristics, the distribution of the bank's HMDA-reportable loans reflects adequate penetration throughout the assessment area. In 2002, Warwick's LMI borrower penetration ratio was 8.8% by number and 4.9% by dollar volume, which is lower than the aggregate's ratios of 13.3% and 7.6%. Moreover, the bank's 2002 ratios declined proportionally by 52.4% and 53.8% based on number and dollar volume, respectively, from the prior year's ratios of 18.5% and 10.6%.

During 2003, Warwick's LMI borrower penetration ratio improved significantly to 13.2% by number and 8.7% by dollar volume.

The table below illustrates the distribution of HMDA-reportable loans by borrower's income level for 2002 and 2003:

Distribution of HMDA Reportable Loans by Borrower Income Level								
2002								
Borrower Income	Bank				Aggregate			
	#	# %	\$ (000's)	\$ %	#	# %	\$ (000's)	\$ %
Low	8	2.3	526	1.1	511	2.4	36,350	1.0
Moderate	22	6.5	1,828	3.8	2,344	10.9	231,362	6.6
Middle	71	20.8	7,605	15.8	5,397	25.1	697,577	20.0
Upper	240	70.4	38,058	79.3	11,748	54.6	2,273,333	65.3
N/A	-	-	-	-	1,531	7.1	244,458	7.0
Total	341	100.0	48,017	100.0	21,531	100.0	3,483,080	100.0
2003								
Borrower Income	Bank				Aggregate			
	#	# %	\$ (000's)	\$ %	#	# %	\$ (000's)	\$ %
Low	13	3.3	995	1.7				
Moderate	39	9.9	4,119	7.0				
Middle	93	23.6	12,177	20.8				
Upper	249	63.2	41,137	70.4				
Total	394	100.0	58,428	100.0				

* Borrower income level is based upon the Department of Housing and Urban Development's annual estimate of median family income ("MFI") figure for the MSA of the mortgaged property. Low-income is defined as <50% of the MSA MFI, moderate-income is 50% to <80%, middle-income is 80% to <120%, and upper-income is at least 120%.

Small Business Loans

The distribution of Warwick's small business loans reflects good penetration among businesses of different sizes. In 2002, the bank originated 83.9% by number and 92.9% by dollar volume of its small business loans to businesses with gross annual revenues of \$1 million or less. This compared favorably with aggregate ratios of 27.4% and 44.4%, respectively. During 2003, the bank's number and dollar volume ratios declined to 80% and 83.4%.

In 2002, Warwick originated 80.6% by number and 35.8% by dollar volume of its small business loans in amounts of \$100 thousand or less, which is lower than aggregate ratios of 96.5% and 45.3%, respectively. During 2003, the bank's number and dollar volume ratios improved to 87.5% and 49.9%.

The chart below illustrates the distribution of small business loans originated during the evaluation period, according to loan size and revenues:

Distribution of Small Business Loans by Loan Size and Revenues								
2002								
Loan Size	Bank				Aggregate			
	#	%	\$ (000's)	%	#	%	\$ (000's)	%
<=\$100M	25	80.6	1,147	35.8	10,423	96.5	107,868	45.3
>\$100M & <=\$250M	2	6.5	334	10.4	196	1.8	34,771	14.6
>\$250M & <=\$1MM	4	12.9	1,724	53.8	183	1.7	95,496	40.1
Total	31	100.0	3,205	100.0	10,802	100.0	238,135	100.0
Revenues								
<=\$1 Million	26	83.9	2,978	92.9	2,962	27.4	105,764	44.4
2003								
Loan Size	Bank				Aggregate			
	#	%	\$ (000's)	%	#	%	\$ (000's)	%
<=\$100M	35	87.5	1,797	49.9				
>\$100M & <=\$250M	3	7.5	553	15.4				
>\$250M & <=\$1MM	2	5.0	1,250	34.7				
Total	40	100.0	3,600	100.0				
Revenues								
<=\$1 Million	32	80.0	3,003	83.4				

Community Development Lending: "High Satisfactory"

Warwick makes a relatively high level of community development loans. The bank's total commitments during the evaluation period amounted to \$3.4 million, of which \$339 thousand (10.1%) is considered new money. The commitment amount reflects a 20.9% decline from the prior evaluation's total commitments of \$4.3 million. Warwick's commitments include loans and credit facilities to a local development entity and to a non-profit organization that promotes economic development and community services.

The following table summarizes the bank's community development lending activities during the evaluation period:

Community Development Loans and Dollar Volume (000's)					
Borrower	Purpose	Commitment	Outstanding Balance	New Money	CD Credit
N.Y. Business Development Corp.	Economic Development	500		-	500
Local Development Corp.	Economic Development	2,650	2,520	-	2,520
Local Development Corp.	Economic Development	29		29	29
Local Development Corp.	Economic Development	10		10	10
Nonprofit Organization	Community Service	300		300	300
Totals		3,489	2,520	339	3,359

Innovative and Flexible Lending Practices: “Low Satisfactory”

The bank makes limited use of innovative or flexible loan products in serving assessment area credit needs.

Warwick offers U.S. Small Business Administration (“SBA”) sponsored small business loan products to help meet the needs of small businesses. During the evaluation period, the bank originated five SBA loans totaling \$258.2 thousand.

Warwick also uses two government sponsored residential mortgage programs: the Federal Housing Authority (“FHA”) guarantee program and the Veterans Affairs (“VA”) home loan program to help meet the needs of LMI borrowers. The programs are offered according to the guidelines of the sponsoring agencies. During the evaluation period, Warwick originated 12 FHA loans totaling \$1.5 million and five VA loans totaling \$600 thousand.

The bank’s government-sponsored loan activity during this evaluation period has declined significantly in volume compared to the prior evaluation’s 217 loans totaling \$24.2 million.

II. Investment Test: “Needs to Improve”

The investment test evaluates a banking institution’s record of helping to meet the credit needs of its assessment area through qualified investments. Qualified investments are evaluated based on dollar volume, innovativeness or complexity, responsiveness to community development needs, and the degree to which qualified investments are not routinely provided by private investors.

Warwick had a poor level of qualified community development investments. Activity was limited to \$209 thousand in qualified grants made to various community development organizations within the assessment area. During the prior evaluation, the bank made qualified community development investments totaling \$3 million.

Warwick contributed \$61 thousand to the Affordable Housing Program (“AHP”) sponsored by the Federal Home Loan Bank of New York (“FHLBNY”). This represented the bank’s 2002 pro-rata share of the 10% of earnings set aside by the FHLBNY to fund the AHP program in New York State.

The AHP advances funds at subsidized rates to member institutions and these funds are passed along to qualified community development groups for the purchase, construction, and/or rehabilitation of owner-occupied housing for LMI households, or rental housing where at least 20% of the rental units will be occupied by and affordable for very low-income households.

During the evaluation period, the WSF made qualified community development grants totaling \$148 thousand to various community development organizations within the assessment area.

III. Service Test: “High Satisfactory”

The service test evaluates a banking institution’s record of helping to meet the credit needs of its assessment area by analyzing both the availability and effectiveness of a banking institution’s systems of delivering retail banking services and the extent and innovativeness of its community development services.

Retail Banking Services: “High Satisfactory”

Accessibility of Delivery Systems

Warwick’s delivery systems are accessible to essentially all portions of the bank’s assessment area. The bank operates six branch offices (including the main office) in Orange County and one in Putnam County. Two branches (Monroe and Woodbury) are located in non-LMI areas that are adjacent to LMI census tracts.

Supplementing the banking offices are 10 ATMs: one drive-up ATM at each branch, one inside the Walkill branch and two non-deposit-taking ATMs at a remote location (the Galleria Mall in Middletown). The drive-up ATMs are accessible 24-hours, seven days a week, while the ATMs inside the branch and at the remote location are accessible during regular banking hours and the mall’s business hours, respectively.

Alternative delivery systems offered by Warwick include bank by mail, telephone banking and Internet banking.

Changes in Branch Locations

Warwick’s record of opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly to LMI geographies or LMI individuals.

In June 2003, the bank opened a branch office in a middle-income area in Orange County. Warwick did not close any banking offices during the evaluation period.

Reasonableness of Business Hours and Services in Meeting Assessment Area Needs

Services are tailored to the convenience and needs of the assessment area, particularly LMI geographies or LMI individuals.

The bank’s business hours have expanded since the prior evaluation period in an effort to serve the community better.

All offices offer extended banking hours one night a week and Saturday mornings. All of Warwick’s branches feature drive-up facilities with more operating hours than the regular lobby banking hours. The drive-up facilities open between 7:30 am and 8:00 am and close at 7:00 pm at six of the branches.

Community Development Services: “Low Satisfactory”

The bank provides an adequate level of community development services. Bank management helps provide technical assistance to organizations and programs that promote economic development and community services throughout the assessment area.

The following are examples of the bank’s officers and employees involvement with various community organizations:

- Member of the board of directors of Bon Secours Charity Health System (St. Anthony Community Hospital) - Bon Secours is an organization that provides charity care, free or discounted health care and human services to individuals who are without the financial means to pay.
- Co-chairperson of the Minority and Women Business Committee of the Orange County Chamber of Commerce.
- Treasurer of the Warwick Valley Ecumenical Council - The council runs programs such as “Meals on Wheels” and an emergency fund for LMI individuals in Warwick.
- Board member of the Family Health Center of Newburgh, Inc. - The center is a nonprofit corporation providing primary health care services to the underserved and uninsured population of Newburgh and surrounding communities.
- Member of the advisory board of Putnam County SCORE - SCORE operates in cooperation with the SBA to provide business owners with information, including counseling on financing options, business planning, marketing strategies, product development and more.
- Member of the board of directors of Orange County United Way.

Additionally, the bank is a participant in the Electronic Benefit Transfer (“EBT”) initiative, foregoing fees associated with the use of the New York Benefit Card, which is used by LMI residents receiving cash assistance benefits.

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 indicates a satisfactory performance in terms

of adherence to antidiscrimination 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.

Warwick ascertains the credit needs of its community through involvement with various community organizations and the public sector. Most of the officers and employees serve in various capacities with local charitable and civic organizations.

During the evaluation period, the bank mailed brochures to two communities in Orange County informing residents of Warwick's products and services.

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 advertises in the *Advertiser Photo News*, *The Times Herald Record*, *The Marketplace/Penny Saver*, the *Kiryas Joel Bulletin*, *Yorktown Penny Saver*, *Putnam Courier* and *Vida Y Samilia Hispana* to make members of the community aware of the bank's services. The bank also advertises on the websites of the Chamber of Commerce of Orange County and *The Hudson Valley News*.

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 directors and senior management are highly involved in planning, implementing and monitoring the institution's CRA-related performance. There is a CRA committee of the board of directors, which meets on an ad hoc basis, and there is CRA discussion at every regular board meeting. The board also approves the bank's CRA Statement annually.

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 invested \$3.1 million in various bond anticipation notes and serial bonds issued by local government agencies on behalf of the Town of Warwick, Warwick Fire Department, Pine Island Fire Department and Middletown School

District. All are located within the assessment area.

In addition to qualified grants made by the WSF, it awarded \$134 thousand in non-recoverable donations to various local community organizations within the assessment area.

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 2000 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 nonmetropolitan 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 nonmetropolitan 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 nonmetropolitan 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.