



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

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: December 31, 2004

Institution: Watertown Savings Bank
111 Clinton Street
Watertown, NY 13601

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

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GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act ("CRA") performance of Watertown Savings Bank ("WSB") 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, 2004.

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 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 of institutions are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Section 76.8 through 76.13 of the regulation. 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

Watertown Savings Bank is rated "2." This rating reflects the bank's "Satisfactory" record of helping to meet the credit needs of its assessment area and is based on the following factors:

Lending Test: "High Satisfactory"

- WSB's lending levels reflect excellent responsiveness to community credit needs. During the evaluation period, WSB extended a total of 1,614 consumer, small business and HMDA-reportable loans.
- WSB originated a substantial majority (91.1%) of its loans within the assessment area.
- The geographic distribution of WSB's loans within the assessment is good, reflecting adequate dispersion among census tracts of different income levels.
- WSB's distribution of loans based on borrower characteristics reflects excellent penetration among individuals of different income levels and businesses of different revenue sizes.
 - WSB extended 100% of its small business loans to businesses with gross annual revenues of \$1 million or less.
 - WSB originated 17.2% of its HMDA-reportable loans, and 34.2% of its consumer loans, to LMI borrowers.
- WSB's level of community development lending is excellent considering the bank's size, capacity and the credit needs of its assessment area.
- WSB makes limited use of innovative and/or flexible lending programs and products.

Investment Test: "Needs Improvement"

- WSB needs to improve its level of community development investments. During the evaluation period, WSB invested only \$10 thousand in a single qualified investment.

Service Test: 'High Satisfactory'

- WSB's network of branches and ATMs is accessible to essentially all portions of the assessment area. The bank operates five regular full-service offices and an accommodation office. The accommodation office is located in a moderate-income census tract.

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- WSB's business hours and services are tailored to meet the convenience and needs of consumers within the assessment area.
 - WSB has an outstanding record of providing community development services. The bank's Board of Trustees, management and staff provide financial advice, technical assistance and fundraising assistance to various community organizations and programs that promote economic opportunities for low-income families.

Neither WSB nor the Banking Department received any complaints regarding the bank's CRA performance during the evaluation period.

This evaluation is 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 Profile

Watertown Savings Bank (“WSB”) was chartered in 1893 and is a mutual savings bank located in the City of Watertown, New York, within Jefferson County. WSB is the sole owner of Compass Mortgage, a residential mortgage company that provides loans to many low- and moderate-income individuals.

WSB operates five full-service branches, including its main office. WSB also operates a limited- service office within the assessment area. The bank supplements its brick-and-mortar branch offices with a network of automated teller machines (“ATMs”). This network includes an ATM at each full- and limited-service branch, as well as an ATM on the campus of Jefferson Community College.

On its year-end Call Report for calendar year 2004, WSB reported total assets of \$285.7 million, including \$122.1 million in net loans and lease finance receivables. The bank’s total deposits were reported as \$243.7 million.

The average loan to deposit ratio for the eight consecutive calendar quarters during the evaluation period was 51.8%. According to the Federal Deposit Insurance Corporation’s latest available market data for deposits, compiled as of June 30, 2004, WSB holds a market share of 24.5% within the assessment area, ranking WSB second among eight deposit-taking institutions in the area.

The following table summarizes WSB’s loan portfolio based on Schedule RC-C of the bank’s year-end Call Reports for calendar years 2002 through 2004:

TOTAL GROSS LOANS OUTSTANDING						
LOAN TYPE	12/31/2002		12/31/2003		12/31/2004	
	\$000	%	\$000	%	\$000	%
1-4 Residential Mortgage Loans	70,107	51.9	56,916	44.7	51,110	40.2
Commercial & Industrial Loans	14,342	10.6	14,762	11.6	14,830	11.7
Commercial Mortgage Loans	37,436	27.7	44,636	35.1	45,969	36.2
Multi-family Mortgages	2,470	1.8	1,138	0.9	2,594	2.0
Consumer Loans	9,597	7.1	8,201	6.5	7,179	5.7
Construction Loans	1,256	0.9	1,527	1.2	5,373	4.2
Other Loans		0.0	10	0.0	10	0.0
Total Loans	135,208	100.0	127,190	100.0	127,065	100.0

As shown in the table above, WSB is primarily a real estate lender, with 40.2% of its loan portfolio in residential real estate loans as of December 31, 2004.

WSB’s previous CRA Performance Evaluation, conducted by the New York State Banking Department as of December 31, 2002, resulted in a composite rating of “2.” This rating reflected WSB’s “Satisfactory” record of responding to the assessment area’s credit needs.

There are no known financial or legal impediments affecting WSB's ability to meet the credit needs of its community.

Assessment Area ("AA")

WSB's assessment area comprises Jefferson County in its entirety. Jefferson County is located in northern New York State, along the eastern end of Lake Ontario. The county area includes an Empire Zone and has been designated as distressed or under-served by the Federal Financial Institutions Examination Council ("FFIEC").

Based on initial data from the 2000 U.S. Census, there were 23 census tracts in the county, including: seven (30.4%) moderate-income tracts; 15 (65.2%) middle-income tracts; and, one (4.4%) upper-income tract. When the U.S. Office of Management and Budget revised census tract boundaries in 2004, the number of census tracts within the AA area did not change, but the distribution of tracts by geographic income level was altered to six (26.0%) moderate-income tracts; 16 (69.6%) middle-income tracts; and one (4.4%) upper-income tract. In other words, the AA gained a middle-income tract and lost a moderate-income tract.

Details of the Assessment Area

Population: The AA has a population of 111.7 thousand residents, including 12.6 thousand (11.3%) people above the age of 65 and 26.3 thousand people (23.5%) below age 16. The area's population is contained within 40.1 thousand households, including 5.3 thousand households (13.0%) living in poverty.

Families: There are 28.2 thousand families in the AA, economically distributed as follows: 5.8 thousand (20.7%) low-income families; 5.7 thousand (20.1%) moderate-income families; 6.8 thousand (24.0%) middle-income families; and 9.9 thousand (35.2%) upper-income families. As of the 2000 Census, the median family income within the AA was \$39,855. According to estimates from the U.S. Department of Housing and Urban Development ("HUD"), the area's median family income increased to \$47,900 by 2004.

Housing: The AA contains 54.1 thousand housing units, of which 44.3% are owner occupied, 29.8% are rental occupied and 25.9% are vacant. Classified by housing type, 76.6% of the area's units are contained within one- to four-family residences, 14.2% are mobile homes and 9.2% are contained within multi-family structures containing five or more units. Since the AA does not contain any low-income tracts, none of the area's housing is located in low-income tracts. Housing in moderate-income areas accounts for 11.2 thousand of the AA's total housing units, and the majority of these units (64.9%) are occupied by renters. Another 24.8% of housing units in the AA's moderate-income tracts are owner occupied, while 10.3% are vacant.

Business Demographics: There are 5.5 thousand businesses in the assessment area, and 62.0% of these companies reported revenues of \$1 million or less. The assessment area consists mainly of very small businesses, with 79.7% of local companies employing fewer than 50 people. The area's largest sources of employment were: the service sector (34.9%), retail trade (19.0%), construction (7.7%) and finance, insurance & real estate (7.2%).

Unemployment Rates: According to the New York State Department of Labor, the county's average unemployment rate was 9.0% during 2003 and 8.6% during 2004. These rates were well above the statewide averages of 6.2% for 2003 and 5.2% for 2004.

The assessment area appears reasonable based upon Watertown Savings Bank's lending patterns and the location of its offices. There is no evidence that LMI areas have been arbitrarily excluded from the assessment area.

PERFORMANCE TESTS AND ASSESSMENT FACTORS

This Performance Evaluation is based on a review of Watertown Savings Bank's lending, investment and service activities within the assessment area. The tests and performance standards used to evaluate the bank's performance are provided for in Parts 76.8, 76.9 and 76.10 of the General Regulations of the Banking Board.

The assessment period included calendar years 2003 and 2004. As is standard practice, when assigning ratings, our examiners emphasized the bank's level of consumer, small business and HMDA-reportable loans based on loan count rather than dollar volume.

WSB is not subject to the data reporting requirements of the Home Mortgage Disclosure Act ("HMDA") or the federal Community Reinvestment Act, so its loan data is not included in market aggregate reports issued by the FFIEC. Consequently, our examiners did not compare WSB's performance against the market aggregate. Additionally, peer data was not used for comparative purposes because there are no similar banks by asset size and product range within the assessment area.

The demographic data referred to in this report were obtained from the 2000 U.S. Census. Updated median family income ("MFI") figures were obtained from HUD.

I. Lending Test: "High Satisfactory"

The bank's lending performance was evaluated based on the following criteria: (1) Lending Activity; (2) Assessment Area Lending; (3) Geographic Distribution of Loans; (4) Distribution of Loans Based on Borrower Characteristics; (5) Community Development Lending; and (6) Flexible and/or Innovative Lending Practices.

- **Lending Activity: "Outstanding"**

As illustrated in the table below, WSB's level of lending activity reflects excellent responsiveness to community credit needs:

Lending Activity by Product Type												
Type	2003				2004				Total			
	#	%	\$000	%	#	%	\$000	%	#	%	\$000	%
Consumer	637	78.8	5,261	23.1	616	76.4	6,972	26.4	1,253	77.6	12,233	24.8
Small Business	127	15.7	14,756	64.6	141	17.5	16,155	61.2	268	16.6	30,911	62.8
HMDA	44	5.5	2,811	12.3	49	6.1	3,285	12.4	93	5.8	6,096	12.4
Total	808	100.0	22,828	100.0	806	100.0	26,412	100.0	1,614	100.0	49,240	100.0

During the evaluation period, WSB originated 1,614 loans totaling \$49.2 million. Consumer loans constituted 77.6% of the total number of originations, while small business loans comprised 62.8% of the total dollar volume. During 2004, HMDA-reportable loans accounted for only 5.8% of the bank's total number of loans and 12.4% of its total dollar volume.

- **Assessment Area Concentration: “Outstanding”**

WSB originated a substantial majority of its loans within the assessment area. During the evaluation period, WSB extended approximately 91.1% by number, and 83.4% by dollar volume, of its loans inside the assessment area.

The following chart summarizes the distribution of WSB’s consumer, small business and HMDA-reportable loans 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
	#	%	#	%		\$	%	\$	%	
Consumer										
2003	637	91.3	61	8.7	698	5,261	85.9	863	14.1	6,124
2004	616	90.6	64	9.4	680	6,972	91.6	640	8.4	7,612
Subtotal	1,253	90.9	125	9.1	1,378	12,233	89.1	1,503	10.9	13,736
Small Business										
2003	127	90.7	13	9.3	140	14,756	86.9	2,233	13.1	16,989
2004	141	91.0	14	9.0	155	16,155	73.5	5,836	26.5	21,991
Subtotal	268	90.8	27	9.2	295	30,911	79.3	8,069	20.7	38,980
HMDA										
2003	44	95.7	2	4.3	46	2,811	97.9	60	2.1	2,871
2004	49	92.5	4	7.5	53	3,285	94.1	207	5.9	3,492
Subtotal	93	93.9	6	6.1	99	6,096	95.8	267	4.2	6,363
Total	1,614	91.1	158	8.9	1,772	49,240	83.3	9,839	16.7	59,079

- **Geographic Distribution of Loans: “High Satisfactory”**

The geographic distribution of WSB’s loans reflects good dispersion among census tracts of different income levels.

Consumer Loans

WSB’s geographic distribution of consumer loans reflects a good dispersion among census tracks of different income levels. In 2003, WSB originated 25.6% of its consumer loans in LMI geographies.

The table below summarizes the distribution of WSB’s consumer lending across geographies of different income levels:

Distribution of Consumer Loans by Geographic Income Level								
Geographic Income Level	2003				2004			
	#	%	\$000	%	#	%	\$000	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	163	25.6	1,112	21.1	130	21.1	919	13.2
Middle	436	68.4	3,564	67.8	454	73.7	5,141	73.7
Upper	38	6.0	585	11.1	32	5.2	912	13.1
Total	637	100.0	5,261	100.0	616	100.0	6,972	100.0

Small Business Loans

WSB's geographic distribution of small business loans reflects a good dispersion among census tracts of different income levels.

WSB increased its small business lending LMI census tracts to 103 loans during this evaluation period, compared to 57 loans during the prior evaluation period. In 2003, the bank made 36.2% of its small business loans in LMI areas. By comparison, approximately 34% of all businesses within the assessment area are located in LMI census tracts. During 2004, the bank's LMI penetration rate for small business loans increased to 40.4%, while the percentage of area businesses located in LMI tracts decreased to 29.1%.

The following chart summarizes WSB's small business lending distribution during the evaluation period:

Distribution of Small Business Loans by Geographic Income Level								
Geographic Income Level	2003				2004			
	#	%	\$000	%	#	%	\$000	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	46	36.2	7,997	54.2	57	40.4	6,090	37.7
Middle	71	55.9	5,502	37.3	75	53.2	9,602	59.4
Upper	10	7.9	1,257	8.5	9	6.4	463	2.9
Total	127	100.0	14,756	100.0	141	100.0	16,155	100.0

HMDA-Reportable Loans

The geographic distribution of WSB's HMDA-reportable loans reflects an excellent dispersion among census tracts of different income levels. WSB's penetration rate in LMI geographies was well above the ratio of owner-occupied housing in LMI tracts.

In 2003, WSB extended 31.8% by number and 24.5% by dollar volume of its HMDA loans in LMI geographies. In 2004, these ratios decreased to 20.4% and 12.2%, respectively, due to changes in the AA's census tract categorizations. Based on Census data applicable during 2004, owner-occupied housing units in moderate-income tracts decreased from 15.8% in 2003 to 11.6% in 2004.

The following table shows the geographic distribution of Watertown Savings Bank's HMDA-reportable loans inside the assessment area during the evaluation period:

Distribution of One- to Four-Family Loans by Geographic Income Level*								
Geographic Income Level	2003				2004			
	#	%	\$000	%	#	%	\$000	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	14	31.8	689	24.5	10	20.4	400	12.2
Middle	26	59.1	1,626	57.8	34	69.4	2,362	71.9
Upper	4	9.1	496	17.7	5	10.2	523	15.9
Total	44	100.0	2,811	100.0	49	100.0	3,285	100.0

- **Distribution by Borrower Characteristics:** "Outstanding"

The distribution of loans based on borrower characteristics reflects an excellent penetration among individuals of different income levels and businesses of different revenue sizes.

Consumer Loans

The distribution of borrowers for the consumer loans reflects an excellent penetration among customers of different income levels. WSB's LMI penetration rate of 18.1% in 2003 increased significantly to 51.0% in 2004, almost double the 25.2% of households residing in moderate income area. Consumer loans were not evaluated at the prior examination and therefore cannot be compared with this evaluation.

Distribution of Consumer Loans by Borrower Income Level								
Borrower Income Level	2003				2004			
	#	%	\$000	%	#	%	\$000	%
Low	66	10.4	286	5.4	150	24.4	809	11.6
Moderate	49	7.7	289	5.5	164	26.6	1,481	21.2
Middle	50	7.8	527	10.0	124	20.1	1,267	18.2
Upper	56	8.8	865	16.4	152	24.7	3,021	43.3
N/A	416	65.3	3,294	62.6	26	4.2	394	5.7
Total	637	100.0	5,261	100.0	616	100.0	6,972	100.0

Small Business Loans

WSB's small business lending distribution based on borrower characteristics reflects an excellent penetration among businesses with revenues of \$1 million or less.

The number of loans extended to small businesses increased by 22.9% while the dollar volume increased significantly (47.6%) during the evaluation period. As shown in the table below, WSB extended 100% of its business loans to businesses with revenue of \$1 million or less. In 2004, WSB's performance increased to 141 loans totaling \$16.1 million.

The following chart provides a summary of WSB's small business lending distribution based on borrower revenues during the evaluation period:

Distribution of Small Business Loans by Business Revenue Size								
Revenue Size	2003				2004			
	#	%	\$000	%	#	%	\$000	%
\$1million or less	127	100.0	14,756	100.0	141	100.0	16,155	100.0
Over \$1 million	0	0.0	0	0.0	0	0.0	0	0.0
No Revenue Info	0	0.0	0	0.0	0	0.0	0	0.0
Total	127	100.0	14,756	100.0	141	100.0	16,155	100.0

HMDA-Reportable Loans

WSB's HMDA-related lending distribution based on borrower characteristics reflects an adequate penetration among individuals of different income levels. The number of loans and dollar volume extended to LMI individuals decreased significantly to 16 loans totaling \$694 thousand at this evaluation from 34 loans totaling \$1.8 million at the prior evaluation.

In 2003, WSB originated 9 loans (20.5%) totaling \$337 thousand (12.0%) to LMI borrowers. The number of loans extended by WSB to LMI borrowers declined to 7 loans totaling \$357 thousand in 2004. While the number of loans declined, the dollar amount increased by 5.9%. The decrease in WSB's HMDA-reportable loans in 2004 is partially due to a 3% decrease in LMI families living within LMI tracts during the evaluation period.

The following chart summarizes WSB's HMDA-reportable lending during 2003 and 2004:

Distribution of 1-4 family Loans by Borrower Income Level*								
Borrower Income Level	2003				2004			
	#	%	\$000	%	#	%	\$000	%
Low	1	2.3	30	1.1	0	0.0	0	0.0
Moderate	8	18.2	307	10.9	7	14.3	357	10.9
Middle	10	22.7	536	19.1	12	24.5	586	17.8
Upper	21	47.7	1,701	60.5	27	55.1	2,164	65.9
N/A	4	9.1	237	8.4	3	6.1	178	5.4
Total	44	100.0	2,811	100.0	49	100.0	3,285	100.0

- **Community Development Loans:** "Outstanding"

WSB's level of community development lending is considered excellent in light of the bank's performance context. While the facilities are not innovative or complex, WSB's lending is targeted that are promoting and revitalizing health services for LMI populations.

During the evaluation period, WSB originated three community development loans totaling \$2.4 million, as described below:

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- **Loan 1: \$1.2 million loan secured by non-residential real estate**
The proceeds were used to purchase and renovate a cornerstone building in downtown Watertown, located inside a designated Empire Zone. The building was later occupied by several not-for-profit organizations.
 - **Loan 2: \$1.0 million loan secured by non-residential real estate**
The proceeds were used to build a new facility that provides pulmonary health care services to LMI individuals. The property is located in the Town of Watertown, which is listed as a distressed or under-served geography. Additionally, the facility is located inside a New York State-designated Empire Zone.
 - **Loan 3: \$220 thousand construction loan**
This loan went to a nonprofit organization that provides services to mentally retarded and developmentally disabled children and adults in Jefferson and Lewis Counties.

- **Flexible/Innovative Lending**

WSB's innovative /flexible lending programs or products are limited. While the bank offers its products to all individuals and geographies, it does not have any specific underwriting criteria for loan programs geared toward low and moderate-income individuals. The bank participates in a few government sponsored programs as follows:

The SBA 7(A) loan guarantee program: This program provides the bank with a guaranty up to 75% of the outstanding balance with maximum guaranty of \$2 million. The bank originated 3 loans totaling \$1.9 million during the evaluation period. As of December 31, 2004, this program has an outstanding balance of \$1.5 million.

The SBA Low Doc Loan Guaranty Program: Under this program 85% of the outstanding balance is covered by the guaranty. Thirty one loans totaling \$1.6 million were extended during the evaluation period. At the end of 2004, \$1.4 million remained outstanding.

II. Investment Test: "Needs Improvement"

The level of WSB's community development investments is poor. WSB made a \$10 thousand commitment to help re-establish the revolving Loan Fund for North Country Alliance, a public agency responsible for administering the revolving loan fund of the Development Authority of the North Country. The loan fund is available for small business loans in the assessment area.

III. Service Test: "High Satisfactory"

WSB's delivery systems are accessible to essentially all portions of the assessment area.

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

Accessibility of Delivery Systems

WSB operates five full service banking offices including a corporate office and one accommodation office, which is located in the moderate income tract. Twenty percent of the branches are in LMI geographies, 40% are adjacent to LMI tracts and 60% are in distressed areas. An ATM network is located in each branch, one in its accommodation office and one in Jefferson Community College.

Distribution of Branches By Tract Income Level								
Branches	LMI		Middle		Upper		Distressed Areas**	
	#	%	#	%	#	%	#	%
111 Clinton St., Watertown					1	20%		
1816 State St., Watertown			1*	20%			1	20%
30 E. Church St., Adams			1*	20%			1	20%
101 Commerce Park Dr. Watertown	1	20%						
100 W. Main St., Sacket Harbor			1	20%			1	20%
Total	1	20%	3	60%	1	20%	3	60%

*Branches adjacent to LMI tracks

** Distress: Nonmetropolitan middle income geographies which are designated by Board of Governors of the Federal Reserve System, Federal Deposit Corporation and OCC as being in distress or that could have difficulty meeting essential community needs.

Record of Opening and Closing of Branches

There was no branch openings or closures during the evaluation period.

Reasonableness of Business Hours and Services in Meeting Assessment Area Needs

WSB’s business hours and services are tailored to the convenience and needs of consumers within the assessment area. WSB enhanced the service capability of its branch network by adopting extra hours that vary from 8:00 am to 6:00 pm, Monday to Saturday. Additionally, two branches and one accommodation office have drive-through facilities available Monday through Saturday.

Alternate Delivery Services

WSB’s alternative methods of delivering services include, but are not limited to, on-line banking, 24-hour automated telephone banking, debit and gift card services, direct deposit and two offsite ATMs.

- **Community Development Services: “Outstanding”**

WSB’s Board of Trustees, management and staff continually provide financial advice, technical assistance and fund raising efforts to various community organizations and programs that promote economic opportunities and/ or provide services to low-income families.

Management and employees are members of the board or committees of various organizations such as Watertown Local Development Corporation, Samaritan Foundation, New York State Business Development Corporation, Ronald McDonald House Charities, Jefferson County Job Development Corporation, and the United Way of Northern New York. Through participation with these organizations, the bank’s employees provide customers with financial education, employment prospects and counseling on starting a small business.

In 2004, WSB received “Small Community Lender of the Year” award for the U.S. Small Business Administration. This award is typically achieved by lenders in cities larger than Watertown. The award reflects WSB’s commitment to small businesses and economic development within its assessment area.

Furthermore, WSB had participated in the following:

- Sponsored two six-week workshops at the Small Business Development Center for local businesses to gain specific knowledge and skills.
- Made a monetary donation and provided space and phone facility for Watertown Urban Mission’s annual “phon-a-thon” fund-raising. This is a not-for-profit organization promoting employment and low income housing.
- The bank provided 858 square feet of office space to be used free of charge by the Victims Assistance Center of Jefferson County.
- Participated in “QUEST” electronic banking network which enables them to deliver government assistance Electronic benefit Transfer (EBT) to low and moderate income families and individuals.

- **Action Taken In Response to Written CRA-Related Complaints**

During the evaluation period, neither WSB nor the State Banking Department received any written complaints regarding the bank’s CRA performance.

- **Discrimination and other Illegal Practices**

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

Examiners noted no 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 and Fair Lending examinations of WSB were conducted currently with this evaluation and found satisfactory adherence to anti-discrimination and other applicable laws and regulations. No evidence of prohibited discriminatory or other illegal credit practices was noted.

- **Process Factors**

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

The Board of Trustees consists of local businessmen from the community and serves on various civic organizations. All officers, employees and trustees of the bank reside within the primary trade area and are familiar with the needs of the community.

WSB has also employed a Customer Call Program where their existing commercial customers are contacted in person to see if they could be doing anything to better serve their credit needs.

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

WSB advertises its products and services through local radio and television stations, newspaper and cable television. It also employs in-house advertising through display ads in the lobby, at drive thru and ATM lanes. These ads are changed every three to four months to maintain customers' interest.

The extent of participation by the institution's board of trustees in formulating the bank's policies and reviewing its Community Reinvestment Act performance.

WSB's Board of Trustees is involved in developing and monitoring CRA policies and its implementation. The board appointed a CRA committee which meets bi-annually. The Board of Trustees reviews the minutes and monitors the bank's CRA activities on an ongoing basis. Annually, the board is presented an internally-prepared self-assessment reflecting WSB's annual CRA performance.

- **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.

WSB has a school savings program. Every Wednesday morning, a branch manager goes to a local school and collects deposits from students in grades K-12 and updates their passbooks. Students who make a deposit at least once during the month are entered into a monthly drawing for a \$50 savings bond donated by WSB.

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;

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- 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.

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 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.

LMI Penetration Rate

A number that depicts the percentage of a bank's total loans (for a particular product) that was extended to LMI geographies or borrowers. For example, an LMI penetration rate of 20% would indicate that the bank made 20 out of a total of 100 loans to LMI geographies or borrowers.

Small Business Loans

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