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, 2005

Institution: Community Mutual Savings Bank
123 Main Street
White Plains, NY 10601

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 Community Mutual Savings Bank ("CMSB") 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, 2005.

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 the Banking Department to 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 small banking institutions are primarily based on a review of performance tests and standards described in Section 76.7 of the regulation and detailed in Section 76.12. 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

CMSB is rated "2" based on a marginally "Satisfactory" record of helping to address the credit needs of its assessment area. The bank's geographic distribution of loans is marginally reasonable and the distribution of loans by borrower characteristics needs to improve.

- ***Loan-to-Deposit ("LTD") Ratio and Other Lending-Related Activities:*** The bank's LTD ratio is considered reasonable in light of the bank's size, financial condition and the credit needs of its assessment area. The bank's average LTD ratio for the eight consecutive quarters ending December 31, 2005, was 76.1%, which is slightly below the average of 80.1% for the bank's peer group.

  The bank enhanced the availability of credit in its assessment area by originating a community development loan for $427 thousand.

- ***Assessment Area Concentration****:* CMSB extended a majority of its loans within the assessment area.

  The bank extended 77.9% of its total number and 80.9% of its total dollar volume of home equity lines of credit ("HELOCs") and HMDA-reportable loans within the assessment area.

- ***Geographic Distribution of Loans****:* The geographic distribution of CMSB's loans remains marginally reasonable. Since the prior performance evaluation, the bank's distribution of HMDA-reportable loans has not shown any improvement and remains weak in comparison to the market aggregate. This weak performance was somewhat offset by the bank's lending distribution for HELOCs.

  During the evaluation period, the bank originated 1.7% of its HMDA-reportable loans in LMI areas. By comparison, the market aggregate originated 6.1% of its HMDA-reportable loans in LMI areas.

  With respect to originating HELOCs, CMSB made 4.1% of its loans in LMI areas during the evaluation period. Comparison to the market aggregate is not possible for HELOCs because these loans are not subject to HMDA reporting. Nonetheless, the bank's penetration ratio exceeded the percentage of owner-occupied housing units within the assessment area that are located in LMI census tracts (2.7%).

- ***Distribution by Borrower Characteristics****:* The bank's distribution of loans within the assessment area reflects poor penetration among individuals of different income levels. During the evaluation period, the bank extended only two out of 60 HMDA-reportable loans (3.3%) to LMI borrowers, and both of those loans were originated during the first year of the evaluation period. Similarly, weak performance was noted with respect to the bank’s HELOC lending. During the evaluation period, CMSB originated 10.2% of its HELOCS to LMI borrowers, while LMI families accounted for 23.1% of total families in the assessment area.

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 Profile

Community Mutual Savings Bank was chartered in 1887 as the Home Building and Loan Association of Mount Vernon. The bank changed its name to Community Mutual Savings Bank of Southern New York in 1980 and adopted its current name in 1984.

Community Mutual Savings Bank is a mutual institution without shareholders, subsidiaries, or affiliates. In September 2004, the bank's corporate offices moved to 123 Main Street in White Plains, New York.

CMSB operates five full-service retail branches. These branches are located in Mount Vernon, Eastchester, Greenburgh, Silver Lake and White Plains. The bank's branches are supplemented by four automated teller machines ("ATMs"). Each branch, except the Mount Vernon branch, has an on-site ATM. The bank's branches in Eastchester, Greenburgh and Silver Lake offer Saturday hours. The Greenburgh branch also offers a walk-up window, while the Mount Vernon branch offers both walk-up and drive-through service.

The bank has delineated Westchester County as its assessment area. This area is part of the highly competitive Metropolitan New York market that includes some of the largest banks in the country. In addition to competition from large money-center banks, CMSB faces lending competition from numerous financial service providers such as mortgage bankers, finance companies, credit unions, insurance companies and brokerage firms that operate within the assessment area.

On its year-end Call Report for 2005, the bank reported total assets of $116.1 million, including $82.6 million in net loans and lease finance receivables. As of the same date, the bank reported total deposits of $106.3 million, resulting in a loan-to-deposit ratio of 77.7%.

The latest deposit market data from the Federal Deposit Insurance Corporation, compiled as of June 30, 2005, indicates that CMSB's market share is 0.38% based on $104.6 million in deposits out of $27.8 billion in total deposits within the market. Based on its market share, CMSB ranks 25th out of 35 deposit-taking institutions in the assessment area.

The following table shows a summary of CMSB's lending portfolio at the end of calendar years 2003 through 2005. The data are derived from Call Report Schedule RC-C.

Gross Loans Outstanding						
Loan Type	12/31/2003		12/31/2004		12/31/2005	
	$000's	%	$000's	%	$000's	%
1-4 Residential Mortgage Loans	70,162	96.5	76,012	91.9	79,703	96.3
Commercial & Industrial Loans	246	0.3	87	0.1	3	0.0
Commercial Mortgage Loans	2,043	2.8	1,440	1.7	786	0.9
Mutifamily Mortgages	0	0.0	154	0.2	121	0.1
Consumer Loans	236	0.3	197	0.2	178	0.2
Loans to Commercial Banks in U.S.	0	0.0	4,800	5.8	2,000	2.4
Gross Loans	**72,687**	**100.0**	**82,690**	**100.0**	**82,791**	**100.0**

As illustrated in the above chart, the bank is primarily a residential real estate lender, with over 96% of its loan portfolio invested in one- to four-family residential mortgage loans as of year-end 2005.

The bank does not participate in any government-guaranteed or government-sponsored loan programs.

At its prior Performance Evaluation, conducted by the New York State Banking Department as of December 31, 2003, the bank received a rating of “2.” This rating reflected the bank’s “Satisfactory” record of helping to meet community credit needs.

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

Assessment Area

The bank’s assessment area is comprised of Westchester County in its entirety. According to data from the 2000 U.S. Census, there are 221 census tracts within Westchester County, including: four (1.8%) low-income, 21 (9.5%) moderate-income, 39 (17.7%) middle-income, 153 (69.2%) upper-income and four (1.8%) zero-income census tracts.

The assessment area appears reasonable based upon the banks lending patterns and the locations of its branches. There is no evidence that LMI areas have been arbitrarily excluded from the assessment area.

Assessment Area Demographics

Population: As of the 2000 U.S. Census, the total population of the assessment area was 923.5 thousand residents. This total includes 129 thousand residents (14.0%) over the age of 65 and 207.2 thousand residents (22.4%) under the age of 16.

Families: According to the 2000 Census, there are 237 thousand families in the assessment area, including approximately 30.2 thousand (12.7%) low-income, 24.7 thousand (10.4%) moderate-income, 33.3 thousand (14.1%) middle-income and 148.8 thousand (62.8%) upper-income families. Approximately 25.8% of all LMI families live in LMI tracts.

Households: Based on the 2000 Census, there were 337.5 thousand households in the assessment area, including approximately 28.6 thousand households (8%) with incomes below the poverty level.

Housing: As of the most recent Census, there were 349.4 thousand housing units in the assessment area. Included in this total are 237.1 thousand units (68%) in one- to four-family buildings and 112.1 thousand units (32%) in multi-family buildings. Owner-occupants were present in 202.8 thousand housing units (58%), while an additional 134.4

thousand units (38%) were occupied by renters. Approximately 12.3 thousand units (4%) were vacant.

As of 2000, the median age of housing was 36 years and the median home value was $285.8 thousand.

Income: As of the 2000 Census, the median family income for Westchester County was $89.2 thousand. Westchester County is located within the New York Metropolitan Statistical Area (MSA 35644). In 2005, the U.S. Department of Housing and Urban Development estimated the median family income of MSA 35644 to be $57.7 thousand.

Business: Based on business demographic data obtained from PCi Corporation's CRA Wiz® software, the assessment area contains approximately 82.9 thousand businesses, of which 81.5 thousand (98.3%) were non-farm businesses. Within the category of non-farm businesses, 53.7 thousand companies (65.9%) had annual revenues of $1 million or less, 4.8 thousand (5.9%) had annual revenues over $1 million, and 23 thousand (28.2%) had unreported revenues.

Nearly 77% of businesses within the assessment area have fewer than 50 employees and 91.5% operate from a single location. The two largest industries within the area were Services, with 33.9 thousand firms (40.9%), and Retail Trade with 11.8 thousand businesses (14.2%). Non-classifiable establishments comprised approximately 14.2% of all businesses in the assessment area.

According to the U.S. Department of Labor's Bureau of Labor Statistics, the average unemployment rate (not seasonally adjusted) for Westchester County was 4.5% in 2004. By comparison, the statewide unemployment rate for the year was 5.8%. During 2005, the average unemployment rate in Westchester County was 3.9%, as compared to the statewide average of 5.0%.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

CMSB's performance was evaluated according to the small bank performance criteria, which include the following: (1) Loan-to-Deposit Ratio and other Lending-Related Activities; (2) Assessment Area Concentration; (3) Geographic Distribution of Loans; (4) Distribution by Borrower Characteristics; and (5) Action Taken in Response to Written Complaints Regarding CRA.

The evaluation period includes calendar years 2004 and 2005. Aggregated loan data were obtained from the Federal Financial Institutions Examination Council ("FFIEC") and PCi Corporation's CRA Wiz® software. The demographic data cited in this evaluation were obtained from the 2000 U.S. Census. Updated median family income ("MFI") figures for 2004 and 2005 were obtained from HUD.

Examiners considered HMDA-reportable loans and home equity lines of credit ("HELOCs") in evaluating factors (2), (3) and (4), as noted above.

- **<u>Loan-to-Deposit Ratio Analysis:</u> "Satisfactory"**

The bank's LTD ratio is reasonable considering the bank's size, financial condition and the credit needs of the assessment area.

The bank's average LTD ratio for the eight consecutive quarters ending December 31, 2005 was 76.1%, which is slightly below the 80.1% average for its peer group.[1] As shown in the table below, the bank's LTD ratios narrowly trailed the peer group's ratios and reflected a generally upward trend, increasing from 72.3% to 77.7% between March 31, 2004, and December 31, 2005.

Loan-to-Deposit Ratios									
	2004 (Q1)	2004 (Q2)	2004 (Q3)	2004 (Q4)	2005 (Q1)	2005 (Q2)	2005 (Q3)	2005 (Q4)	Avg. LTD*
Bank	72.33	73.55	76.09	75.38	77.76	79.15	77.00	77.66	76.12
Peer	76.81	77.64	79.06	79.34	80.18	81.27	82.07	84.31	80.09

*Average LTD for the eight calendar quarters identified in the table.

<u>Other Lending-Related Activities</u>

The bank has a 50.1% participation in a $1.3 million loan which was used to finance the construction of a new church building located in a moderate-income area. The bank's portion of the loan carried a balance of approximately $427 thousand as of December 31, 2005. The church's ancillary programs include day care and senior citizens programs that benefit LMI individuals residing in the county.

[1] The peer group is defined as insured commercial banks with assets between $100 million and $300 million. These ratios were calculated from information shown in the bank's Uniform Bank Performance Report ("UBPR") prepared by the Federal Deposit Insurance Corporation ("FDIC").

- **<u>Assessment Area Concentration</u>: "Satisfactory"**

The bank originated a majority of its loans inside the assessment area.

During the evaluation period the bank extended 77.9% of its HMDA reportable loans and HELOCs by number and 80.9% by dollar volume inside its assessment area.

<u>HMDA</u>

In 2004, the bank originated 52 HMDA-reportable loans totaling $12.4 million. Approximately 76.9% of the number of loans and 80.7% of the dollar volume were extended in the assessment area. In 2005, originations declined to 74.1% by number and 76.7% by dollar volume.

<u>HELOC</u>

In 2004, the bank originated 37 HELOCs totaling $3.6 million, of which 78.4% by number and 83.6% by dollar volume were extended in the assessment area. In 2005, while the number and dollar volume of HELOCs originated by the bank declined, the percentage of HELOCs extended in the assessment area increased to 83.3% by number and 93.1% by dollar volume.

Distribution of Loans Inside and Outside of the Assessment Area

Loan Type	Number of Loans					Loans (Dollars In Thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		$	%	$	%	
HMDA										
2004	40	76.9	12	23.1	52	10,033	80.7	2,405	19.3	12,438
2005	20	74.1	7	25.9	27	6,877	76.7	2,093	23.3	8,970
Subtotal	**60**	**75.9**	**19**	**24.1**	**79**	**16,910**	**79**	**4,498**	**21**	**21,408**
HELOCS										
2004	29	78.4	8	21.6	37	3,023	83.6	591	16.4	3,614
2005	20	83.3	4	16.7	24	2,345	93.1	175	6.9	2,520
Subtotal	**49**	**80.3**	**12**	**19.7**	**61**	**5,368**	**87.5**	**766**	**12.5**	**6,134**
Total	**109**	**77.9**	**31**	**22.1**	**140**	**22,278**	**80.9**	**5,264**	**19.1**	**27,542**

<u>Geographic Distribution of Loans</u>: "Satisfactory"

The geographic distribution of the bank's loans continues to be marginally reasonable. There were no improvements in the bank's HMDA-related lending performance since the prior performance evaluation. However, as discussed below, the bank's weak performance in this loan product is mitigated by its performance in HELOC lending during the evaluation period. The bank's dispersion ratios in LMI and middle-income geographies for HELOC products either exceeds or was comparable to the percentage of owner-occupied units located in the aforementioned census tracts in the assessment area.

<u>HMDA</u>

The geographic distribution of HMDA-reportable loans reflects poor dispersion among census tracts of different income levels. In 2004, the bank did not originate any loans in LMI tracts while the aggregate originated 5.6% of its loans in such areas. The bank's lending performance in LMI areas showed very minimal improvement in 2005; one loan (5%) was originated by the bank in LMI areas. In comparison, 6.6% of the aggregate's HMDA-reportable loans were in LMI geographies.

In 2004, the bank originated 12.5% of its loans in middle-income areas; this ratio is below the 14.2% concentration of loans originated by the aggregate in middle-income geographies. In 2005, although the percentage of loans originated by the bank in middle-income areas increased, reflecting a 20% penetration ratio and exceeding the 15% ratio for the aggregate, it should be noted that the overall number of loans originated in 2005 decreased by 50%. The bank only originated four loans in middle-income tracts in 2005 as compared to five such loans originated in 2004.

While the assessment area remains predominantly upper-income, the number of LMI tracts in the assessment area has increased from 19 tracts at the prior evaluation to 25 tracts at this evaluation. However, the bank's LMI lending performance declined with only one LMI loan (1.67%) originated during this evaluation period compared to two loans (2.9%) originated in the prior evaluation period.

The following chart provides a summary of the bank's HMDA-reportable lending during the evaluation period:

Distribution of HMDA-reportable Loans by Geographic Income Level								
2004								
Geography Income Level	**Bank**				**Aggregate**			
	#	%	$000's	%	#	%	$000's	%
Low	0	0.0%	0	0.0%	214	0.7%	49,590	0.5%
Moderate	0	0.0%	0	0.0%	1,443	4.9%	343,023	3.7%
Middle	5	12.5%	1,189	11.9%	4,184	14.2%	996,346	10.7%
Upper	35	87.5%	8,844	88.1%	23,613	80.1%	7,944,145	85.1%
N/A					34	0.1%	4,969	0.1%
Total	40	100.0%	10,033	100.0%	29,488	100.0%	9,338,073	100.0%
2005								
Geography Income Level	**Bank**				**Aggregate**			
	#	%	$000's	%	#	%	$000's	%
Low		0.0%		0.0%	261	0.9%	74,508	0.7%
Moderate	1	5.0%	190	2.8%	1,653	5.7%	493,394	4.8%
Middle	4	20.0%	1,255	18.2%	4,314	15.0%	1,247,199	12.2%
Upper	15	75.0%	5,432	79.0%	22,525	78.2%	8,401,967	82.2%
N/A					39	0.1%	7,473	0.1%
Total	20	100.0%	6,877	100.0%	28,792	100.0%	10,224,541	100.0%

HELOCS

The geographic distribution of HELOCs reflects reasonable dispersion among census tracts of different income levels. In 2004, the bank originated 29 HELOC loans in its assessment area and one (3.4%) of those loans were originated in an LMI geography. This performance is reflective of the difficulty faced by the bank as well as other banks in Westchester County in generating loans within the LMI census tracts in the county. This is also evident from the demographics of the assessment area where only 2.7% of owner-occupied units are located in LMI tracts. As previously noted, the assessment area is predominantly upper-income. Three HELOC loans were originated in middle-income geographies, resulting in a dispersion ratio of 10.3%, which is comparable to the 10.3% of owner-occupied units located in the middle-income tracts of the assessment area.

In 2005, the number of HELOCs originated by the bank declined by 31.0% to 20 loans. Despite this decline, the bank was able to originate the same number of loans in LMI and middle-income geographies as were originated in 2004, resulting in geographic dispersion ratios of 5% and 15% for LMI and middle-income census tracts, respectively. These percentages exceeded the respective ratios of 2.7% and 10.3% of owner-occupied units which are located in LMI and middle-income geographies in the assessment area.

The following chart provides a summary of the lending distribution of the bank's HELOC loans during the evaluation period:

Distribution of HELOC Loans by Geographic Income Level					
2004					
Geography Income Level	**Bank**				**Occupied Units**
	#	%	$000's	%	%
Low	0	0.0%	0	0.0%	0.3
Moderate	1	3.4%	20	0.7%	2.4
Middle	3	10.3%	240	7.9%	10.3
Upper	25	86.2%	2,763	91.4%	87.1
Total	29	100.0%	3,023	100.0%	100.0
2005					
Geography Income Level	**Bank**				**Occupied Units**
	#	%	$000's	%	%
Low		0.0%		0.0%	0.3
Moderate	1	5.0%	50	2.1%	2.4
Middle	3	15.0%	300	12.8%	10.3
Upper	16	80.0%	1,995	85.1%	87.1
Total	20	100.0%	2,345	100.0%	100.0

- **<u>Distribution by Borrower Characteristics</u>: "Needs to Improve"**

The distribution of loans based on borrower characteristics reflects poor penetration among individuals of different income levels.

During the evaluation period, the bank did not perform as well as the aggregate nor did its LMI penetration rate compare favorably to the number of LMI families within the assessment area. The bank extended 3.3% of its loans to LMI individuals in the assessment area, compared to the aggregate's LMI penetration rate of 4.9%.

The bank's performance among middle-income individuals was not any better. The bank extended 3.3% of its HMDA-reportable loans to middle-income individuals, which compared unfavorably to the aggregate's performance of 12.3%. For HELOCs, the bank extended 10.2% of its loans to middle-income individuals. As noted previously, no aggregate data for HELOCs are available for comparison.

<u>HMDA</u>

During 2004, the bank did not originate any HMDA-reportable loans to low-income borrowers, and originated only two loans (5.0%) totaling $450 thousand (4.5%) to moderate-income borrower. By comparison, the market aggregate's LMI penetration ratios were 5.5% by number of loans and 1.9% by dollar volume.

Even when the analysis is extended to consider loans to middle-income borrowers, the bank's performance remains well below that of the market aggregate. During 2004, CMSB extended only one loan (2.5%) to a middle-income borrower. In comparison, the market aggregate originated 13.2% of its loans to middle-income borrowers.

In 2005, CMSB's performance weakened as the bank failed to originate any HMDA-reportable loans to LMI borrowers. As in the prior year, CMSB originated only one loan (5%) to a middle-income borrower. In comparison, the market aggregate's penetration rates for LMI and middle-income borrowers were 4.3% and 11.4%, respectively, during 2005.

It should be noted that the bank did not originate any HMDA-reportable loans to low-income borrowers during the evaluation period. In addition, the bank failed to originate any loans to moderate-income borrowers during the second year of the two-year evaluation period.

The table at the top of the next page provides a summary of the bank's HMDA lending distribution during the evaluation period:

Distribution of HMDA-reportable Loans by Borrower Income Level								
2004								
Borrower Income Level	**Bank**				**Aggregate**			
	#	%	$000's	%	#	%	$000's	%
Low	0	0.0%	0	0.0%	215	0.7%	21,903	0.2%
Moderate	2	5.0%	450	4.5%	1,412	4.8%	158,609	1.7%
Middle	1	2.5%	125	1.2%	3,878	13.2%	639,526	6.8%
Upper	37	92.5%	9,458	94.3%	22,008	74.6%	7,953,999	85.2%
N/A					1,975	6.7%	564,036	6.0%
Total	40	100.0%	10,033	100.0%	29,488	100.0%	9,338,073	100.0%
2005								
Borrower Income Level	**Bank**				**Aggregate**			
	#	%	$000's	%	#	%	$000's	%
Low	0	0.0%	0	0.0%	144	0.5%	17,911	0.2%
Moderate	0	0.0%	0	0.0%	1,104	3.8%	129,960	1.3%
Middle	1	5.0%	190	2.8%	3,281	11.4%	570,469	5.6%
Upper	19	95.0%	6,687	97.2%	22,339	77.6%	8,602,471	84.1%
N/A					1,924	6.7%	903,730	8.8%
Total	20	100.0%	6,877	100.0%	28,792	100.0%	10,224,541	100.0%

<u>HELOCS</u>

In 2004, the bank originated 29 HELOCs, including two lines of credit (6.9%) to low-income borrowers, no lines of credit to moderate-income borrowers, and two lines of credit (6.9%) to middle-income borrowers. The overwhelming majority (86.2%) of the bank's HELOC originations during 2004 were made to upper-income borrowers. As a reference point, upper-income families represented 62.8% of total families in the assessment area.

Distribution of HELOC Loans by Borrower Income Level					
2004					
Borrower Income Level	**Bank**				**Families**
	#	%	$000's	%	%
Low	2	6.9%	50	1.7%	12.7
Moderate	0	0.0%	0	0.0%	10.4
Middle	2	6.9%	100	3.3%	14.1
Upper	25	86.2%	2,873	95.0%	62.8
Total	29	100.0%	3,023	100.1%	100.0
2005					
Borrower Income Level	**Bank**				**Families**
	#	%	$000's	%	%
Low	2	10.0%	100	4.3%	12.7
Moderate	1	5.0%	50	2.1%	10.4
Middle	3	15.0%	170	7.2%	14.1
Upper	14	70.0%	2,025	86.4%	62.8
Total	20	100.0%	2,345	100.0%	100.0

In 2005, CMSB originated 20 HELOCs, including two lines of credit (10.0%) to low-income families, one line of credit (5.0%) to a moderate-income family, and three lines of credit (15%) to middle-income families. During 2005, the bank's penetration ratios for LMI and middle-income borrowers compared favorably with the demographics of the assessment area. At the same time, it should be noted that the bank's HELOC lending decreased 31.0% between 2004 and 2005.

Please refer to the table at the bottom of page 4-6 of this report for a summary of the bank's HELOC lending distribution during the evaluation period.

Action Taken In Response to Written Complaints With Respect to CRA

Since the prior CRA evaluation, conducted as of December 31, 2003, neither the bank nor the New York State Banking Department received any written complaints regarding CMSB's CRA performance.

- **<u>Discrimination and other Illegal Practices</u>**

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

Examiners did not note 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 and fair lending examinations of CMSB found satisfactory adherence to anti-discrimination and other applicable laws and regulations. No evidence of prohibited discriminatory or other illegal credit practices was noted.

- **<u>Process Factors</u>**

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

The bank ascertains local credit needs through direct contacts by bank trustees and officers with certain non-profit organizations such as Habitat for Humanity in Westchester County and with local government officials. The bank has also worked with the City of Mount Vernon to provide financial assistance to several LMI families.

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 bank.

CMSB's deposit and mortgage rates are advertised in a local newspaper, *The Journal News*. As noted above, CMSB also maintains direct contact with community organizations and local government officials to help promote the bank's image and products.

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

CMSB has a Compliance Committee that has primary responsibility for reviewing CRA matters. This committee consists of three board trustees and holds regular meetings. The results of the committee's meetings are reported to the full board of trustees. The minutes for the bank's Board of Trustees and Compliance Committee meetings reflect occasional review and discussion of CRA-related matters.

- **<u>Other Factors</u>**

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 noted.

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 or geographies that have been designated as distressed or underserved; 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.

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 in which, according to the 2000 U.S. 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 Metropolitan Division ("MD"), this would relate to the median family income for the MSA or MD in which the tracts are located. In the case of tracted areas that are not part of an MSA or MD, 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 MD, this would relate to the median family income for that MSA or MD. 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 Individual/Person

Those individuals whose income is less than 80% of the area median family income. When an individual resides in an MSA or MD, this would relate to the median family income for that MSA or MD. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family income figures used to determine 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 in LMI geographies or to LMI 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.