



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

**PUBLIC SUMMARY**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**Date of Evaluation:** December 31, 2007

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

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

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## GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of Putnam County Savings Bank (“PCSB”) prepared by the New York State Banking Department. The evaluation represents the Banking Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of December 31, 2007.

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

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

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

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

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

## OVERVIEW OF INSTITUTION'S PERFORMANCE

### Overall Rating

Putnam County Savings Bank is rated a "2," indicating a satisfactory record of helping to meet community credit needs.

- **Lending Test** "High Satisfactory"
  - PCSB's lending reflects a good responsiveness to the credit needs of its assessment area. Small business lending has generally been increasing, whereas, mortgage and MECA lending decreased during the examination period.
  - In 2006, PCSB ranked 51<sup>st</sup> in its assessment area among 348 lenders subject to HMDA reporting requirements with a market share of .36% by number of loans.
  - In 2006, PCSB ranked 22<sup>nd</sup> among 113 small business lenders in its assessment area with a market share of 2.83% by dollars.
  - From 2006 - 2007, PCSB originated an adequate percentage of its loans within its assessment area. The combination of HMDA-reportable, small business and MECA loans reflect 78% by number and 66% by dollar amount originated within the assessment area.
  - The geographic distribution of PCSB's lending reflected a poor penetration among low- and moderate-income census tracts for HMDA reportable loans. PCSB is originating fewer small business loans in low- and moderate-income areas than its peer group.
  - Borrower characteristics are rated good since PCSB is making a majority of its loans to small businesses with revenues less than one million dollars. For HMDA reportable loans, PCSB is rated adequate based on its lending to LMI individuals.
  - PCSB originated a high level of community development loans totaling \$12 million during the evaluation period.
- **Investment Test** "Outstanding"
  - PCSB continues to maintain an excellent level of qualified investments and grants. During the evaluation period, PCSB's qualified investments, including grants, totaled \$15.5 million, with \$12.7 million in new money. Grants totaled \$192 thousand during the evaluation.

- **Services Test** “High Satisfactory”
  - PCSB’s retail service delivery system is accessible to all portions of its assessment area. During the evaluation period, PCSB increased its branch network from seven to nine full-service offices and did not close any branches. Its alternative delivery systems include ATMs and bank-by-mail services.
  - PCSB’s services are convenient to the needs of its assessment area. PCSB offers extended hours, one night every weekday and are open on Saturdays.
  - PCSB provides a high level of community development services within its assessment area.

This onsite 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

PCSB is a mutual savings bank chartered in 1871. PCSB operates nine full-service branches divided equally among Putnam, Westchester and Dutchess Counties, with its main office in Brewster, New York. Supplementing the banking offices is an ATM network, with an ATM at all branch locations, although none accept deposits. PCSB has no off-site ATM locations.

PCSB offers the various loan products offered by most community banks. PCSB participates in government supported loan programs, including numerous SBA programs, and is approved as a Freddie Mac lender. PCSB offers only one product for potential homeowners who do are unable to make a 20% downpayment to buy a home. PCSB negotiated with a private mortgage insurer to offer this product.

This bank had \$881 million in assets as of the evaluation date. For the calendar quarter ending December 31, 2007, PCSB reported total net loans of \$444.6 million and total deposits of \$781.5 million resulting in a loan to deposit ratio (LTD) of 57%. This percentage is significantly below its peer group's LTD of 94% as of December 31, 2007.

<b>GROSS LOANS OUTSTANDING</b>						
<b>LOAN TYPE</b>	<b>12/31/2005</b>		<b>12/31/2006</b>		<b>12/31/2007</b>	
	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>
1-4 Residential Loans	170,503	45.5	170,726	42.8	172,253	38.5
Commercial Mortgage Loans	118,478	31.6	123,944	31.1	122,158	27.3
Construction Loans	36,851	9.8	31,513	7.9	69,117	15.4
Comm. & Industrial Loans	28,800	7.7	40,390	10.1	49,309	11.0
Multifamily Loans	17,560	4.7	18,888	4.7	25,719	5.7
Consumer Loans	2,417	0.6	2,539	0.6	2,513	0.6
Other Loans	217	0.1	11,147	2.8	6,661	1.5
<b>Total Gross Loans</b>	<b>374,826</b>	<b>100.0</b>	<b>399,147</b>	<b>100.0</b>	<b>447,730</b>	<b>100.0</b>

PCSB is primarily a real estate lender. For 2007, PCSB reported 66% of its loan portfolio in residential & commercial real estate loans, 15% in construction loans and 11% in commercial and industrial loans.

The FDIC's deposit market share report as of June 30, 2007, reported that PCSB had a 2.04% market share within its assessment area. Out of 49 institutions in its assessment area, PCSB was ranked 12<sup>th</sup> with total deposits of \$795 million. Putnam County is where PCSB has its largest market share of 8.34% based on \$361 million in deposits. This places PCSB as the second largest bank among the 12 other competing institutions.

PCSB did not have any significant events since the prior CRA evaluation completed as of December 31, 2003. There were no legal or financial impediments adversely impacting the institution's ability to meet the credits needs in its assessment area.

The institution does not have a bank holding company. PCSB's subsidiaries are PCSB Funding Corporation, which is a real estate investment trust and PCSB Commercial Bank which only accepts municipal deposits.

### Assessment Area

PCSB's assessment area includes all of Putnam County, the northern part of Westchester, with 48 census tracts, and the southern part of Dutchess County with 25 census tracts.

PCSB increased its assessment area from 66 census tracts to 92 in 2007. The assessment area is comprised of no low-income tracts, three moderate-income tracts, 21 middle-income and 65 upper-income tracts. In 2007, the assessment area was expanded by 20 additional census tracts in Westchester and 6 additional tracts in Dutchess. The assessment area appears reasonable based upon the bank's lending patterns and the location of its branches. There is no evidence LMI areas are arbitrarily excluded.

<b>2007 Assessment Area Distribution of Census Tracts by Income Level</b>							
<b>County</b>	<b>Low</b>	<b>Moderate</b>	<b>Middle</b>	<b>Upper</b>	<b>Unknown</b>	<b>Total</b>	<b>LMI</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>%</b>
Putnam	0	0	0	19	0	19	0.00
Dutchess	0	1	17	5	2	25	4.00
Westchester	0	2	4	41	1	48	4.17
<b>Totals</b>	<b>0</b>	<b>3</b>	<b>21</b>	<b>65</b>	<b>3</b>	<b>92</b>	<b>3.26</b>

### Population Demographics

In 2007, PCSB's assessment area had a total population of 425 thousand people including 48 thousand over 65 years of age and 99 thousand less than 16 years of age. Approximately 80 thousand residents were racial and ethnic minorities constituting 19% of the total population in the assessment area. The largest minority population consisted of Hispanic residents and accounted for 38 thousand or 9% of the total population.

### Housing Demographics

During the evaluation period, the assessment area contained 155 thousand housing units and 148 thousand households. There were 136 thousand 1-4 family units and 19 thousand multifamily units. Approximately, 7 thousand or 4.91% of all the households were below the poverty level and 2 thousand households were on public assistance. Owner-occupied units accounted for 72% (112,582) of the area's housing, while rentals constituted 23% (35,494), and vacant units 5% (7,250) of all housing.

### Business Demographics

There were a total of 35 thousand businesses in PCSB's assessment area, with 25 thousand generating revenues less than a million dollars. The service sector accounted for

13 thousand of the area's businesses, followed by the retail trades with five thousand establishments and the construction industry with four thousand entities. Unclassified businesses accounted for six thousand entities.

### **Assessment Area Economic and Demographic Data**

#### Unemployment

The annual unemployment rates for the counties in the assessment area are shown in the table below. Statewide unemployment rates are included for comparison.

<b>LOCATION</b>	<b>2006</b>	<b>2007</b>
Putnam County	3.6	3.3
Dutchess County	3.9	3.9
Westchester County	3.8	3.7
State of New York	4.6	4.5

The following charts contain economic and demographic information about each county within the bank's assessment area:

*Chart #1: Population and Income Demographics.*

*Chart #2: Housing Demographics.*

*Chart #3: Business Demographics*

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CHART # 1

<b>ASSESSMENT AREA POPULATION AND INCOME CHARACTERISTICS BY COUNTY</b>																						
COUNTY	Total Population**		Age 65 and over		Age 16 and less		Median Family Income(MFI)	HUD MSA MFI	# of Households	# of HH below poverty level		Total Families	Low income		Moderate income		Middle income		Upper income		LMI families in LMI tracts	
	#	%	#	%	#	%			#	#	%		#	%	#	%	#	%	#	%	#	%
<b>Putnam</b>	95,745	9.147	9.6	22,467	23.5		82,440	59,500	32,742	1,306	4.0	25,415	1,669	6.6	2,230	8.8	3,878	15.3	17,638	69.4	0	0.0
<b>Dutchess</b>	114,444	12.239	10.7	26,345	23.0		68,300	76,400	40,089	2,214	5.5	29,308	3,853	13.1	5,041	17.2	7,502	25.6	12,912	44.1	812	9.1
<b>Westchester</b>	215,210	26.927	12.5	50,138	23.3		101,323	59,500	75,451	3,762	5.0	56,076	4,607	8.2	4,375	7.8	7,219	12.9	39,875	71.1	777	8.7
<b>TOTAL A/A*</b>	425,399	48.313	11.3	98,950	23.3		88,257	64,092	148,282	7,282	4.9	110,799	10,129	9.1	11,646	10.5	18,599	16.8	70,425	63.6	1,589	7.3

CHART # 2

<b>ASSESSMENT AREA HOUSING CHARACTERISTICS BY COUNTY</b>																			
<b>COUNTY</b>	Total Housing Units**	1-4 family Units**		Multifamily Units		Owner-Occupied Units (O-O)		O-O Units in Low-income Tracts		O-O Units in Mod-income Tracts		O-O Units in Mid-income Tracts		O-O Units in Upp-income Tracts		Rental Units		Vacant/ Boarded-up Units	
		#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%
<b>Putnam</b>	35,030	33,246	94.9	1,784	5.1	26,884	76.8	0	0	0	0	0	0	26,884	100	6,197	17.7	2,327	6.6
<b>Dutchess</b>	42,085	36,352	86.4	5,733	13.6	28,953	68.8	0	0	953	3.3	18,838	65.1	9,164	31.7	11,739	27.9	2,076	4.9
<b>Westchester</b>	78,211	66,706	85.3	11,505	14.7	56,745	72.6	0	0	422	0.8	3,115	5.5	53,204	93.8	19,296	24.7	2,847	3.6
<b>TOTAL A/A*</b>	155,326	136,304	87.8	19,022	12.3	112,582	72.5	0	0	1,374	1.2	21,953	19.5	89,252	79.3	37,232	23.4	7,250	4.7

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**CHART # 3**

<b>BUSINESS DEMOGRAPHICS BY COUNTY</b>											
<b>COUNTY AND ASSESSMENT AREA(A/A)</b>	Number of Businesses	Businesses with Rev. of \$1 million or less		Businesses with Rev. of more than \$1 million		Bussinesses with no revenues reported		Businesses with less than 50 employees		Operating from a single location	
		#	%	#	%	#	%	#	%	#	%
<b>Putnam</b>	7,980	5,821	72.9	318	4.0	1,841	23.0	6,336	79.4	7,510	94.1
<b>Duchess</b>	8,125	5,639	69.4	316	3.9	2,170	26.7	6,315	77.7	7,441	91.6
<b>Westchester</b>	19,283	13,868	71.9	788	4.1	4,627	24.0	15,193	78.8	18,017	93.4
<b>Total A/A</b>	35,388	25,328	71.4	1,422	4.0	8,638	24.4	27,844	78.6	32,968	93.2

## **PERFORMANCE TESTS AND ASSESSMENT FACTORS**

*PCSB was evaluated according to the Large Bank performance criteria which includes a review of PCSB's lending, investment, and service activities within its assessment area in accordance with Parts 76.8, 76.9, 76.10 of the General Regulations of the Banking Board.*

*This evaluation reviews PCSB's lending, investment and service activities within its assessment area during calendar years 2004 to 2007. PCSB's lending performance was evaluated with the following criteria: (1) Lending Activity; (2) Assessment Area Lending; (3) Geographic Distribution; (4) Borrower Characteristics; (5) Community Development Lending; and (6) Innovative or Flexible Lending Practices.*

*Data for this evaluation was derived from various sources. Aggregate data for small business and HMDA reportable loans was obtained from the Federal Financial Institutions Examination Council (FFIEC) and PCi Corporation's CRA Wiz Software. Updated median family income figures were obtained from the U.S. Department of Housing and Urban Development ("HUD").*

### **I. LENDING TEST: "High Satisfactory"**

In the analysis of factors 1-4 above, the following credit products were considered: HMDA reportable loans, MECA's (modification, extensions and consolidation agreements), and small business loans. Consumer loans were not evaluated due to limited activity. The credit product given the most weight in this evaluation were small business loans because this category had the most originations.

#### **Lending Activity: "High Satisfactory"**

PCSB's lending levels reflect good responsiveness to the credit needs of the assessment area. Over the four year evaluation period, originations of HMDA and MECA loans have decreased; whereas, small business lending increased significantly. The total gross loans outstanding have been increasing consistently from FYE 2004 to 2007.

#### **Small Business Loans**

Based on aggregate small business lending data, PCSB ranked 22<sup>nd</sup> among 113 lenders within its assessment area in 2006, with a market share, based on dollars, of 2.83%. In 2005, PCSB ranked 22<sup>nd</sup> among 117 lenders and had a market share in dollars of 3.74%. It maintained its ranking, but lost market share from 2005 to 2006.

PCSB's level of small business lending activity is good. PCSB originated 668 small business loans totaling \$151 million within its assessment area during the evaluation period.

## HMDA reportable Loans

According to the 2006 market share report for HMDA-reportable loans, PCSB ranked 51<sup>st</sup> among 348 lenders in the assessment area. For 2006, PCSB's market share was .36% based on the number of loans it extended. PCSB was ranked 26<sup>th</sup> among 291 lenders with a market share of 1.03% in its prior evaluation conducted as of December 31, 2003.

The level of PCSB's reportable HMDA lending is adequate. From 2004-2007, PCSB originated 202 HMDA reportable loans totaling \$44 million within its assessment area. Bank management stated that HMDA lending has been decreasing largely due to fewer home purchases because of affordability in their affluent area.

## MECAs

The level of MECA lending is rated good based on the percentage of loans made within the assessment area. During the evaluation period, PCSB originated 138 transactions within its assessment area totaling \$33 million. From 2004 to 2007, the number and dollar amount of MECAs originated loans decreased.

## Assessment Area Concentration: "Low Satisfactory"

PCSB originated an adequate percentage of loans within its assessment area. The following chart reflects PCSB's originations within its assessment area of 78% by number and 66% by dollar amount during the past two years.

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans				Total	Dollars Volume (In Thousands)				
	Inside		Outside			Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Small Business										
2006	203	76.6	62	23.4	265	49,392	64.7	27,005	35.3	76,397
2007	196	74.8	66	25.2	262	42,431	57.9	30,904	42.1	73,335
Subtotal	399	75.7	128	24.3	527	91,823	61.3	57,909	38.7	149,732
HMDA										
2006	57	91.9	5	8.1	62	12,376	89.5	1,459	10.5	13,835
2007	42	77.8	12	22.2	54	13,683	70.5	5,721	29.5	19,404
Subtotal	99	85.3	17	14.7	116	26,059	78.4	7,180	21.6	33,239
MECA										
2006	30	83.3	6	16.7	36	8,553	77.7	2,450	22.3	11,003
2007	19	95	1	5	20	6,596	95.6	300	4.4	6,896
Subtotal	49	87.5	7	12.5	56	15,149	84.6	2,750	15.4	17,899
Total	547	78.3	152	21.7	699	133,031	66.2	67,839	33.8	200,870

## Small Business Loans

PCSB made an adequate percentage of its small business loans within its assessment area. Over the past two years, approximately 76% of PCSB's loans were made to businesses inside its assessment area and approximately 61% of the dollars loaned to small businesses were within its assessment area.

### HMDA Reportable Loans

PCSB's concentration of its HMDA lending within its assessment area is high. Over the past two years, 85% of PCSB's HMDA reportable loans and 78% of the dollars used for HMDA loans were within its assessment area.

### MECAs

PCSB originated a high percentage of MECAs inside its assessment area. But, the number of MECAs steadily decreased during 2006 and 2007. During the evaluation period, 88% of the MECA loans by number and 85% of the MECA loans by dollar volume were made within PCSB's assessment area.

### **Geographic Distribution of Loans:** "Needs to Improve"

The overall geographic distribution of PCSB's loans was poor.

### Small Business Loans

PCSB's distribution of small business loans was poor. PCSB's small business loan originations decreased from 2006 to 2007 in both number and dollar amount. Additionally, PCSB made only three small business loans in moderate-income areas during these two years of the evaluation period. Although the opportunities for lending to businesses in LMI communities within its assessment area are limited, PCSB's results are significantly worse than the aggregate's performance.

The following chart provides a summary of the geographic distribution of PCSB's small business lending within its assessment area during the evaluation period

Distribution of Small Business Loans by Geography Income Level								
2006								
Geography	Bank				Aggregate			
	#	%	\$000's	%	#	%	\$000's	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	1	0.5	20	0.0	659	2.4	18,025	4.0
Middle	44	21.7	13,668	27.7	4,682	17.1	94,483	21.1
Upper	158	77.8	35,704	72.3	22,096	80.5	336,195	74.9
N/A	0	0.0	0	0.0	4	0.0	55	0.0
<b>Total</b>	<b>203</b>	<b>100.0</b>	<b>49,392</b>	<b>100.0</b>	<b>27,441</b>	<b>100.0</b>	<b>448,758</b>	<b>100.0</b>
2007								
Geography	Bank				Aggregate			
	#	%	\$000's	%	#	%	\$000's	%
Low	0	0.0		0.0	Not Available			
Moderate	2	1.0	220	0.5				
Middle	42	21.4	10,943	25.8				
Upper	152	77.6	31,268	73.7				
N/A	0	0.0	0	0.0				
<b>Total</b>	<b>196</b>	<b>100.0</b>	<b>42,431</b>	<b>100.0</b>				

In 2006, PCSB made one (.5%) small business loan in a moderate-income census tract while the aggregate made 2.4% (659) of its loans in these tracts. Based on dollar volume, PCSB originated less than one percent of its small business loan dollars in LMI areas as compared with the aggregate's origination of 4% (\$18 million) of its loan dollars in these areas.

In 2007, PCSB originated 1% of its small business loans in moderate-income census tracts within its assessment area.

HMDA reportable Loans

The geographic distribution of HMDA reportable loans reflected a weak dispersion among census tracts of different income levels.

The following chart provides a summary of the geographic distribution of PCSB's HMDA reportable lending within its assessment area during the evaluation period:

HMDA Reportable Loans by Geographic Income Level								
2006								
Geography	Bank				Aggregate			
	#	%	\$000's	%	#	%	\$000's	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	459	2.9	113,397	2.6
Middle	12	21.1	1,783	14.4	3,935	24.7	784,568	18.2
Upper	45	78.9	10,593	85.6	11,561	72.4	3,404,152	79.1
N/A	0	0.0	0	0.0	6	0.0	1,394	0.0
<b>Total</b>	<b>57</b>	<b>100.0</b>	<b>12,376</b>	<b>100.0</b>	<b>15,961</b>	<b>100.0</b>	<b>4,303,511</b>	<b>100.0</b>
2007								
Geography	Bank				Aggregate			
	#	%	\$000's	%	#	%	\$000's	%
Low	0	0.0	0	0.0	Not Available			
Moderate	1	2.4	150	1.1				
Middle	4	9.5	720	5.3				
Upper	37	88.1	12,813	93.6				
N/A	0	0.0	0	0.0				
<b>Total</b>	<b>42</b>	<b>100.0</b>	<b>13,683</b>	<b>100.0</b>				

Again, even considering the limited opportunities, PCSB significantly trails the aggregate having made only one loan for \$150,000 in a moderate-income tract during the last two years of the evaluation period.

**Distribution by Borrower Characteristics: “High Satisfactory”**

The borrower characteristics of PCSB’s small business loans are good.

The following chart provides a summary of small business lending distribution to customers of different income levels during the evaluation period.

Distribution of Small Business Loans by Revenues and Loan Size								
2006								
Revenues	Bank				Aggregate			
	#	%	\$000's	%	#	%	\$000's	%
One million or less	118	58.1	27,383	55.4	8,366	30.5	212,289	47.3
Over one million	85	41.9	22,009	44.6	19,075	69.5	236,469	52.7
<b>Total</b>	<b>203</b>	<b>100.0</b>	<b>49,392</b>	<b>100.0</b>	<b>27,441</b>	<b>100.0</b>	<b>448,758</b>	<b>100.0</b>
2007								
Revenues	Bank				Aggregate			
	#	%	\$000's	%	#	%	\$000's	%
One million or less	126	64.3	26,695	62.9	Not Available			
Over one million	70	35.7	15,736	37.1				
<b>Total</b>	<b>196</b>	<b>100.0</b>	<b>42,431</b>	<b>100.0</b>				

In 2006, PCSB made 58% (118) of its loans to small businesses with revenues less than \$1 million. Based on dollar volume, PCSB made 55% (\$27 million) of its small business loans to businesses with revenues less than \$1 million. These results compare favorably with the aggregate’s lending of 30.5% by number and 47% by dollar amount.

In 2007, PCSB continued to grow its small business lending portfolio. PCSB made 64% (126) of its loans to small businesses. Based on dollar volume, PCSB originated 63% (\$27 million) of its loans to businesses with revenues less than \$1 million.

### HMDA Reportable Loans

PCSB's HMDA reportable lending distribution based on borrower characteristics reflects an adequate penetration among individuals of low- and moderate-income levels.

The following chart provides a summary of the HMDA lending distribution to customers of different income levels during the evaluation period:

Distribution of 1-4 Family HMDA Reportable Loans by Borrower Income Level								
2006								
Borrower Income	Bank				Aggregate			
	#	%	\$000's	%	#	%	\$000's	%
Low	1	1.8	8	0.1	207	1.3	22,249	0.5
Moderate	2	3.6	119	1.1	958	6.0	129,901	3.1
Middle	9	16.4	1,281	12.3	2,570	16.2	453,122	10.7
Upper	41	74.5	9,023	86.3	11,443	72.0	3,429,226	80.7
N/A	2	3.6	20	0.2	722	4.5	215,011	5.1
<b>Total</b>	<b>55</b>	<b>100.0</b>	<b>10,451</b>	<b>100.0</b>	<b>15,900</b>	<b>100.0</b>	<b>4,249,509</b>	<b>100.0</b>
2007								
Borrower Income	Bank				Aggregate			
	#	%	\$000's	%	#	%	\$000's	%
Low	0	0.0	0	0.0	NOT AVAILABLE			
Moderate	2	4.8	300	2.2				
Middle	10	23.8	2,183	16.0				
Upper	30	71.4	11,200	81.9				
N/A	0	0.0	0	0.0				
<b>Total</b>	<b>42</b>	<b>100.0</b>	<b>13,683</b>	<b>100.0</b>				

PCSB made 5.4% of its HMDA reportable loans to LMI borrowers in 2006 and 4.8% in 2007. These results compare favorably to the aggregate's performance in 2006 having made only 3.6% of its HMDA reportable loans to LMI borrowers.

In summary, PCSB has made only 5 loans (5.4%) to LMI individuals within its assessment area over the last 2 years of the evaluation period.

PCSB's limited 1-4 family loan programs could be a factor in the small amount of loans originated to low- and moderate-income applicants.

### Community Development Loans "High Satisfactory"

PCSB originates a high amount of community development loans. Its community development loans and commitments totaled \$12.4 million during the four-year evaluation period.

The following are examples of PCSB community development loans:

- PCSB committed to a \$675,000 revolving line of credit for a nonprofit organization that uses funds to build affordable housing for low- and moderate-income individuals.
- PCSB made various loan commitments totaling \$5.5 million during the evaluation period to a nonprofit that provides residential services for primarily LMI adults with developmental disabilities. The New York State Office for Mental Retardation and Developmental Disabilities (OMRDD) governs the programs administered by the organization.
- PCSB made a commitment to lend \$438,272 to a not-for-profit organization that provides affordable housing for residents of Putnam County. This entity is funded by the NYS Division of Housing and Community Renewal (DHCR) and by grants from local, county, state, federal and private sources.
- PCSB made commitments to lend \$547,555 during the evaluation period to an organization that provides services for primarily LMI individuals with autism, multiple handicaps, and children who are medically fragile, ages 5-21.
- PCSB committed \$4.9 million to a construction project which helped to revitalize downtown Peekskill. Three buildings were purchased and refurbished into 20 artist's lofts/condo units and 8,137 square feet of retail space to bring residents and shopping back to downtown Peekskill.
- PCSB committed \$100,000 to a non-profit organization, formed to provide affordable housing for residents of Putnam County. The senior housing project under construction is an approved HUD project under section 202 of the Supportive Housing Program.

#### **Innovative and Flexible Lending Practices: “Low Satisfactory”**

PCSB makes limited use of innovative and/or flexible lending practices to meet the needs of its borrowers within the assessment area. Examples of innovative and/or flexible practices used include the following specialized loan program.

- PCSB is an approved SBA lender under the 7A Loan Guaranty Program (Low Documentation). Also, PCSB participates in the New York Business Development Corporation's (NYBDC) 504 Program. The NYBDC is a privately owned entity created by state law and funded by bank lines of credit. The NYBDC utilized the SBA loan program to guarantee a portion of the commercial loans.

## **II. INVESTMENT TEST: “Outstanding”**

PCSB has maintained an excellent level of qualified investments and grants with a total of \$15.7 million during the evaluation period . PCSB’s average yearly investments from 2004 to 2007 was \$3.9 million.

### **Investments**

- PCSB has retained or purchased CRA qualified mortgage-backed securities plus other qualified investments totaling \$15.5 million from 2004 to 2007. PCSB committed to purchase \$366,000 in Collateral Trust Notes from the Community Preservation Corporation which finances affordable housing throughout New York State. Credit was given in the amount of \$580,000 for the purchase of public improvement bonds for Peekskill which has one moderate-income census tract. Also, PCSB owns \$400,000 in Statewide Zone Capital Stock.

### **Grants**

- PCSB gave community development grants totaling \$192 thousand from 2004 to 2007 or an average of \$48,000 a year during the evaluation period. PCSB started an “Adopt-A-Family” program in 1998. PCSB continues to sponsor this program annually during the holiday season. Each branch or department contacts a local shelter or food pantry to identify a family in need. The employees then purchase food, clothing and other personal items for those families. PCSB then reimburses each employee for their purchases. In 2007, PCSB sponsored 18 families and spent \$29,000.

## **III. SERVICE TEST: “High Satisfactory”**

PCSB’s delivery systems for retail banking services are accessible to essentially all portions of the assessment area. PCSB’s business hours are reasonable and convenient for the entire assessment area.

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

#### **Retail Banking Services**

PCSB had a total of nine branches with the opening of two new branches since the prior evaluation. All of these branches have non-deposit taking ATMs. Six branches are in upper-income census tracts and three are in middle income tracts.

#### **Reasonableness of Hours and Services**

PCSB's services did not vary in a way that inconvenienced certain portions of its assessment area. Its branches are open from 9 a.m. to 3 p.m. during the week. Each branch has extended hours one night a week on either a Thursday or Friday, and close between 6 and 7 p.m. on the late night.

### Record of Opening & Closing Branches

During the evaluation period, two branches were opened and no branches were closed. The Pawling Village branch was opened in southeast Dutchess County in 2004. The Yorktown Heights branch was opened in northern Westchester County in 2005. The Pawling branch is in a middle-income neighborhood and the Yorktown Heights branch is in an upper-income tract. The change in branches did not adversely affect the accessibility of PCSB's delivery system.

### Alternate Delivery Systems

The branch network is supplemented by a network of automatic teller machines at each branch location. PCSB offers bank-by-mail services and a night depository drop box. Customers have access to their accounts via the internet. A customer with online access may sign up for a bill payment system via a separate vendor.

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

PCSB's personal checking account exceeds the standards required of the Banking Department's basic banking account. The number of free withdrawals is unlimited.

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

PCSB provides a relatively high level of community development services.

The President is a board member of the Putnam County Economic Development Corporation, and chair of the Board of Putnam Hospital Foundation.

The Executive VP – Chief Lending Officer is a board member of the Town of Cortlandt Economic Challenge Committee; and board member of the Dutchess County Economic Development Corp

The CRA officer is active with a local branch of the Habitat for Humanity having served as board treasurer during all four years of the evaluation period and as the organization's current chair. PCSB has provided the use of its photocopy machines and paper to copy financial statements, board meeting minutes and other important documents for the organization which serves to create affordable housing in the assessment area.

The CRA officer also is involved with the Putnam Community Action Program as an advisory board member and chair of the board. This organization is an anti-poverty program dedicated to serving poor residents of Putnam County.

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

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

Examiners did not identify any practices intended to discourage applications for the various types of credit offered by the institution. Customer service representatives in the branch were multi-lingual.

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

The most recent regulatory compliance examination, conducted concurrently with this evaluation, indicates a satisfactory performance in adherence to anti-discrimination, or other applicable laws and regulations. No evidence of prohibited discrimination or other illegal credit practices was noted.

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

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

Numerous officers are members of local community groups or civic organizations. Through these memberships, PCSB maintains regular contact with residents in its assessment area, allowing management to determine local credit needs.

The president and chief lending officer of the bank are actively involved with the local economic development corporations in Putnam & Westchester County. As a committee member and treasurer of Habitat for Humanity of Putnam County, the CRA Officer has been instrumental in providing an affordable loan to an LMI family.

##### **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.**

PCSB uses television, radio and newspaper advertisements to market its products. PCSB has been advertising its new HELOC product in the local "ValueSaver" which is published by the Yorktown Pennysaver Corp.

##### **The extent of participation by the banking institution's board of directors/trustees in**

**formulating the banking institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.**

The board of trustees reviews and approves PCSB's CRA loans and investments. Unfortunately, no members of the board are active in any community organizations.

**VI. Other Factors**

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

PCSB has made numerous loans outside but adjacent to its assessment area which would otherwise qualify as community development loans. These loans, underwritten between 2004 and 2007 amounted to \$8.4 million. The entities that received the loans are:

PCSB annually committed to lend \$5 million between 2004 and 2007 to a non-profit organization that provides programs for the mentally challenged and disabled LMI youths and adults. The organization operates residential, day treatment, workshops, after-school, recreation and waiver services programs.

PCSB made a \$.4 million loan in 2004 and \$.8 million loan in 2007 to a not-for-profit 78-unit apartment project for LMI families displaced from urban renewal areas as a result of government actions. This project previously had a rent supplement agreement with HUD. Currently, this project has various Section 8 units for low-income individuals.

## **GLOSSARY**

### **Aggregate**

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

### **Community Development**

The term “community development” is defined to mean:

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

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

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

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

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

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

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

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

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

The number of owner-occupied loans made by the institution (or aggregate as appropriate) in a geographic area per thousand owner-occupied housing units in that area. Mathematically, it is arrived at by dividing the number of owner-occupied housing units into the number of loans made and then multiplying by 1,000.

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

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

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

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

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

### **Loans to Small Businesses**

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

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

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