



**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, 2010**

**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, 2010.

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

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

- (1) Outstanding record of meeting community credit needs;
- (2) Satisfactory record of meeting community credit needs;
- (3) Needs to improve record of meeting community credit needs; and
- (4) Substantial noncompliance in meeting community credit needs.

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

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

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## **OVERVIEW OF INSTITUTION'S PERFORMANCE**

PCSB's performance was evaluated according to the intermediate bank performance criteria pursuant to Part 76.12 of the General Regulations of the Banking Board. This assessment period included calendar years 2008, 2009 and 2010. PCSB is rated "2," indicating a "**Satisfactory**" record of helping to meet community credit needs.

This rating is based on the following factors:

### **Lending Test: "Satisfactory"**

- **Loan-to-Deposit (LTD") Ratio and Other Lending-Related Activities:** "Satisfactory"

PCSB's average LTD ratio was reasonable considering its size, business strategy, financial condition, aggregate and peer group activity.

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

During the evaluation period, PCSB, on its overall small business loans and residential real estate loans (consisting of HMDA-reportable, refinanced home mortgages using MECAs and home equity loans), made 79.4% by number and 70.8% by dollar value of its loans within the assessment area. This level of lending inside of its assessment area is a satisfactory record of lending.

- **Distribution by Borrowers Characteristics:** "Satisfactory"

The distribution of loans based on borrower characteristics demonstrated a reasonable rate of lending among individuals of different income levels and businesses of different revenue sizes, based on business demographics and household income in the assessment area.

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

Overall, geographic distributions of loans indicate an inadequate dispersion among income levels of the census tracts.

During the evaluation period, PCSB originated five small business loans (1.5% by number) and (1.3% by dollar value); and two consumer loans (0.7% in number) and (0.4% in dollars) in moderate-income census tracts. There were no HMDA-reportable and MECA loans originated in LMI census tracts.

- **Action Taken in Response to Written Complaints With Respect to CRA:** "Satisfactory"

Neither PCSB nor the New York State Banking Department has received any written complaints regarding its CRA performance.

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## **Community Development Test: “Satisfactory”**

### **Community Development Lending: “Satisfactory”**

During the evaluation period, PCSB originated \$5.8 million in new community development loans, with \$3.2 million outstanding from prior evaluation periods, for a total of \$8.98 million in community development loans. The annualized volume of community development loans was \$3.6 million for the last two evaluation periods, consisting of six years. It is a reasonable level of community development lending over the course of the evaluation period<sup>1</sup>.

### **Community Development Investments: “Satisfactory”**

During the evaluation period, PCSB made \$3.3 million in new community development investments, and still had \$3.6 million outstanding from prior evaluation periods, for a total of \$6.9 million. The level of average annual investments was down by \$2.9 million from \$5.2 million from the previous evaluation (2005 to 2007) to \$2.3 million during the current evaluation period (2008 to 2010). In addition, PCSB made \$75 thousand in community development grants. This demonstrated a reasonable level of community development investments over the course of the evaluation period.

### **Community Development Services: “Satisfactory”**

PCSB demonstrated a reasonably high level of community development services over the course of the evaluation period.

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.

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<sup>1</sup> For analysis purposes, renewals of lines of credit that occur during the evaluation period are considered new extensions of credit. However, the level of lending is reviewed across the time period of the exam.

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## **PERFORMANCE CONTEXT**

### **Institution Profile**

Putnam County Savings Bank (“PCSB”) is a mutual savings bank chartered in 1871. PCSB is headquartered in Brewster, New York, where its corporate offices and branch are located. It has 92 census tracts in its assessment area located in Putnam, Dutchess and Westchester Counties of the Mid-Hudson Region of New York State. Including its main office, PCSB has nine branches distributed equally among the three counties. PCSB is also part of Metropolitan Statistical Area (MSA) #35644 covering the area of New York-White Plains-Wayne, NY-NJ.

PCSB has three wholly owned subsidiaries:

PCSB Funding Corp., a real estate investment trust (REIT), established in December, 1999 to purchase real estate properties from the savings bank from time to time.

PCSB Commercial Bank, a limited purpose financial institution opened in April 2002 for the sole purpose of accepting municipal deposits, and PCSB Realty Limited.

PCSB’s financial services include savings and checking accounts, residential mortgages, vehicle and personal loans to residents of the community it serves. It also offers commercial checking and savings accounts, small business and commercial loans, mortgages, and lines of credit to its business customers.

As per the Consolidated Report of Condition (the Call Report) as of December 31, 2010, filed with the Federal Deposit Insurance Corporation (“FDIC”), PCSB reported total assets of \$952 million, of which \$508 million were net loans and lease finance receivables. It also reported total deposits of \$839 million resulting in a loan-to-deposit ratio of 60.5%. According to the latest available comparative deposit data as of June 30, 2010, PCSB obtained a market share of 1.69% or \$865 million in a market of \$51 billion inside its market, ranking it 11<sup>th</sup> among 47 deposit-taking institutions in Dutchess, Putnam, and Westchester Counties. Of the three counties it served, PCSB has the largest share at 8.43% of total market of \$4.6 billion ranking it 2<sup>nd</sup> among 13 institutions in Putnam County.

The following is a summary of PCSB’s loan portfolio, based on Schedule RC-C of the bank’s December 31, 2008, December 31, 2009 and December 31, 2010 Call Reports:

<b>TOTAL GROSS LOANS OUTSTANDING</b>						
Loan Type	2008		2009		2010	
	\$000's	%	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	175,942	35.2	181,737	34.4	176,969	34.5
Commercial & Industrial Loans	66,664	13.3	69,152	13.1	67,636	13.2
Commercial Mortgage Loans	143,100	28.6	165,612	31.3	160,987	31.4
Multifamily Mortgages	32,384	6.5	35,775	6.8	33,052	6.5
Consumer Loans	2,045	0.4	1,932	0.4	1,604	0.3
Construction Loans - 1 to 4 family	11,715	2.3	7,548	1.4	6,641	1.3
Construction Loans - other than 1-4	60,896	12.2	60,673	11.5	59,341	11.6
Obligations of States & Municipalities	6,794	1.4	6,246	1.2	5,840	1.1
Other Loans	-	-	62	0.01	160	0.03
<b>Total Gross Loans</b>	<b>499,540</b>	<b>100.0</b>	<b>528,737</b>	<b>100.0</b>	<b>512,230</b>	<b>100.0</b>

As illustrated in the above chart, PCSB engages primarily in commercial lending with 56.2% of its loan portfolio (in commercial & industrial loans, commercial mortgages and construction loans other than 1-4 family housing); followed by residential real estate loans at 34.5%.

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

### **Assessment Area**

PCSB's assessment area is comprised of 92 census tracts (CTs). Assessment area included all CT's of Putnam County (19) which are all upper income CTs; and portions of the Dutchess and Westchester Counties. There are three moderate CTs based on 2000 Census Report with no low income CT.

PCSB, including the main office has nine branches distributed equally in the three counties representing their assessment area.

<b>Assessment Area Census Tracts by Income Level</b>							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
Dutchess *	2	0	1	17	5	25	4%
Westchester *	1	0	2	4	41	48	4%
Putnam	0	0	0	0	19	19	0%
<b>Total</b>	<b>3</b>	<b>0</b>	<b>3</b>	<b>21</b>	<b>65</b>	<b>92</b>	<b>3%</b>

\*Partial County – Southern section of Dutchess County and Northern section of Westchester County

*The assessment area appears reasonable based upon the location of PCSB's*

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*offices and its lending patterns. There is no evidence that LMI areas have been arbitrarily excluded.*

### **Demographic & Economic Data**

The assessment area had a population of 425 thousand during the examination period. About 11.4% of the population were over the age of 65 and 23.3% were under the age of 16 and 65.38% within the ages of 16 to 65.

Of the 111 thousand families in the assessment area, 9.1% were low-income, 10.5% were moderate-income, 16.8% were middle-income and 63.6% were upper-income families. There were 148 thousand households in the assessment area, of which 4.9% had income below the poverty level and 1.4% was on public assistance.

The MSA median family income within the assessment area was \$53 thousand. The U.S. Department of Housing and Urban Development (“HUD”) estimated median family income for the area was \$70 thousand in 2000.

There were 155 thousand housing units within the assessment area, of which 86.4% were one- to four-family units, and 12.2% were multifamily units. A majority (72.5%) of the area’s housing units were owner-occupied, while 22.8% were rental occupied units. Of the 113 thousand owner-occupied housing units, 1.2% was in moderate-income geographies while 19.5% were in middle-income tracts. The median age of the housing stock was 46 years and the median home value in the assessment area was \$233 thousand, with a median value of \$131 thousand in moderate income tracts.

There were 30 thousand non-farm businesses in the assessment area. Of these, 82.2% were businesses with reported revenues of less than or equal to \$1 million, 3.8% reported revenues of more than \$1 million and 14.0% did not report their revenues. Of all the non-farm businesses in the assessment area, 90.0% were businesses with less than fifty employees while 93.6% operated from a single location. Major industries in the area were the services industry (49.5%), followed by retail trade (13.6%) and construction (11.5%), while 4.7% of businesses in the assessment area were not classified. Of the three counties in the assessment area, Westchester County has the most number of non-farm businesses at 53% of total non-farm establishments in 2010, followed by Dutchess County at 24% and Putnam County at 23%. While the number of non-farm establishments in 2009 (38,588) increased by 3.8% compared to that of 2008 (37,166), it dropped by at least 18% in 2010 (30,309), compared to the preceding two years.

### **Statistics on Pre-foreclosure Filings (PFF), Modifications or Foreclosures**

The 2009 Mortgage Foreclosure Law approved on December 15, 2009 requires that a pre-foreclosure notice be sent, at least 90 days before the lender commences legal action against all borrowers with home loans. The latest report on 90-day pre-

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foreclosure notice mailing requirement compiled and issued by the New York State Banking Department, covered the period between February 13, 2010 and August 31, 2010. It involved 134,000 borrowers with mortgages on owner-occupied 1-to-4 family residential properties in New York State.

Of the 134,000 PFF notices mailed as of August 31, 2010, 4.7% were from Westchester County, 2.1% from Dutchess County and 0.8% from Putnam County..

The average for 90-day PFF as a percentage of total mortgages on comparable properties was 5.2%. Dutchess County at 5.5% is slightly higher (0.3%) while Putnam and Westchester Counties were below the average at 5.0% and 4.3%, respectively.

### Unemployment rates

According to the New York State Department of Labor, the average unemployment rate for New York State escalates by at least 3% from 5.3% in 2008 to 8.4% in 2009 and 8.6% in 2010. The same upward trend was noted in all three counties in the assessment area, although lower than the statewide average.

<b>Assessment Area Unemployment Rate</b>				
<b>Year</b>	<b>Statewide</b>	<b>Putnam</b>	<b>Dutchess</b>	<b>Westchester</b>
2008	5.3%	4.4%	5.0%	4.7%
2009	8.4%	6.7%	7.6%	7.1%
2010	8.6%	6.9%	7.9%	7.2%

### Community Information

PCSB's assessment area is located approximately 60 miles north of the New York City metropolitan area. Thus, many residents commute to work to New York City while fewer others work in neighboring urban cities of White Plains and Poughkeepsie in Westchester County and Danbury, Connecticut. Thus, the assessment area was considerably dependent upon the state of the economy and availability of jobs in the New York City region.

Unemployment data in New York City indicated an upward trend in unemployment rates from 5.4% in 2008 to 9.3% in 2009 and 9.5% in 2010, attributed to loss of financial services related jobs. Similarly, increase in unemployment rate was noted in the counties included in the assessment area, as indicated in the above chart of unemployment rates. The decrease in the number of small businesses also contributed to the upward trend in unemployment. For example, in 2010, there were 21% fewer small businesses with annual revenue not exceeding \$1 million (24,911 in 2010 vs. 31,397 in 2009).

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Major employers in the area include the Putnam Hospital, Public School System and county and municipal government employees. Major employers that left included a pharmaceutical company that moved to Danbury, Connecticut and a publishing firm that moved to California.

To obtain further insight into the community credit needs, the examiner met with two non-profit organizations, one involved in addressing affordable housing for LMI residents and the second involved in providing various forms of community service such as food distribution; support and financial assistance to the homeless and help the LMI residents to develop self sufficiency and independence.

Both the non-profits contacted indicated that how it was difficult for low to moderate income residents to achieve home ownership as a result of high cost of housing in the assessment area. It was also pointed out that there is no land available to build affordable multi-family housing units in the assessment area. For example, Putnam County is surrounded by lakes and is part of the New York City watershed providing water supply to the NYC metropolitan area. Westchester and Putnam Counties are predominantly upper income census tracts. Nevertheless, the non-profits indicated that PCSB has helped address affordable housing needs through lending to finance construction of affordable housing projects, participating in home improvement loan program to LMI residents and conducting seminars to first time homebuyers in events sponsored by community based non-profit organizations.

Non-profits also noted that many small businesses have suffered in the recession from reduced demand for their goods or services, high operating costs and limited source of capital due to tightening of credit standards by banks. The need to provide credit assistance to small businesses should be the primary goal of financial institutions in the assessment area. PCSB is trying to address this critical need in its assessment area.

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## **PERFORMANCE STANDARDS AND ASSESSMENT FACTORS**

*PCSB was evaluated under the intermediate small banking institution's performance standards in accordance with Parts 76.7 and 76.12 of the General Regulations of the Banking Board. PCSB's performance was evaluated according to the intermediate small bank performance criteria, which consists of the lending test and the community development test. The lending test includes (1) loan-to-deposit ratio and other lending-related activities; (2) assessment area concentration; (3) distribution by borrower characteristics; (4) geographic distribution of loans; and (5) action taken in response to written complaints regarding CRA. The community development test includes: (1) community development lending; (2) community development investments; (3) community development services; (4) innovative or complex practices; and (5) responsiveness to community development needs. The following factors were also considered in assessing the bank's record of performance: the extent of participation by the board of directors or board of trustees in formulating CRA policies and reviewing CRA performance; any practices intended to discourage credit applications, evidence of prohibited discriminatory or other illegal credit practices; record of opening and closing offices and providing services at offices; and process factors, such as activities to ascertain credit needs and the extent of marketing and special credit related programs. Finally, the evaluation considered other factors as delineated in Section 28-b of the Banking Law that reasonably bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community.*

Statistics employed in this evaluation were derived from various sources. Bank-specific information was submitted by the bank both as part of the examination process and on its Call Report submitted to the Federal Deposit Insurance Corporation ("FDIC"). Aggregate lending data were obtained from the Federal Financial Institutions Examination Council ("FFIEC") and deposit data were obtained from the FDIC. Loan-to-deposit ratios were calculated from information shown in the bank's Uniform Bank Performance Report ("UBPR") as submitted to the FDIC.

The demographic data referred to in this report were derived from the 2000 U.S. Census and the U.S. Department of Housing and Urban Development ("HUD"). Business demographic data used in this report provide information on US businesses, enhanced by Dun & Bradstreet reports and updated annually. Unemployment data were obtained from the New York State Department of Labor. Some non-specific bank data are only available on a county-wide basis, and were used even where the institution's assessment area includes partial counties.

The assessment period included calendar years 2008, 2009 and 2010.

Examiners considered PCSB's small business, HMDA-reportable, refinanced home mortgages using modification, extension and consolidation agreements or "MECAs" and home equity loans in evaluating factors (2), (3) and (4) of the lending test as noted above.

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Small business loans at 56.8% of total loan originations represented the largest component of loan product that was considered for the current evaluation period, and was given greater weight in the lending test.

The following residential real estate loans were evaluated for the lending test:

- HMDA reportable loans, 10.1% of total loan originations.
- Home equity lines of credit/loans, classified as consumer loans, at 21.6% of total loan originations.<sup>1</sup>
- Refinanced home mortgage loans using modification, extension, and consolidation agreements (MECAs). MECAs represented 11.4% of loan originations.

PCSB received a rating of “2”, reflecting a “Satisfactory” record of helping to meet community credit needs at its **prior** Performance Evaluation conducted by the New York State Banking Department as of December 31, 2007.

**Current CRA Rating: “Satisfactory”**

**Lending Test: “Satisfactory”**

PCSB’s small business, HMDA-reportable, MECAs and home equity lending activities were reasonable in light of aggregate and peer group activity, existing national local and economic conditions and demographics.

**Loan-to-Deposit Ratio and other Lending-Related Activities: “Satisfactory”**

PCSB’s average LTD ratio was reasonable considering its size, business strategy, financial condition, aggregate and peer group activity.

Average loan-to-deposit ratio for the twelve quarters of the three-year evaluation period was 61.2%, compared to 89.6% peer ratio. As indicated in the charts on the following page, during the evaluation period as well as in prior evaluation periods, PCSB’s LTD ratio has traditionally been lower than peer average by at least 25%. The lower LTD ratio can be attributed to PCSB’s conservative credit policies and underwriting standards. In addition, unfavorable economic conditions hampered the growth of small business lending.

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<sup>1</sup> Home equity loans made for purposes other than home purchase, improvement or refinancing home purchase or home improvement loans are consumer loans if extended to one or more individuals for household, family or other personal expenses.

Peer small business loan data in PCSB's Assessment area, compiled for 2008 and 2009 are as follows:

Description	2008	2009	Increase (Decrease) 2008 over 2009	% of Increase (Decrease) 2008 over 2009
Number of Small Business Loans	21,407	9,275	(12,132)	(57%)
Aggregate Amount of Small Business Loans (in thousands)	\$433,433	\$210,479	(222,954)	(51%)

The chart below shows PCSB's LTD ratios in comparison to the peer group's ratios for the 12 quarters since the prior evaluation period.

Loan-to-Deposit Ratios													
	2008 Q1	2008 Q2	2008 Q3	2008 Q4	2009 Q1	2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Q4	Avg.
Bank	58.1	58.3	62.0	62.7	62.3	63.0	63.8	62.9	60.4	60.0	60.1	60.5	61.2
Peer	93.7	94.8	95.7	96.7	92.4	90.9	88.7	87.6	85.8	84.2	82.7	82.2	89.6

**Assessment Area Concentration: "Satisfactory"**

During the evaluation period, PCSB, on its overall small business loans and residential real estate loans (consisting of HMDA-reportable, refinanced home mortgages using MECAs and home equity loans), made 79.4% by number and 70.8% by dollar value of its loans within the assessment area. This level of lending inside of its assessment area is a satisfactory record of lending.

Economic data in the assessment area disclosed a significant decrease in the number of operating small businesses during the last three years. While the number of businesses increased by 3.8% in 2009 from 2008; it decreased by at least 18% in 2010. The number of small businesses is as follows: 37,166 in 2008; 38,588 in 2009 and 30,309 in 2010. Peer loan data in the assessment area also showed a large drop in the number and dollar value of small business loans made by banks in 2009 compared to 2008 by 57% and 51%, respectively. The following factors can be attributed to the decrease in demand for products and services of small business establishments: credit tightening of most banks to avert increase in loan losses, declining housing values, reduced household income and rising unemployment rates in the counties where the census tracts of the assessment area are located, as well as that of the New York City metropolitan area where many residents of the community work from.

Considering these recessionary conditions that had existed in the region and the nation,

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the volume of small business lending by PCSB is a satisfactory record of lending within its assessment area.

*Small Business Loans: "Satisfactory"*

During the evaluation period, PCSB originated 66.7% by number, and 56.5% by dollar value of its loans within its assessment area. PCSB's small business lending showed a declining trend, which is consistent with the peer loan data, as well as the business demographics in the assessment area. Nevertheless, the level of lending to small businesses with revenue of less than or equal to \$1 million is a satisfactory record of lending.

*Residential real estate loans: "Outstanding"*

During the evaluation period, PCSB originated the following residential real estate loans inside its assessment area:

Type of Loan	Loan originations by number	Loan originations by dollar value
HMDA-reportable	90.8%	88.8%
MECA	89.4%	84.7%
Home Equity	94.3%	92.5%

This substantial majority of lending inside of its assessment area is an outstanding record of lending.

The table on the next page shows the percentages of PCSB's small business, MECA, Home Equity and HMDA-reportable loans originated inside and outside of the assessment area.

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Loans in Dollars (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
<b>HMDA-Reportable</b>										
2008	29	96.7%	1	3.3%	30	7,179	97.1%	218	2.9%	7,397
2009	27	90.0%	3	10.0%	30	6,713	92.3%	562	7.7%	7,275
2010	23	85.2%	4	14.8%	27	5,299	76.4%	1,640	23.6%	6,939
Subtotal	79	90.8%	8	9.2%	87	19,191	88.8%	2,420	11.2%	21,611
<b>Home mortgage modifications (MECA)</b>										
2008	15	78.9%	4	21.1%	19	3,720	70.9%	1,530	29.1%	5,250
2009	44	93.6%	3	6.4%	47	12,174	92.4%	1,007	7.6%	13,181
2010	17	89.5%	2	10.5%	19	4,699	79.9%	1,185	20.1%	5,884
Subtotal	76	89.4%	9	10.6%	85	20,593	84.7%	3,722	15.3%	24,315
<b>Small Business</b>										
2008	129	63.5%	74	36.5%	203	25,813	52.9%	22,947	47.1%	48,760
2009	115	67.6%	55	32.4%	170	25,079	60.8%	16,150	39.2%	41,229
2010	98	70.0%	42	30.0%	140	17,469	56.2%	13,603	43.8%	31,072
Subtotal	342	66.7%	171	33.3%	513	68,361	56.5%	52,700	43.5%	121,061
<b>Consumer/Home equity</b>										
2008	93	95.9%	4	4.1%	97	14,010	92.4%	1,155	7.6%	15,165
2009	119	93.0%	9	7.0%	128	18,912	92.0%	1,635	8.0%	20,547
2010	87	94.6%	5	5.4%	92	9,731	93.8%	646	6.2%	10,377
Subtotal	299	94.3%	18	5.7%	317	42,653	92.5%	3,436	7.5%	46,089
Grand Total	796	79.4%	206	20.6%	1,002	150,798	70.8%	62,278	29.2%	213,076

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

Evaluation of distribution of loans by borrower characteristics were performed for small business loans and home mortgage loans (HMDA reportable, MECA and Home Equity loans). Overall, the distribution of loans based on borrower characteristics demonstrated a reasonable rate of lending among individuals of different income levels and businesses of different revenue sizes, based on business demographics and household income in the assessment area.

#### ***Small Business Loans: “Outstanding”***

The distribution of small business loans based on the revenue size of the business demonstrated an excellent rate of lending among businesses of different revenue sizes.

In 2008, PCSB made 72.1% by number and 63.7% in dollar value of its loans to small businesses with revenues of less than or equal to \$1 million. The results compared favorably with the aggregate lending of 24.3% by number and 35.8% by dollar value.

Downward trends were noted in 2009 (60.8% of dollar value) and 2010 (48.1% of dollar value) rates, nevertheless PCSB, in both years maintained lending rates to small businesses with revenues of less than or equal to \$1 million above their peers in the

assessment area.

PCSB ranked 22<sup>nd</sup> among 107 lenders in the assessment area, having made \$35 million small business loans in 2008, or 2.5% of total small business loans made during the year. In 2009, PCSB ranked 19<sup>th</sup> among 106 lenders and made \$30 million small business loans representing 3.9% of total loans made during the year

Overall, lending to small businesses by number of establishments of 67.8% and by dollar value of 58.6% were well above aggregate loan data of 23.4% and 35.3%, respectively.

The following chart provides a summary of PCSB's small business lending distribution based on revenue size during the evaluation period:

<b>Distribution of Small Business Lending by Revenue Size of Business</b>									
<b>2008</b>									
<b>Rev. Size</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Rev. <= \$1MM	93	72.1%	16,430	63.7%	5,198	24.3%	155,315	35.8%	69.5%
Rev. > \$1MM	36	27.9%	9,383	36.3%	16,209	75.7%	278,118	64.2%	3.8%
Rev. Unknown		0.0%		0.0%					26.7%
<b>Total</b>	<b>129</b>		<b>25,813</b>		<b>21,407</b>		<b>433,433</b>		
<b>2009</b>									
<b>Rev. Size</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Rev. <= \$1MM	77	67.0%	15,250	60.8%	1,983	21.4%	72,238	34.3%	69.5%
Rev. > \$1MM	38	33.0%	9,829	39.2%	7,292	78.6%	138,241	65.7%	3.8%
Rev. Unknown		0.0%		0.0%					26.7%
<b>Total</b>	<b>115</b>		<b>25,079</b>		<b>9,275</b>		<b>210,479</b>		
<b>2010</b>									
<b>Rev. Size</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Rev. <= \$1MM	62	63.3%	8,402	48.1%	<i>Data not available</i>				
Rev. > \$1MM	36	36.7%	9,067	51.9%					
Rev. Unknown		0.0%		0.0%					
<b>Total</b>	<b>98</b>		<b>17,469</b>						
<b>GRAND TOTAL</b>									
<b>Rev. Size</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Rev. <= \$1MM	232	67.8%	40,082	58.6%		23.4%		35.3%	
Rev. > \$1MM	110	32.2%	28,279	41.4%					
Rev. Unknown	-	0.0%	-	0.0%					
<b>Total</b>	<b>342</b>		<b>68,361</b>						

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*HMDA Reportable, MECA loans and Home Equity Loans – “Needs to Improve”*

PCSB originated the following residential real estate loans based on borrower income during the three-year evaluation period:

*HMDA-reportable loans:*

Borrower Income	#	Bank By Number (Percent)	\$ value (000's)	Bank By Number (Percent)	Aggregate Data by Number	Aggregate Data by Dollar Value	Family Demographics
Low & moderate	4	5.1%	375	2.0%	10.3%	5.4%	19.7%
Middle	17	21.5%	2,492	13.0%	18.8%	13.2%	16.8%
Upper	57	72.2%	15,824	82.5%	66.7%	77.2%	63.6%
Unknown	1	1.2%	500	2.6%	4.1%	4.1%	
Total	79	100%	19,191	100%	100%	100%	

*MECA Loans*

Borrower Income	#	Bank By Number (Percent)	\$ value (000's)	Bank By Number (Percent)	Family Demographics
Low & moderate	4	5.3%	354	1.7%	19.7%
Middle	13	17.1%	2,510	12.2%	16.8%
Upper	59	77.6%	17,729	86.1%	63.6%
Total	76	100%	20,593	100%	

*Home Equity Loans*

Borrower Income	#	Bank By Number (Percent)	\$ value (000's)	Bank By Number (Percent)	Household Demographics
Low & moderate	26	8.7%	1,809	4.2%	22.6%
Middle	45	15.1%	3,873	9.1%	14.2%
Upper	227	75.9%	36,946	86.6%	63.2%
Unknown	1	0.3%	25	0.1%	
Total	299	100%	42,653	100%	

HMDA-reportable loans by number of 5.1% and 2.0% by dollar value were below aggregate rates of 10.3% and 5.4%, respectively. Similarly, MECA and Home Equity loans did not compare favorably with the assessment area’s family/household income demographics.

This distribution of loans based on the level of lending among individuals of different income levels indicated an inadequate level of lending among individuals of different income levels.

Majority (86.4%) of housing units in PCSB’s assessment area are 1-4 family units and it

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is essentially a high housing cost area for one to four housing units. The median home value based on 2000 Census Report was \$233 thousand while the median value in the moderate income census tract was \$131 thousand. Demographic data of the assessment area indicated that 53.18% of low income households reside in upper income tracts. Thus, it is extremely difficult for LMI households to find affordable housing due to their limited ability to meet affordability requirements.

There are only three moderate census tracts in the assessment area and the rest are predominantly upper-income (71%) and middle-income (23%). PCSB is well aware of that many customers will fall short of these income levels although they live within these communities. It is not easy to identify the low- to moderate income residents and target individuals living in low-income census tract areas. Therefore, PCSB markets its products and services to all income levels. Residential mortgage and consumer loan products are available for the LMI customers at the same competitive rates as all other customers. PCSB also provides up to 90% to 95% LTV residential mortgages as one way to strive to meet the needs of LMI borrowers.

### **Geographic Distribution of Loans: “Needs to Improve”**

Overall, geographic distributions of loans indicate an inadequate dispersion among income levels of the census tracts.

During the evaluation period, PCSB originated five small business loans (1.5% by number) and (1.3% by dollar value); and two consumer loans (0.7% in number) and (0.4% in dollars) in moderate-income census tracts. There were no HMDA-reportable and MECA loans originated in LMI census tracts.

PCSB’s assessment area includes only three moderate income census tracts with no low income census tract, while majority (71%) of the remaining census tracts is upper income.

One of the two moderate income census tracts in Westchester County is located in the Village of Ossining with a total population of 2,779 residents. This moderate income census tract is also adjacent to the Sing Sing correctional facility, with no income or housing data. Only 223 (23%) of 986 housing units are owner occupied.

The other moderate income census tract is in the City of Peekskill with a population of 3,605 and 200 owner occupied housing units or 13% out of 1,519 housing units.

Thus, the opportunity for residential-property secured loans (MECAs and Home Equity), for existing homeowners, is relatively limited due to fewer owner-occupied housing units.

### **Small Business Loans: “Needs to improve”**

During the evaluation period, small business loans originated in LMI census tracts was

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1.5% by number and 1.3% by dollar value, which were below aggregate rates of 2.5% by number and 3.8% by dollar value. However, in 2008, PCSB made the most number of small business loans 3.1% to LMI census tracts, which compared favorably to the aggregate rate in the assessment area of 2.5% by number. While there were no loans to LMI census tracts in 2009 and 2010, aggregate loans in LMI census tracts, similarly, went down significantly in 2009 compared to 2008 by more than by 56% by number and 61% by dollar value.

The chart on the following page provides a summary of PCSB's small business lending distribution based on the income level of the geography.

Distribution of Small Business Lending by Geographic Income of the Census Tract									
2008									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	4	3.1%	830	3.2%	539	2.5%	17,676	4.1%	4.1%
LMI	4	3.1%	830	3.2%	539	2.5%	17,676	4.1%	4.1%
Middle	30	23.3%	6,169	23.9%	3,502	16.4%	74,257	17.1%	20.1%
Upper	95	73.6%	18,814	72.9%	17,360	81.1%	341,486	78.8%	75.8%
Unknown		0.0%		0.0%	6	0.0%	14	0.0%	
<b>Total</b>	<b>129</b>		<b>25,813</b>		<b>21,407</b>		<b>433,433</b>		
2009									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	0	0.0%	0	0.0%	239	2.6%	6,877	3.3%	3.9%
LMI	0	0.0%	0	0.0%	239	2.6%	6,877	3.3%	3.9%
Middle	28	24.3%	5,342	21.3%	1,499	16.2%	48,179	22.9%	19.8%
Upper	87	75.7%	19,737	78.7%	7,534	81.2%	155,423	73.8%	76.2%
Unknown		0.0%		0.0%	3	0.0%		0.0%	
<b>Total</b>	<b>115</b>		<b>25,079</b>		<b>9,275</b>		<b>210,479</b>		
2010									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%					
Moderate	1	1.0%	25	0.1%					
LMI	1	1.0%	25	0.1%					
Middle	22	22.4%	3,425	19.6%					
Upper	74	75.5%	14,015	80.2%					
Unknown	1	1.0%	4	0.0%					
<b>Total</b>	<b>98</b>		<b>17,469</b>						
GRAND TOTAL									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%		0.0%		0.0%	
Moderate	5	1.5%	855	1.3%		2.5%		3.8%	
LMI	5	1.5%	855	1.3%	771	2.5%	24,555	3.8%	
Middle	80	23.4%	14,936	21.8%		16.3%		19.0%	
Upper	256	74.9%	52,566	76.9%		81.1%		77.2%	
Unknown	1	0.3%	4	0.0%		0.0%		0.0%	
<b>Total</b>	<b>342</b>		<b>68,361</b>						

Data not available.

Action Taken In Response to Written Complaints With Respect to CRA: "Satisfactory"

Since the latest CRA evaluation as of December 31, 2007, neither PCSB nor the New York State Banking Department has received any written complaints regarding bank's CRA performance.

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**Community Development Test:** “Satisfactory”

PCSB’s community development performance demonstrated a reasonable level of responsiveness to the community development needs of its assessment area through community development loans, investments and services, considering PCSB’s capacity, need and availability of such opportunities for community development in its assessment area.

During the evaluation period, PCSB originated \$5.8 million in new community development loans, and still had \$3.2 million outstanding from prior evaluation periods. Also during the evaluation period, PCSB made \$3.3 million in new community development investments and had \$3.6 million outstanding from prior evaluation periods. PCSB made \$75 thousand in community development grants.

A more detailed description of PCSB’s community development activity follows:

**Community Development Lending:** “Satisfactory”

During the evaluation period, PCSB originated \$5.8 million in new community development loans, with \$3.2 million outstanding from prior evaluation periods, for a total of \$8.98 million in community development loans. The annualized volume of community development loans was \$3.6 million for the last two evaluation periods, consisting of six years. It is a reasonable level of community development lending over the course of the evaluation period<sup>2</sup>.

<b>Community Development Loans</b>				
Purpose	This Evaluation Period		Outstanding from Prior Evaluation Periods	
	# of Loans	\$000	# of Loans	\$000
Affordable Housing	1	200	3	1,149
Economic Development			1	330
Community Services	19	5,597	10	1,699
Other (Please Specify)				
<b>Total</b>	<b>20</b>	<b>5,797</b>	<b>14</b>	<b>3,178</b>

Listed below are some of PCSB’s community development loans:

- PCSB made various loans and renewable lines of credit totaling \$4.5 million, with \$1.7 million outstanding from prior evaluation period for a total of \$6.2

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<sup>2</sup> For analysis purposes, renewals of lines of credit that occur during the evaluation period are considered new extensions of credit. However, the level of lending is reviewed across the time period of the exam.

million, to a non-for-profit organization that provides residential services and individualized support programs for developmentally disabled persons. The facility is licensed and subject to periodical audit by the New York State Office of Mental Retardation and Development Disabilities (OMRDD).

- PCSB extended an annual renewable line of credit of \$250 thousand to a non-for profit organization whose focus is to meet the educational, social and emotional need of primarily low to moderate income students with autism, medically fragile children and students with communication and behavioral disorders believed to be handicapped to attend public education programs.
- PCSB extended a \$200 thousand line of credit to a non-profit whose main mission is to provide safe, decent and affordable housing to low to moderate income residents of Putnam County. The organization is funded by the New York State Division of Housing and Community Renewal (DHCR) and by grants from local, county, state, federal and private sources. Among its affordable housing related services include home improvement loans, housing counseling and family self-sufficiency program.

Community Development Investments: “Satisfactory”

During the evaluation period, PCSB made \$3.3 million in new community development investments, and still had \$3.6 million outstanding from prior evaluation periods, for a total of \$6.9 million. The level of average annual investments was down by \$2.9 million from \$5.2 million from the previous evaluation (2005 to 2007) to \$2.3 million during the current evaluation period (2008 to 2010). In addition, PCSB made \$75 thousand in community development grants. This demonstrated a reasonable level of community development investments over the course of the evaluation period.

Community Development Investments and Grants				
	This Evaluation Period		Outstanding from Prior Evaluation Periods	
	# of Inv.	\$000	# of Inv.	\$000
CD Investments				
Affordable Housing	14	\$ 2,434	15	2,521
Economic Development	4	\$ 860	2	761
Community Services			1	320
<b>Total</b>	<b>18</b>	<b>\$ 3,294</b>	<b>18</b>	<b>3,602</b>
CD Grants	# of Grants	\$000	Not Applicable	
Affordable Housing	1	\$ 4		
Economic Development	6	\$ 11		
Community Services	63	\$ 60		
<b>Total</b>	<b>70</b>	<b>\$ 75</b>		

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Some of PCSB's community development investments are as follows:

Community development investments for affordable housing totaling almost \$5.0 million represented 72% of total CD investments. PCSB invested \$2.3 million of FNMA Mortgage Backed Securities (MBS) of CRA qualified loans made in the counties where PCSB's assessment areas are located.

PCSB invested \$860 thousand in bonds issued by the State of New York Municipal Bond Bank Agency (MBBA) under the American Recovery and Reinvestment Act of 2009. MBBA is a public benefit corporation created in 1972 authorized by New York statute to purchase bonds and notes issued by local governments to finance public improvements. Specifically, the bonds were for economic development of Putnam County.

#### Community Development Services: "Satisfactory"

PCSB demonstrated a reasonably high level of community development services over the course of the evaluation period. Some of these community development services are as follows:

- Board membership in associations that assist small businesses. EVP of PCSB is a board member of the Town of Cortlandt Economic\_Challenge Committee. The committee assists small business owners through the approval process for new businesses, relocations, additions and alterations.

The president of PCSB is a board member of the Putnam County Economic Development Corp., a non-profit incorporated in New York to act as the external marketing organization for the economic and employment development of Putnam County.

- Board membership in various community based organizations and NPOs performing various community services such as health and social services for the LMI residents of the assessment area. The CRA Officer is a member of the advisory board of Westchester Community Opportunity Program, Inc. and Putnam Community Action Program. Other senior officers of PCSB are members of the board of non-profit organizations providing social and educational services to low income youths in the community.
- PCSB staff work with Putnam County Housing Corporation in their programs such as HUD Housing counseling and Section 8 homeownership voucher housing counseling. PCSB refers local residents to fair housing outreach and education services. A residential mortgage officer of PCSB conducted first time homebuyer seminar sponsored by community based organizations involved in affordable housing.

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Innovative or Complex Practices: “Satisfactory”

PCSB has limited use of innovative and/or complex lending practices to meet the needs of its borrowers within its assessment area. Nevertheless, PCSB participated in several specialized loan programs that assist small business owners and LMI residents.

- NYS Affordable Housing Corporation Grant Home Improvement Program  
PCSB participated in this programs since 1998. PCSB offered eligible LMI applicants loans to make home improvements to their primary residences with PCSB financing 60% of the loan. It has an outstanding commitment for a total of \$250,000 to make loans to individuals who wants to make home improvements to their primary residences at 5% for 5 years.
- SBA (7A) Guaranteed Loan Program  
PCSB is an approved lender of the Small Business Administration’s 7A Guaranteed Loan Program which is a “Low Documentation” Program that simplifies the application process for small business applicants. It also requires less down payment compared to a conventional commercial credit.
- NY Business Development Corporation 504 Loan Program  
PCSB participated in the New York State Business Development Corporation 504 Loan Program. NYBDC is a privately owned entity created by state law and funded by commercial and savings banks’ lines of credit. NYBDC provides a broad range of financing to small and mid-sized businesses located in NYS. NYBDC also managed the Empire State Certified Development Corporation, otherwise known as the “504 Company” Empire State CDC is licensed by the U. S. Small Business Administration (SBA) to provide the SBA 504 loans to eligible NYS small businesses. The 504 Loan Program is a fixed-asset economic development program designed to promote growth and job creation in small businesses.

Responsiveness to Community Development Needs: “Satisfactory”

PCSB’s community development performance demonstrated a reasonable level of responsiveness to the community development needs of its assessment area by making community development loans, investments and community development services that benefit the residents in its assessment area.

**Additional Factors**

**The extent of participation by the banking institution’s board of directors or board of 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 the CRA Compliance Policy once a year and approves

any recommended changes. The latest amendment approved by the board was the expansion of the assessment area by 26 more census tracts. The CRA Officer also presents a CRA Self Assessment Report, to the board, every year.

### Discrimination and other illegal practices

NYSBD noted no practices that were intended to discourage applications for the types of credit offered by the institution; nor was there evidence of prohibited discriminatory or other illegal practices.

### Record of opening and closing offices and providing services at offices

Distribution of Branches within the Assessment Area							
County	N/A #	Low #	Moderate #	Middle #	Upper #	Total #	LMI %
Putnam					3	3	0%
Dutchess *				2	1	3	0%
Westchester *					3	3	0%
<b>Total</b>	-	-	-	2	7	9	0%

\*Partial County

The Fishkill and Jefferson Valley branches are accessible to two of the three moderate census tracts in Dutchess and Westchester Counties by public transportation (Dutchess Loop Bus and Westchester Bee-line Bus.)

### Retail Banking Services

PCSB provides various forms of retail banking services that are available to all residents and businesses in the assessment area, demonstrating responsiveness to community service needs.

- Personal checking account which has no minimum deposit requirements and does not charge per check or monthly service fee. Customers are only required to pay for the printing of their checks.
- Business checking account for small business owners are only charged a \$3 per month maintenance fee with only \$0.05 per check deposit and \$0.10 per check written. Business customers also receive an earnings credit of \$0.15 per \$100 of average balance, offsetting service charges, thus giving the small business owner a relatively inexpensive checking account.
- All nine branches have ATMs for cash withdrawals, Saturday banking, extended lobby and drive up hours (up to 7 PM once a week in most branches.)

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- PCSB participates in the NYS Electronic Benefit Transfer System allowing recipients of public assistance cash benefit to access their funds in ATMs through a smart card without being charged a transaction fee for both customers as well as non-customers. PCSB maintains a “Quest” sign on its ATMs which identifies its participation in the program.

### **Process Factors**

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

PCSB's president/CEO, EVP and chief lending officer are long time residents of the communities in the bank's assessment area. They are members of the local organizations assisting small business owners. The chief credit officer and branch managers are active participants in Chamber of Commerce in their local towns as well as I Rotary and Lions clubs. While these organizations are civic related, they provide opportunity for staff to feel the pulse of local communities. Any lending opportunities identified by branch managers are forwarded to the Commercial Loan Department for further follow-up. Senior officers, periodically meet with City and town officials involved in economic development activities.

- 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 makes use of local newspapers and online banking to make members of the community aware of the credit services offered. In 2008, PCSB began promoting Home Equity Lines of Credit in the local “Penny Saver” published by the Yorktown Penny Saver Corp. In addition, membership of credit officers, branch managers and senior management at local Chamber of Commerce and other business organizations provided them the opportunity to promote PCSB's deposit and loan products.

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

During the evaluation period, including outstanding balances from prior evaluation periods, PCSB made and/or participated in loans outside but adjacent to its assessment area which would qualify as community development loans. Aggregate total of these loans given to four non-profits amounted to \$6.2 million.

- PCSB committed a \$470 thousand line of credit and has an outstanding loan balance of \$1.3 million from prior evaluation, to a non-profit that provides family-

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like care and services to mentally-challenged and developmentally disabled LMI youths and adults. The facility is located in Rockland County.

- PCSB participation of \$840 thousand in a \$5 million loan with Orange County financial institution to finance the construction of a building for a family health center. The health center is a diagnostic and treatment corporation providing a broad range of health services to a large number of medically underserved LMI population. As a Section 330 Federally Qualified Health Center, it has the ability to obtain grants and enhanced Medicaid rates.
- PCSB made a \$2.9 million construction loan to a non-profit housing developer providing rental housing for the low income senior population in Rockland County.

## GLOSSARY

### Aggregate Penetration Rate

The number of loans originated and purchased by all reporting lenders in specified categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the assessment area.

### 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.

**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.

**Income Level**

The income level of the person, family or household is based on the income of person, family or household. A geography’s income is categorized by median family income for the geography. In both cases, the income is compared to the MSA or statewide nonmetropolitan median income.

<b>Income level of individual or geography</b>	<b>% of the area median income</b>
Low-income	Less than 50
Moderate-income	At least 50 and less than 80
Middle-income	At least 80 and less than 120
Upper-income	120 or more

**Loans to Small Businesses**

Small business loans to businesses with gross annual revenues (“GAR”) of \$1 million or less (“< = \$ 1MM”).

**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**

Individuals or persons 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 in LMI geographies or to LMI borrowers.

### **Small Business Loans**

Loans to businesses with original amounts of  $\leq$  \$1MM.