



**NEW YORK STATE
DEPARTMENT OF FINANCIAL SERVICES
FINANCIAL FRAUDS AND CONSUMER PROTECTION DIVISION**

One State Street
New York, NY 10004

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: December 31, 2010

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

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

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GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of Watertown Savings Bank (“WSB” or the “Bank”) prepared by the New York State Department of Financial Services¹ (“Department” or “DFS”). The evaluation represents the 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 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 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 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 of banking institutions are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Sections 76.8 through 76.13. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York Banking Law.

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

¹ Effective October 3, 2011, the New York State Banking Department merged with the New York State Insurance Department and was renamed as the New York State Department of Financial Services.

OVERVIEW OF INSTITUTION'S PERFORMANCE

WSB is evaluated according to the intermediate small 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. WSB is rated "2," indicating a "Satisfactory" record of helping to meet community credit needs.

The rating is based on the following factors:

Lending Test: "Satisfactory"

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

WSB's average LTD ratio was reasonable considering its size, business strategy, financial condition and peer group activity. The bank's average LTD ratio for the twelve quarters since the previous evaluation period is 61.7% which is significantly below the peer group's average of 89.3%. WSB's LTD ratios have been consistent throughout the evaluation period while the peer group's ratios have been trending downward. Additionally, WSB sells a portion of its residential portfolio on the secondary market which reduces its LTD ratios.

- **Assessment Area Concentration:** "Outstanding"

During the evaluation period, totaling HMDA-reportable, small business and consumer lending, WSB originated 94.9% by number, and 92.0% by dollar value of its loans within the assessment area. This percentage represented a substantial majority of lending inside of WSB's assessment area and was an excellent record of lending.

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

The distribution of loans based on borrower characteristics demonstrated an excellent penetration rate of lending among individuals of different income levels and businesses of different revenue sizes. While WSB's consumer and small business loan penetration rates were excellent and exceeded the peer group rates, its HMDA-reportable penetration rates were considered reasonable and trailed the peer group.

- **Geographic Distribution of Loans:** "Satisfactory"

The distribution of loans based on lending in census tracts of varying income levels demonstrated a reasonable rate of lending. There were no low-income and only six moderate-income census tracts in WSB's assessment area. The vast majority of tracts are middle-income and designated as distressed.

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

Neither WSB nor the New York State Department of Financial Services (formerly the New York State Banking Department) has received any written complaints regarding WSB’s CRA performance during this evaluation period.

Community Development Test: “Satisfactory”

WSB’s community development performance demonstrated adequate responsiveness to the community development needs of its assessment area through community development loans, investments and services.

- **Community Development Loans: “Satisfactory”**

During the evaluation period, WSB had seven qualified community development loans totaling approximately \$8.4 million of which \$4.5 million were new originations, and \$3.9 million was from prior evaluation periods. This activity was an adequate level of community development lending over the course of the evaluation period.

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

During the evaluation period, WSB made \$404,462 in community development grants.

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

WSB demonstrated an adequate level of community development services over the course of the evaluation period. WSB’s management and staff participate with a variety of community development organizations within the community that promote affordable housing, economic development and community services in the assessment area.

This evaluation was conducted based on a review of the 12 assessment factors set forth in Section 28-b of the New York Banking Law and Part 76 of the General Regulations of the Banking Board.

PERFORMANCE CONTEXT

Institution Profile:

Chartered in 1893, WSB is a mutually owned savings bank headquartered in Watertown, NY. WSB operates eight branches in Jefferson County, and is engaged primarily in residential and commercial mortgage lending. In 2008, WSB and Northern New York Bancorp, Inc. ("NNYBI"), the parent of Redwood Bank, a state chartered commercial bank, entered into a merger agreement providing for the acquisition of NNYBI by WSB. This acquisition increased WSB's asset size and the number of branches in its assessment area. Redwood Bank's name was changed to WSB Municipal Bank and became a wholly owned subsidiary of WSB. The survival of Redwood's commercial bank charter allowed WSB to hold municipal deposits in the subsidiary bank.

As per the Consolidated Report of Condition ("Call Report") as of December 31, 2010, filed with the Federal Deposit Insurance Corporation ("FDIC"), WSB reported total assets of \$433.9 million, of which \$233.6 million were net loans and lease finance receivables. WSB also reported total deposits of \$374.3 million, resulting in a loan-to-deposit ratio of 62.4%. According to the latest available comparative deposit data as of June 30, 2010 WSB obtained a market share of 24.6%, or \$380.7 million in a market of \$1.5 billion inside its market, ranking it 2nd among 11 deposit-taking institutions in Jefferson County.

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

TOTAL GROSS LOANS OUTSTANDING						
Loan Type	2008		2009		2010	
	\$000's	%	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	79,673	38.4	83,018	37.6	83,644	35.5
Commercial & Industrial Loans	20,756	10.0	23,769	10.8	25,466	10.8
Commercial Mortgage Loans	89,928	43.4	95,689	43.3	106,239	45.1
Multifamily Mortgages	4,049	2.0	3,965	1.8	3,867	1.6
Consumer Loans	8,242	4.0	8,004	3.6	7,674	3.3
Agricultural Loans	57	0.0	101	0.0	85	0.0
Construction Loans	4,461	2.2	6,113	2.8	8,561	3.6
Other Loans	103	0.0	82	0.0	89	0.0
Total Gross Loans	207,269		220,741		235,625	

As illustrated in the above chart, WSB is primarily a commercial lender, with 55.9% of its loan portfolio in commercial loans and commercial and industrial loans.

WSB operates eight banking offices, all of which are located in Jefferson County. Supplementing the banking offices is an automated teller machine (“ATM”) network consisting of 12 machines. There is one ATM at each banking office and four off-site locations, including one drive-thru by the main office: two are in Watertown; one in Adams; and, one in La Fargeville. Five of the branch ATMs and one of the off-site locations in Watertown take deposits; the remaining six ATMs do not. WSB has one branch and ATM in an LMI tract and six in middle income tracts, which is reasonable given that the majority of tracts in the assessment area are middle-income; all of which have been designated as distressed.

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

Assessment Area:

WSB’s assessment area is comprised of Jefferson County, NY.

There are 23 census tracts in the assessment area, of which, six are moderate-income, 16 are middle-income (all 16 middle-income tracts are designated as distressed), and one is upper-income. There are no low-income tracts.

Assessment Area Census Tracts by Income Level									
County	N/A	Low	Mod	Middle	Upper	Total	LMI %	Distressed & Under-served	LMI & Distressed %
Jefferson*	0	0	6	16	1	23	26.1	16	96%

**All middle income tracts in Jefferson County are listed as distressed according to the Federal Financial Institutions Examination Council (“FFIEC”).*

The assessment area appears reasonable based upon the location of WSB’s 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 111,738 during the examination period. About 11.3% of the population were over the age of 65 and 23.5% were under the age of 16.

Of the 28,250 families in the assessment area, 20.7% were low-income, 20.1% were moderate-income, 24% were middle-income and 35.2% were upper-income families. There were 40,108 households in the assessment area, of which 13.3% had income below the poverty level and 3.9% were on public assistance.

The MSA median family income within the assessment area was \$42 thousand. The U.S. Department of Housing and Urban Development (“HUD”) estimated median family income for the area was \$55 thousand in 2010.

There were 54,070 housing units within the assessment area, of which 76.3% were one- to four-family units, and 9.1% were multifamily units. A majority (44.3%) of the area’s housing units were owner-occupied, while 29.8% were rental occupied units, and 25.9% were vacant. Of the 23,950 owner-occupied housing units, 11.6% were in moderate-income census tracts while 88.4% were in middle- and upper-income census tracts. The median age of the housing stock was 50 years and the median home value in the assessment area was \$65 thousand.

There were 6,057 non-farm businesses in the assessment area. Of these, 72% were businesses with reported revenues of less than or equal to \$1 million, 4.3% reported revenues of more than \$1 million and 23.7% did not report their revenues. Of all the businesses in the assessment area, 87.2% were businesses with less than fifty employees and 85.6% operated from a single location. The largest industries in the area were services (44.3%), followed by retail (15.8%) and construction (8%), while 5.1% of businesses in the assessment area were not classified.

According to the December 2010, Federal Reserve Board Beige Book, the economy of the Second District; which includes NY and parts of NJ and CT, continued to expand since the October 2010 report. There was improvement in the labor market, while prices remained stable. Conditions improved for non-manufacturing businesses while the manufacturing-sector reported a pullback in activity. Both sectors however, indicated that they would continue to add workers and planned to do so in the months ahead. A major employment agency also noted some pickup in hiring activity. General merchandise retail sales and automobile sales were positive and consumer confidence also moved up modestly. Commercial and residential real estate prices have been mixed; some markets have remained steady while others have weakened. In the financial industry, bankers reported steady loan demand, tightened credit standards, and some increase in delinquency rates on home mortgage loans.

The October 2010, New York State 90-Day Pre-Foreclosure Notice Report showed that foreclosures are still a problem state-wide. Of the 134,000 90-day pre-foreclosure notices mailed to New York State borrowers between February 13, 2010 and August 31, 2010, 598 or 0.4% were mailed to borrowers in Jefferson County (WSB’s assessment area). The state-wide average for such filings as a percentage of total mortgages on comparable properties was 5.2%, while the average for Jefferson County was 3.7%.

According to the New York State Department of Labor, the average unemployment rate for New York State increased to 8.6% in 2010 from 5.4% in 2008. The average unemployment rate in Jefferson County was greater than the state-wide rate during this period, rising to 9.5% in 2010 from 6.8% in 2008. Although the unemployment

rate in the assessment area remained greater than that of the state-wide rate, Jefferson County's unemployment rate increased by only 39.7% between 2008 and 2010, compared to a 59.3% state-wide increase for the same period.

Assessment Area Unemployment Rate		
	Statewide	Jefferson County
2008	5.4	6.8
2009	8.3	8.9
2010	8.6	9.5

Community Information

Two community contacts were interviewed regarding credit needs in WB's assessment area:

A representative of a not-for-profit organization that supports economic development in the City of Watertown by providing loans to small businesses was interviewed. This representative indicated that housing and venture capital for start up businesses were credit needs in the community. Overall, this organization has had positive results dealing with the financial industry and has had the opportunity to discuss local credit needs with members of the industry. WSB was noted for its outstanding performance in meeting community credit needs.

The second interview was conducted with a representative of a not-for-profit community development corporation that provides housing advocacy, counseling and referrals for rental housing and home ownership. Affordable housing was identified as a primary community credit need, as were additional tax credit investments and bridge loans for commercial projects.

The representative indicated that products customized for individuals with low credit scores and additional financial education would be useful to LMI families. Financial counseling offered through the organization indicates that affordable and responsible lending continues to be a need, even after the financial crisis. This representative cited WSB and several other financial institutions as being excellent partners in meeting community credit needs.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

WSB 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. WSB'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:

- Community development lending;*
- Community development investments;*
- Community development services;*
- Innovative or complex practices; and*
- Responsiveness to community development needs*

The following factors were also considered in assessing the bank's record of performance:

- 1. Extent of participation by the board of directors or board of trustees in formulating CRA policies and reviewing CRA performance;*
- 2. Any practices intended to discourage credit applications,*
- 3. Evidence of prohibited discriminatory or other illegal credit practices;*
- 4. Record of opening and closing offices and providing services at offices; and*
- 5. 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 was obtained from the Federal Financial Institutions Examination Council ("FFIEC") and deposit data was 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 was derived from the 2000 U.S. Census and the HUD. Business demographic data used in this report is based on Dun & Bradstreet reports which are updated annually. Unemployment data was obtained from

the New York State Department of Labor. Some non-specific bank data is only available on a county-wide basis, and is used even where the institution's assessment area includes partial counties.

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

Examiners considered WSB's small business, HMDA-reportable, and consumer loans in evaluating factors (2), (3) and (4) of the lending test as noted above.

Small business lending was given greater weight in this evaluation, as it constitutes the largest percentage of loans by dollar amount. Small business/small farm loan aggregate data is shown for comparative purposes. As WSB did not make any small farm loans, all analyses was based on small business lending only. WSB is not required to report this data. As such WSB is not included in the aggregate data.

HMDA-reportable, small business/consumer loan data evaluated in this performance evaluation represents actual originations. Aggregate consumer data is not available for comparative purposes.

WSB 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"

WSB's small business, HMDA-reportable, and consumer lending activities were reasonable in light of aggregate and peer group activity and demographics.

Loan-to-Deposit Ratio and other Lending-Related Activities: "Satisfactory"

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

WSB's average LTD ratio for the twelve quarters since the previous evaluation period is 61.7% which is significantly below the peer group's average of 89.3%. WSB's LTD ratios have been consistent throughout the evaluation period while the peer group's ratios have been trending downward. Additionally, WSB sells a portion of its residential portfolio on the secondary market which reduces its LTD ratios.

The chart below shows WSB's LTD ratios in comparison with the peer group's ratios for the twelve quarters since the prior evaluation.

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	59.4	63.0	63.1	63.8	61.8	61.6	61.6	62.6	60.6	59.5	61.0	62.4	61.7
Peer	90.2	94.8	95.7	96.7	92.4	90.9	88.7	87.6	85.7	84.1	82.7	82.2	89.3

Assessment Area Concentration: “Outstanding”

During the evaluation period, totaling HMDA-reportable, small business and consumer lending, WSB originated 94.9% by number, and 92.0% by dollar value of its loans within the assessment area. This percentage represented a substantial majority of lending inside of WSB’s assessment area and was an excellent record of lending.

HMDA-Reportable Loans:

During the evaluation period, for HMDA-reportable lending, WSB originated 94.1% by number, and 94.7% by dollar value of its loans within the assessment area.

Small Business Loans:

During the evaluation period, for small business lending, WSB originated 94.5% by number, and 90.1% by dollar value of its loans within the assessment area.

Consumer Loans:

During the evaluation period, for consumer lending, WSB originated 95.3% by number, and 95.3% by dollar value of its loans within the assessment area.

The following table shows the percentages of WSB’s small business, consumer, 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
	#	%	#	%		\$	%	\$	%	
HMDA-Reportable										
2008	92	90.2%	10	9.8%	102	12,424	90.8%	1,260	9.2%	13,684
2009	125	96.2%	5	3.8%	130	17,353	96.2%	685	3.8%	18,038
2010	153	95.0%	8	5.0%	161	22,170	96.0%	935	4.0%	23,105
Subtotal	370	94.1%	23	5.9%	393	51,947	94.7%	2,880	5.3%	54,827
Small Business										
2008	314	96.0%	13	4.0%	327	25,699	92.8%	2,001	7.2%	27,700
2009	356	93.2%	26	6.8%	382	34,642	91.8%	3,112	8.2%	37,754
2010	338	94.4%	20	5.6%	358	33,059	86.6%	5,109	13.4%	38,168
Subtotal	1,008	94.5%	59	5.5%	1,067	93,400	90.1%	10,222	9.9%	103,622
Consumer										
2008	508	95.3%	25	4.7%	533	3,840	93.9%	250	6.1%	4,090
2009	524	95.4%	25	4.6%	549	4,611	96.1%	186	3.9%	4,797
2010	476	95.2%	24	4.8%	500	3,674	95.9%	158	4.1%	3,832
Subtotal	1,508	95.3%	74	4.7%	1,582	12,125	95.3%	594	4.7%	12,719
Grand Total	2,886	94.9%	156	5.1%	3,042	157,472	92.0%	13,696	8.0%	171,168

Distribution by Borrower Characteristics: "Outstanding"

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

HMDA-Reportable Loans:

WSB's HMDA-reportable loans demonstrated a reasonable penetration rate of lending among borrowers of different income levels.

During the three year evaluation period, WSB extended 14.9% by number and 8.4% by dollar value of its HMDA-reportable loans to LMI individuals. These LMI penetration rates trailed the aggregate rates of 18.7% and 9.9%, respectively. While WSB's penetration rates to low income borrowers exceeded the aggregate penetration rates, its penetration rates to moderate income borrowers trailed the aggregate rates. WSB also underperformed the demographic for family income in the assessment area.

The following chart provides a summary of the HMDA-reportable lending distribution based on borrower income.

Distribution of HMDA-Reportable Lending by Borrower Income									
2008									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	3	3.3%	243	2.0%	88	4.5%	4,646	1.5%	20.7%
Moderate	12	13.0%	966	7.8%	308	15.7%	23,892	7.5%	20.1%
LMI	15	16.3%	1,209	9.7%	396	20.2%	28,538	8.9%	40.8%
Middle	34	37.0%	3,719	29.9%	567	28.9%	58,674	18.4%	24.0%
Upper	43	46.7%	7,496	60.3%	963	49.0%	129,250	40.5%	35.2%
Unknown	0	0.0%	0	0.0%	38	1.9%	102,405	32.1%	0.0%
Total	92		12,424		1,964		318,867		
2009									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	5	4.0%	264	1.5%	71	3.8%	4,006	1.7%	20.7%
Moderate	16	12.8%	1,227	7.1%	259	14.0%	22,108	9.4%	20.1%
LMI	21	16.8%	1,491	8.6%	330	17.9%	26,114	11.1%	40.8%
Middle	31	24.8%	3,205	18.5%	521	28.2%	57,632	24.5%	24.0%
Upper	72	57.6%	12,587	72.5%	904	49.0%	137,658	58.4%	35.2%
Unknown	1	0.8%	70	0.4%	91	4.9%	14,161	6.0%	0.0%
Total	125		17,353		1,846		235,565		
2010									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	7	4.6%	786	3.5%	63	3.7%	3,832	1.5%	20.7%
Moderate	12	7.8%	880	4.0%	244	14.2%	20,903	8.3%	20.1%
LMI	19	12.4%	1,666	7.5%	307	17.8%	24,735	9.9%	40.8%
Middle	38	24.8%	4,343	19.6%	488	28.3%	54,758	21.8%	24.0%
Upper	96	62.7%	16,161	72.9%	846	49.1%	130,356	51.9%	35.2%
Unknown	0	0.0%	0	0.0%	82	4.8%	41,196	16.4%	0.0%
Total	153		22,170		1,723		251,045		
GRAND TOTAL									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	15	4.1%	1,293	2.5%		4.0%		1.5%	20.7%
Moderate	40	10.8%	3,073	5.9%		14.7%		8.3%	20.1%
LMI	55	14.9%	4,366	8.4%		18.7%		9.9%	40.8%
Middle	103	27.8%	11,267	21.7%		28.5%		21.2%	24.0%
Upper	211	57.0%	36,244	69.8%		49.0%		49.3%	35.2%
Unknown	1	0.3%	70	0.1%		3.8%		19.6%	0.0%
Total	370		51,947						

Small Business Loans:

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

During the evaluation period, WSB made 89.9% by number of loans and 85.6% by dollar value of its loans to businesses with \$1 million or less in revenue, greatly

outperforming the demographic ratios of 36.8% and 36.9%, respectively. In addition, WSB also outperformed the demographic for businesses in the assessment area.

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

Distribution of Small Business Lending by Revenue Size of Business									
2008									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	212	67.5%	12,228	47.6%	637	31.0%	15,942	34.4%	53.6%
Rev. > \$1MM	102	32.5%	13,471	52.4%	Data Not Applicable				4.9%
Rev. Unknown	-	0.0%	0	0.0%	Data Not Applicable				41.5%
Total	314		25,699		2,052		46,317		
2009									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	356	100.0%	34,642	100.0%	521	41.5%	27,246	39.1%	69.7%
Rev. > \$1MM	-	0.0%	0	0.0%	Data Not Applicable				4.8%
Rev. Unknown	-	0.0%	0	0.0%	Data Not Applicable				25.5%
Total	356		34,642		1,254		69,627		
2010									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	338	100.0%	33,059	100.0%	502	41.6%	26,473	36.3%	72.0%
Rev. > \$1MM		0.0%		0.0%	Data Not Applicable				4.3%
Rev. Unknown		0.0%		0.0%	Data Not Applicable				23.7%
Total	338		33,059		1,207		72,963		
GRAND TOTAL									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	906	89.9%	79,929	85.6%		36.8%		36.9%	
Rev. > \$1MM	102	10.1%	13,471	14.4%	Data Not Applicable				
Rev. Unknown	-	0.0%	-	0.0%	Data Not Applicable				
Total	1,008		93,400						

Consumer Loans:

The distribution of consumer loans based on the income of the borrowers demonstrated an excellent penetration rate of lending among borrowers of different income levels.

WSB's LMI penetration ratio of 52.9% for the three year evaluation period exceeded the household demographic ratio of 41.8%.

The following chart provides a summary of WSB's consumer lending distribution based on borrowers of different income levels during the evaluation period:

Distribution of Consumer Lending by Borrower Income					
2008					
Borrower Income	Bank				HH Dem.
	#	%	\$000's	%	%
Low	121	23.8%	597	15.5%	24.0%
Moderate	135	26.6%	932	24.3%	17.8%
LMI	256	50.4%	1,529	39.8%	41.8%
Middle	102	20.1%	812	21.1%	20.6%
Upper	93	18.3%	1065	27.7%	37.6%
Unknown	57	11.2%	434	11.3%	0.0%
Total	508		3,840		
2009					
Borrower Income	Bank				HH Dem.
	#	%	\$000's	%	%
Low	139	26.5%	726	15.7%	24.0%
Moderate	125	23.9%	1,000	21.7%	17.8%
LMI	264	50.4%	1,726	37.4%	41.8%
Middle	125	23.9%	1,257	27.3%	20.6%
Upper	114	21.8%	1,492	32.4%	37.6%
Unknown	21	4.0%	136	2.9%	0.0%
Total	524		4,611		
2010					
Borrower Income	Bank				HH Dem.
	#	%	\$000's	%	%
Low	134	28.2%	703	19.1%	24.0%
Moderate	144	30.3%	977	26.6%	17.8%
LMI	278	58.4%	1,680	45.7%	41.8%
Middle	89	18.7%	803	21.9%	20.6%
Upper	94	19.7%	1,085	29.5%	37.6%
Unknown	15	3.2%	106	2.9%	0.0%
Total	476		3,674		
GRAND TOTAL					
Borrower Income	Bank				HH Dem.
	#	%	\$000's	%	%
Low	394	26.1%	2,026	16.7%	24.0%
Moderate	404	26.8%	2,909	24.0%	17.8%
LMI	798	52.9%	4,935	40.7%	41.8%
Middle	316	21.0%	2,872	23.7%	20.6%
Upper	301	20.0%	3,642	30.0%	37.6%
Unknown	93	6.2%	676	5.6%	0.0%
Total	1,508		12,125		

Geographic Distribution of Loans: "Satisfactory"

The distribution of loans based on lending in census tracts of varying income levels demonstrated a reasonable penetration rate of lending. It should be noted that there are no low-income and only six moderate-income census tracts in WSB's assessment area. The vast majority of census tracts are middle-income and designated as distressed.

HMDA-Reportable Loans:

The distribution of HMDA-reportable loans based on the income level of the geography demonstrated a reasonable penetration rate of lending.

During the three year evaluation period, WSB's moderate-income census tract penetration rate by number of loans of 13.2% exceeded the aggregate rate of 12.0%, while its penetration rate by dollar value of 9.2% trailed the aggregate rate of 20.0%. WSB also outperformed the demographic ratio of 11.6% by number of loans, but trailed it by dollar value.

The following chart provides a summary of WSB's HMDA-reportable lending distribution based on the income level of the geography.

Distribution of HMDA-Reportable Lending by Geographic Income of the Census Tract									
2008									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	13	14.1%	1,177	9.5%	271	13.8%	122,593	38.4%	11.6%
LMI	13	14.1%	1,177	9.5%	271	13.8%	122,593	38.4%	11.6%
Middle	68	73.9%	9,554	76.9%	1,619	82.4%	185,907	58.3%	84.5%
Upper	11	12.0%	1,693	13.6%	74	3.8%	10,367	3.3%	3.9%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	92		12,424		1,964		318,867		
2009									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	14	11.2%	1,262	7.3%	186	10.1%	18,070	7.7%	11.6%
LMI	14	11.2%	1,262	7.3%	186	10.1%	18,070	7.7%	11.6%
Middle	104	83.2%	14,993	86.4%	1,575	85.3%	205,677	87.3%	84.5%
Upper	7	5.6%	1,098	6.3%	85	4.6%	11,818	5.0%	3.9%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	125		17,353		1,846		235,565		
2010									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	22	14.4%	2,340	10.6%	209	12.1%	20,456	8.1%	11.6%
LMI	22	14.4%	2,340	10.6%	209	12.1%	20,456	8.1%	11.6%
Middle	125	81.7%	18,981	85.6%	1,434	83.2%	218,150	86.9%	84.5%
Upper	6	3.9%	849	3.8%	80	4.6%	12,439	5.0%	3.9%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	153		22,170		1,723		251,045		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%		0.0%		0.0%	0.0%
Moderate	49	13.2%	4,779	9.2%		12.0%		20.0%	11.6%
LMI	49	13.2%	4,779	9.2%		12.0%		20.0%	11.6%
Middle	297	80.3%	43,528	83.8%		83.6%		75.7%	84.5%
Upper	24	6.5%	3,640	7.0%		4.3%		4.3%	3.9%
Unknown	-	0.0%	-	0.0%		0.0%		0.0%	0.0%
Total	370		51,947						

Small Business Loans:

The distribution of small business loans based on the income level of the geography of the business demonstrated an excellent penetration rate of lending

During the evaluation period, WSB's penetration rate of lending in moderate-income census tracts of 31.1% by number and 29.2% by dollar value exceeded the aggregate rates of 23.5% and 24.0% respectively. Additionally, WSB outperformed the demographics for small businesses in moderate-income census tracts in the

assessment area for every year under review. However, it should be noted that the penetration rate of lending in moderate-income census tracts has declined since the prior evaluation period when WSB's penetration rate was 37.1% by number of loans and 39.8% by dollar value, while the recent business demographic ratios have remained relatively consistent with the prior evaluation period demographic ratios of 25.0% in 2006 and 23.9% in 2007.

The following chart provides a summary of WSB'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	99	31.5%	8,211	32.0%	473	23.1%	13,134	28.4%	25.5%
LMI	99	31.5%	8,211	32.0%	473	23.1%	13,134	28.4%	25.5%
Middle	196	62.4%	16,495	64.2%	1,495	72.9%	30,956	66.8%	70.5%
Upper	19	6.1%	993	3.9%	84	4.1%	2,227	4.8%	4.1%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	314		25,699		2,052		46,317		
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	107	30.1%	9,082	26.2%	305	24.3%	15,929	22.9%	24.6%
LMI	107	30.1%	9,082	26.2%	305	24.3%	15,929	22.9%	24.6%
Middle	236	66.3%	24,126	69.6%	903	72.0%	51,260	73.6%	71.3%
Upper	13	3.7%	1,434	4.1%	46	3.7%	2,438	3.5%	4.1%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	356		34,642		1,254		69,627		
2010									
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	107	31.7%	9,978	30.2%	284	23.5%	16,222	22.2%	24.2%
LMI	107	31.7%	9,978	30.2%	284	23.5%	16,222	22.2%	24.2%
Middle	216	63.9%	22,108	66.9%	874	72.4%	54,495	74.7%	71.7%
Upper	15	4.4%	973	2.9%	49	4.1%	2,246	3.1%	4.1%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	338		33,059		1,207		72,963		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%		0.0%		0.0%	
Moderate	313	31.1%	27,271	29.2%		23.5%		24.0%	
LMI	313	31.1%	27,271	29.2%		23.5%		24.0%	
Middle	648	64.3%	62,729	67.2%		72.5%		72.4%	
Upper	47	4.7%	3,400	3.6%		4.0%		3.7%	
Unknown	-	0.0%	-	0.0%		0.0%		0.0%	
Total	1,008		93,400						

Consumer Loans:

The distribution of consumer loans based on the income of the geography demonstrated a reasonable penetration rate of lending among geographies of different income levels.

During the evaluation period, WSB's lending in moderate-income geographies of 14.1% by number of loans and 11.7% by dollar value trailed the household demographic of 25.2%.

The following chart provides a summary of WSB's consumer lending distribution based on geographies of different income levels during the evaluation period:

Distribution of Consumer Lending by Geographic Income of the Census Tract					
2008					
Geographic Income	Bank				HH Dem.
	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0.0%
Moderate	76	15.0%	482	12.6%	25.2%
LMI	76	15.0%	482	12.6%	25.2%
Middle	400	78.7%	3,063	79.8%	71.1%
Upper	32	6.3%	295	7.7%	3.7%
Unknown	0	0.0%	0	0.0%	0.0%
Total	508		3,840		
2009					
Geographic Income	Bank				HH Dem.
	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0.0%
Moderate	80	15.3%	610	13.2%	25.2%
LMI	80	15.3%	610	13.2%	25.2%
Middle	411	78.4%	3,635	78.8%	71.1%
Upper	33	6.3%	366	7.9%	3.7%
Unknown	0	0.0%	0	0.0%	0.0%
Total	524		4,611		
2010					
Geographic Income	Bank				HH Dem.
	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0.0%
Moderate	57	12.0%	324	8.8%	25.2%
LMI	57	12.0%	324	8.8%	25.2%
Middle	392	82.4%	3,142	85.5%	71.1%
Upper	27	5.7%	208	5.7%	3.7%
Unknown	0	0.0%	0	0.0%	0.0%
Total	476		3,674		
GRAND TOTAL					
Geographic Income	Bank				HH Dem.
	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0.0%
Moderate	213	14.1%	1,416	11.7%	25.2%
LMI	213	14.1%	1,416	11.7%	25.2%
Middle	1,203	79.8%	9,840	81.2%	71.1%
Upper	92	6.1%	869	7.2%	3.7%
Unknown	-	0.0%	-	0.0%	0.0%
Total	1,508		12,125		

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

Since the latest CRA evaluation as of December 31, 2007, neither WSB nor NYSDFS has received any written complaints regarding WSB's CRA performance.

Community Development Test: “Satisfactory”

WSB’s community development performance demonstrated adequate responsiveness to the community development needs of its assessment area considering WSB’s capacity and the need and availability of such opportunities for community development in its assessment area.

During the evaluation period, WSB originated \$4.5 million in new community development loans, and had \$3.9 million outstanding from prior evaluation periods. WSB also made \$404,462 in community development grants.

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

Community Development Lending: “Satisfactory”

During the evaluation period, WSB had seven qualified community development loans totaling approximately \$8.4 million of which \$4.5 million were new originations and \$3.9 million was from prior evaluation periods. Although the total amount of community development lending increased by 12% from the \$7.5 million recorded during the prior evaluation period, community development lending represented 1.9% of total assets compared to 2.5% of total assets during the prior evaluation period. This activity was an adequate level of community development lending over the course of the evaluation period.¹

Community Development Loans				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
Purpose	# of Loans	\$000	# of Loans	\$000
Economic Development	3	3,431	1	1,000
Community Services	1	1,025	2	2,935
Total	4	4,456	3	3,935

Below are highlights of WSB’s community development lending.

- In 2009, a \$1.2 million loan was extended to a for-profit organization for the complete renovation of a vacant building. The building is located in a moderate-income census tract. The ground floor will be used for retail space while the other three floors will house 30 apartments. The renovation project not only contributed to the revitalization of the rural area, but also helped in providing housing to LMI individuals

¹ For analysis purposes, renewals of lines of credit that occur during the evaluation period are considered new extensions of credit.

- In 2008, the bank extended a \$1.1 million loan to a woman-owned manufacturing company, for the acquisition of an office/warehouse building. The building is located in a designated Empire Zone. Funding of this loan was made with the goal of revitalizing and stabilizing the community by creating jobs for LMI individuals
- In 2010, WSB extended a \$1.0 million loan to build a multi-tenant pulmonary care medical office building, to increase the level of pulmonary care in this underserved/distressed middle income census tract. In the past, due to the lack of such care in the community, many area residents had to travel more than 60 miles for pulmonary medical care, with wait times for an appointment of up to 6 months.
- In 2003, WSB extended a \$1.3 million loan for the acquisition and renovation of a partially vacant office building in downtown Watertown. The building is located inside a NYS designated Empire Zone. It is estimated that this loan promoted economic development by increasing jobs inside the Empire Zone by 20%. In addition, after the renovation the building is fully occupied by seven not-for-profit agencies which provide services targeted to LMI individuals. The remaining balance on the loan is \$1 million

Community Development Investments: “Satisfactory”

During the evaluation period, WSB made \$404,462 in community development grants. Given the predominantly rural nature of WSB’s assessment area, investment opportunities are limited. As a result, all of WSB’s qualified investments were in the form of grants.

Community Development Grants		
	# of Grants	\$000
CD Grants		
Economic Development	3	\$ 190
Community Services	28	\$ 215
Total	31	\$ 405

Below are highlights of WSB’s community development investments and grants:

- During the evaluation period, WSB contributed \$6,000 to an organization that provides a therapeutic, structured environment for at risk youths with a treatment plan which establishes specific activities, objectives, and goals geared to the development of the skills necessary for the individual to meet life’s challenges and become a positive, contributing member of society. The majority of these children come from LMI families.

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- During the evaluation period, WSB contributed \$80,000 to the local office of a non-profit organization which helps support member agencies and programs in Jefferson County by raising funds and making contributions to community organizations focused on education, financial stability, and health issues.

Community Development Services: "Satisfactory"

WSB demonstrated an adequate level of community development services over the course of the evaluation period.

Below are highlights of WSB's community development services:

- WSB sponsored two workshops provided by the New York State Small Business Development Center in Watertown. Two commercial loan officers from WSB taught subjects on developing the financial aspects of business plans to participants of the workshops
- The president serves as a board member of the Watertown Housing Authority, which is a New York State Public Housing Authority, subsidized by the U.S. Department of Housing and Urban Development (HUD). Its mission is to manage and maintain public housing developments in order to provide low income individuals decent, affordable, well-maintained housing in a crime-free environment while encouraging economic self-sufficiency
- The executive vice president serves as a vice president and treasurer of a not-for-profit organization that supports economic development in the City of Watertown
- A commercial credit analyst serves as a board member and member of the Finance Committee of a local Community Action Agency. The purpose of the organization is to assist, support and empower low-income households
- A commercial loan officer serves on the board of the local office of a non-profit organization which helps support member agencies and programs in Jefferson County by raising funds and making contributions to community organizations, as well as being a board member of a local children's clinic, serving as the chair of its Audit Committee, and as a member of its Finance Committee. The clinic was founded to fill a void in pediatric health care for children without regular access to health care
- Another commercial loan officer serves as treasurer of the local office of the non-profit noted earlier

Innovative or Complex Practices:

WSB demonstrated an adequate level of flexible community development practices. In addition to offering flexible terms on a case by case basis for its traditional commercial products, WSB participated in U.S. Small Business Administration (SBA) lender programs as well as in the New York State Linked Deposit program.

Responsiveness to Community Development Needs:

WSB demonstrated an adequate level of responsiveness to credit and community development needs.

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

WSB's CRA/Compliance Committee oversees CRA activities and issues; the committee meets quarterly and submits its meeting minutes to the Board of Trustees each quarter. The committee is comprised of experienced officers and staff from each department of WSB. WSB's annual self assessment, which reviews its CRA lending activity, is also presented annually, to the Board of Trustees.

Discrimination and other illegal practices

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

NYSDFS noted no practices that were intended to discourage applications for the types of credit offered by the institution.

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

NYSDFS noted no evidence of prohibited discriminatory or other illegal practices.

Record of opening and closing offices and providing services at offices

WSB has one branch in a moderate-income census tract and 6 in distressed or underserved census tracts. WSB closed one branch and opened three new branches in 2008. All new branches are located in middle-income distressed or underserved tracts. No branches were opened or closed during 2009 or 2010.

All branches offer the same products and primary services with some differences in convenience such as ATM functions, drive-up windows, safe deposit boxes, and night

depository. While extended hours are limited; all of the branches have at least one weekday with a later closing time for the lobby and/or drive-up window. WSB's branch network is supplemented by 12 ATMs, a 24 hour telephone banking system, bank by mail, and online banking.

Distribution of Branches within the Assessment Area									
County	N/A #	Low #	Moderate #	Middle #	Upper #	Total #	LMI %	Distressed or Underserved	LMI and Distressed or Underserved
Jefferson	0	0	1	6	1	8	13%	6	88%
Total	-	-	1	6	1	8	13%	6	88%

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.

WSB ascertains the credit needs of its community through its involvement with various community organizations. WSB officers and employees also sit on the boards of various local civic organizations. Additionally, all WSB officers, employees, and trustees reside within WSB's primary trade area, which gives them insight into the credit needs of the community.

- 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

WSB's marketing efforts employ many types of media including: internet, television, radio, newsprint, magazine, billboard, and in-branch signage. The only credit related promotions run by WSB were for a Home Equity Line of Credit. No special efforts were made to reach LMI individuals but marketing efforts covered both LMI and distressed or underserved areas.

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

No other factors were considered in this evaluation.

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 businesses 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 (4) 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.

Income level of individual or geography	% of the area median income
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.