



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

One State Street
New York, NY 10004

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: March 31, 2019

Institution: The Westchester Bank
12 Water Street
White Plains, New York, 10601

Note: This evaluation is not an assessment of the financial condition of this institution. The rating assigned does not represent an analysis, conclusion or opinion of the New York State 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 The Westchester Bank (“TWB” or the “Bank”) prepared by the New York State Department of Financial Services (“DFS” or the “Department”). This evaluation represents the Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of March 31, 2019.

Section 28-b of the New York Banking Law, as amended, requires that when evaluating certain applications, the Superintendent of Financial Services 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 Superintendent (“GRS”) 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 institutions’ 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 in meeting community credit needs; and
- (4) Substantial noncompliance in meeting community credit needs.

Section 76.5 further requires that the CRA rating and the written summary (“Evaluation”) be made available to the public. Evaluations of 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.

OVERVIEW OF INSTITUTION'S PERFORMANCE

DFS evaluated TWB according to the intermediate small banking institution performance criteria pursuant to Sections 76.7 and 76.12 of the GRS. The assessment period included calendar years 2016, 2017 and 2018 for the lending test and the period January 1, 2016 through March 31, 2019 for community development activities. TWB is rated “**Satisfactory**” or “2.” This rating means the Bank had a satisfactory record of helping to meet community credit needs.

The rating is based on the following factors:

Lending Test: “Satisfactory”

Loan-to-Deposit Ratio and Other Lending-Related Activities: “Outstanding”

TWB’s average loan-to-deposit (“LTD”) ratio was excellent considering its size, business strategy, financial condition and peer group activity. TWB’s average LTD ratio of 102.6% for the evaluation period exceeded the peer’s average LTD ratio of 81.7%.

Assessment Area Concentration: “Satisfactory”

During the evaluation period, TWB originated 72% by number and 67.8% by dollar value of its small business loans within the assessment area. This majority of lending inside its assessment area reflects a reasonable concentration of lending within the TWB’s assessment area.

Distribution by Borrower Characteristics: “Needs to Improve”

TWB’s small business lending demonstrated less than adequate distribution of loans among businesses of different revenue sizes.

TWB’s rate of lending to businesses with revenues of \$1 million or less was 23.8% by number and 31.9% by dollar value, which lagged the aggregate’s rates of 47.9% and 33.9%, respectively.

Geographic Distribution of Loans: “Satisfactory”

TWB’s origination of loans in census tracts of varying income levels demonstrated a reasonable distribution of lending.

Action Taken in Response to Written Complaints with Respect to CRA: “N/A”

Neither DFS nor TWB received any written complaints during the evaluation period regarding TWB’s CRA performance.

Community Development Test: “Satisfactory”

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

Community Development Lending: “Outstanding”

TWB originated \$30.7 million in new community development loans during the evaluation period and had none outstanding from prior evaluation periods. This was a 70% increase over the prior evaluation period and demonstrated an excellent level of community development lending.

Qualified Investments: “Satisfactory”

TWB made \$4.6 million in new community development investments during the evaluation period and had no outstanding investments from prior evaluation periods. In addition, TWB made \$211,000 in community development grants. This demonstrated a reasonable level of qualified investments over the course of the evaluation period.

Community Development Services: “Satisfactory”

TWB demonstrated a reasonable level of community development services over the course of the evaluation period.

A majority of the services provided were made to not-for-profit organizations that meet the needs of LMI individuals.

Responsiveness to Community Development Needs

TWB demonstrated a reasonable level of responsiveness to credit and community development needs.

TWB met credit and community development needs by financing small businesses and organizations that assist in affordable housing and revitalization projects.

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 GRS Part 76.

PERFORMANCE CONTEXT

Institution Profile

TWB, chartered by New York State in 2008, is a commercial bank headquartered in White Plains, New York. The Bank is a wholly owned subsidiary of the Westchester Bank Holding Corporation.

The Bank's primary lending focus is to serve the credit needs of small- and medium-sized businesses throughout Westchester County and the New York metropolitan area.

TWB offers various commercial and consumer deposit and loan products and services. Services offered include online banking, mobile banking bill pay, telephone banking, and bank by mail services. TWB also offers ACH originations, night deposits, personal savings and checking accounts, commercial mortgages, and commercial lines of credit.

In its the Consolidated Report of Condition (the "Call Report") as of December 31, 2018 filed with the Federal Deposit Insurance Corporation ("FDIC"), TWB reported total assets of \$907 million, of which \$749 million were net loans and lease financing receivables. It also reported total deposits of \$718 million, resulting in an LTD ratio of 104.3%. According to the latest available comparative deposit data, as June 30, 2018 TWB had a market share of 0.59% (\$688 million in a market of \$113 billion), ranking it 16th among 33 deposit-taking institutions in the assessment area.

The following is a summary of TWB's loan portfolio, based on Schedule RC-C of the Bank's December 31, 2016, 2017 and 2018 Call Reports.

TOTAL GROSS LOANS OUTSTANDING						
Loan Type	12/31/2016		12/31/2017		12/31/2018	
	\$000's	%	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	28,235	4.7	23,000	3.4	27,992	3.7
Commercial & Industrial Loans	223,800	37.0	241,358	35.2	283,545	37.3
Commercial Mortgage Loans	258,620	42.8	321,829	46.9	341,713	44.9
Multifamily Mortgages	80,753	13.4	82,664	12.0	81,803	10.8
Consumer Loans	3,693	0.6	3,639	0.5	2,755	0.4
Agricultural Loans	3,076	0.5	2,987	0.4	2,899	0.4
Construction Loans	4,693	0.8	8,869	1.3	18,656	2.5
Other Loans	541	0.1	358	0.1	169	0.0
Lease Financing	1,147	0.2	1,688	0.2	1,351	0.2
Total Gross Loans	604,558		686,392		760,883	

As illustrated in the above table, TWB is primarily a business lender, with commercial

mortgage loans and commercial and industrial loans making up 82.2% of the Bank's loan portfolio as of year-end 2018.

TWB operates six branches, each with an ATM. One of the branches was opened and one relocated during this evaluation period. The new branch was opened in an upper-income census tract in Rye Brook, while a branch in Yonkers was relocated a distance of less than one a mile; both the former and new Yonkers locations were in upper-income census tracts. TWB also operated one ATM that only provided cash withdrawals at its corporate headquarters. One of the six branches is located in a moderate- income area while the other five are located in upper-income census tracts. Of the six branches, five locations are open on Monday, Tuesday, Wednesday and Friday from 8:30 am to 4:30 pm, with extended services on Thursday until 6:00 pm; while the Mamaroneck branch is open Monday, Tuesday, Wednesday and Thursday from 8:30 am to 4:30 pm, offering extended services on Friday until 6:00 pm. All branches offer Saturday hours from 9:00 pm to 1:00 pm.

Examiners found no evidence of financial or legal impediments that had an adverse impact on TWB's ability to meet the credit needs of its community.

Assessment Area

The Bank's assessment area is comprised of Westchester County.

There are 223 census tracts in the area, of which 7 are low-income, 32 are moderate-income, 45 are middle-income, 134 are upper-income, and 5 are tracts with no income indicated.

Assessment Area Census Tracts by Income Level							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
Westchester	5	7	32	45	134	223	17.5
Total	5	7	32	45	134	223	17.5

Demographic & Economic Data

The assessment area had a population of 967,315 during the evaluation period. Approximately 15.3% of the population was over the age of 65 and 20.4% was under the age of 16.

Of the 237,666 families in the assessment area 15.9% were low-income, 11.7% were moderate-income, 13% were middle-income, and 59.3% were upper-income. There

were 341,866 households in the assessment area, of which 9.4% had income below the poverty level and 2.2% were on public assistance.

The weighted average median family income in the assessment area was \$120,822.

There were 370,032 housing units in the assessment area, of which 67.5% were one-to-four family units and 32.3% were multifamily units. A majority (56.8%) of the area's housing units were owner-occupied, while 35.6% were rental units. Of the 210,195 owner-occupied housing units, 6.1% were in LMI census tracts while 93.9% were in middle- and upper-income census tracts. The median age of the housing stock was 69 years, and the median home value in the assessment area was \$504,622.

There were 75,174 non-farm businesses in the assessment area. Of these, 86.4% were businesses with reported revenues of less than or equal to \$1 million, 6.3% reported revenues of more than \$1 million, and 7.3% did not report their revenues. Of all the businesses in the assessment area, 97.1% were businesses with less than fifty employees while 91.3% operated from a single location. The largest industries in the area were services (47.7%), retail trade (12.7%), and finance and real estate 9.3%; 9.9% of businesses in the assessment area were not classified.

According to the New York State Department of Labor, the average unemployment rate for New York State was 4.6% for the evaluation period. Westchester County's unemployment rate averaged 4.2% for the evaluation period and was lower than the statewide rate for each year of the evaluation period.

Assessment Area Unemployment Rate		
	Statewide	Westchester
2016	4.9	4.3
2017	4.7	4.5
2018	4.1	3.9
Average	4.6	4.2

Community Information

Examiners interviewed the director of a public benefit corporation which was created to promote and encourage economic development in Westchester County. The corporation's primary goal is to assist in the creation and retention of jobs and to strategically provide resources and encourage economic investments within the county. The corporation is a financial resource for businesses and assists with new construction, renovation of existing office parks or buildings, and the development of mixed-use properties, which include hotels, markets, and medical office space.

The director noted that the county government is working to attract new businesses, both large and small, and trying to increase 'main street' activities to stimulate a centralized downtown and thereby help local economies. In addition, the county is trying to attract talent, targeting young professionals to the area.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

DFS evaluated TWB under the intermediate small banking institution performance standards in accordance with Sections 76.7 and 76.12 of the GRS, which consist 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 of loans 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; and*
- 4. Responsiveness to community development needs.*

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

- 1. The extent of participation by the board of directors or board of trustees in formulating CRA policies and reviewing CRA performance;*
- 2. Evidence of 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.*

DFS derived statistics employed in this evaluation from various sources. TWB submitted bank-specific information both as part of the examination process and on its Call Report submitted to the FDIC. DFS obtained aggregate lending data from the Federal Financial Institutions Examination Council ("FFIEC") and deposit data from the FDIC. DFS calculated LTD ratios from information shown in the Bank's Uniform Bank Performance Report compiled by the FFIEC from Call Report data.

DFS derived the demographic data referred to in this report from the 2010 U.S. Census and the FFIEC. DFS based business data on Dun & Bradstreet reports, which Dun & Bradstreet updates annually. DFS obtained unemployment data from the New York State Department of Labor.

The assessment period included calendar years 2016, 2017, and 2018 for the lending test. Community development activities were evaluated from January 1, 2016 through March 31, 2019.

The Bank originated only 12 HMDA-reportable loans during the evaluation period. Additionally, all 12 HMDA-reportable loans were made for investment purposes, without

reporting of borrower income. Because of this limited activity, DFS did not consider the Bank’s HMDA-reportable loans in any of the assessment factors in this performance evaluation. Instead, examiners exclusively considered TWB’s small business loans in evaluating factors (2), (3), and (4) of the lending test noted above.

At its **prior** Performance Evaluation as of March 31, 2016, DFS assigned TWB a rating of “2” reflecting a “Satisfactory” record of TWB helping to meet the credit needs of its communities.

Current CRA Rating: “Satisfactory”

Lending Test: “Satisfactory”

TWB’s small business lending activities were reasonable in light of TWB’s size, business strategy, and financial condition, as well as aggregate and peer group activity and the demographic characteristics and credit needs of the assessment area.

Loan-to-Deposit Ratio and Other Lending-Related Activities: “Outstanding”

TWB’s average LTD ratio was excellent considering its size, business strategy, financial condition, and peer group activity.

For the evaluation period, TWB’s average LTD ratio of 102.6% outperformed the peer average ratio of 81.7%.

The table below shows TWB’s quarterly LTD ratios in comparison with the peer group’s ratios since the prior evaluation.

Loan-to-Deposit Ratios													
	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3	2018 Q4	Avg.
Bank	103.1	95.5	101.2	100.5	100.5	99.3	102.1	102.5	108.8	106.8	106.8	104.3	102.6
Peer	80.0	81.3	81.2	81.1	80.4	81.7	82.1	82.2	81.8	82.9	83.2	83.1	81.7

Assessment Area Concentration: “Satisfactory”

During the evaluation period TWB originated 72% by number and 67.8% by dollar value of its small business loans within the assessment area. This demonstrated a reasonable concentration of lending within assessment area.

The following table shows the percentages of TWB’s small business 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
	#	%	#	%		\$	%	\$	%	
Small Business										
2016	114	70.4%	48	29.6%	162	27,804	64.1%	15,546	35.9%	43,350
2017	139	72.0%	54	28.0%	193	40,963	68.9%	18,513	31.1%	59,476
2018	155	73.1%	57	26.9%	212	42,325	69.2%	18,812	30.8%	61,137
Subtotal	408	72.0%	159	28.0%	567	111,092	67.8%	52,871	32.2%	163,963
Grand Total	408	72.0%	159	28.0%	567	111,092	67.8%	52,871	32.2%	163,963

Distribution by Borrower Characteristics: "Needs to Improve"

TWB's small business lending demonstrated a less than adequate distribution of loans among businesses of different revenue sizes.

TWB's rate of lending to businesses with revenue of \$1 million dollars or less for the evaluation period was 23.8% by number and 31.9% by dollar value, which lagged the aggregate's 47.9% and 33.9%, respectively. Similarly, TWB's lending in this category was consistently and significantly lower than the 86.4% business demographic for all three years of this evaluation period.

The following table provides a summary of the distribution of TWB's small business loans

by the revenue size of the business.

Distribution of Small Business Lending by Revenue Size of Business									
2016									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. < = \$1MM	26	22.8%	11,212	40.3%	12,785	46.9%	270,788	32.7%	86.4%
Rev. > \$1MM	87	76.3%	16,572	59.6%					6.4%
Rev. Unknown	1	0.9%	20	0.1%					7.3%
Total	114		27,804		27,276		828,863		
2017									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. < = \$1MM	38	27.3%	12,001	29.3%	14,883	53.0%	309,640	36.8%	86.4%
Rev. > \$1MM	97	69.8%	26,787	65.4%					6.4%
Rev. Unknown	4	2.9%	2,175	5.3%					7.3%
Total	139		40,963		28,078		841,404		
2018									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. < = \$1MM	33	21.3%	12,216	28.9%	13,322	44.0%	293,187	32.3%	86.4%
Rev. > \$1MM	117	75.5%	28,541	67.4%					6.3%
Rev. Unknown	5	3.2%	1,568	3.7%					7.3%
Total	155		42,325		30,305		907,689		
GRAND TOTAL									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. < = \$1MM	97	23.8%	35,429	31.9%		47.9%		33.9%	
Rev. > \$1MM	301	73.8%	71,900	64.7%					
Rev. Unknown	10	2.5%	3,763	3.4%					
Total	408		111,092						

Geographic Distribution of Loans: "Satisfactory"

TWB's origination of small business loans in census tracts of varying income levels demonstrated a reasonable distribution of lending.

During the evaluation period, TWB's rates of lending in LMI geographies of 9.6% by number and 10.2% by dollar value were comparable to the aggregate's rates of 10.9% and 13.4%, respectively.

The following table provides a summary of the distribution of TWB's small business loans by the income level of the geography.

Distribution of Small Business Lending by Geographic Income of the Census Tract									
2016									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	1	0.9%	200	0.7%	271	1.0%	14,036	1.7%	1.1%
Moderate	13	11.4%	4,172	15.0%	2,717	10.0%	101,135	12.2%	12.2%
LMI	14	12.3%	4,372	15.7%	2,988	11.0%	115,171	13.9%	13.2%
Middle	23	20.2%	6,234	22.4%	5,459	20.0%	170,970	20.6%	20.1%
Upper	77	67.5%	17,198	61.9%	18,810	69.0%	542,475	65.4%	66.6%
Unknown	0	0.0%	0	0.0%	19	0.1%	247	0.0%	0.1%
Total	114		27,804		27,276		828,863		
2017									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	1	0.7%	300	0.7%	297	1.1%	8,242	1.0%	1.4%
Moderate	11	7.9%	3,339	8.2%	2,730	9.7%	101,290	12.0%	11.1%
LMI	12	8.6%	3,639	8.9%	3,027	10.8%	109,532	13.0%	12.5%
Middle	27	19.4%	9,194	22.4%	4,699	16.7%	163,351	19.4%	17.0%
Upper	100	71.9%	28,130	68.7%	20,341	72.4%	568,422	67.6%	70.5%
Unknown	0	0.0%	0	0.0%	11	0.0%	99	0.0%	0.8%
Total	139		40,963		28,078		841,404		
2018									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	1	0.6%	150	0.4%	301	1.0%	11,291	1.2%	1.4%
Moderate	12	7.7%	3,221	7.6%	3,002	9.9%	108,189	11.9%	10.8%
LMI	13	8.4%	3,371	8.0%	3,303	10.9%	119,480	13.2%	12.2%
Middle	30	19.4%	8,141	19.2%	5,043	16.6%	169,455	18.7%	17.0%
Upper	112	72.3%	30,813	72.8%	21,948	72.4%	618,012	68.1%	70.8%
Unknown	0	0.0%	0	0.0%	11	0.0%	742	0.1%	0.1%
Total	155		42,325		30,305		907,689		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	3	0.7%	650	0.6%		1.0%		1.3%	
Moderate	36	8.8%	10,732	9.7%		9.9%		12.0%	
LMI	39	9.6%	11,382	10.2%	9,318	10.9%	344,183	13.4%	
Middle	80	19.6%	23,569	21.2%		17.7%		19.5%	
Upper	289	70.8%	76,141	68.5%		71.3%		67.1%	
Unknown	0	0.0%	0	0.0%		0.0%		0.0%	
Total	408		111,092						

Action Taken in Response to Written Complaints with Respect to CRA: "N/A"

Neither DFS nor TWB received any written complaints during the evaluation period regarding TWB's CRA performance.

Community Development Test: "Satisfactory"

TWB's community development performance demonstrated reasonable responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services,

considering TWB's capacity, and the need for and availability of opportunities for community development in its assessment area.

During the evaluation period, TWB originated \$30.7 million in new community development loans. Additionally, TWB made \$4.6 million in new community development investments. There were no community development loans or investments outstanding from prior evaluation periods. Community development grants totaled \$211,000. The Bank's community development lending and investments increased significantly when compared to the prior evaluation period.

A more detailed description of TWB's community development activities follows.

Community Development Lending: "Outstanding"

During the evaluation period, TWB originated \$30.7 million in new community development loans, and had no outstanding loans from the prior evaluation period. This demonstrated an excellent level of community development lending during the evaluation period.

TWB originated 70% more community development loans during this evaluation period as compared to the prior evaluation period. Nearly all of the community development loans supported community services to nonprofit organizations that assist individuals and families in need, including LMI population and geographies.

Community Development Loans				
Purpose	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Loans	\$000	# of Loans	\$000
Affordable Housing	4	800		
Economic Development	3	2,000		
Community Services	21	27,095		
Revitalization/Stabilization	5	845		
Total	33	30,740	0	0

Below are highlights of TWB's community development lending.

Community Services

- TWB originated a \$10 million line of credit for a nonprofit organization that assists families, children, and teens. Some of the organization's programs include providing support to victims of domestic violence and families who are at risk of having their children placed in foster care. The organization has shelters in Westchester and Bronx counties that provide temporary housing, medical care, and counseling for homeless and runaway teens.

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- TWB extended lines of credit totaling \$6 million to a nonprofit organization whose programs include housing, childcare, assistance to those suffering from substance abuse, employment opportunities, and financial literacy. The organization provides supportive housing and jobs to formerly homeless and low-income individuals to help them attain self-sufficiency.
 - TWB extended lines of credit totaling \$5.9 million to a nonprofit organization that provides services including supportive housing, youth programs, employment assistance, and homeless services. The loaned funds helped provide services and programs benefiting individuals and families in need, veterans, and low-income seniors residing in Westchester County.

Economic Development

TWB extended lines of credit totaling \$1.5 million to a business development corporation whose mission is to promote community development and job creation in New York State. The corporation provides loans to small businesses including start-ups, and minority- and women-owned businesses. Loan programs include asset-based lines of credit, and business loans, both with and without Small Business Administration (“SBA”) guarantees.

Revitalization and Stabilization

TWB extended lines of credit totaling \$845,000 to a nonprofit organization that works with communities to improve their physical and social environments. The organization participates in community food garden projects, acquisition and rehabilitation projects, youth education, and other developmental programs. TWB’s financing helped to revitalize low-income census tracts in Yonkers.

Affordable Housing

TWB extended lines of credit totaling \$800,000 to a nonprofit organization whose mission is to provide safe and affordable housing to LMI individuals, including seniors and persons with disabilities in Westchester County.

Qualified Investments: “Satisfactory”

During the evaluation period, TWB made \$4.6 million in new qualified community development investments and had no investments outstanding from prior evaluation periods. In addition, TWB made \$211,000 in community development grants. This demonstrated a reasonable level of qualified investments over the course of the evaluation period.

Community Development Investments and Grants			
	This Evaluation Period		Outstandings from Prior Evaluation Periods
CD Investments	# of Inv.	\$000	Not Applicable
Affordable Housing	1	2,993	
Revitalize & Stabilize	1	1,640	
Total	2	4,633	
CD Grants	# of Grants	\$000	Not Applicable
Affordable Housing	8	101	
Community Services	21	110	
Total	29	211	

Below are highlights of TWB’s community development investments and grants.

- TWB invested \$2.9 million in a municipal bond the proceeds of which were used to finance an apartment complex consisting of 105 affordable residential housing units that benefits LMI individuals in Westchester County.
- TWB purchased a \$1.6 million bond issued by the Mount Vernon School District. A majority of students in the district receive free or reduced cost lunches and the area suffer from high unemployment.
- TWB made grants totaling \$73,795 to the Federal Home Loan Bank of New York’s (“FHLBNY”) Affordable Housing Program (“AHP”). FHLBNY offers various programs such as the First Home Club and grants for first time homebuyers, and AHP works to create and preserve affordable housing for low-income families and individuals.
- TWB made \$29,972 in grants to a local nonprofit organization whose mission is to prevent and decrease child abuse and neglect in Westchester County, and made \$25,666 in grants made to a children’s-based organization that provides services to children living in unstable living conditions.
- TWB made grants totaling \$24,966 to an organization that provides financial education and technical assistance to women, minorities and traditionally underserved small business owners in Westchester County.

Community Development Services: “Satisfactory”

TWB demonstrated a reasonable level of community development services over the course of the evaluation period.

TWB's senior management and employees provided financial and technical expertise to several local nonprofit organizations by serving as board or committee members and participating in financial literacy events. The organizations assist LMI individuals and communities in obtaining affordable housing, economic development and community services.

Below are highlights of TWB's community development services:

- A Bank vice president serves on the loan and finance committee of an organization whose mission is to provide education, human and civic resources, and flexible financing for small businesses. The organization seeks to help underserved individuals become more financially secure.
- A Bank vice president serves as a board member of an organization that develops and manages quality affordable and supportive housing. The organization also provides services to LMI individuals and communities.
- A Bank vice president served on a committee of an organization that seeks to end domestic violence through empowerment, independence, and healing. The organization provides services which include legal counseling, emergency services and youth services.
- Bank employees participated in two financial literacy events at public schools where a majority of students receive free or reduced cost lunches. The events were held in collaboration with a nonprofit whose mission is to empower young people through financial literacy, career readiness, and entrepreneurial skills.

Innovativeness of Community Development Investments

TWB did not use innovative or flexible community development investments to support community development.

Responsiveness to Community Development Needs

TWB demonstrated a reasonable level of responsiveness to credit and community development needs.

TWB demonstrated responsiveness to community development needs by financing small businesses and organizations that assist in affordable housing and revitalization projects. The Bank provided community services through financial education and made donations to community development organizations.

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 CRA.

The CRA compliance committee consists of the chief compliance officer, chief financial officer, chief lending officer, compliance manager, the president, and other senior staff. The chief compliance officer is responsible for monitoring of and compliance with the Bank's CRA objectives. The Bank performs an annual self-assessment, which is reviewed by the board. Information on the Bank's CRA performance is reviewed monthly at board meetings and quarterly at compliance committee meetings.

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.*

DFS examiners noted no evidence of practices by TWB intended to discourage applications for the types of credit offered by TWB.

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

DFS examiners noted no evidence of prohibited discriminatory or other illegal practices.

Record of opening and closing offices and providing services at offices

TWB operates six branches, each with an ATM, and a corporate office in Westchester County. At its corporate headquarters, TWB also operated an ATM that only provided cash withdrawals.

In 2017 the Bank opened a branch at 800 Westchester Ave, Rye Brook in an upper-income census tract.

In 2018 a branch was relocated 0.4 miles from 2001 Central Park Ave in Yonkers, to 1900 Central Park Ave, Yonkers. Both locations are in upper-income census tracts.

TWB offers the following products that support the banking needs of LMI individuals, small businesses and nonprofits organizations:

- "Personal Checking Accounts" – The account requires no minimum balance and includes free online banking, unlimited check writing, and an ATM/Debit card.
- "Personal Savings Accounts" – This account has no minimum balance required to

earn interest nor any monthly maintenance fees. The account is also accessible by ATM/Debit card.

- “Non-Profit Accounts” – This product has no monthly minimum fees or balance requirements for checking, savings and money market accounts, and includes free internal transfers.

Distribution of Branches within the Assessment Area							
County	N/A #	Low #	Moderate #	Middle #	Upper #	Total #	LMI %
Westchester			1		5	6	17%
Total			1		5	6	17%

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.*

TWB ascertains the credit needs of its assessment area through memberships in numerous business organizations throughout the county and by working with nonprofit organizations.

- *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.*

TWB makes the community aware of its deposit and credit products through television ads on the local cable channels in Westchester County, the Bank’s website, print ads, and social media.

Other factors that in the judgment of the Superintendent bear upon the extent to which TWB is helping to meet the credit needs of its entire community.

DFS examiners noted no other factors.

GLOSSARY

Aggregate Lending

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

“Community development”:

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.

Community Development Loan

A loan that has 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.

Community Development Service

Service that has community development as its *primary purpose*, 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.

Geography

A census tract delineated by the United States Bureau of the Census in the most recent decennial census

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 for borrowers is based on household or family income. A geography's income is categorized by median family income for the geography. In both cases, the income is compared to the Metropolitan Statistical Area ("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

Small Business Loan

A small business loan is a loan less than or equal to \$1 million.

Low or Moderate Income ("LMI") Geographies

Those census tracts or block numbering areas where, according to the 2000 U.S. Census, the median family income is less than 80% of the area median family income. In the case of tracted areas that are part of a 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 cases 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 represents 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.

Low-Income Housing Tax Credit (LIHTC)

A dollar for dollar tax credit for affordable housing, created under the Tax Reform Act of 1986, that provides incentives to invest in projects for the utilization of private equity in the development of affordable housing aimed at low income Americans. It is also more commonly called Section 42 credits in reference to the applicable section of the IRC. The tax credits are more attractive than tax deductions as they provide a dollar for dollar reduction in a taxpayer's federal income tax. It is more commonly attractive to corporations since the passive loss rules and similar tax changes greatly reduced the value of tax credits and deductions to individual taxpayers.

New Markets Tax Credit (NMTC)

The New Markets Tax Credits (NMTC) Program was established by Congress in December 2000 to stimulate economic and community development and job creation in low-income communities. It permits individual and corporate taxpayers to receive a credit against federal income taxes for making qualified equity investments in Community Development Entities (CDEs). The credit provided to the investor totals 39% of the cost of the investment and is claimed over a 7-year period. CDEs must use substantially all of the taxpayer's investments to make qualified investments in low-income communities. The Fund is administered by the US Treasury Department's Community Development Financial Institutions Fund (CDFI).

Qualified Investment

A lawful investment, deposit, membership share or grant that has community development as its *primary purpose*. 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.