

PUBLIC DISCLOSURE

September 19, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Watertown Savings Bank
Certificate Number: 15990

111 Clinton Street
Watertown, New York 13601

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
New York Regional Office

350 Fifth Avenue, Suite 1200
New York, New York 10118

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION RATING

INSTITUTION’S CRA RATING: This institution is rated **Satisfactory**.

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

PERFORMANCE LEVELS	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			X
High Satisfactory	X		
Low Satisfactory		X	
Needs to Improve			
Substantial Noncompliance			
* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.			

The Lending Test is rated High Satisfactory.

- Lending levels reflect excellent responsiveness to assessment area credit needs.
- A substantial majority of loans are made in the bank’s assessment area.
- The geographic distribution of loans reflects good penetration throughout the assessment area.
- The distribution of borrowers reflects excellent penetration among retail customers of different income levels and business customers of different size.
- The bank uses innovative and/or flexible lending practices in order to serve assessment area credit needs.
- The bank has made an adequate level of community development loans.

The Investment Test is rated Low Satisfactory.

- The bank has an adequate level of qualified community development investments and grants, although rarely in a leadership position, particularly those that are not routinely provided by private investors.
- The bank exhibits adequate responsiveness to credit and community economic development needs.
- The bank rarely uses innovative or complex investments to support community development initiatives.

The Service Test is rated Outstanding.

- Delivery systems are accessible to essentially all portions of the bank's assessment area.
- To the extent changes have been made, the bank's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies or to low- and moderate-income individuals.
- Services and business hours do not vary in a way that inconveniences certain portions of the bank's assessment area, particularly low- and moderate-income geographies and/or individuals.
- The bank is a leader in providing community development services.

DESCRIPTION OF INSTITUTION

Background

Watertown Savings Bank (WSB) is a mutual savings bank headquartered in Watertown, New York. WSB has no holding company relationships. The bank has three affiliate relationships, including 145 Clinton Street Corporation, a real estate holding company; Commercial Property, Inc., which holds bank-owned real estate; and WSB Municipal Bank, which holds municipal deposits.

The July 29, 2019 FDIC CRA evaluation assigned WSB a CRA rating of “Satisfactory” using the Large Institution CRA Examination Procedures.

Operations

WSB operates nine full-service offices, all located in Jefferson County, New York. Eight of the offices have an automated teller machine (ATM) on-site, which are available 24-hours a day. In addition, the bank operates six stand-alone ATMs, including a newer ATM opened in Dexter, New York, on October 22, 2019. Since the previous evaluation, the bank has not opened or closed any branches, nor was it involved in any merger or acquisitions.

The bank offers a variety of consumer and commercial credit products. Consumer loan products include home mortgages, home equity lines of credit (HELOCs), personal loans, auto loans, and recreational loans. Commercial lending products include small business loans, Small Business Administration (SBA) guaranteed loans, construction loans, commercial mortgages, business lines of credit, letters of credit, and equipment financing. Deposit products include checking and savings accounts, health savings accounts, certificates of deposit, individual retirement accounts, and club accounts. In addition, WSB offers alternative banking services including online and mobile banking, telephone banking, electronic bill payment, and mobile deposit.

Ability and Capacity

Bank assets totaled \$965.3 million as of June 30, 2022, which included total loans of \$487.5 million, total deposits of \$840.6 million, and total securities of \$316 million. The following table illustrates the loan portfolio based on the bank’s June 30, 2022 Call Report.

Loan Portfolio Distribution as of June 30, 2022		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	26,413	5.4
Secured by Farmland	159	<0.1
Secured by 1-4 Family Residential Properties	166,049	34.1
Secured by Multifamily (5 or more) Residential Properties	23,401	4.8
Secured by Nonfarm Nonresidential Properties	209,028	42.9
Total Real Estate Loans	425,050	87.2
Agricultural Production and Other Loans to Farmers	30	<0.1
Commercial and Industrial Loans	51,161	10.5
Consumer Loans	11,159	2.3
Other Loans	146	<0.1
Total Loans	487,546	100.0
<i>Source: Reports of Condition and Income. Due to rounding, totals may not equal 100.0.</i>		

Examiners did not identify any financial, legal, or other impediments that affect the bank's ability to meet assessment area credit needs.

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more assessment areas (AA) within which its CRA performance will be evaluated. WSB designated a single AA that includes all of Jefferson County, which entirely composes the Watertown-Fort Drum, New York (NY) Metropolitan Statistical Area (MSA) #48060. The AA is unchanged since the prior evaluation.

Economic and Demographic Data

This AA is composed of 26 census tracts, all in Jefferson County. These tracts reflect the following income designations according to the 2015 American Community Survey (ACS):

- 0 low-income tracts
- 5 moderate-income tracts
- 17 middle-income tracts
- 2 upper-income tracts, and
- 2 no-income designation tracts (NA tract).

There are no distressed or underserved middle-income census tracts in this AA. Since March 20, 2020, Jefferson County is included in the FEMA Designated Disaster Area resulting from the COVID-19 pandemic.

The following table provides select demographic characteristics for this AA.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	26	0.0	19.2	65.4	7.7	7.7
Population by Geography	118,947	0.0	18.3	74.5	7.1	0.1
Housing Units by Geography	58,536	0.0	15.8	78.5	5.7	0.0
Owner-Occupied Units by Geography	24,610	0.0	7.9	83.2	8.9	0.0
Occupied Rental Units by Geography	19,696	0.0	32.1	63.5	4.4	0.0
Vacant Units by Geography	14,230	0.0	6.8	91.2	2.1	0.0
Businesses by Geography	6,596	0.0	17.6	75.6	6.8	0.0
Farms by Geography	381	0.0	5.2	81.9	12.9	0.0
Family Distribution by Income Level	30,116	19.8	18.3	22.4	39.5	0.0
Household Distribution by Income Level	44,306	22.6	16.2	20.8	40.5	0.0
Median Family Income MSA - 48060 Watertown-Fort Drum, NY MSA		\$57,300	Median Housing Value Median Gross Rent Families Below Poverty Level			\$139,278 \$979 10.9%
<i>Source: 2015 ACS Data; 2021 D&B Data; Due to rounding, totals may not equal 100.0%; (*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Information from the 2021 D&B data indicates that 6,596 business establishments operate in the AA. Service industries represent the greatest percentage of these businesses at 35.6 percent, followed by non-classifiable establishments at 14.9 percent; retail trade at 14.4 percent; finance and insurance at 8.8 percent; construction at 7.1 percent; transportation at 4.5 percent; public administration at 4.3 percent; wholesale trade at 2.7 percent; manufacturing at 2.1 percent; and mining at 0.1 percent.

The analysis of small business loans under the Borrower Profile criterion analyzes the distribution of the bank's small business loans by the gross annual revenue (GAR) of the business for each year. Listed below are the GARs for these businesses within the AA:

- 79.3 percent have gross annual revenues of \$1 million or less,
- 5.1 percent have gross annual revenues more than \$1 million, and
- 15.6 percent have unknown revenues.

Examiners used the median family income ranges derived from the 2019, 2020, and 2021 FFIEC-updated median family income data to analyze home mortgage loans under the Borrower Profile criterion. The following table presents income ranges for the low-, moderate-, middle-, and upper-income categories for the AA.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Watertown-Fort Drum, NY MSA Median Family Income (48060)				
2019 (\$58,600)	<\$29,300	\$29,300 to <\$46,880	\$46,880 to <\$70,320	≥\$70,320
2020 (\$59,500)	<\$29,750	\$29,750 to <\$47,600	\$47,600 to <\$71,400	≥\$71,400
2021 (\$64,900)	<\$32,450	\$32,450 to <\$51,920	\$51,920 to <\$77,880	≥\$77,880
<i>Source: FFIEC</i>				

Data from Moody’s Analytics indicates that job growth over the last six months was twice that of the Northeast, and as a result, the metro area is on the cusp of recouping its pandemic-related job losses. The area’s core driver, healthcare, has yet to make a complete recovery, but strong gains in leisure/hospitality and a surge in public sector employment are sustaining the labor market. Furthermore, the unemployment rate is now lower than it was before the pandemic and the labor force has recovered. As for the housing market, house price appreciation is strong, but is advancing at just half the pace of New York.

The top employers in the AA include the following: Fort Drum; Samaritan Medical Center; Jefferson Rehabilitation Center; Convergys; New York Air Brake Corp.; Jefferson-Lewis BOCES; and Carthage Area Hospital. Jefferson County is home to the Fort Drum military base, which continues to be the largest economic catalyst in the county. Fort Drum is located in the northwest corner of the county, about a twenty-minute drive from Watertown. The base houses the U.S. Army’s 10th Mountain Division. Fort Drum is home to about 15,000 active-duty soldiers and about 3,900 civilians working on or near the base.

The unemployment rate for the Watertown-Fort Drum, NY MSA was 3.4 percent as of June 2022, which was lower than the state level of 4.4 percent and the national rate of 3.6 percent, which reflects the ongoing recovery of the tourism business in the AA.

Competition

There is a moderate level of competition for small business loans among the banks in the AA. Based on 2020 Aggregate Small Business Data, 67 lenders originated or purchased 2,213 small business loans. Of these lenders, WSB ranked first by number of loans, capturing 39.3 percent of total market share. No other lender had a market share greater than 10.0 percent.

There is a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders in the AA. Based on 2020 Aggregate Mortgage Data, 138 lenders originated or purchased 3,577 home mortgage loans. Of these lenders, WSB originated or purchased 416 loans and ranked first by number of loans, capturing 11.6 percent of total market share. The top ten mortgage lenders in the AA accounted for 66.8 percent of the market share.

The bank’s AA reflects a low level of competition for deposit services. According to the 2021 deposit market share data, 13 banks and credit unions operated 33 branch offices in the AA. Of

these institutions, WSB ranked first with a 30.8 percent deposit market share. The top four institutions, which include national banks, captured 80.1 percent of the market share.

Community Contact

Examiners contacted a representative of an affordable housing organization in the AA to gain insights into the area's credit and community development needs. The contact expressed positive sentiments about local institutions and their ability to serve the area's credit needs. The contact stated that area lenders do a good job helping to meet the housing needs of the area, but mentioned there is a need for down payment assistance to help low- and moderate-income borrowers with a housing purchase. Other than affordable housing needs, the contact indicated that the area is still recovering from the COVID-19 pandemic, and businesses are having a difficult time finding applicants for open positions.

Credit and Community Development Needs and Opportunities

Based on information from bank management, the community contact, and the demographic and economic data, there are ongoing credit needs in the AA for small business financing and affordable housing. Small business loans continue to show demand. There also continues to be demand for home mortgage lending, including affordable housing, as the area continues to recover from the COVID-19 pandemic.

SCOPE OF EVALUATION

General Information

This evaluation covers the period since the prior evaluation dated July 29, 2019, to the current evaluation dated September 19, 2022. Examiners used the FFIEC Large Institution Examination Procedures to evaluate the bank's CRA performance. Although WSB is an Intermediate Small Bank based upon its asset size, the bank elected to collect and report small business loan data in order to be evaluated under the Large Institution Examination Procedures. These procedures include the Lending Test, Investment Test, and Service Test. Refer to the Appendices for complete descriptions of these tests.

Examiners used full-scope procedures to assess WSB's performance within its single AA, and did not consider any affiliate activities for this evaluation.

Activities Reviewed

Examiners reviewed WSB's small business and home mortgage loans to assess its lending performance, as these loan types represent the bank's major product lines based on its business strategy and the number and dollar volume of loans originated or purchased during the evaluation period. The bank's small farm lending was minimal, with only one origination during the scope of this evaluation. Since the minimal small farm lending provided no support for the conclusions or

ratings, the evaluation presents the small farm loan data in the Assessment Area Concentration section only.

Examiners reviewed WSB's small business loans for 2019, 2020, and 2021 using the data it reported pursuant to the CRA data reporting requirements. Small business loans include commercial real estate or commercial and industrial loans and lines of credit in amounts of \$1 million or less. WSB originated 408 loans totaling \$45.8 million in 2019, 890 loans totaling \$86.4 million in 2020, and 838 loans totaling \$69.1 million in 2021. Examiners compared the bank's record of small business lending to appropriate demographic data for 2019, 2020, and 2021, and to the aggregate small business loan data for 2019 and 2020, which are the most recent years of data available.

Examiners reviewed WSB's home mortgage loans for 2019, 2020, and 2021 using the data it reported pursuant to the Home Mortgage Disclosure Act (HMDA). The HMDA-reportable loans include home purchase and home improvement loans, including refinance transactions, on 1-4 family and multifamily (five or more unit) properties. WSB originated 222 loans totaling \$34.3 million in 2019, 443 loans totaling \$80.1 million in 2020, and 391 loans totaling \$76.4 million in 2021. Examiners compared the bank's home mortgage lending data to the 2015 ACS data, and to the aggregate HMDA data for 2019 and 2020, the most recent years of data available.

Under the Lending Test, examiners placed more weight on the bank's small business lending performance, as small business loans accounted for a higher volume of originations and represent the bank's primary lending focus. Furthermore, while the evaluation presents the number and dollar volume for the loan types reviewed, examiners emphasized performance by number of loans because the number of loans is a better indicator of the number of businesses and individuals served. In addition, the lending review included originations only, as the bank does not purchase loans.

Under the Service Test, examiners reviewed the bank's branch network and alternative delivery systems, as well as any impact of branch openings or closings since the prior evaluation, as applicable. Examiners also reviewed retail banking products or services targeted to low- and moderate-income individuals or small businesses.

The CRA evaluation reviewed the bank's community development loans, investments, and services for the period since the previous CRA evaluation dated July 29, 2019. Qualified investments included new investments and grants, as well as qualified investments from the prior evaluation still held by the bank, as applicable.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

WSB's Lending Test rating is "High Satisfactory." The bank's excellent performance under the Lending Activity, Assessment Area Concentration, and Borrower Profile criteria, along with its good performance under the Geographic Distribution and Innovative or Flexible Lending Practices criteria primarily support this conclusion.

Lending Activity

WSB's lending levels reflect excellent responsiveness to AA credit needs, based primarily upon the bank's market rank among all small business and home mortgage loan reporters. This considers the bank's size, loan portfolio composition, and business strategy.

Small Business Loans

WSB originated 2,136 small business loans totaling \$201.4 million during the evaluation period from 2019 through 2021. The bank made a significant percentage of these originations, at 94.0 percent by number and 91.3 percent by dollar amount, within the AA. The number of small business loans increased by 118.1 percent from 2019 to 2020. Examiners attribute the significant growth in small business lending to the bank's participation in the SBA's Paycheck Protection Program (PPP).

For small business loans originated in 2020, WSB captured 39.3 percent of total market share by loan count, ranking it first among 67 lenders that reported small business loans in the AA. This reflects an increase in market share from 2019, when the bank captured a 21.9 percent total market share and ranked first among 60 lenders that made loans in the AA.

Home Mortgage Loans

WSB originated 1,056 home mortgage loans totaling \$190.8 million during the evaluation period from 2019 through 2021. The bank made a significant percentage of these originations, at 92.1 percent by number and 90.2 percent by dollar amount, within the AA. This percentage was consistent throughout the evaluation period. Home mortgage originations increased by 99.5 percent by count from 2019 to 2020, followed by a slight decline in 2021. Examiners attribute the substantial growth to refinance loans resulting from the low-interest rate environment experienced during the COVID-19 pandemic.

For home mortgages originated in 2020, WSB captured 11.6 percent of total market share by loan count, ranking it first among 138 lenders that made loans in the AA. This reflects an improvement from 2019, when the bank captured a 7.7 percent total market share and ranked fourth among 122 lenders that made loans in the AA.

Assessment Area Concentration

A substantial majority of loans are made in the bank's AA for each of the bank's primary product lines, including small business and home mortgage lending. As shown in the following table, each product line had over 90 percent of its activity by number and dollar volume of loans inside the AA.

Lending Inside and Outside of the Assessment Area											
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)	
	Inside		Outside			Inside		Outside			
	#	%	#	%		\$	%	\$	%		
Small Business											
2019	382	93.6	26	6.4	408	41,441	90.4	4,400	9.6	45,841	
2020	828	93.0	62	7.0	890	77,300	89.4	9,129	10.6	86,429	
2021	798	95.2	40	4.8	838	65,086	94.1	4,054	5.9	69,140	
Subtotal	2,008	94.0	128	6.0	2,136	183,827	91.3	17,583	8.7	201,410	
Home Mortgage											
2019	206	92.8	16	7.2	222	31,777	92.5	2,560	7.5	34,337	
2020	416	93.9	27	6.1	443	75,711	94.5	4,400	5.5	80,111	
2021	351	89.8	40	10.2	391	64,633	84.6	11,750	15.4	76,383	
Subtotal	973	92.1	83	7.9	1,056	172,121	90.2	18,710	9.8	190,830	
Small Farm											
2020	1	100.0	0	0.0	1	42	100.0	0	0.0	42	
Subtotal	1	100.0	0	0.0	1	42	100.0	0	0.0	42	
Total	2,982	93.4	211	6.6	3,193	355,990	90.7	36,293	9.3	392,282	

Source: Bank Data; Due to rounding, totals may not equal 100.0%

Geographic Distribution

The geographic distribution of loans reflects good penetration throughout the AA. The evaluation gave more weight to the small business loans in arriving at this conclusion, since small business lending composes a substantial portion of the bank's loan activity and plays an important part in its strategic focus. Since the AA does not have any low-income census tracts, examiners focused on the percentage of small business and home mortgage loans made in the moderate-income census tracts by number of loans. Examiners also considered the market share of loans within the AA.

Small Business Loans

As shown in the following table, the geographic distribution of small business loans reflects good penetration throughout the moderate-income census tracts in the AA.

Geographic Distribution of Small Business Loans						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	0.0	0	0.0	0	0.0
2021	0.0	--	0	0.0	0	0.0
Moderate						
2019	18.0	14.2	54	14.1	7,043	17.0
2020	17.6	14.5	124	15.0	12,195	15.8
2021	17.6	--	104	13.0	10,419	16.0
Middle						
2019	75.4	79.4	308	80.6	29,785	71.9
2020	75.8	80.0	667	80.6	61,787	79.9
2021	75.6	--	649	81.3	52,129	80.1
Upper						
2019	6.5	6.4	20	5.2	4,613	11.1
2020	6.6	5.5	37	4.5	3,318	4.3
2021	6.8	--	45	5.6	2,538	3.9
Not Available						
2019	0.1	0.0	0	0.0	0	0.0
2020	0.1	0.0	0	0.0	0	0.0
2021	0.0	--	0	0.0	0	0.0
Totals						
2019	100.0	100.0	382	100.0	41,441	100.0
2020	100.0	100.0	828	100.0	77,300	100.0
2021	100.0	--	798	100.0	65,086	100.0
<i>Source: 2019, 2020 & 2021 D&B Data; Bank Data; 2019 & 2020 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

As shown in the table above, the bank's percentage of small business loans within the moderate-income census tracts was below demographics for all three years. However, the bank's percentage of loans in those tracts was generally consistent with the aggregate level for both 2019 and 2020. Since the aggregate data is generally a better indicator of demand, the evaluation gave more weight to this comparison. Additionally, in both 2019 and 2020, WSB ranked first in the AA for lending within the moderate-income census tracts. Furthermore, a large number of the small business loans originated in 2020 were PPP loans, which addressed a credit need for the area during the COVID-19 pandemic. As a result, WSB's distribution of small business loans in the moderate-income tracts was good.

Home Mortgage Loans

As shown in the following table, the geographic distribution of home mortgage loans reflects adequate penetration throughout the AA.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	0.0	0	0.0	0	0.0
2021	0.0	--	0	0.0	0	0.0
Moderate						
2019	7.9	8.0	12	5.8	727	2.3
2020	7.9	6.7	22	5.3	6,550	8.7
2021	7.9	--	18	5.1	2,006	3.1
Middle						
2019	83.2	82.7	175	85.0	28,103	88.4
2020	83.2	83.9	361	86.8	63,133	83.4
2021	83.2	--	310	88.3	58,248	90.1
Upper						
2019	8.9	9.2	19	9.2	2,947	9.3
2020	8.9	9.4	33	7.9	6,028	8.0
2021	8.9	--	23	6.6	4,379	6.8
Not Available						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	0.0	0	0.0	0	0.0
2021	0.0	--	0	0.0	0	0.0
Totals						
2019	100.0	100.0	206	100.0	31,777	100.0
2020	100.0	100.0	416	100.0	75,711	100.0
2021	100.0	--	351	100.0	64,633	100.0
<i>Source: 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

For 2019 and 2020, the bank's percentage of loans in the moderate-income census tracts is below demographic and aggregate data. For 2021, the bank's percentage of loans in the moderate-income tracts remained below demographics, but was generally consistent with the prior years. While the bank's percentage of loans in the moderate-income census tracts was below the aggregate level, WSB was nonetheless among the leading lenders in those tracts. Specifically, WSB ranked sixth in

2019 and second in 2020. In 2021, the bank’s lending level remained relatively consistent. As a result, examiners considered the performance adequate.

Borrower Profile

The distribution of borrowers reflects excellent penetration among retail customers of different income levels and business customers of different size. As stated previously, examiners gave more weight to the bank’s small business loan performance in arriving at the overall conclusion, since small business lending composes a substantial portion of the institution’s loan activity and plays an important part in its strategic focus. Examiners also considered market share data.

Small Business Loans

As shown in the following table, the distribution of small business loans reflects excellent penetration of small business loans by GAR. Examiners focused on the percentage of small business loans to businesses with GARs of \$1 million or less.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2019	76.0	43.4	200	52.4	16,848	40.7
2020	78.2	32.2	323	39.0	23,047	29.8
2021	79.3	--	307	38.5	21,218	32.6
>\$1,000,000						
2019	6.5	--	167	43.7	23,366	56.4
2020	5.7	--	216	26.1	40,364	52.2
2021	5.1	--	123	15.4	22,627	34.8
Revenue Not Available						
2019	17.5	--	15	3.9	1,227	3.0
2020	16.1	--	289	34.9	13,889	18.0
2021	15.6	--	368	46.1	21,241	32.6
Totals						
2019	100.0	100.0	382	100.0	41,441	100.0
2020	100.0	100.0	828	100.0	77,300	100.0
2021	100.0	--	798	100.0	65,086	100.0
<i>Source: 2019, 2020 & 2021 D&B Data; Bank Data; 2019 & 2020 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

As shown above, the bank’s level of lending to businesses with GARs of \$1 million or less is lower than the demographics in 2019 and 2020, but greater than the aggregate performance. Since the aggregate data is generally a better indicator of demand, the evaluation gave more weight to this

comparison. In 2021, the bank’s performance was below demographic data, but remained consistent to the previous year. Examiners also reviewed market share data for lending to businesses with GARs of \$1 million or less. In 2019 and 2020, the bank was the leading small business lender, ranking first in the AA for the number of loans made to businesses with GARs of \$1 million or less.

In 2020 and 2021, the bank’s volume of small business lending increased substantially due to its participation in the SBA’s PPP. In fact, the PPP loans comprised a significant portion of the bank’s small business loans in both years, with many lacking revenue information since the loan program did not require lenders to collect revenue data. Given the high percentage of loans with no revenue information, examiners evaluated the PPP loans using loan size as a proxy for business size. As shown in the table below, a majority of the number of PPP loans reported as “Revenue Not Available” had loan sizes of \$100,000 or less, indicating that the bank is helping to serve the needs of smaller businesses in the AA. Given this distribution and the unique performance context regarding PPP loans originated within the AA, WSB’s overall performance among small businesses with GARs of \$1 million or less is excellent.

Distribution of Reportable Paycheck Protection Program Loans by Loan Size				
Loan Size	#	%	\$	%
< \$100,000				
2020	494	79.8	16,322	33.6
2021	517	85.2	12,145	35.2
\$100,000 - \$249,999				
2020	78	12.6	11,536	23.8
2021	62	10.2	9,645	28.0
\$250,000 - \$1,000,000				
2020	47	7.6	20,661	42.6
2021	28	4.6	12,706	36.8
Totals				
2020	619	100.0	48,519	100.0
2021	607	100.0	34,496	100.0
<i>Source: Bank Data; Due to rounding, totals may not equal 100.0%</i>				

Home Mortgage Loans

As shown in the following table, the distribution of home mortgage loans demonstrates good penetration to individuals of different income levels, including low- and moderate-income borrowers. Examiners focused on the percentage of home mortgage loans to low- and moderate-income borrowers by the number of loans.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	19.8	3.6	11	5.3	624	2.0
2020	19.8	2.2	9	2.2	657	0.9
2021	19.8	--	12	3.4	986	1.5
Moderate						
2019	18.3	12.3	21	10.2	1,312	4.1
2020	18.3	11.2	32	7.7	2,991	4.0
2021	18.3	--	42	12.0	4,086	6.3
Middle						
2019	22.4	24.8	50	24.3	4,742	14.9
2020	22.4	20.5	81	19.5	10,130	13.4
2021	22.4	--	68	19.4	7,626	11.8
Upper						
2019	39.5	48.1	109	52.9	17,411	54.8
2020	39.5	50.2	279	67.1	54,925	72.5
2021	39.5	--	203	57.8	41,411	64.1
Not Available						
2019	0.0	11.2	15	7.3	7,689	24.2
2020	0.0	16.1	15	3.6	7,009	9.3
2021	0.0	--	26	7.4	10,523	16.3
Totals						
2019	100.0	100.0	206	100.0	31,777	100.0
2020	100.0	100.0	416	100.0	75,711	100.0
2021	100.0	--	351	100.0	64,633	100.0
<i>Source: 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

During 2019, the bank's percentage of home-mortgage loans to low-income borrowers, by number of loans, was less than the demographics but greater than the aggregate level. For 2020, the bank's percentage of lending to low-income borrowers remained below demographic data, but matched the aggregate level. In 2021, the bank's home mortgage lending remained below demographic data, but showed an increasing trend. Overall, the bank's loan penetration among low-income borrowers is good.

WSB's percentage of home-mortgage loans to moderate-income borrowers was below demographics for all three years. The bank's percentage of loans to moderate-income borrowers was also below the aggregate level in 2019 and 2020; however, the number of loans to these borrowers increased each year. Notably, the bank's percentage of loans to moderate-income

borrowers in 2021 exceeded the percentages for the prior two years. Overall, the bank’s loan penetration among moderate-income borrowers is adequate.

Based on market rank data, the bank was one of the leading lenders in making loans to low- and moderate-income borrowers in the AA. Specifically, WSB ranked fourth in both 2019 and 2020 among the HMDA data reporting lenders that made loans to low- and moderate-income borrowers in the AA.

Innovative or Flexible Lending Practices

WSB uses innovative or flexible lending practices in order to serve AA credit needs, as reflected in the table below.

Innovative or Flexible Lending Programs										
Type of Program	2019		2020		2021		2022 YTD		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
SBA PPP Loan Program	0	0	658	61,090	636	40,894	0	0	1,294	101,983
First-time Homebuyer Program	37	4,988	40	4,970	38	5,159	0	0	115	15,117
SBA Loan Programs	8	1,818	3	972	7	1,728	0	0	18	4,518
Totals	45	6,806	701	67,032	681	47,781	0	0	1,427	121,618
<i>Source: Bank Records. Due to rounding, totals may not equal 100.0%.</i>										

The following discusses the lending programs and products in detail.

- *SBA Paycheck Protection Program (PPP) Loans* – WSB participated in the SBA’s PPP in response to the COVID-19 pandemic. The PPP was an emergency loan program launched by the federal government in April 2020 to assist businesses experiencing hardship due to the pandemic. The PPP expired in May of 2021.
- *First-Time Homebuyer Program* – This product waives the application fee and provides a lower initial interest rate. In addition, the bank will lend up to 95 percent of the value of the property with private mortgage insurance. This loan product increases the affordability of home mortgage financing by lowering the application and interest costs, which is especially beneficial to low- or moderate-income individuals.
- *SBA 7(a) Loan Guaranty and the SBA Express Low-Doc Programs* – These programs allow borrowers to obtain commercial financing with a 10 percent minimum down payment versus the 20 - 25 percent required for conventional commercial credit. Additionally, the program permits reduced documentation, which expedites the loan approval process.

In addition to the programs described above, WSB also offered payment deferrals, provided retail-banking accommodations, and increased lending flexibilities to respond to the community and credit needs in its AAs. For example, lenders provided accommodations to borrowers requesting

assistance including modifications, forbearance, foreclosure postponement, and permitted customers to request fee waivers during the pandemic.

Community Development Loans

WSB made an adequate level of community development loans. During the evaluation period, the bank originated 62 community development loans totaling \$14.9 million in the AA. This level of activity represents 1.5 percent of average total assets (\$965.3 million) and 3.0 percent of average total loans (\$487.5 million), as of June 30, 2022. At the prior evaluation, the bank originated 11 community development loans totaling \$34.6 million. Although the dollar volume of community development loans decreased significantly compared to the prior evaluation, the number of qualified originations increased largely due to the bank’s participation in the SBA PPP program.

The following table illustrates the bank’s community development lending activity by year and purpose.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2019	0	0	5	363	0	0	0	0	5	363
2020	1	48	24	9,375	1	45	10	300	36	9,768
2021	1	48	8	1,671	0	0	8	583	17	2,302
YTD 2022	0	0	4	2,425	0	0	0	0	4	2,425
Total	2	96	41	13,834	1	45	18	883	62	14,858
<i>Source: Bank Data</i>										

The following are notable examples of the bank’s community development loans:

- In 2022, the bank renewed a \$500,000 line of credit to a non-profit organization located in a moderate-income census tract that supports community services targeted to low- and moderate-income individuals. The loan funds operations including food pantries and child care programs.
- In 2020 and 2021, the bank originated 28 PPP loans totaling \$10.9 million. These loans were not reportable as small business loans, and were not presented in the Lending Test analyses. WSB made 23 PPP loans to organizations that helped to provide community services, 2 loans supporting affordable housing, 1 loan supporting economic development, and 2 loans that stabilized a moderate-income tract by enabling a non-profit organization to retain jobs during the pandemic.
- In 2020, the bank originated four separate loans totaling \$143,000 to a local transportation company, which helped stabilize a moderate-income census tract during the COVID-19

pandemic. The loans enabled the business to purchase equipment, enabling the business to continue providing services to the area’s residents.

INVESTMENT TEST

WSB’s Investment Test performance is rated “Low Satisfactory.” The bank’s adequate performance under the Investment and Grant Activity criterion primarily supports this rating.

Investment and Grant Activity

WSB has an adequate level of qualified community development investments and grants, although rarely in a leadership position, particularly those not routinely provided by private investors. The dollar volume of new qualified investments receives the most weight in the evaluation and drives the bank’s overall performance under this factor.

During the evaluation period, WSB had qualified community development investments and grants totaling approximately \$1.6 million, which represents a significant increase from the \$422,000 total reflected in the previous evaluation. The dollar amount of qualified investments and grants represents approximately 0.2 percent of total assets (\$965.3 million) and 0.5 percent of total securities (\$321.1 million), as of June 30, 2022.

The following table illustrates the bank’s qualified investments.

Qualified Investments, Donations, and Grants										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	3	1,347	3	1,347
2021	0	0	0	0	0	0	0	0	0	0
2022 YTD	0	0	0	0	0	0	0	0	0	0
Subtotal	0	0	0	0	0	0	3	1,347	3	1,347
Qualified Grants & Donations	2	5	34	306	0	0	0	0	36	311
Total	2	5	34	306	0	0	3	1,347	39	1,658

Source: Bank Records

The following are examples of the bank’s qualified investments and donations within the AA.

- In 2020, the bank invested over \$1.3 million in bonds from the Belleville-Henderson Central School District and the LaFargeville Central School District. The majority of the students in these districts are eligible for free or reduced priced lunches. The districts used the funds to

purchase school buses, make building renovations, and implement other necessary improvements to school facilities.

- From 2019 to 2022, the bank provided grants totaling \$66,164 to the Northern New York Community Foundation (NNCF). This non-profit organization provides numerous scholarships to area students, the majority of whom come from low- and moderate-income families. In addition, the NNCF provides grants to other non-profit organizations to assist with ongoing operations. The majority of the recipients are community development organizations that primarily service low- and moderate-income families.
- In 2021, the bank donated \$5,000 to the Clayton Improvement Association (CIA). This non-profit organization serves low- and moderate-income individuals by owning and managing affordable housing. It also participates in community development projects in its service area consisting of ten towns in northern Jefferson County. The CIA receives funding from the New York State's Homes & Community Renewal Rural Preservation Program.

Responsiveness to Credit and Community Development Needs

WSB exhibits adequate responsiveness to credit and community economic development needs. The bank's qualified investment and grants are responsive to existing AA credit needs by facilitating community services, promoting affordable housing, and helping to revitalize and/or stabilize primarily low- and moderate-income areas.

Community Development Initiatives

The bank rarely uses innovative or complex investments to support community development initiatives. The bank's new investments since the prior evaluation consist of CRA-qualified municipal bonds. Although these investments support community development, they are not innovative or complex. However, given the AA's demographics and its largely rural nature, there are limited formal opportunities for innovative or complex qualified investments.

SERVICE TEST

WSB's Service Test performance is rated "Outstanding." The bank's excellent performance under the Community Development Services criterion primarily supports this rating.

Accessibility of Delivery Systems

Delivery systems are accessible to essentially all portions of the bank's AA. The following table illustrates the distribution of the bank's offices and ATMs by geography income level.

Branch and ATM Distribution by Geography Income Level								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	5	19.2	21,780	18.3	1	11.1	1	7.1
Middle	17	65.4	88,591	74.5	8	88.9	13	92.9
Upper	2	7.7	8,476	7.1	0	0.0	0	0.0
NA	2	7.7	100	0.1	0	0.0	0	0.0
Total	26	100.0	118,947	100.0	9	100.0	14	100.0
<i>Source: 2015 ACS data and Bank Records</i>								

As shown in the table, the percentage of the bank’s offices and ATMs in the moderate-income census tracts is lower than the percentage of tracts of that income category and the percentage of the population residing in those tracts. However, WSB has two branches in middle-income tracts that are immediately adjacent and within walking distance to the moderate-income tracts in the city of Watertown. Specifically, the Main Office and the State Street Office are across the street from moderate-income tracts. In addition, both of these offices have ATMs. As a result, three bank branches, or 33.3 percent, and three ATMs, or 21.4 percent, are located in or immediately adjacent to moderate-income census tracts in this AA, which exceeds the percentage of moderate-income tracts and the population residing in those tracts.

Furthermore, a low-cost bus system operates throughout the city of Watertown area, where four of the bank’s offices are located. This low-cost mode of transportation improves the accessibility of WSB’s offices to low- and moderate-income individuals within the Watertown area by allowing them physical access to any of the bank’s offices.

In addition to physical access to the bank’s offices and ATMs, WSB offers other alternative delivery systems that further improve accessibility, including the following:

- *Mobile banking* – This free service is available 24 hours a day, 7 days a week, and allows customers to see their account history, transfer money between accounts, and make loan payments.
- *Internet banking services* – This service allows customers to perform many of the same services as mobile banking customers, but includes online bill paying services at no charge.
- *Telephone banking* – This free service allows customers 24-hour access to their accounts in order to check account balances, transfer funds between deposit accounts, and make a bank loan payment.
- *Remote deposit capture* – This is a service for business customers, whereby the customers can make deposits at their place of business using bank equipment provided at a low cost.

Changes in Branch Locations

To the extent changes have been made, the bank's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies or to low- and moderate-income individuals. During the evaluation period, the bank did not open or close any branches.

Reasonableness of Business Hours and Services

Services and hours of operation do not vary in a way that inconveniences certain portions of the bank's AA, particularly low- and moderate- income geographies and/or individuals.

All bank branches offer regular business hours Monday to Wednesday, as well as extended hours on Thursday and Friday. In addition, all branches offer Saturday hours, with the exception of the Main Office; however, the accommodation office (drive-thru only), which is located directly across the street from the Main Office, is open Saturdays. All branch offices except for the Sackets Harbor Office have an ATM on-site that is available 24-hours a day; although, there is a remote 24-hour ATM in the village of Sackets Harbor, near the bank office. In addition, the bank offers several free alternative options for customers to conduct banking transactions after regular business hours, as described previously.

WSB also offers five low-cost deposit accounts options. The Traditional Checking, Basic Banking, and Student Banking are non-interest bearing checking accounts that require only \$25 to open. They have no minimum daily balance requirements and no monthly service charges. The Money Market Deposit and Money Market Savings accounts are interest-bearing accounts that require only \$10 to open, have a \$100 minimum balance to earn interest, and do not charge any monthly service fees.

Community Development Services

WSB is a leader in providing community development services. This criterion receives the most weight in the Service Test rating and drives the bank's overall performance under this test.

Officers and employees of the bank are involved in local community development and non-profit organizations in various capacities. Bank personnel provide these organizations with financial and management expertise while serving as directors, committee members, officers, and volunteers. During the evaluation period, officers and employees provided 72 instances of financial expertise or technical assistance to community development-related organizations in the AA. The bank's level of services exhibited a 35.8 percent increase since the previous evaluation period, driven by the bank's active involvement with organizations within its AA.

The following table summarizes the community service efforts by year and purpose.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2019	0	11	6	0	17
2020	0	9	8	0	17
2021	0	11	8	0	19
2022 YTD	0	11	8	0	19
Total	0	42	30	0	72
<i>Source: Bank Records</i>					

The following are some examples of the bank’s community development services:

- The bank’s chief operating officer served as a board member and treasurer of the Watertown Industrial Center Local Development Corporation. The organization works with city government and the private sector to facilitate job creation and retention in the community by providing businesses with leased facilities at affordable rents.
- The bank’s president serves as a board member and a regional loan committee member of the New York State Business Development Corporation. This statewide economic development organization provides financial assistance to small businesses. The organization also supports the development of manufacturing and commercial facilities, which helps to increase job opportunities and promote economic development throughout the state, including within the bank’s AA.
- A commercial credit analyst was a president and a member of the finance committee for the Community Action Planning Council of Jefferson County. This organization helps to support low- and moderate-income people through community service programs. These programs are designed to alleviate poverty, promote self-sufficiency, and advance community prosperity.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners reviewed the bank’s compliance with the laws relating to discrimination and other illegal credit practices, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices; therefore, this consideration did not affect the institution’s overall CRA rating.

APPENDICES

LARGE BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) through its lending activities by considering a bank's home mortgage, small business, small farm, and community development lending. If consumer lending constitutes a substantial majority of a bank's business, the FDIC will evaluate the bank's consumer lending in one or more of the following categories: motor vehicle, credit card, other secured, and other unsecured. The bank's lending performance is evaluated pursuant to the following criteria:

- 1) The number and amount of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, in the bank's assessment area;
- 2) The geographic distribution of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on the loan location, including:
 - i. The proportion of the bank's lending in the bank's assessment area(s);
 - ii. The dispersion of lending in the bank's assessment areas(s); and
 - iii. The number and amount of loans in low-, moderate-, middle- and upper-income geographies in the bank's assessment area(s);
- 3) The distribution, particularly in the bank's assessment area(s), of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on borrower characteristics, including the number and amount of:
 - i. Home mortgage loans low-, moderate-, middle- and upper-income individuals
 - ii. Small business and small farm loans to businesses and farms with gross annual revenues of \$1 million or less;
 - iii. Small business and small farm loans by loan amount at origination; and
 - iv. Consumer loans, if applicable, to low-, moderate-, middle- and upper-income individuals;
- 4) The bank's community development lending, including the number and amount of community development loans, and their complexity and innovativeness; and
- 5) The bank's use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low- and moderate-income individuals or geographies.

Investment Test

The Investment Test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through qualified investments that benefit its assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s). Activities considered under the Lending or Service Test may not be considered under the investment test. The bank's investment performance is evaluated pursuant to the following criteria:

- 1) The dollar amount of qualified investments;
- 2) The innovativeness or complexity of qualified investments;
- 3) The responsiveness of qualified investments to available opportunities; and
- 4) The degree to which qualified investments are not routinely provided by private investors.

Service Test

The Service Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of the bank's systems for delivering retail banking services and the extent and innovativeness of its community development services.

The bank's retail banking services are evaluated pursuant to the following criteria:

- 1) The current distribution of the bank's branches among low-, moderate-, middle-, and upper-income geographies;
- 2) In the context of its current distribution of the bank's branches, the bank's record of opening and closing branches, particularly branches located in low- or moderate-income geographies or primarily serving low- or moderate-income individuals;
- 3) The availability and effectiveness of alternative systems for delivering retail banking services (*e.g.*, RSFs, RSFs not owned or operated by or exclusively for the bank, banking by telephone or computer, loan production offices, and bank-at-work or bank-by-mail programs) in low- and moderate-income geographies and to low- and moderate-income individuals; and
- 4) The range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

The bank's community development services are evaluated pursuant to the following criteria:

- 1) The extent to which the bank provides community development services; and
- 2) The innovativeness and responsiveness of community development services.

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose bank:
 - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
 - (ii) Benefits the bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

Community Development Service: A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the bank's retail banking services under § 345.24(d).

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

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 statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (e.g., geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Micropolitan Statistical Area: CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as non-MSA): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

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

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area’s population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

Upper-Income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.