

PUBLIC DISCLOSURE

July 14, 2025

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			
Low Satisfactory	X		
Needs to Improve		X	
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 **Low Satisfactory.**

- Watertown Savings Bank's (WSB) lending levels reflect excellent responsiveness to the credit needs of its assessment area.
- The bank made a substantial majority of its loans in its assessment area.
- The geographic distribution of loans reflects adequate penetration throughout the assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, good penetration among businesses of different sizes and borrowers of different income levels overall.
- The bank makes limited use of innovative or flexible lending practices to serve the credit needs of its assessment area.
- WSB made an adequate level of community development loans

The Investment Test is rated Needs to Improve.

- WSB has a poor level of qualified community development investments.
- The bank exhibits poor 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 readily accessible to all portions of the bank's assessment area, including low- and moderate-income areas.
- 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.
- The bank is a leader in providing community development services.

DESCRIPTION OF INSTITUTION

Background

WSB is a mutual savings bank headquartered in Watertown, New York, and serves Jefferson County within the North Country and Thousand Islands region of New York State. WSB has no holding company relationships. The bank operates two wholly owned subsidiaries, including Commercial Property, Inc., which holds bank-owned real estate; and WSB Municipal Bank, which holds municipal deposits.

WSB received a "Satisfactory" rating at its previous FDIC Performance Evaluation dated September 19, 2022, based on Interagency Large Institution CRA Examination Procedures.

Operations

WSB operates nine full-service offices, all located in Jefferson County, New York. Bank offices operate 24-hour automated teller machines (ATM) on-site, with the lone exception being the Sackets Harbor office that maintains an offsite ATM nearby due to space limitations. In addition, the bank operates four stand-alone ATMs throughout Jefferson County within the villages of Dexter (a market store), Adams (gas station), Sackets Harbor (waterfront dock), and LaFargeville (public

library). The bank closed two off-site ATMs during the evaluation period within the City of Watertown due to low usage. 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, 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.

WSB's business focus continues to be on small business and residential home mortgage lending, with no relevant changes since the prior evaluation.

Ability and Capacity

As of March 31, 2025, the bank reported total assets of \$925.4 million and total deposits of \$760.2 million. Loans represent the bank's primary asset at \$566.3 million, and securities total \$229.9 million. The following table illustrates the loan portfolio composition as of March 31, 2025.

Loan Portfolio Distribution		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	18,223	3.2
Secured by Farmland	0	0
Secured by 1-4 Family Residential Properties	215,113	38.0
Secured by Multifamily (5 or more) Residential Properties	23,976	4.2
Secured by Nonfarm Nonresidential Properties	229,611	40.5
Total Real Estate Loans	486,923	85.9
Agricultural Production and Other Loans to Farmers	10	< 0.1
Commercial and Industrial Loans	56,815	10.0
Consumer Loans	22,407	3.9
Other Loans	164	< 0.1
Total Loans	566,319	100.0
<i>Source: Reports of Condition and Income (3/31/2025); 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 AREA

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

The following sections discuss economic and demographic information for the AA.

Economic and Demographic Data

According to the 2020 U.S. Census Data, the AA is composed of 36 census tracts, including 0 low-, 6 moderate-, 20 middle-, 8 upper-, and 2 NA-income census tracts. The following table details the demographic information for this AA.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	36	0.0	16.7	55.6	22.2	5.6
Population by Geography	116,721	0.0	22.8	56.0	21.0	0.2
Housing Units by Geography	60,119	0.0	19.6	55.7	24.7	0.0
Owner-Occupied Units by Geography	23,980	0.0	12.2	58.7	29.1	0.0
Occupied Rental Units by Geography	19,066	0.0	37.3	47.7	15.0	0.0
Vacant Units by Geography	17,073	0.0	10.2	60.4	29.4	0.0
Businesses by Geography	8,309	0.0	23.6	49.6	26.6	0.1
Farms by Geography	433	0.0	7.4	64.4	28.2	0.0
Family Distribution by Income Level	28,391	20.4	18.5	21.3	39.9	0.0
Household Distribution by Income Level	43,046	22.3	17.2	18.4	42.2	0.0
Median Family Income MSA - 48060 Watertown-Fort Drum, NY MSA		\$66,711	Median Housing Value			\$154,309
			Median Gross Rent			\$982
			Families Below Poverty Level			9.4%
Source: 2020 U.S. Census and 2024 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.						

According to 2024 D&B data, there were 8,309 non-farm business establishments in the AA. Service industries represent the greatest percentage of these businesses at 34.6 percent, followed by non-classifiable industries at 20.9 percent, retail trade at 13.8 percent, finance and insurance at 10.4 percent, construction at 7.1 percent, transportation at 4.7 percent, and public administration at 3.6 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.

- 83.1 percent have GARs of \$1 million or less;
- 4.0 percent have GARs of more than \$1 million; and
- 12.9 percent have unknown revenues.

Examiners used the median family income ranges derived from the 2022, 2023, and 2024 Federal Financial Institutions Examination Council (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				
2022 (\$72,700)	<\$36,350	\$36,350 to <\$58,160	\$58,160 to <\$87,240	≥\$87,240
2023 (\$81,500)	<\$40,750	\$40,750 to <\$65,200	\$65,200 to <\$97,800	≥\$97,800
2024 (\$73,100)	<\$36,550	\$36,550 to <\$58,480	\$58,480 to <\$87,720	≥\$87,720
<i>Source: FFIEC</i>				

According to Moody’s Analytics, the area maintains weak demographic trends with a shrinking working-age population and persistent outmigration, which serves to inhibit new businesses locating to the area. In addition, housing affordability has continued to decline in recent years due to rising prices and limited inventory of livable housing stock. Housing costs have increased due, in part, to the high home mortgage interest rates, which particularly impacts low- and moderate-income families.

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 3,700 civilians working on or near the base.

The unemployment rate for the Watertown-Fort Drum, NY MSA was 3.4 percent as of May 2025, which was slightly lower than the state and national rate of 4.0 percent and 4.2 percent, respectively. However, although the AA’s unemployment rate is relatively low in historical terms, it masks some economic weakness. A shrinking workforce is pushing the rate lower, with a labor force participation rate of only 56.6 percent, as of December 2024. Specifically, older workers are retiring early and college graduates are leaving the area. The population outmigration trend impedes economic growth and recovery at the local level.

Competition

There is competition for small business loans within the AA. Based on the 2023 aggregate small business data, 60 lenders reported 1,596 small business loans. The top ten lenders account for 84.1 percent of total loans; however, the top lenders are predominantly large national banks that originate business credit cards.

There is also competition for 1-4 family home mortgage loans among the area's banks, credit unions, and non-depository mortgage lenders. According to the 2023 aggregate Home Mortgage Disclosure Act (HMDA) data, 100 lenders originated or purchased 2,124 home mortgage loans. The top ten lenders, which includes WSB, accounted for 67.1 percent of total loans and included a mix of primarily local credit unions, regional mortgage companies, and a regional multi-billion institution.

The AA is also a competitive market for financial services. According to the FDIC Deposit Market Share report as of June 30, 2024, nine financial institutions operated 31 offices within the AA. Of these institutions, WSB ranked first with a 37.3 percent deposit market share. Including WSB, the five most prominent institutions accounted for 93.9 percent of all deposits, composed of two large multi-billion regional financial institutions serving much larger multi-regional or multi-state areas, as well as two other local institutions.

Community Contact

Examiners contacted a non-profit affordable housing organization to gain insights into the AA's credit and community development needs. The contact noted many individuals in the area lack financial literacy and education, including a general understanding of the banking products and services available to them and how to access financial resources. Additionally, many residents struggle with finding affordable housing, as the contact referenced their affordable housing assistance program and the large number of people it has serviced in the area. In addition, the contact stated that there is a lack of small business support and resources due to the area's weak population demographics and persistent outmigration trends, particularly for working-age individuals, as well as the area's historically low level of entrepreneurship and private business start-ups.

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. Additionally, community development services relating to financial literacy and homebuyer outreach and education are also needed, as well as literacy, education, and technical support for small businesses.

SCOPE OF EVALUATION

General Information

Examiners used the Interagency Large Institution CRA Examination Procedures to evaluate WSB's performance since the previous evaluation dated September 19, 2022, to the current evaluation date of July 14, 2025. The procedures consist of the Lending, Investment, and Service Tests (see Appendices). 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.

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

Activities Reviewed

Examiners analyzed WSB's lending performance using small business and 1-4 family home mortgage loan data, as these loan types represent the bank's major product lines based on a review of bank records, business strategy, loan portfolio composition, and discussions with bank management. Examiners did not analyze small farm lending, as WSB made just one small farm loan during the review period and it did not affect the bank's overall performance and rating.

Examiners reviewed the bank's small business loans for 2022, 2023, and 2024. Small business loans include commercial real estate or commercial and industrial loans and lines of credit in amounts of \$1 million or less. The bank reported 831 small business loans totaling \$112.1 million during the three-year review period. Examiners compared the bank's record of small business lending to Dun & Bradstreet (D&B) demographic data each year and aggregate small business loan data for 2022 and 2023 only, since 2024 aggregate data is not yet available.

Examiners reviewed the bank's 1-4 family home mortgage loans for 2022, 2023, and 2024, which included residential loans subject to the HMDA data reporting requirements. The HMDA-reportable loans include home purchase and home improvement loans, including refinancing, on 1-4 family and multifamily (five or more unit) properties. The bank's HMDA activity included mostly 1-4 family mortgage loans during the review period, with 629 loans totaling \$103.3 million. WSB made 9 multifamily loans totaling \$8.2 million during the review period, which is nominal activity relative to its total HMDA lending. As a result, this evaluation presents the bank's multifamily lending within the Assessment Area Concentration criterion only, since it did not affect the bank's overall performance and rating. Examiners compared the bank's 1-4 family residential lending to the U.S. Census data each year and the aggregate HMDA data for 2022 and 2023, as 2024 aggregate data is not yet available.

Under the Lending Test, examiners placed more weight on the small business loans based on the number of loans originated and discussions with bank management; although, the bank's 1-4 family lending was still material to the overall performance conclusions. The lending review included originations only, as the bank does not purchase loans. In addition, while the evaluation presents

the number and dollar volume of loans, examiners emphasized performance by number of loans because the number of loans is a better indicator of the number of individuals and businesses served.

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 also reviewed the bank's community development loans, investments, and services for the period since the previous CRA evaluation. Qualified investments included new investments and grants, as well as outstanding qualified investments from the prior evaluation.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

WSB's Lending Test performance is rated "Low Satisfactory." The bank's adequate performance in the Geographic Distribution, Community Development Lending, and Innovative or Flexible Lending Practices factors primarily support this conclusion.

Lending Activity

Lending levels reflect excellent responsiveness to AA credit needs. The bank's assets are primarily in loans. As of March 31, 2025, loans totaled \$566.3 million and composed 61.2 percent of total assets. The loan portfolio grew 16.2 percent since the prior evaluation, with a continued focus on commercial and residential lending.

WSB is an active small business lender. During the review period, the bank extended 687 small business loans totaling \$85.7 million within its AA. The 2023 aggregate small business lending data indicated that WSB achieved favorable rankings for its small business lending activity. Specifically, the bank ranked second by number of loans among the 60 lenders that reported one or more small business loan originations and/or purchases, with a market share of 14.5 percent. Notably, most of the top small business lenders were national multi-billion dollar credit card lenders that originated numerous credit card loans for small dollar amounts, whereas WSB had an average loan size of \$120,000. Given the AA's performance context and the bank's comparatively smaller asset size and resources, WSB's small business lending activity is excellent.

WSB is also an active 1-4 family home mortgage lender, as it made 563 home loans totaling \$91.4 million in its AA during the review period. The 2023 aggregate HMDA data shows that WSB ranked fourth out of 100 reporting lenders by number of loans inside the AA, with a market share of 8.1 percent and an average loan size of \$134,000. Examiners noted that the top lenders were large local credit unions, regional mortgage companies, and a regional multi-billion institution. Given the

AA's performance context and the bank's asset size and resources, WSB's 1-4 family lending activity is good.

Assessment Area Concentration

WSB made a substantial majority of its loans inside its AA for each of the bank's primary product lines, including small business and 1-4 family lending. As shown in the following table, the bank originated 85.6 percent of its total loans by number and 82.5 percent by dollar volume inside its AA.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans				Total \$
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
1-4 Family										
2022	242	92.7	19	7.3	261	37,562	91.4	3,526	8.6	41,088
2023	171	88.1	23	11.9	194	22,670	85.1	3,959	14.9	26,629
2024	150	86.2	24	13.8	174	31,201	87.7	4,380	12.3	35,582
Subtotal	563	89.5	66	10.5	629	91,434	88.5	11,866	11.5	103,300
Multifamily										
2022	4	80.0	1	20.0	5	940	57.0	711	43.0	1,651
2023	2	100.0	0	0.0	2	5,970	100.0	0	0.0	5,970
2024	2	100.0	0	0.0	2	551	100.0	0	0.0	551
Subtotal	8	88.9	1	11.1	9	7,461	91.3	711	8.7	8,172
Small Business										
2022	205	65.3	109	34.7	314	28,511	58.2	20,483	41.8	48,994
2023	231	90.2	25	9.8	256	27,619	86.7	4,251	13.3	31,870
2024	251	96.2	10	3.8	261	29,535	94.5	1,720	5.5	31,255
Subtotal	687	82.7	144	17.3	831	85,665	76.4	26,454	23.6	112,119
Total	1,258	85.6	211	14.4	1,469	184,561	82.5	39,031	17.5	223,592
Source: 2022, 2023, and 2024 HMDA Data; 2022, 2023, and 2024 CRA Data. Due to rounding, totals may not equal 100.0%.										

Geographic Distribution

The geographic distribution of loans reflects adequate penetration throughout the AA. 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 moderate-income census tracts.

Small Business Loans

The geographic distribution of small business loans reflects adequate penetration throughout the AA. The following table details the distribution of small business loans by tract income level.

Geographic Distribution of Small Business Loans						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2022	0.0	0.0	0	0.0	0	0.0
2023	0.0	0.0	0	0.0	0	0.0
2024	0.0	--	0	0.0	0	0.0
Moderate						
2022	24.1	18.5	45	22.0	7,316	25.7
2023	23.9	19.0	31	13.4	5,768	20.9
2024	23.6	--	31	12.4	4,058	13.7
Middle						
2022	49.2	55.4	104	50.7	12,110	42.5
2023	49.3	54.4	131	56.7	14,030	50.8
2024	49.6	--	141	56.2	17,770	60.2
Upper						
2022	26.5	26.1	56	27.3	9,085	31.9
2023	26.7	26.7	69	29.9	7,821	28.3
2024	26.6	--	79	31.5	7,707	26.1
Not Available						
2022	0.2	0.0	0	0.0	0	0.0
2023	0.1	0.0	0	0.0	0	0.0
2024	0.1	--	0	0.0	0	0.0
Totals						
2022	100.0	100.0	205	100.0	28,511	100.0
2023	100.0	100.0	231	100.0	27,619	100.0
2024	100.0	--	251	100.0	29,535	100.0
Source: 2022, 2023, and 2024 D&B Data; 2022, 2023, and 2024 CRA Data. Due to rounding, totals may not equal 100.0%.						

In 2022, the bank's performance of small business lending in moderate-income census tracts was slightly below demographic data but exceeded aggregate performance. Examiners assigned more weight to the comparison against aggregate, as it is a better indicator of small business loan demand. In 2023, WSB's lending in moderate-income tracts decreased by number and was below both the demographic data and aggregate performance. In 2024, the bank's percentage of small business loans within moderate-income tracts dropped slightly again and was below the

demographic comparison, though its number of loans remained unchanged from 2023. WSB ranked second in market share of loans in moderate-income census tracts in 2022 and 2023. Overall, considering trends and market share data, the bank's performance was adequate.

1-4 Family Loans

The geographic distribution of 1-4 family loans reflects adequate penetration throughout the AA. The following table details the geographic distribution of 1-4 family loans by tract income level.

Geographic Distribution of 1-4 Family Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2022	0.0	0.0	0	0.0	0	0.0
2023	0.0	0.0	0	0.0	0	0.0
2024	0.0	--	0	0.0	0	0.0
Moderate						
2022	12.2	13.1	19	7.9	1,545	4.1
2023	12.2	15.0	18	10.5	1,677	7.4
2024	12.2	--	17	11.3	1,590	5.1
Middle						
2022	58.7	60.3	125	51.7	17,815	47.4
2023	58.7	59.1	92	53.8	11,391	50.2
2024	58.7	--	76	50.7	14,862	47.6
Upper						
2022	29.1	26.5	98	40.5	18,203	48.5
2023	29.1	25.9	61	35.7	9,603	42.4
2024	29.1	--	57	38.0	14,750	47.3
Not Available						
2022	0.0	0.1	0	0.0	0	0.0
2023	0.0	0.0	0	0.0	0	0.0
2024	0.0	--	0	0.0	0	0.0
Totals						
2022	100.0	100.0	242	100.0	37,562	100.0
2023	100.0	100.0	171	100.0	22,671	100.0
2024	100.0	--	150	100.0	31,201	100.0
Source: 2020 U.S. Census; and 2022, 2023, and 2024 HMDA Data, "--" data not available. Due to rounding, totals may not equal 100.0%.						

In 2022, the bank's percentage of 1-4 family loans within the moderate-income census tracts was below both the demographic and aggregate data. In 2023, WSB's percentage of lending in the moderate-income tracts increased, although it was below demographic data and aggregate performance. While the bank's percentage of 1-4 family loans in the moderate-income census tracts was below the aggregate level in 2022 and 2023, WSB ranked sixth and seventh in lending in moderate-income tracts in 2022 and 2023, respectively. Furthermore, in 2024, the bank's percentage of 1-4 family loans in moderate-income tracts increased further and was comparable to demographics.

Considering the trends and comparisons, as well as market share data, the bank's performance of lending in moderate-income geographies is adequate.

Borrower Profile

The distribution of borrowers reflects, given the demographics of the AA, good penetration of loans to small businesses and to home mortgage borrowers of different income levels. Examiners placed more emphasis on the bank's small business loan performance in arriving at the overall conclusion for this criterion.

Small Business Loans

The distribution of borrowers reflects good penetration of small business loans among businesses of different sizes. Examiners focused on the percentage of small business loans made to businesses with GARs of \$1 million or less by the number of loans, as detailed in the following table.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2022	79.8	47.5	104	50.7	13,566	47.6
2023	82.6	49.8	122	52.8	13,904	50.3
2024	83.1	--	126	50.2	11,187	37.9
>\$1,000,000						
2022	4.9	--	91	44.4	13,594	47.7
2023	4.2	--	100	43.3	12,760	46.2
2024	4.0	--	117	46.6	17,579	59.5
Revenue Not Available						
2022	15.3	--	10	4.9	1,351	4.7
2023	13.2	--	9	3.9	955	3.5
2024	12.9	--	8	3.2	769	2.6
Totals						
2022	100.0	100.0	205	100.0	28,511	100.0
2023	100.0	100.0	231	100.0	27,619	100.0
2024	100.0	--	251	100.0	29,535	100.0
Source: 2022, 2023, and 2024 D&B Data; 2022, 2023, and 2024 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%.						

According to the table, the bank's percentage of small business loans to businesses with GARs of \$1 million or less in 2022 and 2023 was below the demographic data, but exceeded aggregate performance both years. Furthermore, the aggregate small business loan data each year showed that the demand for small business loans from businesses with GARs of \$1 million or less was far below what the demographic data suggests. In 2024, WSB's performance of lending to small businesses increased by number but declined slightly by percentage. These trends and comparisons reflect good performance.

1-4 Family Loans

The distribution of borrowers represents an adequate penetration of 1-4 family loans among retail customers of different income levels. Examiners focused on the percentage of home mortgage loans to low- and moderate-income borrowers by the number of loans, as detailed in the following table.

Distribution of 1-4 Family Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2022	20.4	4.1	16	6.6	1,011	2.7
2023	20.4	4.6	12	7.0	605	2.7
2024	20.4	--	7	4.7	358	1.1
Moderate						
2022	18.5	19.6	38	15.7	3,532	9.4
2023	18.5	20.2	36	21.1	2,946	13.0
2024	18.5	--	23	15.3	1,887	6.0
Middle						
2022	21.3	26.1	49	20.2	5,920	15.8
2023	21.3	24.2	38	22.2	5,002	22.1
2024	21.3	--	32	21.3	4,038	12.9
Upper						
2022	39.9	38.1	123	50.8	23,697	63.1
2023	39.9	35.6	73	42.7	12,595	55.6
2024	39.9	--	78	52.0	23,273	74.6
Not Available						
2022	0.0	12.2	16	6.6	3,402	9.1
2023	0.0	15.4	12	7.0	1,523	6.7
2024	0.0	--	10	6.7	1,645	5.3
Totals						
2022	100.0	100.0	242	100.0	37,562	100.0
2023	100.0	100.0	171	100.0	22,671	100.0
2024	100.0	--	150	100.0	31,201	100.0
Source: 2020 U.S. Census; 2022, 2023, and 2024 HMDA Data, "--" data not available. Due to rounding, totals may not equal 100.0%.						

In 2022 and 2023, the bank's percentage of 1-4 family loans to low-income borrowers was below demographic data but exceeded the aggregate level. In 2024, the bank's performance of lending to low-income borrowers decreased moderately.

In 2022, WSB's percentage of 1-4 family loans to moderate-income borrowers was below both demographic and aggregate data. During 2023, the bank's performance of lending to moderate-income borrowers increased to a level that exceeded both demographic and aggregate data. The bank's performance decreased moderately in 2024. Considering these trends and comparisons, the bank's performance of lending to borrowers of different income levels is adequate.

Innovative or Flexible Lending Practices

The institution makes limited use of innovative or flexible lending practices in order to serve AA credit needs. The following table illustrates the bank's innovative or flexible lending programs during the evaluation period. The bank's performance under this criterion declined compared to the prior evaluation; however, this was specifically due to the bank's extensive participation with the SBA's Paycheck Protection Program (PPP) in response to the COVID-pandemic at the last evaluation, which the SBA terminated in 2021. Examiners noted that for programs outside of the PPP, the bank's performance has materially improved since the prior evaluation.

Innovative or Flexible Lending Programs										
Type of Program	2022		2023		2024		2025-ytd		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
First-time Homebuyer Program	35	5,784	39	5,248	54	7,892	14	2,111	142	21,035
SBA Loan Programs	3	455	3	432	5	654	0	0	11	1,541
Alternate Payment Schedule Program	1	350	2	176	4	988	4	355	11	1,869
Totals	39	6,589	44	5,856	63	9,534	18	2,466	164	24,445
<i>Source: Bank Records. Due to rounding, totals may not equal 100.0%.</i>										

The following discusses the lending programs and products in detail.

- *First-Time Homebuyer Program* – This program waives all application and loan administration fees 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 and with a minimum 5 percent downpayment. This product is available for fixed-rate loans at the current market rate and adjustable-rate products with the interest rate set at 0.125 percent below the market rate. 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 Programs* – These programs allow borrowers to obtain commercial financing with a 15 percent minimum down payment versus the 20 - 25 percent required for conventional commercial credit. The SBA typically guarantees 75 percent to 85 percent of the loan amount, which reduces the lender's risk, encouraging them to lend to a broader range of businesses, including those with less traditional credit profiles, which is particularly helpful for small businesses. Additionally, the program permits reduced documentation, which expedites the loan approval process.
- *Alternate Payment Schedules Program* – This program offers bank customers the ability to restructure loan payments to meet their respective cashflow needs, which is a particular need for those businesses that are seasonal in nature. Such flexibility includes lower monthly payments during the offseason, which consist of interest only on a temporary basis, which helps to lower loan costs while still keeping the loan current. This program is particularly beneficial to small businesses.

Community Development Loans

WSB made an adequate level of community development loans. Community development loans totaled \$10.2 million and represented 1.1 percent of total assets (\$925.4 million) and 4.4 percent of total loans (\$229.9 million) as of March 31, 2025. This level reflects a decrease from the prior evaluation, at which time the bank had received community development loan consideration for a significant volume of loans through the SBA's PPP program in response to the COVID-19 pandemic. The following table shows the bank's community development lending activity.

Community Development Lending										
Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$	#	\$	#	\$	#	\$	#	\$
2022	0	0	0	0	0	0	0	0	0	0
2023	0	0	7	2,135	0	0	0	0	7	2,135
2024	1	3,000	5	775	0	0	1	2,500	7	6,275
2025-ytd	0	0	0	0	1	1,750	0	0	1	1,750
Total	1	3,000	12	2,910	1	1,750	1	2,500	15	10,160
<i>Source: Bank Data</i>										

The following are examples of the bank's community development loans.

- In 2023, WSB renewed a \$500,000 line of credit to a non-profit organization that provides community development services to low- and moderate-income individuals. The local organization helps those recently released from incarceration by working to get Medicaid reinstated and addressing the basic needs of shelter, food, and clothing.
- In 2024, the bank contributed \$3,000,000 to a participation loan to create affordable housing in Watertown. The loan was used to construct a 63-unit affordable housing property. All units in the building are affordable, including 31 units set aside for homeless individuals with mental health or substance abuse disorders, 24 units set aside for low-income individuals, and 8 units set aside for the Section 8 New York Housing Choice Voucher Program.
- In 2025, the bank made a \$1.8 million loan to a local boat museum for the expansion of its facility and the construction of a new building in Clayton, which promoted economic development through the retention of jobs and contribute to the area's economic vitality. The new building will be used as a workshop and workspace for its mechanics and educators, which are primarily moderate-income wage positions. The museum met the size standards of the SBA's Investment Company Program as a small business.

INVESTMENT TEST

WSB's Investment Test performance is rated "Needs to Improve." The bank's poor performance under the Investment and Grant Activity criterion primarily supports this rating.

Investment and Grant Activity

WSB has a poor level of qualified community development investments and grants, rarely in a leadership position, particularly those that are not routinely provided by private investors, which is a downgrade from the prior evaluation.

During the evaluation period, WSB had qualified community development investments and grants totaling approximately \$778,195, which represents a decrease from the \$1.7 million at the prior evaluation. The dollar amount of qualified investments and grants represents approximately 0.1 percent of total assets and 0.3 percent of total securities, as of March 31, 2025. Notably, 35.1 percent of qualified investments were made prior to the current evaluation period.

Management indicated that qualified investment opportunities within the AA are limited primarily to municipal bonds to area schools, as well as grants and donations to community development organizations, which is a function of the AA's primarily rural nature throughout Jefferson County. The lone population center of note is the City of Watertown, which maintains a population of less than 25,000 per the 2020 U.S. Census data. Despite this limitation, the bank's level of qualified investments is poor.

The following table illustrates the bank's qualified investments.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	2	273	0	0	0	0	2	273
2022	0	0	1	200	0	0	0	0	1	200
2023	0	0	0	0	0	0	0	0	0	0
2024	0	0	3	170	0	0	0	0	3	170
Subtotal	0	0	6	643	0	0	0	0	6	643
Qualified Grants & Donations	0	0	38	129	2	6	0	0	40	135
Total	0	0	44	772	2	6	0	0	46	778

Source: Bank Records

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

- During the evaluation period, the bank purchased four new bonds totaling \$370,000 to support area schools that primarily serve low- and moderate-income families. The majority

of the students in these districts are eligible for free or reduced price lunches. The districts used the funds to purchase transport vehicles and buses.

- WSB maintains a \$248,000 outstanding balance on a prior period investment with a minority depository institution (MDI) that operates in the broader New York statewide area that includes the AA.
- The bank made three donations totaling \$15,000 to the Volunteer Transportation Center. This non-profit organization provides free transportation, primarily to low- and moderate-income individuals, for medical appointments, for assistance from social service agencies, and for groceries or other essential items. The This organization serves the North Country of Upstate New York, which includes the bank's AA.
- Since the last evaluation, the bank made four donations totaling \$13,300 to the Watertown Urban Mission. This non-profit organization works in conjunction with local churches, businesses, and human service agencies to provide various community services primarily to low- and moderate-income individuals throughout Watertown.

Responsiveness to Credit and Community Development Needs

WSB exhibits poor responsiveness to credit and community economic development needs in the AA during the evaluation period. Despite the limited opportunity for community development investments within the AA, the bank's qualified investments and grants demonstrate poor responsiveness to AA credit and community development needs overall.

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 solely 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 readily accessible to all portions of the institution'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	6	16.7	26,628	22.8	2	22.2	2	16.7
Middle	20	55.6	65,382	56.0	3	33.3	4	33.3
Upper	8	22.2	24,513	21.0	4	44.4	6	50.0
NA	2	5.6	198	0.2	0	0.0	0	0.0
Total	36	100.0	116,721	100.0	9	100.0	12	100.0
<i>Source: 2020 U.S. Census & Bank Data. Due to rounding, totals may not equal 100.0%</i>								

As shown in the table, the percentage of the bank's offices and ATMs in moderate-income census tracts exceeds the percentage of moderate-income tracts and the percentage of the population residing in those tracts. Additionally, the bank's Main Office and State Street Office, both of which have ATMs, closely border moderate-income census tracts. As a result, four bank branches, or 44.4 percent, and four ATMs, or 33.3 percent, are in or immediately adjacent to moderate-income census tracts in the AA.

Moreover, Watertown has a local, low-cost bus service called CitiBus, which operates a fixed route and paratransit services within the city during business hours. CitiBus offers monthly, unlimited ride plans as well as half-fare programs for those who are financially eligible. This low-cost mode of transportation improves the accessibility of four of the bank's offices to low- and moderate-income individuals within the Watertown area.

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

- *Mobile banking* – This service is offered through the bank's mobile application and is available 24 hours a day, 7 days a week. It allows customers to see their account balances and transaction history, transfer money between accounts, make loan payments, and make remote check deposits. This service also allows customers to message customer service representatives for information on products and services.
- *Internet banking services* – This service allows customers to perform many of the same services as mobile banking customers and 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, make loan payments, and inquire about products and services.

Changes in Branch Locations

To the extent changes have been made, the institution's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/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, as applicable.

All branches offer regular business hours Monday through Friday, 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 drive-thru only location, which is located directly across the street from the main office, is open Saturdays. All branches 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 located 0.3 miles down the street from the Sackets Harbor office. In addition, the bank offers several free alternative options for customers to conduct banking transactions after regular business hours, as described previously.

WSB offers several low-cost deposit products. 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 Savings Account and Money Market Account 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 in its AA.

During the evaluation period, bank directors, officers, and employees provided 84 instances of financial expertise or technical assistance to community development-related organizations in and around the AA. This level of community development services represents a 16.7 percent increase from its strong performance at the prior evaluation, which demonstrates WSB is actively involved with local community organizations. Examiners also acknowledged the bank's strong performance given the geographically large swath of its AA that is rural, and the area's limited population centers in general, which serve to limit opportunities to participate with such qualified community development services. WSB's efforts primarily addressed the community service and economic development needs of its AA.

The following table illustrates the bank's community development services by year and purpose.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2022	0	2	4	2	8
2023	0	7	4	2	13
2024	0	33	6	4	43
2025-ytd	0	10	6	4	20
Total	0	52	20	12	84
<i>Source: Bank Data</i>					

The following are examples of the bank's community development services.

- Two bank officers held financial literacy presentations at a local senior home to educate seniors on financial elder abuse and how to avoid targeted fraud schemes and scams. All those in attendance were low- or moderate-income individuals.
- The bank's Vice President of Commercial Lending served as a Board member for the Jefferson County Local Development Corporation. The organization's mission is centered on leading economic development in the county and providing access to tools and programs that support small business expansion. The corporation has facilitated entrepreneurship, housing development, economic activity in the county's downtown areas, small business retention, and job creation in the AA.
- The bank's Business Development Officer oversaw an income-based, YMCA program that assisted low-income families with daycare, schooling, and activities during summer months. Bank employees presented financial literacy presentations to program participants on basic banking and saving practices.
- The bank's Director of Human Resources served as a Board member of Literacy of Northern New York. The organization provides reading, writing, and mathematic assistance to adults who have English as a second language. A majority of those served by the organization are of low- and moderate-incomes.

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.

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.