



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

One State Street
New York, NY 10004

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: December 31, 2012

Institution: Ulster Savings Bank
180 Schwenk Drive
Kingston, NY 12401

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

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GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of Ulster Savings Bank (“USB”) prepared by the New York State Department of Financial Services (“DFS” or the “Department”). This evaluation represents the Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of December 31, 2012.

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

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

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

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

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

OVERVIEW OF INSTITUTION'S PERFORMANCE

USB is evaluated according to the intermediate small bank performance criteria pursuant to Part 76.7 and Part 76.12 of the General Regulations of the Superintendent. This assessment period included calendar years 2010, 2011 and 2012. USB is rated "2," indicating a "**Satisfactory**" record of helping to meet community credit needs.

The rating is based on the following factors:

Lending Test: "Satisfactory"

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

USB's HMDA-reportable and small business lending activities were reasonable in light of aggregate and peer group activity and demographics. During this period, USB ratios were consistently higher than its peer group, ranging from a low of 86.9% in the third quarter of 2012 to a high of 93.5% in the first quarter of 2010; its peer group's LTD ratios ranged from a low of 80.0% in the third quarter of 2011 to a high of 85.7% in the first quarter of 2010.

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

During the evaluation period, USB originated 80.4% by number and 71.4% by dollar value of its HMDA-reportable and small business loans within the assessment area.

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

The distribution of loans based on borrower characteristics demonstrated a reasonable rate of lending among individuals of different income levels, and businesses of different revenue sizes.

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

The distribution of loans based on lending in census tracts of varying income levels demonstrated a reasonable rate of lending.

The distribution of small business loans based on the revenue size of the business demonstrated a reasonable rate of lending among individuals of different income levels and businesses of different revenue sizes.

Action Taken in Response to Written Complaints with Respect to CRA:

Since the latest CRA evaluation as of December 31, 2012, neither USB nor DFS received any written complaints regarding USB's CRA performance.

Community Development Test (Loans, Investments, Services): “Satisfactory”

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

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

During the evaluation period, USB originated \$10.4 million in new community development loans, and had \$3.0 million outstanding from prior evaluation periods. This demonstrated a reasonable level of community development lending over the course of the evaluation period. On an annualized basis USB’s community development loans represented 0.62% of its assets.

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

During the evaluation period and prior to this evaluation period, USB did not make any community development investments. However, USB made 248 qualified community development grants totaling \$1.0 million, which represented 0.06% of USB’s assets. This demonstrated a reasonable level of community development investments over the course of the evaluation period.

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

USB demonstrated an excellent level of community development services over the course of the evaluation period. USB provided several qualified community development services through its participation in and affiliation with various community groups, associations and nonprofit organizations. Below are highlights of USB’s community development services.

- **Responsiveness to Credit and Community Development Needs:**

USB demonstrated reasonable level of responsiveness to credit and community development needs through its community development lending and flexible programs, grants, community development services and outreach programs.

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

PERFORMANCE CONTEXT

Institution Profile

USB is a mutual savings bank that is Federal Deposit Insurance Corporation (“FDIC”) insured. Chartered in 1851 by the New York State legislature, it was the first savings bank in Ulster County, New York.

USB operates as a community bank providing traditional, community-oriented services to individuals and businesses in its service area in Ulster, Putnam, Westchester, Greene, Orange, Suffolk, and Dutchess counties.

Per the Consolidated Report of Condition (the “Call Report”) as of December 31, 2012, filed with the FDIC, USB reported total assets of \$723.7 million, of which \$541.5 million were net loans and lease finance receivables. It also reported total deposits of \$625.3 million, resulting in a loan-to-deposit ratio of 86.6%. According to the latest available comparative deposit data as of June 30, 2012, USB had a market share of 4.53%, or \$641.4 million in a market of \$14.1 billion, ranking it 9th among 37 deposit-taking institutions in the assessment area.

The following is a summary of USB’s loan portfolio, based on Schedule RC-C of USB’s December 31, 2010, 2011 and 2012 Call Reports:

| TOTAL GROSS LOANS OUTSTANDING | | | | | | |
|---------------------------------------|----------------|------|----------------|------|----------------|------|
| Loan Type | 2010 | | 2011 | | 2012 | |
| | \$000's | % | \$000's | % | \$000's | % |
| 1-4 Family Residential Mortgage Loans | 401,458 | 68.9 | 403,921 | 69.9 | 404,585 | 72.7 |
| Commercial & Industrial Loans | 9,505 | 1.6 | 5,808 | 1.0 | 5,900 | 1.1 |
| Commercial Mortgage Loans | 97,288 | 16.7 | 89,601 | 15.5 | 83,655 | 15.0 |
| Multifamily Mortgages | 14,129 | 2.4 | 19,310 | 3.3 | 20,103 | 3.6 |
| Consumer Loans | 1,868 | 0.3 | 1,369 | 0.2 | 1,056 | 0.2 |
| Agricultural Loans | 0 | 0.0 | 126 | 0.0 | 0 | 0.0 |
| Construction Loans | 58,000 | 10.0 | 56,569 | 9.8 | 39,830 | 7.2 |
| Other Loans | 602 | 0.1 | 886 | 0.2 | 1,259 | 0.2 |
| Total Gross Loans | 582,850 | | 577,590 | | 556,388 | |

As illustrated in the above chart, USB is primarily a residential real estate lender, with 76.3% of its loan portfolio in 1- 4 residential family and multifamily loans, followed by commercial mortgage loans at 15.0%. While USB’s total gross loan portfolio trended downward, residential lending was up slightly, adding 0.8% or \$3.1 million from 2010 to 2012.

In terms of the concentration of loans within USB’s assessment area, however,

particularly for the 1 – 4 family and small business mortgage loans that were the focus of this CRA examination, USB’s lending inside the assessment area by dollar value was just \$390.9 million for HMDA-reportable loans and \$31.5 million for small business loans.

USB operates 14 retail branch locations, of which four are located in Dutchess, one in Greene and nine in Ulster County. Supplementing the banking offices is an automated teller machine (“ATM”) network operating from each of the branches except the Wappingers Falls branch. In addition, USB has two off-site ATMs at SUNY Ulster Campus in Stone Ridge, NY and SUNY New Paltz Campus in New Paltz, NY, both located in Ulster County.

There are no known financial or legal impediments that had an adverse impact on USB’s ability to meet the credit needs of its community.

Assessment Area

USB’s assessment area is comprised of Dutchess, Greene, Orange and Ulster counties in their entirety.

There are 220 census tracts in the area, of which 12 are low-income, 33 are moderate-income, 129 are middle-income, 43 are upper-income and three are tracts with no income indicated.

| Assessment Area Census Tracts by Income Level | | | | | | | | | |
|--|-----|-----|-----|--------|-------|-------|-------|----------------------------|---------------------|
| County | N/A | Low | Mod | Middle | Upper | Total | LMI % | Dis-tressed & Under-served | LMI & Dis-tressed % |
| Dutchess | 2 | 5 | 10 | 47 | 15 | 79 | 19.0 | 0 | 19% |
| Greene | 1 | 0 | 2 | 9 | 3 | 15 | 13.3 | 0 | 13% |
| Orange | 0 | 7 | 14 | 40 | 18 | 79 | 26.6 | 0 | 27% |
| Ulster | 0 | 0 | 7 | 33 | 7 | 47 | 14.9 | 0 | 15% |
| Total | 3 | 12 | 33 | 129 | 43 | 220 | 20.5 | 0 | 20% |

The assessment area appears reasonable based upon the location of USB’s offices and its lending patterns. There is no evidence that USB has arbitrarily excluded LMI areas.

Demographic & Economic Data

The assessment area had a population of 902,015 during the examination period. About 12.4% of the population were over the age of 65 and 20.6% were under the age of sixteen.

Of the 220,758 families in the assessment area, 20.2% were low-income, 17.8% were moderate-income, 22.6% were middle-income and 39.4% were upper-income families. There were 320,524 households in the assessment area, of which 8.9% had income below the poverty level and 1.8% were on public assistance.

Weighted average median family income in the assessment area was \$79,551.

There were 364,398 housing units within the assessment area, of which 87.5% were one- to four-family units, and 12.5% were multifamily units. A majority (62.3%) of the area's housing units were owner-occupied, while 27.5% were rental units. Of the 226,934 owner-occupied housing units, 13.4% were in low- and moderate-income census tracts while 86.6% were in middle- and upper-income census tracts. The median age of the housing stock was 46 years and the median home value in the assessment area was \$284,649.

There were 77,390 non-farm businesses in the assessment area. Of these, 72.8% were businesses with reported revenues of less than or equal to \$1 million, 3.4% reported revenues of more than \$1 million and 23.8% did not report their revenues. Of all the businesses in the assessment area, 80.1% were businesses with less than fifty employees while 93.1% operated from a single location. The largest industries in the area were services (43.6%), followed by retail trade (13.3%) and construction (9.1%); 14.1% of businesses in the assessment area were not classified.

According to the New York State Department of Labor, the unemployment rate for New York State declined in 2011 and increased in 2012. Greene and Ulster counties' unemployment rates trended upward with Greene County showing the highest at 9.3% in 2012. Dutchess County had the lowest unemployment rate in all years of the evaluation period.

| Assessment Area Unemployment Rate | | | | | |
|--|-----------|----------|--------|--------|--------|
| | Statewide | Dutchess | Greene | Orange | Ulster |
| 2010 | 8.6 | 7.8 | 8.6 | 8.3 | 8.3 |
| 2011 | 8.2 | 7.6 | 8.8 | 7.9 | 8.3 |
| 2012 | 8.5 | 7.8 | 9.3 | 8.2 | 8.7 |

Community Information

Two community contacts were interviewed for this evaluation: one was a regional council that provides regional perspectives and economic reports and offers planning, education, outreach, and advocacy for the communities. The other was a planning, advocacy and research organization whose mission is to promote balanced and sustainable solutions for the growth of the Hudson Valley region. USB received positive reviews for its participation in various community development activities.

Community contacts noted the following needs: small business financial literacy; business-oriented seminars and advice targeting micro-business set-ups and start-ups; seminars or classes on how to balance checking accounts; advice on how to develop a business plan, apply for grants, market products and services, and manage effectively and efficiently the day-to-day operations of a business; and micro-financing opportunities with flexible underwriting standards to support “mom and pop” businesses. There is also a need for more affordable housing for LMI individuals and families in the assessment area.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

USB was evaluated under the intermediate small banking institution's performance standards in accordance with Parts 76.7 and 76.12 of the General Regulations of the Superintendent of Financial Services which consists of the lending test and the community development test. The lending test includes:

- 1. Loan-to-deposit ratio and other lending-related activities;*
- 2. Assessment area concentration;*
- 3. Distribution by borrower characteristics;*
- 4. Geographic distribution of loans; and*
- 5. Action taken in response to written complaints regarding CRA*

The community development test includes:

- 1. Community development lending;*
- 2. Community development investments;*
- 3. Community development services; and*
- 4. Responsiveness to community development needs*

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

- 1. Extent of participation by the board of directors or board of trustees in formulating CRA policies and reviewing CRA performance;*
- 2. Any practices intended to discourage credit applications;*
- 3. Evidence of prohibited discriminatory or other illegal credit practices;*
- 4. Record of opening and closing offices and providing services at offices; and*
- 5. Process factors, such as activities to ascertain credit needs and the extent of marketing and special credit related programs*

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

The demographic data referred to in this report were derived from the 2010 U.S. Census and HUD. Business demographic data used in this report was based on Dun & Bradstreet reports which are updated annually. Unemployment data were obtained from the New York State Department of Labor. The assessment period included calendar years 2010, 2011 and 2012.

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

Small business/small farm loan aggregate data were shown for comparative purposes only. USB is not required to report this data. Therefore, USB is not included in the aggregate data. Since USB did not make any small farm loans, all analyses were based on small business lending only.

HMDA-reportable loan data used in this performance evaluation represented actual originations. Small business loan data were evaluated on a sample basis.

HMDA-reportable lending was given greater weight in this evaluation, as it represented a substantial majority or 87.5% of the loans in numbers and 92.5% in dollar value evaluated, while small business lending was 12.5% and 7.5%, respectively.

At its **prior** Performance Evaluation as of December 31, 2009, DFS assigned USB a rating of “2” reflecting a “Satisfactory” record of helping to meet community credit needs.

Current CRA Rating: “Satisfactory”

Lending Test: “Satisfactory”

USB’s HMDA-reportable and small business lending activities were reasonable in light of aggregate and peer group activity and the demographics of the assessment area.

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

USB’s average loan-to-deposit (“LTD”) ratio was reasonable considering its size, business strategy, financial condition, aggregate and peer group activity.

For the twelve quarters in the evaluation period, USB’s average LTD ratio was 89.9% while its peer group or market aggregate was 81.9%. During this period, USB’s ratios were consistently higher than its peer group, ranging from a low of 86.9% in the third quarter of 2012 to a high of 93.5% in the first quarter of 2010; while its peer group’s LTD ratios ranged from a low of 80.0% in the third quarter of 2011 to a high of 85.7% in the first quarter of 2010.

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

| Loan-to-Deposit Ratios | | | | | | | | | | | | | |
|-------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|------|
| | 2010 Q1 | 2010 Q2 | 2010 Q3 | 2010 Q4 | 2011 Q1 | 2011 Q2 | 2011 Q3 | 2011 Q4 | 2012 Q1 | 2012 Q2 | 2012 Q3 | 2012 Q4 | Avg. |
| USB | 93.5 | 88.2 | 88.8 | 91.4 | 91.0 | 90.1 | 90.4 | 91.4 | 91.3 | 88.1 | 86.9 | 87.8 | 89.9 |
| Peer | 85.7 | 84.1 | 82.7 | 82.2 | 81.6 | 80.9 | 80.0 | 80.4 | 80.7 | 81.2 | 81.7 | 81.9 | 81.9 |

Assessment Area Concentration: “Satisfactory”

During the evaluation period, USB originated 80.4% by number and 71.3% by dollar value of its HMDA-reportable and small business loans within the assessment area. This majority of lending inside of its assessment area is a reasonable record of lending.

USB extended a substantial majority of its small business loans, 96.0% by number and 94.9% by dollar value, within the assessment area. For HMDA-reportable lending, USB originated a majority of its loans in the assessment area, with 78.6% and 69.9% by number and dollar value.

The following table shows the percentages of USB’s HMDA-reportable and small business loans originated inside and outside of the assessment area.

| Distribution of Loans Inside and Outside of the Assessment Area | | | | | | | | | | |
|---|-----------------|-------|---------|-------|-------|---------------------------------|-------|---------|-------|---------|
| Loan Type | Number of Loans | | | | | Loans in Dollars (in thousands) | | | | |
| | Inside | | Outside | | Total | Inside | | Outside | | Total |
| | # | % | # | % | | \$ | % | \$ | % | |
| HMDA-Reportable | | | | | | | | | | |
| 2010 | 839 | 77.8% | 239 | 22.2% | 1,078 | 150,060 | 67.7% | 71,746 | 32.3% | 221,806 |
| 2011 | 640 | 79.5% | 165 | 20.5% | 805 | 108,573 | 70.6% | 45,265 | 29.4% | 153,838 |
| 2012 | 704 | 78.6% | 192 | 21.4% | 896 | 132,235 | 72.2% | 51,009 | 27.8% | 183,244 |
| Subtotal | 2,183 | 78.6% | 596 | 21.4% | 2,779 | 390,868 | 69.9% | 168,020 | 30.1% | 558,888 |
| Small Business | | | | | | | | | | |
| 2010 | 127 | 96.9% | 4 | 3.1% | 131 | 8,766 | 95.6% | 401 | 4.4% | 9,167 |
| 2011 | 94 | 96.9% | 3 | 3.1% | 97 | 8,495 | 95.0% | 451 | 5.0% | 8,946 |
| 2012 | 92 | 93.9% | 6 | 6.1% | 98 | 13,743 | 94.4% | 818 | 5.6% | 14,561 |
| Subtotal | 313 | 96.0% | 13 | 4.0% | 326 | 31,004 | 94.9% | 1,670 | 5.1% | 32,674 |
| Grand Total | 2,496 | 80.4% | 609 | 19.6% | 3,105 | 421,872 | 71.3% | 169,690 | 28.7% | 591,562 |

For small business lending, analysis was performed on a sample of 34 loans in 2010, 34 loans in 2011, and 35 loans in 2012. Number and dollar value of loans were then extrapolated from the resulting percentages and are not actual results. HMDA-reportable lending analyses were based on actual lending.

Distribution by Borrower Characteristics: “Satisfactory”

The distribution of loans based borrower characteristics demonstrated reasonable rates of lending to individuals of different income levels and businesses of different revenue sizes.

HMDA-Reportable Loans:

USB’s HMDA-reportable loans demonstrated a reasonable rate of lending to borrowers of different income levels.

During the evaluation period, USB’s HMDA-reportable lending averaged 720 loans per year, fluctuating from a high of 835 loans in 2010 to a low of 629 loans in 2011.

USB’s penetration rate of lending to low-income borrowers outperformed the

aggregate's lending for all years in the evaluation period. Overall, USB's average rate of lending to LMI individuals was 26.3% by number of loans and 18.1% by dollar value. These rates compared favorably to the aggregate's rates of 24.9% and 17.2%, respectively. However, in all years of the evaluation period, both USB and aggregate lending to LMI individuals were below the assessment area's demographics of 38.0% LMI households.

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

| Distribution of HMDA-Reportable Lending by Borrower Income | | | | | | | | | |
|--|--------------|-------|----------------|-------|---------------|-------|------------------|-------|----------|
| 2010 | | | | | | | | | |
| Borrower Income | Bank | | | | Aggregate | | | | Fam.Dem. |
| | # | % | \$000's | % | # | % | \$000's | % | % |
| Low | 71 | 8.5% | 8,177 | 5.5% | 738 | 5.1% | 77,566 | 2.7% | 19.1% |
| Moderate | 154 | 18.4% | 19,903 | 13.4% | 2,705 | 18.8% | 399,576 | 13.7% | 18.1% |
| LMI | 225 | 26.9% | 28,080 | 18.9% | 3,443 | 23.9% | 477,142 | 16.4% | 37.2% |
| Middle | 195 | 23.4% | 31,724 | 21.3% | 4,179 | 29.0% | 796,589 | 27.3% | 24.1% |
| Upper | 395 | 47.3% | 83,171 | 56.0% | 6,422 | 44.6% | 1,556,300 | 53.4% | 38.7% |
| Unknown | 20 | 2.4% | 5,644 | 3.8% | 360 | 2.5% | 84,217 | 2.9% | |
| Total | 835 | | 148,619 | | 14,404 | | 2,914,248 | | |
| 2011 | | | | | | | | | |
| Borrower Income | Bank | | | | Aggregate | | | | Fam.Dem. |
| | # | % | \$000's | % | # | % | \$000's | % | % |
| Low | 61 | 9.7% | 6,760 | 6.4% | 782 | 6.4% | 79,336 | 3.4% | 19.1% |
| Moderate | 109 | 17.3% | 13,755 | 13.0% | 2,492 | 20.4% | 359,851 | 15.3% | 18.1% |
| LMI | 170 | 27.0% | 20,515 | 19.4% | 3,274 | 26.8% | 439,187 | 18.7% | 37.2% |
| Middle | 157 | 25.0% | 21,884 | 20.7% | 3,533 | 28.9% | 640,694 | 27.3% | 24.1% |
| Upper | 288 | 45.8% | 61,331 | 58.0% | 5,011 | 41.0% | 1,182,481 | 50.4% | 38.7% |
| Unknown | 14 | 2.2% | 2,042 | 1.9% | 405 | 3.3% | 82,426 | 3.5% | |
| Total | 629 | | 105,772 | | 12,223 | | 2,344,788 | | |
| 2012 | | | | | | | | | |
| Borrower Income | Bank | | | | Aggregate | | | | Fam.Dem. |
| | # | % | \$000's | % | # | % | \$000's | % | % |
| Low | 59 | 8.5% | 6,685 | 5.1% | 929 | 6.1% | 103,010 | 3.4% | 20.2% |
| Moderate | 115 | 16.5% | 14,454 | 11.0% | 2,761 | 18.1% | 407,257 | 13.5% | 17.8% |
| LMI | 174 | 25.0% | 21,139 | 16.1% | 3,690 | 24.2% | 510,267 | 16.9% | 38.0% |
| Middle | 169 | 24.3% | 27,321 | 20.9% | 4,383 | 28.7% | 805,094 | 26.7% | 22.6% |
| Upper | 338 | 48.6% | 81,010 | 61.8% | 6,550 | 43.0% | 1,559,251 | 51.8% | 39.4% |
| Unknown | 15 | 2.2% | 1,561 | 1.2% | 624 | 4.1% | 138,230 | 4.6% | |
| Total | 696 | | 131,031 | | 15,247 | | 3,012,842 | | |
| GRAND TOTAL | | | | | | | | | |
| Borrower Income | Bank | | | | Aggregate | | | | Fam.Dem. |
| | # | % | \$000's | % | # | % | \$000's | % | % |
| Low | 191 | 8.8% | 21,622 | 5.6% | 2,449 | 5.8% | 259,912 | 3.1% | |
| Moderate | 378 | 17.5% | 48,112 | 12.5% | 7,958 | 19.0% | 1,166,684 | 14.1% | |
| LMI | 569 | 26.3% | 69,734 | 18.1% | 10,407 | 24.9% | 1,426,596 | 17.2% | |
| Middle | 521 | 24.1% | 80,929 | 21.0% | 12,095 | 28.9% | 2,242,377 | 27.1% | |
| Upper | 1,021 | 47.3% | 225,512 | 58.5% | 17,983 | 42.9% | 4,298,032 | 52.0% | |
| Unknown | 49 | 2.3% | 9,247 | 2.4% | 1,389 | 3.3% | 304,873 | 3.7% | |
| Total | 2,160 | | 385,422 | | 41,874 | | 8,271,878 | | |

Small Business Loans:

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

In all years where data was available, USB's rates of lending to small businesses with gross annual revenue of \$1.0 million or less, outperformed the market aggregate and also exceeded the business demographics.

During the evaluation period, USB achieved an average lending rate of 84.3% by number of loans and 81.0% by dollar value, exceeding the market aggregate's averages of 32.8% and 32.6%, respectively. USB's average lending rates also exceeded the assessment area's business demographics of 72.8%. In 2010, USB attained its highest rates of 90.6% and 89.0%, respectively.

The following chart provides a summary of the distribution of USB's small business loans during the evaluation period based on revenue size.

| Distribution of Small Business Lending by Revenue Size of Business | | | | | | | | | |
|---|-------------|-------|---------------|-------|------------------|-------|----------------|-------|-----------------|
| 2010 | | | | | | | | | |
| Rev. Size | Bank | | | | Aggregate | | | | Bus.Dem. |
| | # | % | \$000's | % | # | % | \$000's | % | |
| Rev. <= \$1MM | 115 | 90.6% | 7,752 | 89.0% | 2,879 | 26.1% | 88,790 | 31.1% | 78.7% |
| Rev. > \$1MM | 12 | 9.4% | 958 | 11.0% | | | | | 3.8% |
| Rev. Unknown | | 0.0% | | 0.0% | | | | | 17.6% |
| Total | 127 | | 8,710 | | 11,044 | | 285,473 | | |
| 2011 | | | | | | | | | |
| Rev. Size | Bank | | | | Aggregate | | | | Bus.Dem. |
| | # | % | \$000's | % | # | % | \$000's | % | |
| Rev. <= \$1MM | 74 | 78.7% | 7,919 | 89.3% | 5,441 | 39.4% | 127,688 | 34.1% | 69.1% |
| Rev. > \$1MM | 14 | 14.9% | 912 | 10.3% | | | | | 2.8% |
| Rev. Unknown | 6 | 6.4% | 37 | 0.4% | | | | | 28.2% |
| Total | 94 | | 8,868 | | 13,822 | | 374,382 | | |
| 2012 | | | | | | | | | |
| Rev. Size | Bank | | | | Aggregate | | | | Bus.Dem. |
| | # | % | \$000's | % | # | % | \$000's | % | |
| Rev. <= \$1MM | 75 | 81.5% | 9,832 | 70.8% | 5,648 | 39.7% | 126,724 | 35.8% | 72.8% |
| Rev. > \$1MM | 14 | 15.2% | 2,872 | 20.7% | | | | | 3.4% |
| Rev. Unknown | 3 | 3.3% | 1,192 | 8.6% | | | | | 23.8% |
| Total | 92 | | 13,896 | | 14,227 | | 353,562 | | |
| GRAND TOTAL | | | | | | | | | |
| Rev. Size | Bank | | | | Aggregate | | | | Bus.Dem. |
| | # | % | \$000's | % | # | % | \$000's | % | |
| Rev. <= \$1MM | 264 | 84.3% | 25,503 | 81.0% | | 32.8% | | 32.6% | |
| Rev. > \$1MM | 40 | 12.8% | 4,742 | 15.1% | | | | | |
| Rev. Unknown | 9 | 2.9% | 1,229 | 3.9% | | | | | |
| Total | 313 | | 31,474 | | | | | | |

For small business lending, analysis was performed on a sample of 34 loans in 2010, 34 loans in 2011, and 35 loans in 2012. Number and dollar volume of loans were then extrapolated from the resulting percentages and are not actual results.

Geographic Distribution of Loans: "Satisfactory"

The distribution of loans based on lending in census tracts of varying income levels demonstrated a reasonable rate of lending into LMI geographies.

HMDA-Reportable Loans:

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

The demographics of USB's 2012 assessment area showed a higher percentage of LMI owner-occupied households at 13.4% compared to 2010 and 2011 at 9.3%. This 4.1%

increase indicates that more people in the assessment area purchased houses in LMI geographies.

USB's rates of lending to LMI geographies were in line with the market aggregate lending rates, averaging 9.3% in numbers and 7.1% in dollar value compared to the aggregate's rates of 9.2% and 7.9%, respectively. Both USB's and the aggregate's rates of lending in LMI geographic census tracts were lower than the assessment area owner-occupied household demographics.

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

| Distribution of HMDA-Reportable Lending by Geographic Income of the Census Tract | | | | | | | | | |
|--|--------------|-------|----------------|-------|---------------|-------------|------------------|-------------|----------|
| 2010 | | | | | | | | | |
| Geographic Income | Bank | | | | Aggregate | | | | O/O HHld |
| | # | % | \$000's | % | # | % | \$000's | % | |
| Low | 3 | 0.4% | 538 | 0.4% | 180 | 1.2% | 35,490 | 1.2% | 1.5% |
| Moderate | 73 | 8.7% | 9,632 | 6.4% | 1,002 | 6.9% | 167,630 | 5.6% | 7.8% |
| LMI | 76 | 9.1% | 10,170 | 6.8% | 1,182 | 8.1% | 203,120 | 6.8% | 9.3% |
| Middle | 612 | 72.9% | 106,796 | 71.2% | 9,854 | 67.6% | 1,923,490 | 64.5% | 70.5% |
| Upper | 151 | 18.0% | 33,094 | 22.1% | 3,541 | 24.3% | 856,618 | 28.7% | 12.8% |
| Unknown | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 0.0% |
| Total | 839 | | 150,060 | | 14,577 | | 2,983,228 | | |
| 2011 | | | | | | | | | |
| Geographic Income | Bank | | | | Aggregate | | | | O/O HHld |
| | # | % | \$000's | % | # | % | \$000's | % | |
| Low | 3 | 0.5% | 276 | 0.3% | 269 | 2.2% | 47,527 | 2.0% | 1.5% |
| Moderate | 47 | 7.3% | 6,345 | 5.8% | 784 | 6.3% | 125,972 | 5.3% | 7.8% |
| LMI | 50 | 7.8% | 6,621 | 6.1% | 1,053 | 8.5% | 173,499 | 7.3% | 9.3% |
| Middle | 483 | 75.5% | 79,357 | 73.1% | 8,407 | 67.9% | 1,541,858 | 64.6% | 70.5% |
| Upper | 107 | 16.7% | 22,595 | 20.8% | 2,929 | 23.6% | 672,994 | 28.2% | 20.2% |
| Unknown | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 0.0% |
| Total | 640 | | 108,573 | | 12,389 | | 2,388,351 | | |
| 2012 | | | | | | | | | |
| Geographic Income | Bank | | | | Aggregate | | | | O/O HHld |
| | # | % | \$000's | % | # | % | \$000's | % | |
| Low | 2 | 0.3% | 587 | 0.4% | 291 | 1.9% | 75,786 | 2.4% | 1.8% |
| Moderate | 76 | 10.8% | 10,186 | 7.7% | 1,391 | 9.0% | 219,567 | 6.9% | 11.6% |
| LMI | 78 | 11.1% | 10,773 | 8.1% | 1,682 | 10.9% | 295,353 | 9.3% | 13.4% |
| Middle | 464 | 65.9% | 83,770 | 63.3% | 9,379 | 60.7% | 1,894,994 | 59.7% | 61.2% |
| Upper | 162 | 23.0% | 37,692 | 28.5% | 4,396 | 28.4% | 985,087 | 31.0% | 25.4% |
| Unknown | 0 | 0.0% | 0 | 0.0% | 1 | 0.0% | 112 | 0.0% | 0.0% |
| Total | 704 | | 132,235 | | 15,458 | 0.0% | 3,175,546 | 0.0% | |
| GRAND TOTAL | | | | | | | | | |
| Geographic Income | Bank | | | | Aggregate | | | | O/O HHld |
| | # | % | \$000's | % | # | % | \$000's | % | |
| Low | 8 | 0.4% | 1,401 | 0.4% | | 1.7% | | 1.9% | |
| Moderate | 196 | 9.0% | 26,163 | 6.7% | | 7.5% | | 6.0% | |
| LMI | 204 | 9.3% | 27,564 | 7.1% | | 9.2% | | 7.9% | |
| Middle | 1,559 | 71.4% | 269,923 | 69.1% | | 65.2% | | 62.7% | |
| Upper | 420 | 19.2% | 93,381 | 23.9% | | 25.6% | | 29.4% | |
| Unknown | 0 | 0.0% | 0 | 0.0% | | 0.0% | | 0.0% | |
| Total | 2,183 | | 390,868 | | | | | | |

Small Business Loans:

The distribution of small business loans based on the income level of the geography of the business demonstrated a less than reasonable rate of lending.

In all three years of the evaluation period, USB did not lend in low-income geographic census tracts; and in 2012, USB did not lend in moderate-income tracts. USB's average rates of lending to LMI census tracts, 2.6% by number and 8.9% by dollar value of loans, were significantly lower than the aggregate average rates of lending of 14.0% and 15.6%, respectively.

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

| Distribution of Small Business Lending by Geographic Income of the Census Tract | | | | | | | | | |
|---|------------|-------|---------------|-------|---------------|-------|----------------|-------|----------|
| 2010 | | | | | | | | | |
| Geographic | Bank | | | | Aggregate | | | | Bus.Dem. |
| Income | # | % | \$000's | % | # | % | \$000's | % | % |
| Low | 0 | 0.0% | 0 | 0.0% | 572 | 5.2% | 14,791 | 5.2% | 5.7% |
| Moderate | 8 | 6.3% | 1,547 | 17.8% | 901 | 8.2% | 26,391 | 9.2% | 10.8% |
| LMI | 8 | 6.3% | 1,547 | 17.8% | 1,473 | 13.3% | 41,182 | 14.4% | 16.5% |
| Middle | 119 | 93.7% | 7,163 | 82.2% | 7,097 | 64.3% | 184,259 | 64.5% | 66.3% |
| Upper | 0 | 0.0% | 0 | 0.0% | 2,470 | 22.4% | 60,028 | 21.0% | 17.1% |
| Unknown | | 0.0% | | 0.0% | 4 | 0.0% | 4 | 0.0% | |
| Total | 127 | | 8,710 | | 11,044 | | 285,473 | | |
| 2011 | | | | | | | | | |
| Geographic | Bank | | | | Aggregate | | | | Bus.Dem. |
| Income | # | % | \$000's | % | # | % | \$000's | % | % |
| Low | 0 | 0.0% | 0 | 0.0% | 840 | 6.1% | 20,903 | 5.6% | 5.5% |
| Moderate | 0 | 0.0% | 1,250 | 14.1% | 1,163 | 8.4% | 41,052 | 11.0% | 10.2% |
| LMI | 0 | 0.0% | 1,250 | 14.1% | 2,003 | 14.5% | 61,955 | 16.5% | 15.7% |
| Middle | 74 | 78.7% | 7,198 | 81.2% | 8,799 | 63.7% | 230,104 | 61.5% | 66.5% |
| Upper | 14 | 14.9% | 420 | 4.7% | 3,017 | 21.8% | 82,309 | 22.0% | 17.7% |
| Unknown | 6 | 6.4% | | 0.0% | 3 | 0.0% | 14 | 0.0% | 0.0% |
| Total | 94 | | 8,868 | | 13,822 | | 374,382 | | |
| 2012 | | | | | | | | | |
| Geographic | Bank | | | | Aggregate | | | | Bus.Dem. |
| Income | # | % | \$000's | % | # | % | \$000's | % | % |
| Low | 0 | 0.0% | 0 | 0.0% | 1,070 | 7.5% | 24,896 | 7.0% | 5.6% |
| Moderate | 0 | 0.0% | 0 | 0.0% | 1,628 | 11.4% | 52,428 | 14.8% | 14.2% |
| LMI | 0 | 0.0% | 0 | 0.0% | 2,698 | 19.0% | 77,324 | 21.9% | 19.8% |
| Middle | 75 | 81.5% | 11,144 | 80.2% | 8,022 | 56.4% | 190,255 | 53.8% | 57.9% |
| Upper | 14 | 15.2% | 2,752 | 19.8% | 3,507 | 24.7% | 85,983 | 24.3% | 22.3% |
| Unknown | 3 | 3.3% | | 0.0% | 0 | 0.0% | 0 | 0.0% | 0.0% |
| Total | 92 | | 13,896 | | 14,227 | | 353,562 | | |
| GRAND TOTAL | | | | | | | | | |
| Geographic | Bank | | | | Aggregate | | | | Bus.Dem. |
| Income | # | % | \$000's | % | # | % | \$000's | % | % |
| Low | 0 | 0.0% | 0 | 0.0% | | 5.7% | | 5.4% | |
| Moderate | 8 | 2.6% | 2,797 | 8.9% | | 8.3% | | 10.2% | |
| LMI | 8 | 2.6% | 2,797 | 8.9% | | 14.0% | | 15.6% | |
| Middle | 268 | 85.6% | 25,505 | 81.0% | | 63.9% | | 62.8% | |
| Upper | 28 | 8.9% | 3,172 | 10.1% | | 22.1% | | 21.6% | |
| Unknown | 9 | 2.9% | - | 0.0% | | 0.0% | | 0.0% | |
| Total | 313 | | 31,474 | | | | | | |

For small business lending, analysis was performed on a sample of 34 loans in 2010, 34 loans in 2011, and 35 loans in 2012. Number and dollar volume of loans were then extrapolated from the resulting percentages and are not actual results.

Action Taken in Response to Written Complaints with Respect to CRA

Since the prior CRA evaluation, as of December 31, 2009, neither USB nor DFS received any written complaints regarding USB's CRA performance.

Community Development Test: "Satisfactory"

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

During the evaluation period, USB originated \$10.4 million in new community development loans and had \$3.0 million outstanding from prior evaluation periods. Also, during the evaluation period, USB made community development investments by making 248 grants totaling \$1.0 million. This record of loans and investments represents an annualized ratio of 0.67% of USB's total assets.

Compared to previous community development lending of \$25.3 million, current lending decreased by \$11.9 million, due to a lack of community development lending opportunities in the assessment area during the evaluation period. Community development grants increased to \$1.0 million from \$426,000.

A more detailed description of USB's community development activity follows.

Community Development Lending: "Satisfactory"

During the evaluation period, USB originated \$10.4 million in new community development loans and had \$3.0 million outstanding from prior evaluation periods. This demonstrated a reasonable level of community development lending. On an annualized basis USB's community development loans represented 0.62% of its assets.

| Community Development Loans | | | | |
|-----------------------------|------------------------|--------|--|-------|
| Purpose | This Evaluation Period | | Outstandings from Prior Evaluation Periods | |
| | # of Loans | \$000 | # of Loans | \$000 |
| Affordable Housing | 10 | 3,925 | 3 | 529 |
| Community Services | 8 | 2,134 | 3 | 456 |
| Economic Development | 6 | 4,353 | 4 | 2,000 |
| Other (Please Specify) | | | | |
| Total | 24 | 10,412 | 10 | 2,985 |

Below are highlights of USB's community development lending.

Affordable Housing

USB extended two mortgage loans in the amounts of \$650,000 and \$85,000, to a nonprofit organization supporting affordable housing in the assessment area. The funds were used for the renovation of a property located in a moderate-income census tract. The property serves as the organization's headquarters as well as three rental apartments.

Community Services

USB approved three loans in the total amount of \$1.6 million to a nonprofit organization, which has been an anchor for area residents in Ulster County, providing shelter, emergency food pantries, and child-care. The loans were comprised of \$150,000 to

finance short-term working capital, \$705,000 to refinance eight properties run by the organization, and a \$700,000 line of credit to finance working capital.

Revitalize/Stabilize

USB approved two loans in the amount of \$3.6 million, consisting of a \$3.4 million five-year mortgage loan and a \$200,000 installment loan, to a for-profit limited liability company. The mortgage loan was used to refinance a commercial mortgage on a multi-tenant office building located in a low-income census tract in Poughkeepsie, NY, and the \$200,000 installment loan was used for the renovation of the property.

Community Development Investments: "Satisfactory"

During the evaluation period and prior to this period, USB did not make any community development equity investments. However, USB made 248 qualified community development grants totaling \$1.0 million, which represented 0.06% of USB's assets. This demonstrated a reasonable level of community development investments over the course of the evaluation period.

USB's grant recipients were nonprofit organizations in the assessment area with varied missions: from community development supporting affordable housing, education, and healthcare, to community services that provide food, clothing and other services to LMI individuals and families.

| Community Development Grants | | |
|------------------------------|-------------|-------|
| CD Grants | # of Grants | \$000 |
| Affordable Housing | 26 | 127 |
| Economic Development | 184 | 817 |
| Community Services | 38 | 66 |
| Other (Please Specify) | | |
| Total | 248 | 1,010 |

Below are highlights of USB's community development grants.

Affordable Housing

During the evaluation period, USB gave grants to organizations and agencies that support affordable housing in the assessment area. These included grants to:

- A local organization that helps in meeting the chronic shortage of transitional units and permanent apartments through 25 programs offering housing and supportive services, including a homeownership program.
- A nonprofit agency that takes a broad approach to housing and community development, with programs such as real estate development, property management, rental assistance, community development and affordable homeownership.

-
- A local nonprofit organization, with an international affiliation, that is dedicated to building affordable homes through partnerships with people and organizations throughout Ulster County.

Community Service

USB also donated to entities providing community services in the assessment area. These organizations ranged from local soup kitchens, childcare, family support, and healthcare, to education and community action groups. The following are highlights of these donations:

- A local foundation whose mission is to raise and distribute resources to support quality and compassionate health care to those who are vulnerable and underserved in Ulster County.
- A local nonprofit organization which provides shelters, emergency food pantries, court advocates, and child care and is recognized as a leader locally.
- A nonprofit agency that operates vocational and residential programs and services for disabled people in Ulster and Dutchess Counties. The majority of its revenues are from Medicaid, and other government agencies of New York State and from the U.S. Department of Housing and Urban Development.
- A local food bank dedicated to alleviating hunger and preventing the waste of wholesome food.

Community Development Services: "Outstanding"

USB demonstrated an excellent level of community development services over the course of the evaluation period. USB provided several qualified community development services through its participation and affiliation with community groups, associations and nonprofit organizations. USB provided free financial classes and seminars at branch locations and at nonprofit housing agencies as follows:

- A seminar offered mortgage customers the opportunity to learn about assistance available to those dealing with temporary or permanent financial hardships that affected their ability to maintain homeownership.
- Together with a nonprofit organization that specializes in affordable housing, USB hosted seminars providing details on the First Home Club program that USB offers, and other lending strategies and options for first time homebuyers. The seminars covered critical steps to owning homes. In addition, the participants received free credit reports, individual credit analysis and homebuyer education certificates.
- USB offered free seminars which focused on the basics and other required steps in preparing to own a home, including saving for a down payment and closing costs, potential grant funds available for first-time homebuyers and other helpful tips. Some of these seminars were conducted in conjunction with other nonprofit

organizations in the assessment area.

- The seminars provided ideas on how to take control of personal spending, successful budget development and credit card debt reduction, including information on important regulations that affect consumers.
- USB joined with the Mexican Consulate mobile unit in providing products and services to the Hispanic community. The mobile unit issued passports and consular identification cards to Mexican citizens who reside in the mid-Hudson Valley, while USB offered the opportunity to open free personal or business checking accounts. This event was an outreach effort to unbanked individuals, the majority of who are low-income.
- USB conducted informative seminars covering the basics of Social Security to help senior citizens better understand the Social Security system.

In addition to the aforementioned free seminars and outreach programs, USB's personnel taught and conducted free seminars to GED students regarding Financial Fitness, paying down credit cards, and repairing credit and savings. Another employee visits and speaks three times a year to a local high school and discusses credit cards, new laws in effect, budgeting and the importance of saving. Bank personnel also conducted seminars for first time homebuyers.

USB is also involved and/or affiliated with nonprofit housing agencies in the assessment area. All of the agencies' programs provide help with housing needs, including assistance with closing costs and down payments, and repair assistance for low- and moderate-income individuals. In one program, USB allows borrowers receiving Section 8 housing assistance payments to use these payments to qualify for mortgage financing.

Responsiveness to Community Development Needs

USB demonstrated a reasonable level of responsiveness to credit and community development needs through its community development lending and flexible programs, grants, community development services and outreach programs

Additional Factors

The extent of participation by the banking institution's board of directors or board of trustees in formulating the banking institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act

USB has a CRA committee that meets on a quarterly basis to review the data pertaining to USB's CRA performance. A summary of these meetings are conveyed to USB's

board of trustees. In 2012 the CRA committee was integrated into the Management Compliance Committee.

Discrimination and other illegal practices

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

DFS did not note any practices that were intended to discourage applications for the types of credit offered by the institution.

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

DFS did not note any evidence of prohibited discriminatory or other illegal practices.

Record of opening and closing offices and providing services at offices

USB did not open or close any branches during the evaluation period. USB has 14 branches throughout the mid-Hudson Valley region, of which two are in moderate-income census tracts, eight in middle-income and four in upper-income census tracts. These branches are supplemented by deposit-taking ATM machines, except at two branch locations in Wappingers Falls and Saugerties. USB also has two off-site non-deposit-taking ATMs which are located on each of the local school campuses in New Paltz and Stone Ridge. USB has other alternative delivery systems, such as 24-hour telephone banking, internet banking and online bill pay services. In addition, USB has loan production offices in Goshen (middle-income tract), White Plains (middle-income tract) and Riverhead (moderate-income tract).

| Distribution of Branches within the Assessment Area | | | | | | | |
|---|-------|-------|------------|----------|---------|---------|-------|
| County | N/A # | Low # | Moderate # | Middle # | Upper # | Total # | LMI % |
| Dutchess | | | 1 | 2 | 1 | 4 | 25% |
| Greene | | | | 1 | | 1 | 0% |
| Ulster | | | 1 | 5 | 3 | 9 | 11% |
| Total | - | - | 2 | 8 | 4 | 14 | 14% |

Process Factors

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

USB, through its affiliations and contacts with various nonprofit organizations, local

community groups, business groups, trade associations, local officials who are involved in helping LMI individuals, families and small businesses in the assessment area, is able to ascertain the credit and banking needs of the assessment area. In addition to these, USB's president and CEO is a member of the New York Federal Reserve's Community Depository Institutions Advisory Council ("CDIAC"). The council provides input on the economy, lending conditions and other district issues to the New York Federal Reserve. USB's president and CEO is also on the executive committee and board of directors of Hudson Valley Pattern for Progress, and the Marist College Strategic Planning and Steering Committee.

- *The extent of the banking institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the banking institution.*

USB's marketing officer prepares a marketing plan which is presented to the Compliance/CRA Committee for annual review. Particular attention is paid to marketing efforts for low cost retail accounts and outreach to low- and moderate-income communities. The marketing plan goes to different media outlets in the assessment area. In addition to this traditional marketing, USB makes members of the community aware of their credit services through their direct and free outreach programs, classes and seminars.

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

USB has a charitable foundation with specific programs it operates to fulfill its mission to help its community. While some activities from the foundation were already considered for community development grants/investments, all other activities further demonstrated USB's commitment to serve its assessment area. These programs target nonprofit organizations for grants; residents who are attending or will be attending an accredited college as an undergraduate are eligible to apply for a Scholarship Award; and teachers of grades K through 12 in all public, private and parochial schools that are New York State licensed and certified within Ulster County can apply for grants to provide further educational opportunities for students, enhance the professional development of teachers, and to involve students in community service activities.

GLOSSARY

Aggregate Penetration Rate

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

Community Development

“Community development”:

1. Affordable housing (including multifamily housing) for low- or moderate-income (“LMI”) individuals;
2. Community services targeted to LMI individuals;
3. Activities that promote economic development by financing business or farms that meet the size eligibility standards of the United States Small Business Administration (“SBA”) Development Company or Small Business Investment Company programs, or have gross annual incomes of \$1 million or less;
4. Activities that revitalize or stabilize LMI geographies; and
5. Activities that seek to prevent defaults and/or foreclosures in loans included in (1) and (3) above.

Community Development Loan

A loan that has its *primary purpose* community development. This includes but is not limited to loans to:

- Borrowers for affordable housing rehabilitation and construction, including construction and permanent financing for multifamily rental property serving low or moderate income (“LMI”) persons;
- Nonprofit organizations serving primarily LMI or other community development needs;
- Borrowers to construct or rehabilitate community facilities that are located in LMI areas or that primarily serve LMI individuals;
- Financial intermediaries including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds or pools, micro-finance institutions, and low-income or community development credit unions that primarily lend or facilitate lending to promote community development;
- Local, state and tribal governments for community development activities; and
- Borrowers to finance environmental clean up or redevelopment of an industrial site as part of an effort to revitalize the LMI community in which the property is located.

Community Development Service

Service that has community development as its *primary purpose*, is related to the provision of financial services, and has not been considered in the evaluation of the banking institution's retail banking services. This includes but is not limited to:

- Providing technical assistance on financial matters to nonprofit, tribal or government organizations serving LMI housing or economic revitalization and development needs;
- Providing technical assistance on financial matters to small businesses or community development organizations;
- Lending employees to provide financial services for organizations facilitating affordable housing construction and rehabilitation or development of affordable housing;
- Providing credit counseling, home buyers and home maintenance counseling, financial planning or other financial services education to promote community development and affordable housing;
- Establishing school savings programs for LMI individuals;
- Providing seminars for LMI persons on banking and bank account record-keeping;
- Making ATM "Training Machines" available for extended periods at LMI community sites or at community facilities that serve LMI individuals; and
- Technical assistance activities to community development organizations such as:
 - ❖ Serving on a loan review committee;
 - ❖ Developing loan application and underwriting standards;
 - ❖ Developing loan processing systems;
 - ❖ Developing secondary market vehicles or programs;
 - ❖ Assisting in marketing financial services, including the development of advertising and promotions, publications, workshops and conferences;
 - ❖ Furnishing financial services training for staff and management;
 - ❖ Contributing accounting/bookkeeping services; and
 - ❖ Assisting in fund raising, including soliciting or arranging investments.

Geography

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

Home Mortgage Disclosure Act ("HMDA")

The Home Mortgage Disclosure Act, enacted by Congress in 1975, and subsequently amended, requires institutions to annually report data about applications for residential (including multifamily) financing.

Income Level

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

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

Loans to Small Businesses

Small business loans to businesses with gross annual revenues of \$1 million or less.

Low or Moderate Income ("LMI") Geographies

Those census tracts or block numbering areas where, according to the 2000 U.S. Census, the median family income is less than 80% of the area median family income. In the case of tracted areas that are part of a Metropolitan Statistical Area ("MSA") or Primary Metropolitan Statistical Area ("PMSA"), this would relate to the median family income for the MSA or PMSA in which the tracts are located. In the case of BNAs and tracted areas that are not part of a MSA or PMSA, the area median family income would be the statewide non-metropolitan median family income.

LMI Borrowers

Borrowers whose income, as reported on the loan application which the lender relied upon in making the credit decision, is less than 80% of the area median family income. In cases where the residential property is located in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure borrower income levels are updated annually by the U.S. Department of Housing and Urban Development ("HUD").

LMI Individuals/Persons

Individuals or persons whose income is less than 80% of the area median family income. In the case where the individual resides in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure individual income levels are updated annually by HUD.

LMI Penetration Rate

A number that represents the percentage of a bank's total loans (for a particular product) that was extended to LMI geographies or borrowers. For example, an LMI penetration rate of 20% would indicate that the bank made 20 out of a total of 100 loans in LMI geographies or to LMI borrowers.

Low-Income Housing Tax Credit (LIHTC)

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

New Markets Tax Credit (NMTC)

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

Qualified Investment

A lawful investment, deposit, membership share or grant that has community development as its *primary purpose*. This includes but is not limited to investments, deposits, membership shares or grants in or to:

- Financial intermediaries (including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds, micro-finance institutions and low-income or community development credit unions) that primarily lend or facilitate lending in LMI areas or to LMI individuals in order to promote community development;
- Organizations engaged in affordable housing rehabilitation and construction;
- Organizations, including, for example, small business investment corporations that promote economic development by financing small businesses;

- Facilities that promote community development in LMI areas or LMI individuals, such as youth programs, homeless centers, soup kitchens, health care facilities, battered women's centers, and alcohol and drug recovery centers;
- Projects eligible for low-income housing tax credits;
- State and municipal obligations, such as revenue bonds that specifically support affordable housing or other community development needs;
- Organizations serving LMI housing or other community development needs, such as counseling for credit, home ownership, home maintenance, and other financial services education; and
- Organizations supporting activities essential to the capacity of LMI individuals or geographies to utilize credit to sustain economic development, such as day care operations and job training programs that facilitate access to permanent jobs.