



**NEW YORK STATE BANKING DEPARTMENT  
CONSUMER SERVICES DIVISION**

2 Rector Street  
New York, NY 10006

**PUBLIC SUMMARY**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**Date of Evaluation:** June 30, 2001

**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 Banking Department 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 Banking Department. The evaluation represents the Banking Department's current assessment and rating of the institution's CRA performance based on an evaluation conducted as of June 30, 2001.

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

Part 76 of the General Regulations of the Banking Board implements Section 28-b and further requires that the Banking 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 Banking Department will prepare a written report summarizing the results of such assessment and will assign to each institution a numerical CRA rating based on a 1 to 4 scoring system. The numerical scores represent an assessment of CRA performance as follows:

- (1) outstanding record of meeting community credit needs;
- (2) satisfactory record of meeting community credit needs;
- (3) needs to improve record of meeting community credit needs; and
- (4) substantial noncompliance in meeting community credit needs.

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

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

## **OVERVIEW OF INSTITUTION'S PERFORMANCE**

### **Overall Rating**

Ulster Savings Bank is rated "2", indicating a satisfactory record of helping to meet community credit needs.

### **Lending Test** - "High Satisfactory"

- USB had a high level of residential lending activity for the evaluation period. According to the 1999 Lender Market Share Report, the bank ranked first in its home county of Ulster, based on the number of mortgage loans originated for home purchase or refinancing.
- The bank extended 66%, 74% and 69% of its HMDA-reportable loans in the assessment area during 1999, 2000 and the first six months of 2001, respectively, representing a satisfactory proportion of overall lending.
- With 5.3%, 4.9% and 4.2% of loans extended in LMI areas in 1999, 2000 and the first half of 2001, respectively, the bank's geographic distribution of loans trails that of the aggregate but reflects adequate penetration throughout the assessment area. These figures represent improvement over the LMI area penetration achieved at the last evaluation.
- With 17.6%, 17.5% and 16.9% of loans extended to LMI borrowers in 1999, 2000 and the first half of 2001, respectively, the bank's distribution of lending by borrower income trails that of the aggregate but is considered satisfactory. These figures represent improvement over the LMI borrower penetration achieved at the last evaluation.
- The bank had a high level of community development lending. For the evaluation period, USB's total commitment amounted to \$2.0 million, \$1.8 million of which was funded or outstanding as of June 30, 2001.

### **Investment Test** - "Low Satisfactory"

- During this evaluation period, USB had an adequate level of qualified investments and grants totaling \$347.2 thousand. While the bank's overall volume of activity is not strong, it is significantly improved from the prior evaluation.
- The level of grants is high, with more than \$296.4 thousand awarded to community development organizations that support affordable housing, community services, economic development and revitalization and stabilization of LMI areas.

### **Services Test** - "High Satisfactory"

- Retail banking services appear tailored to the convenience and needs of its

assessment area.

- Several bank officers and staff members actively participate in various community development organizations as board or committee members.
- The bank demonstrates a relatively high level of involvement in community development services through participation and/or sponsorship of seminars and workshops.

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

## PERFORMANCE CONTEXT

### **Institution's Profile:**

Ulster Savings Bank (USB) is a full-service mutual savings bank headquartered in Kingston, in Ulster County. Chartered in 1851, the bank maintains a network of five banking offices, with three in Ulster County including its main office and two in Dutchess County. Except for a branch in Kingston, all offices have 24-hour ATMs.

In addition, the bank operates four loan production offices (LPOs). Three of these offices are located in New York State (Goshen, Orange County; White Plains, Westchester County; and Riverhead, Suffolk County). The remaining office is located in Westport, Connecticut and is operated by USB's wholly owned subsidiary, Ulster Home Mortgage. The LPOs are responsible for assisting customers with the completion of mortgage loan applications.

Ulster Home Mortgage originates loans for properties located in Connecticut only. Mortgage loans originated by this subsidiary are excluded from this evaluation.

The bank reported total assets of \$470 million on June 30, 2001. USB reported total loans of \$403 million and total deposits of \$324 million, resulting in a loan-to-deposit ratio of 123.4%. This percentage is significantly above its national peer group's ratio of 86.0%.

The bank is primarily a 1-4 family residential real estate lender. In 2000, the bank started offering small business loans and multi-family and commercial mortgage loans and in 2001 it expanded its products to include business banking. On June 30, 2001, USB reported 73.0% of its loan portfolio in 1-4 family residential real estate loans, 23.0% in construction loans, 2.0% in consumer loans and 1.8% in commercial mortgage loans.

According to the 1999 Lender Market Share Report, the bank ranked first in Ulster County (482 loans), eleventh in Orange County (175 loans) and sixteenth in Dutchess County (117 loans), based on the number of mortgage loans originated for home purchase or refinancing.

USB's home county provides 74.5% of the bank's deposits according to the latest available comparative deposit data as of June 30, 2000. USB is ranked third out of sixteen deposit-taking institutions in Ulster County, with a 12.3% share of the county's total deposits.

<b>Distribution of Deposits by County (a/o June 2000)</b>			
<b>County:</b>	<b>Deposits (\$000's)</b>	<b>Market Share (%)</b>	<b>Ranking</b>
Ulster	216,284	12.3	3/16
Dutchess	74,126	2.5	11/17
Assessment Area	290,410	6.2	

There are no legal or financial impediments that adversely impact USB's ability to help

meet the credit needs of its assessment area.

**Assessment Area:**

Ulster Savings Bank designates the counties of Ulster, Dutchess and Orange as its assessment area. As shown in the table below, this area consists of 183 census tracts, 33 tracts (18.0%) of which are low- or moderate-income (LMI) tracts.

<b>Distribution of Census Tracts by Income Level</b>						
<b>County</b>	<b>Low*</b>	<b>Moderate</b>	<b>Middle</b>	<b>Upper</b>	<b>Total</b>	<b>LMI %</b>
Ulster	0	2	19	27	48	<b>4.2</b>
Dutchess	6	10	45	7	68	<b>23.5</b>
Orange	3	12	32	20	67	<b>22.4</b>
<b>Total</b>	<b>9</b>	<b>24</b>	<b>96</b>	<b>54</b>	<b>183</b>	<b>18.0</b>

\* Including zero-income census tracts

The following is the demographic summary of each of the counties in the assessment area:

**Ulster County** has 48 BNAs including two moderate-income areas (4.2%), 19 middle (39.6%) and 27 upper income areas (56.3%). There are no low- or no-income areas in the county. The county is not part of an MSA.

According to the U.S. Census Bureau, Ulster County had a population of 165.3 thousand in 1990, which increased by 12.4 thousand (7.5%) to 177.7 thousand in 2000. In 1990, 24.2% (40.0 thousand) of the population was under the age of 16 years and 13.0% (21.6 thousand) was over 65.

In 1990, there were 42.4 thousand families in the county of which 26.0% (11.0 thousand) were LMI families, including 5.6% (2.4 thousand) whose income was below the poverty level. Twenty point eight percent (8.8 thousand) were middle- and 53.2% (22.5 thousand) upper-income families. There were 60.6 thousand households in the county, of which 8.9% (5.4 thousand) had incomes below the poverty level.

Five point four percent (0.6 thousand) of the LMI families lived in LMI areas, thereby accounting for 51.1% of all families (1.2 thousand) that lived in LMI areas.

In 1990, there were 71.7 thousand housing units in the county, 82.6% (59.3 thousand) of which were 1 to 4 family units, 7.8% (5.6 thousand) of which were multifamily units and 8.3% (6.0 thousand) of which were mobile homes.

Fifty eight point seven percent (42.1 thousand) of all the housing units in the county were owner-occupied, of which 2.5% (1.1 thousand) were in LMI areas. Twenty six point one percent (18.7 thousand) were rental units, of which 4.7% (0.9 thousand) were in LMI areas. Fifteen point five percent (11.1 thousand) of all the units were vacant or boarded up. In

1990, the median housing value was \$113.5 thousand and the median age of the housing was 34 years.

In 1990, the median family income for the county was \$40.1 thousand and for all non-MSA counties it was \$31.5 thousand. HUD's estimated median family income for the non-MSA counties was \$39.3 thousand in 1999 and \$40.3 thousand in 2000.

According to the New York State's Department of Labor, the county's average unemployment rates were 3.6% in 1999 and 3.3% in 2000. The county's average unemployment rates were below the state's average rates of 5.2% in 1999 and 4.6% in 2000.

A portion of Ulster County has been designated an Economic Development Zone (EDZ) by the State of New York, based on community economic distress. Kingston has been designated an EDZ. Firms located in this area may be eligible for assistance including various tax credits, such as wage tax credits, investment tax credits, zone capital credits, sales tax refunds, real property tax abatements, technical assistance and utility rate savings.

Together, combined portions of Ulster (Kingston) and Orange (Newburgh) Counties have been designated a Federal Enterprise Community (FEC). This area receives financial and technical support from several federal agencies, including HUD, USDA, HHS, Treasury, Labor and Justice as well as from the state and local governments. The program's purposes is to increase employment opportunities for residents through job training and economic development to create new jobs and retain current jobs as well as programs for affordable housing, education and childcare. Various federal tax benefits and other assistance are available to businesses that open or employ residents in a FEC.

**Dutchess County** has 68 census tracts including four low-income tracts (5.9%), 10 moderate (14.7%), 45 middle (66.2%) and seven upper income tracts (10.3%). There are also two no income tracts (2.9%). The county is located in MSA 2281 (Dutchess).

According to the U.S. Census Bureau, Dutchess County had a population of 259.5 thousand in 1990, increasing by 20.7 thousand (8.0%) to 280.2 thousand in 2000. In 1990, 24.8% (64.4 thousand) of the population was under the age of 16 years and 11.4% (29.7 thousand) was over 65.

In 1990, there were 65.3 thousand families in the county, of which 35.9% (23.4 thousand) were LMI families, including 3.6% (2.4 thousand) whose income was below the poverty level. Twenty eight point one percent were middle- and 36.0% were upper- income families. There were 89.6 thousand households in the county, of which 5.7% (5.1 thousand) had incomes below the poverty level.

Twenty six percent (6.1 thousand) of the LMI families lived in LMI tracts, accounting for 63.6% of all the families (9.6 thousand) that lived in LMI tracts in the county.

In 1990, there were 97.6 thousand housing units in the county, 79.5% (77.6 thousand) of which were 1 to 4 family units, 14.4% (14.1 thousand) of which were multifamily units and 4.7% (4.6 thousand) of which were mobile homes.

Sixty three point four percent (61.9 thousand) of all housing units were owner-occupied, of which 10.3% (6.4 thousand) were in LMI tracts. Twenty eight point three percent (27.7 thousand) were rental units, of which 33.6% (9.3 thousand) were in LMI tracts. Eight point five percent (8.3 thousand) of all the units were vacant or boarded up. In 1990, the median housing value was \$143.3 thousand and the median age of the housing was 38 years.

In 1990, the median family income for the county and MSA was \$49.3 thousand. HUD's estimated median family income for the MSA was \$58.5 thousand in 1999 and \$59.6 thousand in 2000.

According to the New York State's Department of Labor, the county's average unemployment rates were 3.5% in 1999 and 3.1% in 2000. The county's average unemployment rates were below the state's average rates of 5.2% in 1999 and 4.6% in 2000.

A portion of Dutchess County has been designated an Economic Development Zone (EDZ) by the State of New York, based on community economic distress. Poughkeepsie has been designated an EDZ. Firms located in this area may be eligible for assistance including various tax credits, such as wage tax credits, investment tax credits, zone capital credits, sales tax refunds, real property tax abatements, technical assistance and utility rate savings.

**Orange County** has 67 census tracts including two low-income tracts (3.0%), 12 moderate-income (17.9%), 32 middle-income (47.8%) and 20 upper-income tracts (29.9%). There is also one no-income tract (1.5%). The county is part of MSA 5660 (Newburgh, NY-PA).

According to the U.S. Census Bureau, Orange County had a population of 307.6 thousand in 1990, increasing by 33.7 thousand (11.0%) to 341.4 thousand in 2000. In 1990, 28.0% (86.1 thousand) of the population was under the age of 16 years and 10.5% (32.2 thousand) was over 65.

In 1990, there were 77.9 thousand families in the county, of which 35.1% (27.3 thousand) were LMI families, including 6.4% (5.0 thousand) whose income was below the poverty level. Twenty five point one percent were middle-income and 39.8% were upper-income families. There were 101.7 thousand households in the county, of which 8.5% (8.7 thousand) had incomes below the poverty level.

Thirty one point two percent (8.5 thousand) of the LMI families lived in LMI tracts, accounting for 64.3% of all the families (13.2 thousand) that lived in LMI tracts.

In 1990, there were 110.8 thousand housing units in the county, 83.7% (92.7 thousand) of which were 1 to 4 family units, 11.3% (12.5 thousand) of which were multifamily units and 3.8% (4.3 thousand) of which were mobile homes.

Sixty one point eight percent (68.5 thousand) of all the units were owner-occupied, of which 10.2% (7.0 thousand) were in LMI tracts. Twenty nine point eight percent (33.0 thousand) were rental units, of which 36.0% (11.9 thousand) were in LMI tracts. Eight point seven percent (9.7 thousand) of all the units were vacant or boarded up. In 1990, the median housing value was \$136.4 thousand and the median age of the housing was 30 years.

In 1990, the median family income for the county was \$44.0 thousand and for the MSA it was \$42.9 thousand. HUD's estimated median family income for the MSA was \$53.9 thousand in 1999 and \$54.4 thousand in 2000.

According to the New York State's Department of Labor, the county's average unemployment rates were 3.5% in 1999 and 3.1% in 2000. The county's average unemployment rates were below the state's average rates of 5.2% in 1999 and 4.6% in 2000, and in line with MSA's average rates of 3.5% in 1999 and 3.2% in 2000.

Portions of Orange County have been designated as Economic Development Zones (EDZ) by the State of New York, based on community economic distress. Newburgh/New Windsor and Stewart Airport have been designated EDZs. Firms located in these areas may be eligible for assistance including various tax credits, such as wage tax credits, investment tax credits, zone capital credits, sales tax refunds, real property tax abatements, technical assistance and utility rate savings.

Together, combined portions of Orange (Newburgh) and Ulster (Kingston) Counties have been designated a Federal Enterprise Community (FEC). This area receives financial and technical support from several federal agencies, including HUD, USDA, HHS, Treasury, Labor and Justice as well as from the state and local governments. The program's purposes is to increase employment opportunities for residents through job training and economic development, to create new jobs and retain current jobs as well as programs for affordable housing, education and childcare. Various federal tax benefits and other assistance are available to businesses that open or employ residents in a FEC.

The assessment area appears reasonable based upon the location of USB's branches and lending patterns. There is no evidence that LMI areas are arbitrarily excluded.

## **PERFORMANCE TESTS AND ASSESSMENT FACTORS**

This performance evaluation incorporates a review of the bank's lending, investment, and service activities within the assessment area, during 1999, 2000 and the first six months of 2001. Products considered include Home Mortgage Disclosure Act ("HMDA")-reportable and small business loans. Statistics utilized in this evaluation were derived from various sources. In addition to bank-specific loan information, which was submitted by USB, aggregate data for HMDA-reportable loans were obtained from the Federal Financial Institutions Examination Council ("FFIEC") and PCI Services, Inc. CRA Wiz©, an external vendor. Demographics are from the 1990 U.S. Census data along with the 2000 HUD-estimated median family income.

### **I. Lending Test: "High Satisfactory"**

The bank's lending performance is evaluated pursuant to the following criteria: (1) Lending Activity; (2) Geographic Distribution; (3) Borrower Characteristics; (4) Community Development Lending; and (5) Innovative or Flexible Lending Practices. While the bank is overwhelmingly a residential lender, a brief discussion of small business lending is included, as well. As noted above, the bank started offering small business loans in 2000.

#### **Lending Activity**

The bank offers a variety of lending products including:

- Residential 1-4 Family Mortgage Loans
- SONYMA, FHA Loans
- Construction Loans
- Home Improvement Loans
- Home Equity Loans
- Passbook Loans
- Automobile Loans

The following table shows the bank's loan portfolio based on the Call Reports as of June 30, 2001, December 31, 2000 and 1999:

## TOTAL GROSS LOANS OUTSTANDING

LOAN TYPE	6/30/2001		12/31/2000		12/31/1999	
	\$000	%	\$000	%	\$000	%
Residential Mortgage Loans	294,116	73.0	290,796	72.7	274,388	76.6
Construction Loans	92,799	23.0	95,900	24.0	75,026	20.9
Commercial Mortgage Loans	7,365	1.8	6,688	1.7	3,548	1.0
Mutifamily Mortgages	4	0.0	5	0.0	6	0.0
Commercial & Industrial Loan	483	0.1	0	0.0	0	0.0
Consumer Loans	8,207	2.0	6,868	1.7	5,449	1.5
<b>Total Gross Loans</b>	<b>402,974</b>	<b>100.0</b>	<b>400,257</b>	<b>100.0</b>	<b>358,417</b>	<b>100.0</b>

As illustrated above, the bank is overwhelmingly a residential lender.

Overall, USB has a high level of residential lending activity. As noted earlier, the bank was ranked first in its home county of Ulster, according to the 1999 Lender Market Share Report. In 1999, USB originated 1,254 HMDA reportable loans for \$154.8 million. This reflects a decline of 34.9% and 4.7% in terms of number and dollar volume, respectively, when compared to previous year's origination of 1,927 loans for \$162.5 million. For 2000, the bank originated 980 loans for \$119.5 million, a further decline in the number and dollar volume of 21.9% and 22.8% respectively, when compared to the prior year.

The decline in the number and dollar volume of loans originated reflects a substantial decline in loans refinanced. These decreased from 1,199 loans totaling \$86.2 million in 1998, to 349 loans totaling \$38.3 million in 1999 and to 60 loans totaling \$7.4 million in 2000. The decline in refinancing loans was attributable to interest rate increases.

As of June 30, 2001, USB originated 688 loans for \$83.7 million. Compared to the 2000 half year average (490 loans / \$59.8 million), originations increased by approximately 40% both in terms of number and dollar volume. The increase is attributable to an increase in refinancing loans due to lower interest rates. During the first six months of 2001, the bank originated 297 refinancing loans totaling \$42.9 million compared to 60 loans totaling \$7.4 million during the entire year of 2000.

Refer to Exhibits 1-6 in Section 5 for details.

### **Assessment Area Lending:**

USB originated a satisfactory percentage of loans within its assessment area.

In 1999, 2000 and half of 2001, the bank originated 66% (829 loans), 74% (724 loans) and 69% (473 loans) respectively, of HMDA-reportable loans within its assessment area. In

terms of dollar volume, the percentages were 53% (\$82.5 million), 59% (\$70.2 million) and 59% (\$49.5 million) respectively. The bank's assessment area lending reflects an improvement when compared to the last evaluation.

<b>HMDA Assessment Area Lending</b>						
Geography	1999		2000		6 Mos 2001	
	#	\$000's	#	\$000's	#	\$000's
All Areas	1,254	154,830	980	119,516	688	83,680
Assessment Area	829	82,522	724	70,246	473	49,454
% in Assessment Area	66%	53%	74%	59%	69%	59%

### **Geographic Distribution of Loans:**

USB's geographic distribution of loans has improved since the last evaluation and now reflects adequate penetration throughout the assessment area.

In 1999, the bank's assessment area LMI tract penetration was 5.3% (44 loans) in terms of number of loans and 3.9% (\$3.2 million) in dollar volume, compared to 7.7% and 5.8% for the HMDA aggregate. In 2000 and half of 2001, the assessment area LMI tract penetration was 4.9% (35 loans) and 4.2% (20 loans), respectively, showing a decline. In terms of dollar volume, the percentages were 4.0% (\$2.8 million) and 3.2% (\$1.6 million) respectively. The 2000 and 2001 HMDA aggregate data were not available for this evaluation.

### **Borrower Characteristics:**

USB's distribution of lending based on borrower income has improved since the last Performance Evaluation and is considered satisfactory.

In 1999, the bank's total LMI borrower penetration was 17.6% (146 loans), compared to 20.0% for the aggregate. For 2000 and half of 2001, LMI borrower penetration was relatively consistent, representing 17.5% (126 loans) and 16.9% (80 loans), respectively, of all loans originated. In terms of dollar volume, LMI borrower penetration for 1999, 2000 and 2001 was 12.2% (\$10.1 million), 10.8% (\$7.6 million) and 11.8% (\$5.8 million), respectively.

### **Small Business Lending**

During 1999, the bank originated five small business loans totaling \$880 thousand, including one loan (20.0%) for less than \$100 thousand, three loans (60.0%) for between \$100 and \$250 thousand, and one loan (20.0%) for between \$250 and \$500 thousand. None of the loans were originated in LMI areas. All small business loans originated by the

bank in 1999 were extended to businesses with gross annual revenue of less than \$1 million. Refer to Exhibits 7 to 9 on Section 5 of this report for further details.

In 2000, the bank originated seven loans totaling \$1.4 million, including one loan (14.3%) for less than \$100 thousand, five loans (71.4%) for between \$100 and \$250 thousand, and one loan (14.3%) for between \$250 and \$500 thousand. Three loans (42.9%) were originated in LMI areas. Six loans (86%) were extended to businesses with gross annual revenue of less than \$1 million, three of which were to businesses with gross annual revenue of less than \$100 thousand. Refer to Exhibits 10 to 12 on Section 5 of this report for further details.

In the first half of 2001, the bank originated 14 loans amounting to \$1.5 million, including nine loans (64.2%) for less than \$100 thousand, three loans (21.4%) for between \$100 and \$250 thousand, and two loans (14.3%) for between \$250 and \$500 thousand. One loan (7.1%) was originated in a LMI area. Thirteen loans (93%) were extended to businesses with gross annual revenue of less than \$1 million, seven of which were to businesses with gross annual revenue of less than \$100 thousand. Refer to Exhibits 13 to 15 on Section 5 of this report for further details.

Additionally, in the first half of 2001, the bank extended 31 (out of 32) business lines of credit amounting to \$398 thousand inside the assessment area. All the lines of credit were for less than \$100 thousand, with the majority (60% or 19 lines of credit) extended for \$1 thousand each.

## **Community Development Lending**

USB has a high level of community development lending. The bank is an active participant and a strong supporter of numerous community development projects and initiatives. Its participation includes loans and other credit facilities to entities organized to create or rehabilitate affordable housing, promote economic development, revitalize or stabilize LMI geographies and enhance the delivery of community services.

For the evaluation period, the bank's total commitment amounted to \$2.0 million, \$1.8 million of which was funded or outstanding as of June 30, 2001. The following is a brief description of USB's community development activities:

- *Rural Ulster Preservation Company (RUPCO)*. The bank extended a \$280 thousand loan to refinance cost overruns for the construction of Rosendale Senior Housing Complex. RUPCO is a private, non-profit housing organization dedicated to providing housing opportunities for low- and moderate-income residents in Ulster County. This organization offers rental assistance and home repair programs and develops new housing for elderly and individuals with special needs. The Department of Housing and Urban Development (HUD) also certifies RUPCO as a housing counseling agency.
- *New York Business Development Corporation (NYBDC)*. The bank committed a \$250

thousand revolving loan with \$40 thousand outstanding as of the evaluation date. The NYBDC is a privately-owned entity created by New York State statute and funded by commercial and savings banks under lines of credit that are utilized to provide a broad range of financing to small and mid-sized businesses located in New York State.

- *Hudson Valley Housing Development Fund Company Inc.* The bank granted three loans amounting to \$778 thousand to purchase land for the two senior citizen complexes and for the construction of 16 homes for low- to moderate-income individuals in Dutchess County. The company was incorporated in 1987 exclusively to develop, on a non-profit basis, housing projects for persons of low income where no adequate housing exists in the Hudson Valley Region.
- *Strand Community Organization to Rehabilitate the Environment (SCORE).* The bank granted a second mortgage for \$20 thousand to rehabilitate two rental units in a building owned by the organization. SCORE is a non-profit, low-income housing provider in Kingston, NY.
- *Rural Preservation Company of Dutchess County.* The bank made a \$150 thousand loan to refinance the existing building owned by this not-for-profit organization. The company's mission is to provide low-income residents of rural Dutchess County improved living conditions by acquiring, maintaining and improving the housing available.
- *Community Services Programs.* The bank extended a \$33 thousand demand loan to assist with operating expenses. Community Services Programs is a part of New York State Rural Housing Advocates.
- *New Progressive Baptist Church.* The bank made a \$100 thousand loan to rehabilitate the church to make it handicap accessible. The church is located in a moderate-income census tract.
- *Park Heights Limited Partnership.* The bank granted a \$198 thousand demand loan for the construction of Rosendale Senior Housing Complex for LMI seniors.
- *Multifamily Loan.* The bank granted a \$210 thousand mortgage to GDB Holding Co., LLC for the purchase of eight apartments over a retail space in Dutchess County.

### **Innovative and Flexible Lending Practices:**

USB uses several government-sponsored residential mortgage programs to help meet the needs of low- and moderate-income borrowers. The programs are offered according to the guidelines of the sponsoring agencies, Federal National Mortgage Association (FNMA), State of New York Mortgage Agency (SONYMA), and the Federal Housing Authority Guarantee Program (FHA).

- State of New York Mortgage Agency (SONYMA) - This program features low down payment and/or below-market rate financing. In 1999, 2000 and first half of 2001, the bank originated 86 loans (\$6.3 million), 76 loans (\$5.4 million) and 33 loans (\$2.5 million), respectively, under this program.
- Federal Housing Administration (FHA) - The FHA mortgage programs offer low down payment loans for qualifying homebuyers. In 1999, 2000 and first half of 2001, the bank originated 71 loans (\$6.1 million), 54 loans (\$4.6 million) and 23 loans (\$2.1 million), respectively.
- Federal National Mortgage Association (FNMA) – The bank is a participating lender in two community-lending programs offered by FNMA: the Community Home Buyers Program (CHBP) and the Fannie 97. The CHBP is designed to help homebuyer's purchase home using a low down payment of 5%. The mortgage rates are fixed with loan terms ranging from 15 to 30 years. Homebuyer education is required. The Fannie 97 program allows a loan-to-value ratio of 97%. The down payment can be 3% and mortgages can be 25 years with qualifying income and debt ratios of 33% and 36%, or 30 years with qualifying income and debt ratios of 28% and 36%, which is the industry standard.

USB originated five loans for \$333 thousand in 1999, three loans for \$190 thousand in 2000 and seven loans for \$617 thousand in 2001, under the CHBP program. The bank originated three loans for \$289 thousand in 1999, two loans for \$200 thousand in 2000 and two loans for \$281 thousand in 2001 under the Fannie 97 program.

In addition, the bank actively participates in community development organization-sponsored home loan programs targeted to low- and moderate-income individuals. These programs typically provide grants and/or assistance for down payment and/or closing costs. The following are examples of these programs:

- First Home Club (FHC). The FHC is a first-time homebuyers program that provides subsidy funds to assist very low-, low-, and moderate-income households overcome the financial difficulties of purchasing a home. The program is a non-competitive set-aside of the Affordable Housing Program (AHP) and administered through approved members of the FHC with the Federal Home Loan Bank of New York (FHLB of NY). The program is designed to assist low- and very low-income, first time homebuyers by providing a portion of the down payment and/or closing costs. Participants open a savings account and systemically save a portion of their income over a period of 10 to 24 months. For every dollar deposited in the account, the FHLB of NY will match with \$3, not to exceed \$5 thousand per household. Through partnerships with Hudson River Housing, Rural Ulster Preservation Company (RUPCO) and Rural Opportunities Inc. (ROI), the bank originated one loan for \$70 thousand in 1999, 18 loans for \$1.3 million in 2000 and 13 loans for \$976 thousand in the first half of 2001 to FHC member borrowers.

- RUPCO First Time Home Buyer Program. This program offers closing cost and down payment assistance to low- and moderate-income individuals. The bank originated 10 loans for \$639 thousand, nine loans for \$500 thousand and eight loans for \$463 thousand in 1999, 2000 and the first half of 2001, respectively.
- Dutchess Housing Partnership Program. This program provides closing cost and down payment assistance to first time LMI homebuyers. The bank originated one loan for \$94 thousand in 2000 and two loans for \$160 thousand in 2001.
- Hudson River Housing. This non-profit organization located in Poughkeepsie develops, rehabilitates, and operates emergency, transitional and permanent housing for low-income and homeless families and individuals in Dutchess County. The bank originated one loan for \$58 thousand in 2000 and another loan for \$64 thousand in 2001.
- Poughkeepsie City First Time Homebuyer Program. This program is designed for first time LMI homebuyers within the city limits. The bank closed three loans for \$225 thousand in 2000.
- Rural Opportunities Inc (ROI) Program. Similar to other programs above, the bank closed two loans for \$163 thousand in 2000 and another loan for \$84 thousand in 2001.

## **II. Investment Test “Low Satisfactory”**

During this evaluation period, USB had an adequate level of qualified investments and grants totaling \$347.2 thousand. While the bank’s overall volume of activity is not strong, it is significantly improved from the prior evaluation. Moreover, the level of grants is high, with more than \$296.4 thousand awarded to community development organizations that support affordable housing, community services, economic development and revitalization and stabilization of LMI areas.

The grant total includes USB’s contribution of \$68.4 thousand to the Affordable Housing Program sponsored by the Federal Home Loan Bank of New York. This contribution is the bank’s pro rata share of the 10% of earnings set aside by the FHLB of NY to fund its Affordable Housing Programs. USB’s pro rata share of this set aside was \$24.2 thousand for 1999 and \$44.2 thousand for 2000.

FHLB of NY’s Affordable Housing Program advances funds at subsidized rates to member institutions and these funds are passed along to qualified community development groups for the purchase, construction, and/or rehabilitation of (i) owner-occupied housing for low and moderate income households; or (ii) rental housing, where at least 20% of the rental units will be occupied by and affordable for very low-income households for the remaining useful life of such housing or the mortgage terms.

Since 1989, the bank has maintained its \$50.8 thousand in equity stock of New York Business Development Corporation (NYBDC). The NYBDC is a privately-owned entity created by New York State statute and funded by commercial and savings banks under lines of credit that are utilized to provide a broad range of financing to small and mid-sized businesses located in New York State.

### **III. Service Test: “High Satisfactory”**

#### **Retail Banking Services:**

USB has a network of five banking offices, including a main office in Kingston. The offices are located in Kingston (2) and New Paltz (1) in Ulster County and Poughkeepsie (2) in Dutchess County.

One of the offices is located in a moderate-income census tract in Poughkeepsie, two in middle-income and two in upper-income census tracts. None of the branches in middle- and upper-income areas are adjacent to LMI areas. No branches were opened or closed during the last two years. Except for an office in Kingston, all offices have 24-hour bi-lingual (English and Spanish) ATMs with links to NYCE and PLUS.

USB’s business hours and services appear reasonable. All offices open at 9:00 a.m. and close at 4:30 p.m. or 5:00 p.m. from Monday through Thursday. Banking hours on Fridays are extended either by one half an hour or an hour in all offices. USB likewise offers a drive-up facility with every branch. Except for one branch in Kingston whose drive up facility is open only during the regular banking hours, all of the drive-up facilities open an hour earlier and close half an hour later than the lobby hours. Three branches (one each in Kingston, New Paltz and Poughkeepsie) and their drive-up facilities are open on Saturdays from 9:00 a.m. to 12:00 noon.

The bank provides an array of deposit products and services, including a Basic Banking account consistent with New York State regulations. Additionally, USB offers the Student Savers Club. Started in 1998, this school savings program currently has approximately 1300 students. There are no monthly fees, the minimum balance requirement is \$5.00 and the account earns interest.

USB also offers the following alternative delivery systems:

- Bank by Mail - allows customers to make deposits, withdrawals and loan payments.
- Bank by Telephone – allows customers to transfer funds, verify balances, make loan payments, check interest rates for deposit and loan products, obtain account history information and check office hours and location.
- Internet Banking – customers can check account information, transfer funds, check interest rates for deposit and loan products, and check office hours and location. The

program also offers bill payment and a loan and retirement calculator.

### **Community Development Services:**

The bank demonstrates a relatively high level of involvement in community development services. Bank management and staff help provide technical assistance to organizations and programs that provide community-based services and affordable housing opportunities to LMI persons within the assessment area. The following is a partial listing of bank officers and the non-profit organizations they serve:

- The bank's president serves on the board of Mid-Hudson Pattern for Progress and on Ulster County Development Council.
- A senior vice president serves as the chairman of the board of Ulster County Workforce Development and a board member of an Economic Development Zone and Rural Ulster Preservation Corp (RUPCO).
- The CRA officer is board member on Ulster County Housing Consortium and Community Services Program. Another officer is also a board member on RUPCO.
- Three other officers serve as board members or committee member of Ulster County Habitat for Humanity.

Additionally, the bank participated in and/or sponsored seminars, educational work shops and community breakfasts relating to affordable housing, fair housing, foreclosure prevention and financial literacy during the evaluation period. The following is a listing of the seminars:

- First Home Club Seminars - in partnership with non-profit agencies providing homebuyer-counseling assistance
- Affordable Housing and First Time Homebuyer seminars
- Community Breakfast in May 2001 with focus on community and economic development program
- BOCES Workforce Development Presentations – an educational workshop that enforces the importance of financial literacy to individuals being removed from welfare assistance through Workforce Development Program
- YWCA of Ulster County Women to Women Series – a workshop series focused especially on women financial issues and the path towards financial security.
- Realtor Seminar on Fair Housing Issues – addresses fair housing regulations and issues and loan programs available to LMI borrowers
- Post-Closing Foreclosure Prevention – post closing credit counseling

USB became a participant during this evaluation period in the New York Electronic Benefits Program for the New York Benefit Card for low-income New Yorkers receiving cash benefits.

The bank has also teamed up with not-for-profit housing organizations to submit applications to the Federal Home Loan Bank of New York (FHLB) for projects to be considered for grants under its Affordable Housing Program (AHP). The AHP provides a direct subsidy in the form of a grant through a member institution, the benefits of which are passed along to low and moderate-income borrowers to reduce their monthly housing costs. A banking institution is responsible for disbursing and monitoring the grant (with or without advancing any of its own funds), which involves, among other things, ensuring that the grant money is utilized for proper purposes through “full use” (10 years). Moreover, all AHP grant commitments include a recapture provision which requires the bank to reimburse the FHLB for any unused or improperly used subsidy, failure to use rental housing for its original purpose, or any value realized by a purchaser in connection with the premature sale of rental housing.

The bank has submitted successful applications for 10 grants totaling \$2.6 million under this program.

#### **IV. Discrimination or Other Illegal Practices**

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

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

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

The most recent regulatory compliance examination conducted concurrently with this assessment indicates a satisfactory performance in terms of adherence to anti-discrimination or other applicable laws and regulations. No evidence of prohibited discrimination or other illegal credit practices was noted.

#### **V. 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 staff engages in continuing efforts to ascertain community credit needs through meetings with various community-based organizations and local governments. During the past year,

bank staff has met with the following organizations:

- Ulster County Development Corporation
- Rural Ulster Preservation Company
- Shandaken Housing Association to Rehabilitate Phoenicia
- Strand Community Organization to Rehabilitate the Environment
- Habitat for Humanity
- Hudson Valley Development Fund Company
- Rural Preservation Company of Dutchess County
- Kingston-Newburgh Enterprise Corporation
- Ulster County Continuum of Care Committee
- Dutchess County Housing Partnership

**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 conducts extensive outreach to make members of the community aware of the credit services offered by the institution through print media and advertisements on local radio and television stations. Print media utilized by the bank includes The New York Times, The Journal News, and daily newspapers circulating in the bank's assessment area such as Daily Freeman (Ulster), Poughkeepsie Journal (Dutchess) and Times Herald Record (Orange). The bank also used 29 weekly newspapers including advertisement in Unidos, a Spanish language publication, six monthly publications, 10 radio stations and three cable television systems.

Further marketing support is provided through direct mail and participation in business expos and community forums. The bank also developed and produced brochures on the First Home Club program for non-profit agencies.

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

The Board of Trustees exercises oversight of CRA activities and performance through its annual review and approval of the CRA Statement that describes the bank's CRA policies and programs. The board also reviews the annual self-assessment prepared by the CRA officer and reviews and approves the annual CRA action plan. In addition the board receives a quarterly update from the CRA Committee.

The bank's CRA Committee is composed of the CRA Officer, all three members of the Executive Management Team, the Bank Auditor, the Consumer Loan Officer, the Marketing Officer, the Compliance Officer and a representative from the loan production department. This committee meets at least quarterly to develop and review the bank's CRA activities.

**VI. Other Factors**

**Other factors that in the judgement of the Superintendent and Banking Board, bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community.**

None noted.

## CHARTS FOR REPORTING OF HMDA STATISTICS

### Exhibit 1

Residential Real Estate Loans - Year 1999 - by Borrower Income Level*										
Borrower Income Level	Total Lending				Assessment Area Lending				Aggregate**	
	Applics.		Originations		Applics.		Originations		Originations	
	#	%	#	%	#	%	#	%	#	%
Low	40	2.6	28	2.2	35	3.6	25	3.0	1,019	4.6
Moderate	184	11.8	142	11.3	145	14.8	121	14.6	3,389	15.4
Middle	329	21.1	259	20.7	248	25.4	204	24.6	6,096	27.7
Upper	954	61.3	787	62.8	519	53.1	454	54.8	9,968	45.3
N/A	50	3.2	38	3.0	31	3.2	25	3.0	1,554	7.1
<b>Total</b>	<b>1,557</b>	<b>100.0</b>	<b>1,254</b>	<b>100.0</b>	<b>978</b>	<b>100.0</b>	<b>829</b>	<b>100.0</b>	<b>22,026</b>	<b>100.0</b>

\* Borrower income level is based upon the Department of Housing and Urban Development's annual estimate of median family income figure for the MSA of the mortgaged property. Low income is defined as <50% of the MSA median, moderate income is 50% to <80%, middle income is 80% to <120%, and upper income is at least 120%.

\*\* The term "Aggregate" refers to loans originated in the bank's assessment area by all HMDA reporting lenders.

### Exhibit 2

Residential Real Estate Loans - Year 1999 - by Geography Income Level*										
Geo Income Level	Total Lending				Assessment Area Lending				Aggregate	
	Applics.		Originations		Applics.		Originations		Originations	
	#	%	#	%	#	%	#	%	#	%
Low	5	0.3	2	0.2	3	0.3	2	0.2	269	1.2
Moderate	73	4.7	57	4.5	50	5.1	42	5.1	1,424	6.4
Middle	600	38.5	489	39.0	432	44.2	370	44.6	12,133	54.9
Upper	879	56.5	706	56.3	493	50.4	415	50.1	7,518	34.0
N/A	-	0.0	-	0.0	-	0.0	-	0.0	738	3.3
<b>Total</b>	<b>1,557</b>	<b>100.0</b>	<b>1,254</b>	<b>100.0</b>	<b>978</b>	<b>100.0</b>	<b>829</b>	<b>100.0</b>	<b>22,082</b>	<b>100.0</b>

\* Geography income level is based upon 1990 Census data on median family income figure for the MSA of the mortgaged property. Low income is defined as <50% of the MSA median, moderate income is 50% to <80%, middle income is 80% to <120%, and upper income is at least 120%.

### Exhibit 3

Residential Real Estate Loans - Year 2000 - by Borrower Income Level*								
Borrower Income Level	Total Lending				Assessment Area Lending			
	Applics.		Originations		Applics.		Originations	
	#	%	#	%	#	%	#	%
Low	40	3.3	29	3.0	32	3.7	25	3.5
Moderate	142	11.7	117	11.9	123	14.3	101	14.0
Middle	252	20.8	203	20.7	199	23.1	169	23.3
Upper	730	60.2	596	60.8	477	55.3	403	55.7
N/A	49	4.0	35	3.6	31	3.6	26	3.6
<b>Total</b>	<b>1,213</b>	<b>100.0</b>	<b>980</b>	<b>100.0</b>	<b>862</b>	<b>100.0</b>	<b>724</b>	<b>100.0</b>

\* Borrower income level is based upon the Department of Housing and Urban Development's annual estimate of median family income figure for the MSA of the mortgaged property. Low income is defined as <50% of the MSA median, moderate income is 50% to <80%, middle income is 80% to <120%, and upper income is at least 120%.

### Exhibit 4

Residential Real Estate Loans - Year 2000 - by Geography Income Level*								
Geo Income Level	Total Lending				Assessment Area Lending			
	Applics.		Originations		Applics.		Originations	
	#	%	#	%	#	%	#	%
Low	9	0.7	7	0.7	9	1.0	7	1.0
Moderate	47	3.9	36	3.7	34	3.9	28	3.9
Middle	486	40.1	396	40.4	371	43.0	313	43.2
Upper	671	55.3	541	55.2	448	52.0	376	51.9
N/A	-	0.0	-	0.0	-	0.0	-	0.0
<b>Total</b>	<b>1,213</b>	<b>100.0</b>	<b>980</b>	<b>100.0</b>	<b>862</b>	<b>100.0</b>	<b>724</b>	<b>100.0</b>

\* Geography income level is based upon 1990 Census data on median family income figure for the MSA of the mortgaged property. Low income is defined as <50% of the MSA median, moderate income is 50% to <80%, middle income is 80% to <120%, and upper income is at least 120%.

## Exhibit 5

Residential Real Estate Loans - As of 06/ 30/01 - by Borrower Income Level*								
Borrower Income Level	Total Lending				Assessment Area Lending			
	Applics.		Originations		Applics.		Originations	
	#	%	#	%	#	%	#	%
Low	25	3.0	20	2.9	24	4.4	20	4.2
Moderate	92	11.1	76	11.0	72	13.2	60	12.7
Middle	168	20.2	136	19.8	126	23.1	106	22.4
Upper	506	60.8	425	61.8	298	54.7	268	56.7
N/A	41	4.9	31	4.5	25	4.6	19	4.0
<b>Total</b>	<b>832</b>	<b>100.0</b>	<b>688</b>	<b>100.0</b>	<b>545</b>	<b>100.0</b>	<b>473</b>	<b>100.0</b>

\* Borrower income level is based upon the Department of Housing and Urban Development's annual estimate of median family income figure for the MSA of the mortgaged property. Low income is defined as <50% of the MSA median, moderate income is 50% to <80%, middle income is 80% to <120%, and upper income is at least 120%.

## Exhibit 6

Residential Real Estate Loans - As of 06/30/01- by Geography Income Level*								
Geo Income Level	Total Lending				Assessment Area Lending			
	Applics.		Originations		Applics.		Originations	
	#	%	#	%	#	%	#	%
Low	3	0.4	2	0.3	2	0.4	2	0.4
Moderate	38	4.6	30	4.4	22	4.0	18	3.8
Middle	306	36.8	255	37.1	227	41.7	194	41.0
Upper	485	58.3	401	58.3	294	53.9	259	54.8
N/A	-	0.0	-	0.0	-	0.0	-	0.0
<b>Total</b>	<b>832</b>	<b>100.0</b>	<b>688</b>	<b>100.0</b>	<b>545</b>	<b>100.0</b>	<b>473</b>	<b>100.0</b>

\* Geography income level is based upon 1990 Census data on median family income figure for the MSA of the mortgaged property. Low income is defined as <50% of the MSA median, moderate income is 50% to <80%, middle income is 80% to <120%, and upper income is at least 120%.

**Exhibit 7**

<b>Small Business Distribution - Assessment Area 1999</b>				
<b>Loan Size</b>	<b>Number</b>	<b>Percent</b>	<b>\$ (000)</b>	<b>Percent</b>
Less than \$100,000	1	20.0%	75	8.5%
\$100,000 to \$250,000	3	60.0%	427	48.5%
\$250,001 to \$500,000	1	20.0%	378	43.0%
\$500,001 to \$1,000,000	0	0.0%	0	0.0%
Over \$1,000,000	0	0.0%	0	0.0%
<b>Totals</b>	<b>5</b>	<b>100.0%</b>	<b>880</b>	<b>100.0%</b>

**Exhibit 8**

<b>Small Business Distribution - Assessment Area 1999</b>				
<b>Geography Income</b>	<b>Number</b>	<b>Percent</b>	<b>\$ (000)</b>	<b>Percent</b>
Low	0	0.0%	0	0.0%
Moderate	0	0.0%	0	0.0%
Middle	2	40.0%	578	65.7%
Upper	3	60.0%	302	34.3%
<b>Total</b>	<b>5</b>	<b>100.0%</b>	<b>880</b>	<b>100.0%</b>

**Exhibit 9**

<b>Small Business Distribution - Assessment Area 1999</b>				
<b>Gross Revenue</b>	<b>Number</b>	<b>Percent</b>	<b>\$ (000)</b>	<b>Percent</b>
Less than \$100,000	0	0.0%	0	0.0%
\$100,000 to \$250,000	1	20.0%	75	8.5%
\$250,001 to \$500,000	1	20.0%	117	13.3%
\$500,001 to \$1,000,000	3	60.0%	688	78.2%
Over \$1,000,000	0	0.0%	0	0.0%
<b>Totals</b>	<b>5</b>	<b>100.0%</b>	<b>880</b>	<b>100.0%</b>

**Exhibit 10**

<b>Small Business Distribution - Assessment Area 2000</b>				
<b>Loan Size</b>	<b>Number</b>	<b>Percent</b>	<b>\$ (000)</b>	<b>Percent</b>
Less than \$100,000	1	14.3%	88	6.3%
\$100,000 to \$250,000	5	71.4%	920	65.3%
\$250,001 to \$500,000	1	14.3%	400	28.4%
\$500,001 to \$1,000,000	0	0.0%	0	0.0%
Over \$1,000,000	0	0.0%	0	0.0%
<b>Totals</b>	<b>7</b>	<b>100.0%</b>	<b>1408</b>	<b>100.0%</b>

**Exhibit 11**

<b>Small Business Distribution - Assessment Area 2000</b>				
<b>Geography Income</b>	<b>Number</b>	<b>Percent</b>	<b>\$ (000)</b>	<b>Percent</b>
Low	0	0.0%	0	0.0%
Moderate	3	42.9%	373	26.5%
Middle	1	14.3%	250	17.8%
Upper	3	42.9%	785	55.8%
<b>Total</b>	<b>7</b>	<b>100.0%</b>	<b>1,408</b>	<b>100.0%</b>

**Exhibit 12**

<b>Small Business Distribution - Assessment Area 2000</b>				
<b>Gross Revenue</b>	<b>Number</b>	<b>Percent</b>	<b>\$ (000)</b>	<b>Percent</b>
Less than \$100,000	3	42.9%	398	28.3%
\$100,000 to \$250,000	1	14.3%	250	17.8%
\$250,001 to \$500,000	1	14.3%	160	11.4%
\$500,001 to \$1,000,000	1	14.3%	200	14.2%
Over \$1,000,000	1	14.3%	400	28.4%
<b>Totals</b>	<b>7</b>	<b>100.0%</b>	<b>1,408</b>	<b>100.0%</b>

**Exhibit 13**

<b>Small Business Distribution - Assessment Area 2001</b>				
<b>Loan Size</b>	<b>Number</b>	<b>Percent</b>	<b>\$ (000)</b>	<b>Percent</b>
Less than \$100,000	9	64.3%	375	24.8%
\$100,000 to \$250,000	3	21.4%	560	37.0%
\$250,001 to \$500,000	2	14.3%	580	38.3%
\$500,001 to \$1,000,000	0	0.0%	0	0.0%
Over \$1,000,000	0	0.0%	0	0.0%
<b>Totals</b>	<b>14</b>	<b>100.0%</b>	<b>1515</b>	<b>100.0%</b>

**Exhibit 14**

<b>Small Business Distribution - Assessment Area 2001</b>				
<b>Geography Income</b>	<b>Number</b>	<b>Percent</b>	<b>\$ (000)</b>	<b>Percent</b>
Low	0	0.0%	0	0.0%
Moderate	1	7.1%	34	2.2%
Middle	5	35.7%	522	34.5%
Upper	8	57.1%	959	63.3%
<b>Total</b>	<b>14</b>	<b>100.0%</b>	<b>1,515</b>	<b>100.0%</b>

**Exhibit 15**

<b>Small Business Distribution - Assessment Area 2001</b>				
<b>Gross Revenue</b>	<b>Number</b>	<b>Percent</b>	<b>\$ (000)</b>	<b>Percent</b>
Less than \$100,000	7	50.0%	559	36.9%
\$100,000 to \$250,000	0	0.0%	0	0.0%
\$250,001 to \$500,000	5	35.7%	701	46.3%
\$500,001 to \$1,000,000	1	7.1%	200	13.2%
Over \$1,000,000	1	7.1%	55	3.6%
<b>Totals</b>	<b>14</b>	<b>100.0%</b>	<b>1,515</b>	<b>100.0%</b>

## GLOSSARY

### Aggregate

The cumulative lending by all HMDA-reporting lenders in the same geographic area under evaluation.

### Community Development

The term “community development” is defined to mean:

1. Affordable housing (including multifamily housing) for low- or moderate-income (“LMI”) individuals;
2. Community services targeted to LMI individuals;
3. Activities that promote economic development by financing 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.

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

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

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

- Financial intermediaries (including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds, micro-finance institutions and low-income or community development credit unions) that primarily lend or facilitate lending in LMI areas or to LMI individuals in order to promote community development;
- Organizations engaged in affordable housing rehabilitation and construction;
- Organizations, including, for example, small business investment corporations that promote economic development by financing small businesses;
- Facilities that promote community development in LMI areas or LMI individuals, such as youth programs, homeless centers, soup kitchens, health care facilities, battered women’s centers, and alcohol and drug recovery centers;
- Projects eligible for low-income housing tax credits;
- State and municipal obligations, such as revenue bonds that specifically support affordable housing or other community development needs;
- Organizations serving LMI housing or other community development needs, such as counseling for credit, home ownership, home maintenance, and other financial services education; and
- Organizations supporting activities essential to the capacity of LMI individuals or geographies to utilize credit to sustain economic development, such as day care operations and job training programs that facilitate access to permanent jobs.

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

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

- ❖ advertising and promotions, publications, workshops and conferences;
- ❖ Furnishing financial services training for staff and management;
- ❖ Contributing accounting/bookkeeping services; and
- ❖ Assisting in fund raising, including soliciting or arranging investments.

### **Demand-Adjusted Penetration Rate**

The number of owner-occupied loans made by the institution (or aggregate as appropriate) in a geographic area per thousand owner-occupied housing units in that area.

Mathematically, it is arrived at by dividing the number of owner-occupied housing units into the number of loans made and then multiplying by 1,000.

### **Demand-Adjusted Penetration Ratio**

A ratio that depicts geographic penetration of loans by comparing demand-adjusted lending in LMI areas with non-LMI areas. Mathematically, it is arrived at by dividing the demand-adjusted penetration rate in non-LMI areas into the demand-adjusted penetration rate in LMI areas and then expressed as a percentage.

A ratio of 100% means that the institution (or aggregate as appropriate) made an equal number of loans proportionally in LMI and non-LMI areas. Less than 100 percent would indicate less lending in LMI areas on the same basis compared to non-LMI areas, whereas over 100 percent would indicate a greater level of lending in LMI areas versus non-LMI areas.

### **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.

### **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 (“BNAs”), where according to the 1990 US Census, the median family income is less than 80% of the area median family income. In the case of tracted areas that are part of a Metropolitan Statistical Area (“MSA”) or Primary Metropolitan Statistical Area (“PMSA”), this would relate to the median family income for the MSA or PMSA in which the tracts are located. In the case of BNAs and tracted areas that are not part of a MSA or PMSA, the area median family income would be the statewide non-metropolitan median family income.

### **LMI Borrowers**

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

### **LMI Individuals/Persons**

Those individuals, 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.

### **Small Business Loans**

Loans to businesses with original amounts of \$1 million or less.