



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

One State Street
New York, NY 10004

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: December 31, 2001

Institution: Union State Bank
100 Dutch Hill Road
Orangeburg, NY 10962

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 Union State 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 December 31, 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

Union State Bank is rated "2", indicating a satisfactory record of helping to meet community credit needs. This rating is based on the following factors:

Lending Test: "Low Satisfactory"

- *Lending Activity:* The bank's lending levels reflect relatively good responsiveness to community credit needs.
- *Assessment Area Lending:* USB extended a substantial majority of its Home Mortgage Disclosure Act ("HMDA")-reportable and small business loans within the assessment area.
 - During 2000, 86.4% of the number and 81.0% of the dollar volume of HMDA loans were made in the assessment area. The assessment area concentration improved in 2001, to 91.5% and 92.1%, respectively.
 - During 2000, USB extended 88.5% of the number and 85.2% of the dollar volume of its small business loans in the assessment area. The assessment area concentrations were relatively unchanged in 2001, with USB achieving rates of 89.9% and 84.1%, respectively.
- *Geographic Distribution:* The geographic distribution of USB's HMDA and small business loans reflects marginally adequate dispersion throughout the assessment area. The bank's low penetration of lending in low- to moderate-income ("LMI") areas relative to the aggregate is partially attributable to the inclusion of New York County in the assessment area, following its acquisition of a Manhattan branch during 2000.
 - During 2000, USB extended 1.3% by number and 2.1% by dollar volume of its HMDA loans in moderate-income census tracts, trailing the aggregate's LMI penetration rates of 3.3% and 3.2%, respectively. The bank's geographic distribution worsened in 2001, when it originated only 0.5% of both the number and dollar volume of its HMDA loans in LMI tracts.
 - During 2000, USB made 2.7% of the number and 3.6% of the dollar volume of small business loans in LMI geographies, well below the aggregate's LMI penetration rates of 12.5% and 15.2%, respectively. The bank's geographic distribution improved by number, but worsened by dollar volume in 2001, with 3.9% and 2.6% of loans extended in LMI areas.
- *Borrower's Profile:* The bank's lending reflects satisfactory penetration among individuals

of different income levels and businesses of different sizes.

- During 2000, USB extended 7.8% of its number and 3.3% of its dollar volume of HMDA loans to LMI borrowers, relatively on par with the aggregate's percentages of 7.7% and 2.5% respectively. During 2001, the bank's LMI penetration rates declined to 5.6% and 2.7%, respectively.
- During 2000, the bank made 45.2% by number and 42.1% by dollar volume of its small business loans to firms with gross annual revenues of \$1 million or less, somewhat above the corresponding aggregate percentages of 41.5% and 30.6%, respectively. The bank's small business penetration rates declined slightly in 2001, to 43.1% and 38.8%, respectively.
- Additionally, during 2000, the bank originated 56.1% of its small business loans in origination amounts of less than or equal to \$100 thousand. The proportion of loans in the smallest size category declined slightly in 2001, to 53.3%.
- *Community Development Lending:* The bank supplements its HMDA and small business lending with a reasonably good level of community development lending, based on its size, capacity and the community development needs of its assessment area. The bank's community development commitments for the evaluation period totaled \$20.6 million.
- *Innovativeness and Flexibility:* USB's offerings of innovative/flexible lending programs or products are limited. The bank offers a "Special Business Line of Credit Product" for small businesses located in LMI communities, and also participates in a few of government-sponsored programs.

Investment Test: "Outstanding"

- *Volume:* The bank had a high level of qualified investments, totaling \$9.3 million for the evaluation period. This three-fold increase over the \$3.1 that received favorable consideration at the last evaluation supports the upgrade to an "outstanding" at this evaluation.
- *Innovativeness, Complexity, Responsiveness:* The above rating notwithstanding, USB rarely shows leadership in its investment activities. The bank's investments supported affordable housing and were largely comprised of targeted mortgage-backed securities issued by FHLMC and FNMA. While not innovative or complex, they were satisfactorily responsive to the needs in the community. Grants and donations totaled \$386 thousand for the evaluation period, further exhibiting satisfactory responsiveness to community development needs.

Service Test: “High Satisfactory”

- *Retail Services:* USB’s retail delivery systems and services show satisfactory responsiveness to the needs of the assessment area.
 - USB does not have any branches or ATM facilities in LMI tracts. However, 13% of the branches and 16% of the ATMs are located in tracts adjacent to LMI areas. Given the minimal percentage of LMI census tracts in the bank’s assessment area, USB’s distribution of branches and ATMs is considered reasonable.
 - USB’s opening and closing of branch offices and ATMs did not negatively impact, and in a number of cases, improved access to banking services in its community.
 - The bank has various alternative methods of delivering its broad range of products and services.
 - USB’s business hours and services are reasonably tailored to the convenience and needs of the assessment area.
- *Community Development Services:* USB’s delivery of community development services is highly satisfactory. Services include small business seminars, technical assistance and affordable housing seminars. Many employees participate as board and committee members with community development entities. Additionally, USB was awarded a commissioner’s award for providing surcharge free electronic benefit transfer (EBT) access of ATM’s to NY State public assistance recipients.

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:

Union State Bank, established in 1969 as a retail commercial bank and headquartered in Orangeburg, Rockland County, is the only banking subsidiary of USB Holding Co., Inc. The bank formed two non-bank wholly owned subsidiaries in 1997: Dutch Hill Realty Corp a company that holds and manages problem assets and real estate acquired in foreclosure from the bank, and USB Financial Services, Inc, which offers mutual funds and stocks. TPNZ Preferred Funding Corporation, a wholly owned subsidiary of the bank that was established in March 1998, is the Real Estate Investment Trust that owns certain residential mortgages and home equity loans originated by the bank. In November 2000, the bank acquired the Stamford, Connecticut and Manhattan branches of La Jolla Bank (California).

USB has 24 branches, of which 23 are located in New York State (14 in Rockland, eight in Westchester and one in Manhattan) and one is located in Connecticut. The bank also has three loan production offices, of which two are in New York State (one each in Rockland and Westchester Counties) and one is in Connecticut. The bank also has a residential mortgage center in Rockland County.

USB offers traditional retail banking services to individuals, municipalities, corporations and small businesses. The products offered by the bank are deposits, retirement accounts, commercial and personal loans, residential and construction loans, credit cards and other consumer products. USB is primarily a real estate lender. It reported 86.3% of its loan portfolio in real estate loans, 12.2% in commercial and industrial loans and remaining in consumer and other loans.

The bank offers a wide variety of credit products. Following is a list of the bank's credit products offered to businesses and consumers:

- Personal loans (secured and unsecured);
- Home Improvement loans
- Automobile loan
- Residential Mortgages.
- Checking Overdraft Lines of Credit;
- Home Equity loans (including lines of credit and installment);
- Credit Cards
- Business Credit Cards
- Revolving Lines of Credit
- Commercial Loans (secured and unsecured)
- Commercial Mortgages
- Letters of Credit

The following chart shows a distribution of the bank's gross loans, according to the Reports of Condition and Income dated December 31, 2001 and 2000:

TOTAL GROSS LOANS OUTSTANDING				
LOAN TYPE	12/31/2001		12/31/2000	
	\$'000	%	\$'000	%
Residential Mortgage Loans	262,781	22.4	241,815	22.2
Commercial Mortgage Loans	491,430	41.8	487,534	44.7
Multifamily Mortgages	61,433	5.2	35,986	3.3
Consumer Loans	8,169	0.7	19,260	1.8
Construction Loans	198,510	16.9	175,898	16.1
Other Loans	9,200	0.8	1,208	0.1
Commercial Loans	143,290	12.2	128,022	11.8
Total Gross Loans	1,174,813	100.0	1,089,723	100.0

USB participates in various governmentally insured, guaranteed or subsidized loan programs for housing, small business or small farms. The bank has several programs that encourage LMI first time homebuyers, including the Federal Home Loan Bank (“FHLB”) First-Time Home Buyers program and the State of New York Mortgage Agency (“SONYMA”) programs. In addition, small asset based financing is available using Economic Development Agencies and United States Small Business Administration (“SBA”) financing programs. The bank also participates in New York State’s Excelsior Linked Deposit program.

The bank encounters competition from many financial institutions offering comparable products. These competitors include large commercial banks, savings banks, mortgage bankers, credit unions, insurance companies and other financial institutions. According to management, the bank’s branch network and technological capacity is somewhat limited compared with other larger banks, thereby posing a challenge to the bank’s efforts to realize its small business and residential mortgage lending goals.

On June 30, 2001, USB held 16.8% of total deposits held by all financial institutions in Rockland County, ranking it second out of 15 banks. In Westchester County, the bank was the 9th largest out of 30 banks, with 2.1% of the county’s total deposits.

In 2000, USB was ranked 8th out of 241 home mortgage lenders in Rockland County, with a 2.95% market share based on the number and 2.22% share based on the dollar volume of loans made. In Westchester the bank was ranked 64th out of 329 home mortgage lenders, with a market share of only 0.31% based upon the number of loans and 0.22% based on their dollar volume.

In 2000, the bank was ranked 10th out of 56 small business lenders in Rockland County with a 2.39% market share based on the number of loans and 13.5% based on their dollar volume. In Westchester County, the bank was the 18th largest small business loan lender out of 96 lenders with a market share of 0.53% based on the number of loans and 4.35% based on their

dollar volume.

For the year ended December 31, 2001 USB's Consolidated Report of Condition and Income shows total assets of \$2.04 billion including net loans of \$1.16 billion (56.9% of total assets), investments of \$753 million (36.9%) and total deposits of \$1.4 billion (76.5% of total liabilities.). The bank's equity capital was \$168 million. USB reported net income of \$22.8 million for the 12 months ending December 31, 2001.

The bank's loan-to-deposit ratio of 81.0% on the evaluation date was in line with its national peer group ratio of 83.7%. This was an improvement from prior year (December 31, 2000) when its ratio was 72.1% compared to the national peer group ratio of 83.9%.

USB received a rating of "2" rating at its last Performance Evaluation by the Banking Department dated November 8, 1999, reflecting a "satisfactory" record of helping to meet community credit needs.

Examiners noted no financial or legal factors that would adversely impact the bank's ability to meet its responsibilities under the Community Reinvestment Act.

Assessment Area

USB's assessment area includes Westchester and Rockland counties in their entirety. It also includes New York County, south of 42 Streets to South Ferry. The assessment area consists of 365 census tracts as follows:

ASSESSMENT AREA							
County	LMI Tracts	%	Zero income tracts	%	Middle & Upper	%	Total
Rockland	1	2.4	2	4.8	39	92.8	42
Westchester	20	9.1	2	0.9	198	90.0	220
New York	31	30.1	5	4.8	67	65.0	103
Total	52	14.2%	9	2.5%	304	83.3	365

There are 52 (14.2%) LMI tracts, 304 (83.3%) middle/upper- income tracts and nine zero-income tracts. The assessment area appears to be reasonable based upon the location of the bank's branches, and its lending patterns. There is no evidence that LMI areas are arbitrarily excluded.

Details of the assessment area are as follows:

Rockland County Rockland County has 42 census tracts, of which one is moderate-income (2.4%), four are middle-income (9.5%) and 35 are upper-income tracts (83.3%). There are no low-income census tracts, but there are two no income tracts (4.8%). The county is part of

MSA 5600 (New York).

According to the U.S. Census Bureau, Rockland County had a population of 265.5 thousand in 1990, which increased by 21.3 thousand (8.0%)¹ to 286.8 thousand in 2000. Approximately 10.1% (26.9 thousand) of the 1990 population were over the age of 65 and 26.4% (70.1 thousand) were under the age of 16.

In 1990, there were 67.0 thousand families in the county, of which 11.5 thousand (17.1%) were LMI families. About 15.6% (10.5 thousand) were middle-income and 67.2% (45.0 thousand) were upper-income families. There were 84.9 households in the county, of which 4.9 thousand (5.7%) had incomes below the poverty level.

Almost 3.6% (four hundred) of the LMI families lived in LMI census tracts, accounting for 65.9% of all the families (six hundred) that lived in LMI census tracts.

There were 88.3 thousand housing units in Rockland County of which less than 1% (600) were located in LMI areas. Of the total housing units, 80.9% (71.4 thousand) were 1 to 4 family units and 16.6% (14.6 thousand) were multi-family units. In 1990, the median housing value was \$209.3 thousand and the median age of the housing was 26 years.

About 69.4% (61.2 thousand) of the housing units were owner-occupied and 26.8% (23.7 thousand) were renter-occupied. Almost 3.9% (3.5 thousand) of the units were vacant or boarded up.

In 1990, the median family income for the county was \$60.5 thousand and the median family income for the MSA was \$37.5 thousand. The HUD updated estimated median family income for the MSA was \$56.2 thousand in 2000 and \$59.1 thousand in 2001.

According to the U.S. Department of Labor, the county's average unemployment rates were 3.0% in 2000 and 3.1% in 2001. The county's average unemployment rates were below 5.3% in 2000 and 5.6% in 2001.

Westchester County Westchester County has 220 census tracts, including two low-income tracts (0.9%), 18 moderate-income tracts (8.2%), 35 middle-income tracts (15.9%) and 163 upper-income tracts (74.1%). There are also two no income tracts (0.9%). The County is part of MSA 5600 (New York).

According to the U.S. Census Bureau, Westchester County had a population of 874.9 thousand in 1990, which increased by 48.6 thousand (5.6%) to 923.5 thousand in 2000. Approximately 14.4% (126.3 thousand) of the 1990 population were over the age of 65 and

¹ Please note that while percentage figures are based on exact numbers, absolute numbers pertaining to population and housing characteristics have been rounded to the nearest decimal point.

22.8% (199.4 thousand) were under the age of 16.

In 1990, there were 229.5 thousand families in the county, of which 20.4% (46.8 thousand) were LMI families. Almost 15.6% (35.8 thousand) were middle-income and 64.0% (147.0 thousand) were upper income families. There were 319.7 households in the county of which 6.9% (21.9 thousand) had income below the poverty level.

About 23.7% (11.1 thousand) of the LMI families lived in LMI census tracts, accounting for 59.4% of all the families (18.7 thousand) that lived in LMI census tracts.

There were 336.7 thousand housing units in Westchester County, of which 8.7% (29.2 thousand) were located in LMI census tracts. Of the total housing units, 65.5% (220.7 thousand) were 1 to 4 family units and 32.9% (110.8 thousand) were multi-family units. In 1990, the median housing value was \$264.2 thousand and the median age of the housing was 39 years.

Almost 56.7% (191.0 thousand) of the housing units were owner-occupied, of which 1.9% (3.6 thousand) was located in LMI areas. About 38.3% (129.1 thousand) were renter-occupied, of which 24.1% (31.1 thousand) were located in LMI areas. Almost 5.1% (17.0 thousand) of the units were vacant or boarded up.

In 1990, the median family income for the county was \$58.9 thousand and the median family income for the MSA was \$37.5 thousand. The updated HUD estimated median family income for the MSA was \$56.2 thousand in 2000 and \$59.1 thousand in 2001.

According to the U.S. Department of Labor, the county's average unemployment rates were 3.0% in 2000 and 3.5% in 2001. The county's average unemployment rates were below the MSA's average rates of 5.3% in 2000 and 5.6 in 2001.

A portion of Westchester County has been designated an Empire Zone (EZ) by the State of New York, based on community economic distress. Yonkers has been designated an EZ. 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.

New York County (Manhattan) The New York County assessment area runs from 42nd Street to South Ferry. This area has 103 census tracts, including 14 low-income tracts (13.6%), seven moderate-income tracts (16.5%), 16 middle-income tracts (15.5%) and 51 upper-income tracts. There are also five no income tracts (4.9%) in the area. New York County is part of MSA 5600 (New York). This area was added to the bank's assessment area because of the purchase of two branches from La Jolla Bank including a branch in Manhattan.

According to the U.S. Census Bureau, in 1990, this area had a population of 451.6 thousand), of which 13.4% (60.6 thousand) were over the age of 65 and 10.9% (49.2 thousand) were under the age of 16.

In 1990, there were 84.8 thousand families in the area, of which 39.3% (33.3 thousand) were LMI families. About 14.6% (12.4 thousand) were middle-income and 46.1% (39.1 thousand) were upper-income families. There were 230.1 thousand households in the area, of which 14.0% (32.2 thousand) had incomes below the poverty level.

Almost 66.7% (22.2 thousand) of the LMI families lived in LMI census tracts, accounting for 69.1% of all the families (32.1 thousand) that lived in LMI census tracts.

There were 248.3 thousand housing units in the area, of which 22.9% (57.0 thousand) were located in LMI census tracts. Of the total housing units, 4.0% (9.9 thousand) were 1 to 4 family units and 94.5% (234.6 thousand) were multi-family units. In 1990, the median housing value in the area was \$193.0 thousand and the median age of the housing was 41 years.

About 17.1% (42.4 thousand) of all housing units were owner-occupied, of which 8.1% (3.4 thousand) were located in LMI areas. About 75.1% (187.7 thousand) were renter-occupied, of which 27.2% (51.0 thousand) were located in LMI areas. Almost 7.4% (18.2 thousand) of all the units were vacant or boarded up.

The 1990, median family income for the county was \$36.8 thousand and the median income for the MSA was \$37.5 thousand. The HUD estimated median family income for the MSA was \$56.2 thousand in 2000 and \$59.1 thousand in 2001.

According to the U.S. Department of Labor, the county's average unemployment rates were 5.0% in 2000 and 6.0% in 2001. The county's average unemployment rates were slightly below the MSA's average rate of 5.3% in 2000 and slightly above the MSA's rate of 5.6% in 2001.

In an effort to boost reinvestment and help rebuild Lower Manhattan following the devastating terrorist attack, federal legislation created the Liberty Zone. The zone covers most of the area south of Canal Street, East Broadway and Grand Streets. The law gives specific federal tax benefits to businesses located in the zone.

PERFORMANCE TESTS AND ASSESSMENT FACTORS

This performance evaluation is based on a review of USB's lending, investment, and service activities within its New York assessment area, during 2000 and 2001.

Statistics utilized in this evaluation were derived from various sources. In addition to loan information submitted by the bank, aggregate data for HMDA-reportable and small business loans were obtained from the Federal Financial Institutions Examination Council ("FFIEC") and PCI Services, Inc. CRA Wiz©, an external vendor. Demographic data are from the 1990 U.S. Census data, with 2001 estimated income figures provided by the United States Department of Housing and Urban Development ("HUD").

Comparisons for the bank's HMDA-reportable and small business are based upon the 2000 aggregate. The 2001 aggregate data was not available for purposes of this evaluation.

I. Lending Test: - "Low Satisfactory"

The bank's lending performance was 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.

In the analysis of factors (1), (2), and (3) above, examiners focused on the bank's HMDA-reportable and small business loans.

Lending Activity: "High Satisfactory"

The bank's lending levels reflect reasonably good responsiveness to community credit needs.

In 2000, USB originated 265 HMDA-reportable loans totaling \$36.3 million. The number of HMDA-reportable loans increased in 2001 by 60.8% to 426, while the dollar volume increased by 81.5% to \$65.9 million.

The 2000 HMDA Lending Market Share Report ranked USB 33rd, among 338 HMDA-reportable lenders in its entire assessment area, based on a market share of 0.77% of the number of 1-4 family loans originated. The corresponding market share for the dollar volume of loans was 0.44%. However, the bank ranked eighth, based on the number of loans originated in its home county of Rockland, where it has 14 branch offices and the second largest deposit market share among fifteen institutions with 16.8% of the county's total deposits. In contrast, USB ranked 64th in Westchester County, where it has only eight branches and the ninth largest deposit market share out of 30 banks, with 2.1% of the county's total deposits.

In 2000, the bank originated 338 small business loans totaling \$65.2 million. The number of loan originations increased in 2001 by 9.2% to 369 loans, while the dollar volume increased by

12.3% to \$73.2 million.

The 2000 Small Business Lender Market Share Report ranked USB 21st, among 225 small business reporting lenders in the assessment area, based on a market share of 0.33% of the number of small business loans originated. The corresponding market share for the dollar volume of loans was 1.58%. The bank ranked 10th and 18th based on the numbers of loans originated, in Rockland and Westchester Counties, respectively.

As noted in the Performance Context, above, the bank’s loan-to-deposit ratio of 81.0% on the evaluation date was in line with its national peer group ratio of 83.7%.

Assessment Area Concentration: “Outstanding”

As illustrated in the table below, USB extended a substantial majority of its HMDA- reportable and small business loans within the assessment area.

Distribution of HMDA and Small Business Loans										
Inside/Outside of the Assessment Area										
Loan Category or Type	Number of Loans					Dollars in Loans (000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Small Business										
2000	299	88.5	39	11.5	338	57,949	88.9	7,257	11.1	65,206
2001	332	89.9	37	10.1	369	61,498	84.1	11,664	15.9	73,162
Subtotal	631	89.2	76	10.8	707	119,447	86.3	18,921	13.7	138,368
Home Mortgage										
2000	229	86.4	36	13.6	265	29,434	81.0	6,894	19.0	36,328
2001	390	91.5	36	8.5	426	60,698	92.1	5,221	7.9	65,919
Subtotal	619	89.6	72	10.4	691	90,132	88.1	12,115	11.9	102,247
Total	1,250	89.4	148	10.6	1,398	209,579	87.1	31,036	12.9	240,615

Source: HMDA and CRA Disclosure Statements (2000-2001)

In 2000 Union State Bank originated 229 HMDA reportable loans totaling \$29.4 million in its assessment area, representing 86.4% of the number and 81.0% of the dollar volume of its total loan originations. In 2001, there were 390 (91.5%) assessment area originations totaling \$60.7 million (92.1%), indicating an improved concentration.

In 2000 the bank originated 338 small business loans in the amount of \$65.2 million, of which 299 loans (88.5%) in the amount of \$57.9 million (88.9%) were made in the assessment area. During 2001, the bank extended 369 small business loans totaling \$73.1 million in New York

State, of which 332 loans (89.9%) in the amount of \$61.5 million (84.1%) were originated in the assessment area.

Geographic Distribution: “Low Satisfactory”

USB’s geographic distribution of HMDA and small business loans reflects marginally adequate dispersion among census tracts of different income levels, given the performance context.

HMDA Loans

For the year 2000, the bank originated three (1.3%) loans totaling \$633 thousand (2.1%) in moderate-income census tracts, well below the HMDA aggregate, which extended 3.3% based on the number and 3.2% based on the dollar volume of its loans in moderate-income areas. USB originated no loans in low-income tracts, compared to 0.9% for the HMDA aggregate.

During 2001, the bank originated two (0.5%) HMDA loans totaling \$325 thousand (0.54%) in moderate-income tracts, and no originations in low income tracts. The HMDA aggregate data for 2001 was not available for purposes of this evaluation.

The significant disparity between USB’s performance and that of its peers is partially attributed to the fact that the bank did not acquire its New York County branch until November 2000. Of the 52 LMI census tracts (16 low-income and 36 moderate-income) in the assessment area, 31 (14 low-income and seven moderate-income) are located in New York County. Accordingly, while the HMDA aggregate figures incorporate lending in New York County, in 2000 all of the bank’s assessment area originations were in Rockland (171 loans) and Westchester Counties (58 loans). In 2001, the bank originated 270 HMDA loans in Rockland, 119 in Westchester and only one loan in New York County.

Small Business Loans

The geographic distribution of USB’s small business loans according to census tract income shows that in 2000, eight loans (2.7%) totaling \$2.06 million (3.6%) were extended to LMI geographies. As illustrated below, USB’s LMI penetration rates are well below those of the small business aggregate in the assessment area:

All Lenders and Bank’s Small Business Loans For 2000				
Geography of Income	By Number Bank	Volume % Aggregate	By Dollar Bank	Volume % Aggregate
Low	0.7%	2.7%	1.9%	3.2%
Moderate	2.0%	9.8%	1.7%	12.0%
LMI Total	2.7%	12.5%	3.6%	15.2%

In 2000, the bank ranked 18th out of 96 small business lenders in Westchester County, with a

0.53% market share based on its *overall* number of loans and a 4.25% market share based on their corresponding dollar volume. In Rockland County, the bank’s rank was 10th out of 56 lenders. USB’s market share based on the number of loans was 2.39% and its market share based on dollar volume was 13.5%. Given its significant presence in both of these markets, USB’s percentage of lending in LMI areas in 2000 was considered weak.

Again, the weak performance relative to the aggregate is partially attributable to the inclusion of New York County in the assessment area for this evaluation. Seven of USB’s small business loans totaling \$1.1 million were originated in LMI tracts in Westchester County and only one loan for \$1.0 million was made in an LMI tract in New York County. No small business loans were made in LMI tracts in Rockland County.

. All Lenders and Bank’s Small Business Loans For 2001				
Geography of Income	By Number Bank	Volume % Aggregate	By Dollar Bank	Volume % Aggregate
Low	1.5%	N/A	1.0%	N/A
Moderate	2.4%	N/A	1.5%	N/A
LMI Total	3.9%	N/A	2.5%	N/A

During 2001, the bank extended 13 loans (3.9%) totaling \$1.6 million (2.5%) in LMI geographies. These included 12 loans totaling \$1.1 million in Westchester County and one loan in the amount of \$500 thousand in New York County. No loans were made in LMI areas of Rockland County. Aggregate data for 2001 was not available for purposes of this evaluation.

Borrower Characteristics: “High Satisfactory”

USB’s distribution of loans according to borrower characteristics reflects relatively good penetration among individuals of different income levels and businesses of different sizes.

HMDA Loans

The HMDA data for 2000 indicate that USB originated 18 loans (7.8%) totaling \$966 thousand (3.3%) to LMI borrowers in its assessment area, compared to 7.7% and 2.5%, respectively, for aggregate. The bank originated four mortgage loans (1.7%) totaling \$200 thousand (0.6%) to low-income borrowers and 14 loans (6.1%) totaling \$766 thousand (2.6%) to moderate-income borrowers, while the aggregate extended 1.5% to low-income borrowers and 6.2% to moderate-income borrowers.

During 2001, the bank made 22 (5.6%) HMDA loans totaling \$1.6 million (2.7%) to LMI borrowers, reflecting a decline. The 2001 HMDA report shows that two originations (0.5%) totaling \$141 thousand (0.23%) were made to low-income borrowers and 20 originations (5.1%) totaling \$0.5 million (2.5%) were extended to moderate-income borrowers. The HMDA aggregate data for 2001 was not available for comparison.

Small Business Loans

During year 2000, the bank made within its assessment area 135 small business loans (45.2%) totaling \$24.4 million (42.1%) to business firms with gross revenues of \$1 million or less. Both percentages are above those of the 2000 aggregate, which made 41.5% of its loan number and 30.6% of their corresponding dollar volume to small businesses. The data also show that USB originated 87 loans (29.1%) totaling \$22.4 million (38.6%) to business firms with gross revenues exceeding \$1 million and 77 loans (25.7%) totaling \$11.2 million (19.3%) to firms with unknown revenues.

In 2001, the bank made 143 small business loans (43.1%) totaling \$23.8 million (38.8%) to small business firms in its assessment area with gross annual revenues of \$1 million or less. Aggregate percentages for the year 2001 are not available. The data further show that USB extended 115 loans (34.6%) loans totaling \$24.8 million (40.4%) to business firms with gross annual revenues exceeding \$1 million and 74 loans (22.3%) totaling \$12.8 million (20.8%) to businesses with unknown revenues.

During 2000, the bank originated 168 (56.1%) assessment area loans in amounts of less than or equal to \$100 thousand, 66 loans (22.1%) in amounts ranging from more than \$100 thousand to \$250 thousand and 65 loans (21.8%) in amounts between \$250 thousand and \$1 million.

In 2001, the bank extended 177 (53.3%) small business loans in the assessment area in amounts of less than or equal to \$100 thousand, 77 loans (22.6%) in amounts ranging from more than \$100 thousand to \$250 thousand, and 78 loans (23.5%) in amounts between \$250 thousand and \$1 million.

Small Business Development Plan

In response to concerns expressed by the Banking Department in 1999, the bank formulated a small business development plan that outlined in detail USB's strategy to improve its small business lending, with emphases on LMI areas of Rockland and Westchester Counties.

The plan included three years of small business loans projections, the formation of a Community Lending Group and the establishment of a business information and resource center in the Village of Spring Valley.

The bank undertook concrete steps to implement the plan, including the formation of the Community Lending Group and establishment of a resource center. While the bank was unable to reach its projected targets for lending in LMI geographies, its percentage of lending in these areas has steadily increased, from a low of 1% in 1999, to as high as 7.0% for the first six months of 2002. According to bank management, USB's limited branch network compared to that of its competitors may have been a factor in its inability to reach the estimated targets.

Community Development Loans: “High Satisfactory”

The bank’s level of community development lending is considered reasonably good for an institution of USB’s size and capacity. USB’s lending is targeted toward entities engaged in building or renovation of affordable housing and promoting community and health services for LMI populations.

During the evaluation period, the bank made six community development commitments totaling \$20.6 million in the assessment area, representing a significant increase over the \$6.0 million reported at the last evaluation. On the evaluation date, \$16.7 million were outstanding, including a \$1.5 million loan that was made during a prior evaluation period. Additionally, the bank had \$17.5 million (43.2%) in community development loans commitments outside the assessment area, with \$15.0 million outstanding on the evaluation date.

Of the commitments made in the assessment area, 34.9% were targeted to support revitalization and stabilization activities, 31.2% were in support of community services, and 33.9% promoted affordable housing opportunities, thereby financing the construction or renovation of 374 housing units.

While the facilities are not considered innovative or complex, the significant increase in activity supports the upgrade to “high satisfactory” at this evaluation.

The following is a summary of the bank’s community development loans:

Private Developer: A \$6 million commercial mortgage extended in May 2000 to finance the acquisition and renovation of three office buildings located in a moderate income tract in Mount Vernon. The building’s tenants are community services agencies providing services to LMI individuals. The financing is expected to help revitalize and stabilize the LMI area.

Westchester County Health Care Corp: A \$7 million letter of credit issued in November 2000 to support the equity development of the Children’s Hospital Foundation at Westchester County Medical Center. The Children’s Hospital at Westchester Medical Center serves as the only tertiary pediatric center in seven counties of lower New York State as well as Northern New Jersey and Fairfield County, Connecticut. The hospital’s commitment to care for LMI individuals is evident in the proportion of patients covered by Medicaid (over 40% from the nine counties in its service area and nearly 50% from Westchester County alone).

Limited Partnership: \$5 million in construction loans extended in September 2000 to finance the construction of a 90-unit apartment complex for households including a member 55 or older, with incomes of 30% to 60% of the area median income. The project is a Section 42 Low Income Housing Tax Credit project.

Private Developer: A \$2 million commercial mortgage extended in May 2000 to finance improvements to a five building multifamily complex containing 284 rent stabilized units located in a moderate-income census tract. The apartments provide affordable housing and

the improvements are expected to revitalize and stabilize a moderate-income area in Peekskill.

Limited Partnership: A \$600 thousand letter of credit issued in September 2000 and renewed in September 2001 in favor of the New York State Housing Finance Agency. The partnership provides Section 8 housing for the elderly.

See VI. Other Factors, below, for consideration of financing designed to revitalize lower Manhattan following the World Trade Center Disaster.

Innovative/Flexible Lending: “Low Satisfactory”

USB’s offerings of innovative/flexible lending programs or products are limited. The bank offers a “Special Business Line of Credit Product” for small businesses located in LMI communities, through which it offers loans up to \$35 thousand, with attractive special rates. They require filling a simple one page application. A Community Business Lending Team was formed to increase penetration in LMI geographies. The team has implemented a targeted program of calling on low to moderate income business areas to increase lending in these communities.

Additionally, as noted above, the bank utilizes several programs that encourage LMI first time homebuyers, including the FHLB First-Time Home Buyers program and programs sponsored by SONYMA. In addition, small asset based financing is available using economic development agencies and SBA financing programs. The bank also participates in New York State’s Excelsior Linked Deposit program.

II. Investment Test: “Outstanding”

The Investment Test evaluates the bank’s record of helping to meet the needs of its assessment area through qualified investments. Qualified investments are evaluated based on their dollar volume, their innovation or complexity, their responsiveness to community development needs, and the degree to which the investments are not routinely provided by private investors.

The bank has a substantial level of qualified investments for an institution of its size and capacity. Total investments on evaluation date amounted to \$9.3 million, approximately three times the \$3.1 million reported at the prior evaluation. New money investments committed during the evaluation period totaled \$5.9 million. USB’s qualified investments were primarily in support of affordable housing and community service initiatives. New money investments were in the form of targeted mortgage-backed securities issued by FHLMC and FNMA.

While the investments are not considered innovative or complex, the enormous increase in volume shows positive responsiveness to community needs and supports the upgrade to an outstanding rating at this evaluation.

The following is a summary of the bank's qualified investments:

Dowling Gardens, LP. - In June of 1996, the bank committed to make a \$759 thousand limited partnership investment in Dowling Gardens LP, for the development of low- and moderate-income rental housing. The bank invested \$253 thousand during this evaluation period and \$506 thousand was invested in prior evaluation periods. Dowling Housing is an entity formed by the Dominican Sisters to own and operate the Dowling Garden Nursing Home, which provides at least 40% of its units to house low-income individuals. The home is located in Sparkill, NY.

Community Preservation Corporation (CPC) - In June 1999, the bank committed to purchase \$1.6 million in collateral trust notes. This commitment expires on June 30, 2004. Under this commitment, the bank has purchased nine collateral trust notes of varying amounts totaling \$646.9 thousand, with \$263.5 thousand outstanding on the evaluation date. The purchases include \$59.4 thousand purchased during the prior evaluation period and \$587.5 thousand purchased during the current evaluation period.

CPC is a lending consortium that makes construction and permanent loans for the creation, rehabilitation and preservation of affordable housing throughout the State of New York. CPC's bank sponsors provide secured financing, under revolving bank lines of credit, for housing construction and rehabilitation, as well as permanent financing through purchases of collateral trust notes backed by CPC mortgages.

Hudson Valley Housing Opportunity Fund II, L.L.C. - In June of 1999, USB committed to make a \$1 million investment in a limited partnership fund for the development of low-income housing in the Hudson Valley Region of New York State. . During the evaluation period, the bank invested \$117 thousand in the partnership. The Fund's low-income housing construction sites are located in Westchester, Putnam, Orange, and Ulster Counties. Examples of such projects are a nine-unit rehabilitation project in Newburgh, a homeless project in Yonkers and an 88 unit Single Room Occupancy in Tarrytown. Hudson Valley Opportunity Fund projects are targeted at a region that includes most of the bank's assessment area.

New York State Business Development Corporation (NYSBDC) - In September of 1989, the bank made a \$36 thousand equity investment in NYSBDC. The company 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.

Mortgage Backed Securities - During this evaluation period, the bank purchased \$5.9 million in mortgage-backed securities, including two FHLMC pools totaling \$3.9 million and one FNMA pool for \$2 million. These securities are backed by mortgages, a substantial majority of which were extended to LMI borrowers or in LMI census tracts located in the New York Metropolitan area.

Grants - During the evaluation period, the bank and Union State Bank Foundation, together, made \$386 thousand in qualified community development grants, a reasonable level of activity for an institution of USB's size and capacity.

The Foundation was formed in January of 1996 as a non-profit organization, and is a wholly owned subsidiary of the bank's parent, Union State Bank Holding Co, Inc. Through its community investment program, grants are made to non-profit organizations located in and around the bank's assessment area. The Foundation has awarded \$207 in thousand grants to non-profit organizations in Rockland and Westchester counties.

USB also made a grant to a foundation involved in the World Trade Center relief efforts (see Other Factors, below, for more information concerning this grant).

III. Service Test: "High Satisfactory"

The service test evaluates a banking institution's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of a banking institution's systems for delivering both retail banking and community development services.

Retail Banking Services: "High Satisfactory"

USB's retail delivery systems and services show good responsiveness to the needs of the assessment area.

Accessibility of delivery systems

USB delivers banking services through a network of retail branches and several other means. The bank has 23 retail branches and 24 ATM facilities in its New York State assessment area. These include: 14 branches and 13 ATMs in Rockland County, including two off-site ATMs at Nyack Hospital and Good Samaritan Hospital in Suffern; eight branches and 10 ATMs in Westchester County, including two off-site ATMs at New Roc City Development and Iona College, both of which are in New Rochelle; and one branch and an ATM in New York County. Twenty (or 87%) branches have ATM facilities. No branches or ATM facilities are located in LMI tracts. However, as shown in the chart below, 13% of the branches and 17% of ATMs are located in tracts adjacent to LMI areas.

DISTRIBUTION OF UNION STATE BANK'S BRANCHES & ATMS									
County	Total # of branches	# of branches in LMI areas	# of branches adjacent to LMI areas	% of Branches in or adjacent to LMI areas	# of branches with ATMs	# of Off-site ATM locations	Total # of ATM locations	# of ATM located in or adjacent to LMI areas	% of ATM located in or adjacent to LMI areas
Rockland	14	0	1	7%	11	2	13	2	15%
Westchester	8	0	2	25%	8	2	10	2	20%
New York	1				1		1		
Total	23	0	3	13%	20	4	24	4	17%

Given the minimal percentage of LMI tracts in the assessment area, the bank's distribution of branches is considered reasonable.

Record of opening and closing of branch offices and ATMs

USB's opening and closing of branch offices and ATMs did not negatively impact, and in a number of cases, improved access to banking services in its community.

In April 2000, the bank closed its Nanuet branch, which was located in an upper-income tract in Rockland County

In May 2000, USB opened a branch and a Business Resource Center in a middle- income tract in Spring Valley. The new branch was opened in connection with USB's application (together with the Village of Spring Valley) to the Superintendent of Banks for designation of the surrounding area as New York State's First Banking Development District ("BDD"). Pursuant to the New York Banking Law, the Superintendent may approve a BDD application based on a finding that the area surrounding a proposed branch is in need of banking services. USB was awarded the American Bankers Association Action Award 2000 for opening the Spring Valley branch in what the Village, Bank and County officials hope will be the revitalization of Rockland County's most populous village.

The bank also acquired a branch in Manhattan that is in an upper-income tract, one of two branches acquired from La Jolla Bank in 2000.

Four ATM facilities were installed during the evaluation period, including one at the new Spring Valley branch and one in the acquired branch in New York County. The other two facilities are in off-site locations. All ATMs are bilingual English and Spanish.

Reasonableness of Business Hours and Services in Meeting Assessment Area Needs

USB's business hours and services are reasonably tailored to the convenience and needs of the assessment area.

The bank enhanced the service capability of its branch network by adopting an adequate level

of extra hours, apart from regular banking hours of 9:00 A.M. to 3:00 PM.

In addition to the regular banking hours, 18 branches are open from 4:30 P.M. to 6:00 P.M., on either Thursday or Friday. The Chestnut Ridge branch hours are from 8:30 A.M. till 6:00 P.M. on Friday, and the North White Plains branch's hours are from 8.30 A.M. to 4:00 P.M. four days a week and to 5:00 P.M. on Thursday. The Tarrytown branch on Broadway is opened to 6:00 P.M. on Monday, 5:00 P.M. on Thursdays and to 4:00 P.M. on the remaining weekdays. The bank's Manhattan branch is open from 9:00 A.M. to 4:00 P.M. four days a week and to 5:00 P.M. on Friday. Only one branch does not have extended hours during the weekdays. Saturday hours from 9:00 A.M. to 1:00 P.M. are offered at 14 of the bank's branches. Drive-up facilities are available at 17 branches, all of which have extended hours. Walk-up facilities are also available at seven branches.

Alternative Means of Service

USB's alternative methods of delivering services include, but are not limited to, the following:

Round the Clock Telephone Banking- Offers customers information about their bank accounts and other special banking services 24 hours/day.

PC/Internet Banking - Customers can access information without coming into the branch. They can review account balances, process transactions like deposits, transfer funds between USB accounts, pay bills and place stop payment orders.

Remote PC Banking FOR business - Provides cash management services to business customers and professional firms. It streamlines the in-house bookkeeping procedures and reduces numerous trips to the bank.

Bank-by-mail services - Accepts deposits sent by mail.

Loan Production Centers- The bank operates two loan production centers in New York State, including one in Tarrytown, Westchester County and the other in Orangeburg, Rockland County.

Residential Mortgage Center- This center is located in Orangeburg, Rockland County.

Customer Call Center - This is a bilingual (English/Spanish) service center, which provides an additional avenue of service and information to USB customers in English and Spanish. The center mirrors branch hours with late nights until 6.00 PM on Thursday and Friday. Saturday hours are from 9.00 A.M. to 1.00 P.M.

Community Development Services: “ High Satisfactory”

The bank's community development services demonstrate good responsiveness to the needs of the assessment area. USB's activities include employee involvement with community groups and economic development agencies, seminars for small business owners and participation in New York State's EBT program. The following is a summary of the bank's efforts during the evaluation period:

New York State Electronic Benefits Transfers (EBT) - The bank's ATMs are authorized to make EBT withdrawals, giving food stamp recipients more options. The EBT program electronically delivers food stamps and cash benefits to recipients via a state-issued debit card. The system is available for use by non-customers of the bank, thereby providing service to the LMI population in the assessment area. USB was awarded the commissioner's award from the New York State Office of Temporary and Disability Assistance for providing surcharge-free EBT access from its ATMs to public assistance recipients.

USB Business Resource Centers - The bank has a Business Resource Center in Spring Valley in the New York State Banking Development District, and in Haverstraw both of which are in Rockland County. These centers provide free technical assistance to small business owners and potential entrepreneurs. They also offer seminars and educational programs in collaboration with the government agencies. Further, they organize workshops in conjunction with local community, business and professional organizations covering such topics as: Strategic Planning; How to grow your existing business; Marketing; Record keeping, Financial Statements, Individual and Business Tax Information; Computer Literacy; Credit Repair and First-Time Home Buying.

“Adopt-a-Day-Care-Center” - USB's program provides “no service fee” deposit accounts for day care centers. In addition, the bank provides low cost deposit services for day care center employees, as well as financial advice and services for day care centers. Bank employees also serve on the boards of various centers.

Volunteer Incentive Program - The bank joined the Rockland County Volunteer Incentive Program to retain and attract new volunteers to Rockland County. In an effort to make life more affordable for volunteer fireman and ambulance corps volunteers, the bank offers discounts on loans, special rates on mortgages and certificate of deposit and savings on traveler checks. Volunteers living in Rockland County and in the six villages affiliated with Greenburgh, in Westchester County, may take part in this plan.

Seminars & Workshops -The bank provided support for and participated in various seminars, including affordable housing “Home Expos”, first-time homebuyers seminars, credit repair seminars and seminars regarding financing for small businesses.

Additionally, USB hosts monthly meetings for Theodora's Fund, a micro loan fund program. Theodora's Fund has made presentations at the business Resource Center with regard to

opportunities for financing. Additionally, SCORE conducts workshops at both the Spring Valley and Haverstraw business centers. The Rockland Economic Development Corporation (RCDC) also meets the Resource Center. The REDC offers the Rockland /Westchester Revolving Loan Program, which promotes small business growth and economic development

Employee Community Involvement – Bank employees utilize their financial expertise to help a number of community development organizations further their missions. These include:

- *New York State Business Development Corporation* - The bank's Chief Credit Officer sits on the regional loan committee, which approves or denies loans to small businesses in Rockland and Westchester Counties.
- *Rockland Economic Development Corporation ("REDC")* - A senior officer of the bank sits on the board of directors and the executive committee of this organization. REDC administers the Rockland Westchester Revolving Loan Fund, a low interest loan pool for small business. A senior officer of the bank sits on the loan committee for this fund.
- *Theodora's Fund* - An officer of the bank sits on an advisory board of this micro loan program, which assists LMI individuals by helping to develop their entrepreneurial skills.

Other employees participate with Hudson Valley Affordable Housing Corp, SCORE, the Westchester County Association, the Rockland Business Association and the Westchester Nonprofit Loan Fund.

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.

Examiners noted no 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.

The most recent regulatory compliance examination, conducted concurrently with this evaluation, indicates satisfactory adherence to anti-discrimination and 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.

The bank utilizes various outreach methods to assess the credit needs of its communities and convey a awareness of its credit products and services, including maintaining ongoing contacts with community and professional organizations, and interacting with governmental agencies and officials.

In response to concerns raised by the Banking Department in 1999, USB launched a small business program designed to increase its small business lending in LMI areas of Rockland and Westchester County. Under this program, the bank established a Business Information and Resource Center in the Village of Spring Valley, the first Banking Development District designated by New York State. Another USB Business Resource Center was established in Haverstraw to provide free technical assistance to small business owners and potential entrepreneurs.

Supporting the bank's ascertainment efforts, during the assessment period several employees met with and served as members of the board and/or members of committees for various organizations involved in promoting community development. These include, among others: Hudson Valley Affordable Housing Corporation, New York Business Development Corporation, Rockland Economic Development Corporation, City of Yonkers, Economic Development, 23rd Street Association, New York City, African American Chamber of Commerce, Rockland Economic Development Corp., Westchester Hispanic Chamber of Commerce, Westchester County of Chamber of Commerce and Westchester County Association.

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 utilizes radio, newspapers, ethnic journals, print media, community group meetings, seminars, forums, news releases, branch brochures and flyers to market its programs. Several of the media utilized specifically target African-American, Latino and Jewish populations in the assessment area. Innovative products to encourage first time homebuyers and small business loans are offered. The bank's "Business Line of Credit" offers prime rate minus ½% for loans up to \$35 thousand and one year free checking, based on a one-page application. Additionally, staff members and the CRA officer work actively with community groups.

The bank also utilizes an 18' x 30' billboard to advertise its services and quick loan approval policy.

USB participates in the Federal Home Loan Bank of New York/New Jersey's First Home Club program with Westchester Residential Opportunities and the Rockland Housing Coalition. Further, the bank supports the following organizations that develop or counsel individuals on low-income housing: Westchester Residential Opportunities, Westchester Interfaith Housing Corporation, Westchester Hispanic Coalition, Habitat for Humanity, Family Service of Yonkers and St. Paul's AMEZ Community Outreach (House at USB, Spring Valley branch).

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

Participation by the board of directors in CRA activities includes the annual review, update, and approval of the CRA Statement. The most recent Statement was approved on August 24, 1999.

The board has a CRA committee, which meets at least six times a year. The committee is comprised of twelve members, including one member of the board of directors and the bank's CRA officer. The committee is responsible for monitoring the bank's CRA activities and reporting its findings to the board of directors on a quarterly basis.

VI. Other Factors

Other factors that in the judgment 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.

New York City Law Firm: USB issued a \$1.8 million letter of credit for the benefit of this law firm's new landlord on September 14, 2001. The letter of credit was issued so that the borrower could lease new office space to replace its office space destroyed in the World Trade Center disaster.

Independent Community Bankers Disaster Relief Fund, Inc: The Independent Community Bankers of America designated the bank to collect and administer funds for benefit of those families and individuals affected by the World Trade Center disaster. The bank contributed \$50 thousand to the fund.

The bank formed Union State Bank Spring Valley Advisory Board, which advises the bank of community needs. Discussions include programs and workshops and presentations from the Spring Valley Mayor on subjects of revitalization. The Bank's Chairman, CRA Officer and Spring Valley Branch Manager participate with the Board.

CHARTS FOR REPORTING OF HMDA STATISTICS

Residential Real Estate Loans - Year 2000 - by Borrower Income Level*										
Borrower Income Level	Total Lending				Assessment Area Lending				Aggregate**	
	Applics.		Originations		Applics.		Originations		Originations	
	#	%	#	%	#	%	#	%	#	%
Low	7	2.2	4	1.5	7	2.5	4	1.7	456	1.5
Moderate	28	8.7	18	6.8	23	8.3	14	6.1	1,853	6.2
Middle	48	15.0	38	14.3	42	15.1	34	14.8	4,564	15.2
Upper	236	73.5	203	76.6	205	73.7	176	76.9	20,531	68.2
N/A	2	0.6	2	0.8	1	0.4	1	0.4	2,679	8.9
Total	321	100.0	265	100.0	278	100.0	229	100.0	30,083	100.0

* 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.

Residential Real Estate Loans - Year 2000 - by Geography Income Level*										
Geo Income Level	Total Lending				Assessment Area Lending				Aggregate	
	Applics.		Originations		Applics.		Originations		Originations	
	#	%	#	%	#	%	#	%	#	%
Low	-	0.0	-	0.0	-	0.0	-	0.0	272	0.9
Moderate	4	1.2	4	1.5	3	1.1	3	1.1	985	3.3
Middle	33	10.3	26	9.8	17	6.1	11	4.8	2,966	9.9
Upper	284	88.5	235	88.7	258	82.8	215	93.9	25,831	85.9
N/A	-	0.0	-	0.0	-	0.0	-	0.0	29	0.1
Total	321	100.0	265	100.0	278	100.0	229	100.0	30,083	100.0

* 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%.

Residential Real Estate Loans - Year 2001 - by Borrower Income Level*								
Borrower Income Level	Total Lending New York State				Assessment Area Lending			
	Applics.		Originations		Applics.		Originations	
	#	%	#	%	#	%	#	%
Low	13	2.3	2	0.5	13	2.5	2	0.5
Moderate	46	8.2	23	5.4	39	7.6	20	5.1
Middle	78	13.9	54	12.7	64	12.5	46	11.8
Upper	413	73.5	335	78.6	388	75.6	313	80.3
N/A	12	2.1	12	2.8	9	1.8	9	2.3
Total	562	100.0	426	100.0	513	100.0	390	100.0

- * 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%.

Residential Real Estate Loans - Year 2001 - by Geography Income Level*								
Geo Income Level	Total Lending				Assessment Area Lending			
	Applics.		Originations		Applics.		Originations	
	#	%	#	%	#	%	#	%
Low	-	0.0	-	0.0	-	0.0	-	0.0
Moderate	3	0.5	2	0.5	3	0.6	2	0.5
Middle	40	7.1	25	5.9	22	4.5	13	3.3
Upper	519	92.3	399	93.7	488	95.1	375	96.2
N/A	-	0.0	-	0.0	-	0.0	-	0.0
Total	562	100.0	426	100.0	513	100.0	390	100.0

- * 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%.

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.