



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, 2003

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, 2003.

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 an institution’s 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 (“Evaluation”) be made available to the public. 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. These tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York State Banking Law.

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

OVERVIEW OF INSTITUTION'S PERFORMANCE

Overall Rating

USB's performance is rated "2," indicating a satisfactory record of helping to meet community credit needs.

Lending Test - "High Satisfactory"

- *Lending Activity:* USB's lending levels reflect excellent responsiveness to assessment area credit needs.

During 2002, USB originated 326 small business loans, totaling \$80 million, inside the assessment area. In 2003, USB originated 297 small business loans inside the assessment area for a total of \$59.3 million.

With respect to its HMDA-reportable lending within the assessment area, USB granted 298 loans totaling \$40.5 million in 2002 and 329 loans totaling \$49.5 million in 2003.

USB's small business and HMDA-reportable lending was augmented by modification, extension and consolidation agreements ("MECAs"). These transactions achieve the same basic result as a loan refinancing without incurring certain mortgage-related taxes and thus are eligible for CRA consideration, even though the transactions are not reportable under existing HMDA guidelines. During the evaluation period, USB granted a total of 559 MECAs with a combined value of \$107.8 million.

- *Assessment Area Concentration:* A substantial majority of USB's loans were made within the assessment area.

During the evaluation period, USB granted 92.1% by number and 90.7% by dollar volume of its MECAs, HMDA-reportable loans, and small business originations inside its assessment area.

- In 2002, USB originated 85.8% of its HMDA-reportable loans inside the assessment area. During 2003, the percentage increased to 94.3%.
- The bank originated 92.6% of its small business loans inside the assessment area during 2002, compared to 94.3% in 2003.
- The bank extended 91.1% of its MECA transactions inside the assessment area during 2002, compared to 93.8% in 2003.

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- *Geographic Distribution of Loans:* The geographic distribution of USB's loans reflects adequate dispersion throughout the assessment area.
 - In 2002, the bank's LMI penetration rate for small business loans was 5.5% based on number of loans and 4.5% based on dollar volume. By comparison, the market aggregate achieved penetration rates of 13.3% and 13.8%, respectively. During 2003, USB's penetration of LMI areas remained virtually unchanged on a percentage basis, at 5.4% by number and 4.4% by dollar volume of loans.
 - In 2002, USB originated only one HMDA-reportable loan in an LMI area, resulting in a penetration rate of 0.3%. This compares unfavorably to the market aggregate's penetration rate of 2.9%. During 2003, the bank made two HMDA-reportable loans in LMI areas and posted an LMI penetration rate of 0.6%. USB should strengthen its performance in this area to preserve the bank's satisfactory rating for this component.
 - *Borrower Characteristics:* The bank's lending reflects good penetration among customers of different income levels and businesses of different revenue sizes.
 - In 2002, a substantial portion of USB's small business loans (51.8% based on number of loans) were made to businesses with gross annual revenues of \$1 million or less. By comparison, the market aggregate made only 34.3% of its loans to businesses in this revenue category. During 2003, the bank's lending to businesses in this class increased to 59.9% of its total small business lending.
 - In 2002, the bank's LMI borrower penetration rate for HMDA-reportable loans was 2.0 percentage points lower than the aggregate.
 - *Community Development Lending:* USB is a leading community development lender within its assessment area. During the evaluation period, USB made nine new loans totaling \$83.7 million. The proceeds of these loans were distributed among three community development categories, as follows: community development services, \$61.4 million (73.4%); affordable housing, \$16.1 million (19.2%); and revitalization and stabilization activities, \$6.2 million (7.4%).
 - *Innovative and/or Flexible Lending Practices:* The bank makes limited use of innovative and/or flexible lending practices in serving the credit needs of its assessment area.

Investment Test - "Outstanding"

- USB has achieved an excellent level of qualified community development investments. Since the prior evaluation, USB's portfolio of qualified investments has

more than doubled, growing from \$9.3 million at year-end 2001 to \$19.2 million as of December 31, 2003.

- USB's qualified investments are geared almost exclusively to affordable housing, which is the primary community development need within its assessment area. New commitments made during the evaluation period totaled \$14.3 million, including \$415.5 thousand (2.2%) in CRA-eligible grants.
- The bank occasionally uses innovative or complex investments to support community development initiatives. Approximately 82.1% of USB's qualified investments are targeted mortgage-backed securities. While these investments are neither particularly innovative nor complex, they are adequately responsive to the needs of the assessment area.

Services Test - "High Satisfactory"

- USB's retail service delivery systems are accessible to essentially all portions of the assessment area. As of December 31, 2003, USB operated 27 retail branch offices, including five branches (18.5%) in non-LMI tracts adjacent to LMI areas. This dispersion is reasonable given the low number of LMI tracts within the bank's assessment area.
- USB operates a network of 28 ATMs. Twenty-four of these machines are located at a branch, while the remaining machines are at stand-alone sites. Only three of USB's 27 branches do not have onsite ATMs, and all three of those branches are located in Rockland County.
- USB offers online and telephone banking services that give customers around-the-clock access to their accounts and certain account-related services. The bank also operates a bi-lingual (English/Spanish) call center to assist customers during normal business hours.
- USB operates two business resource centers that provide free technical assistance to small and start-up businesses.
- USB sponsored and/or participated in 32 seminars and workshops addressing issues such as affordable housing, credit repair, first time home-buying, and small business management.

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 ("USB") is a full-service commercial bank based in Rockland County in Orangeburg, New York. USB was chartered by the State of New York in 1969 and offers a wide range of banking services to individual, municipal, corporate, and business customers through its retail banking facilities and loan centers.

USB is a wholly-owned subsidiary of U.S.B. Holding Company, Inc., which is a one-bank holding company. The holding company also owns a non-bank subsidiary, U.S.B. Foundation, Inc. ("USF"), that performs a variety of community development oriented activities. Since USF and USB are affiliated through common ownership, USB can and does claim the CRA-eligible activities of USF as part of its CRA performance record.

On its year-end Call Report for 2003, USB reported total assets of \$2.9 billion, including more than \$1.4 billion in net loans and leases. As of the same date, USB reported total deposits of nearly \$1.8 billion, resulting in a loan-to-deposit ratio of 80.6%.

The table below shows the year-end distribution of USB's assets for calendar years 2001, 2002, and 2003.¹ Although loans and leases remain the bank's largest asset category, USB has rebalanced its asset mix during the past three years by reducing its emphasis on the loan portfolio and investing more heavily in securities. According to bank management, this strategy is designed to vary and optimize the bank's balance sheet while keeping loans as the institution's largest category of assets.

Union State Bank - Summary of Assets						
ASSET CATEGORY	12/31/01		12/31/02		12/31/03	
	(\$000s)	%	(\$000s)	%	(\$000s)	%
Net Loans & Leases	1,158,534	56.88	1,336,273	52.57	1,433,923	49.42
Securities	752,785	36.96	1,050,266	41.31	1,319,182	45.47
Cash/Balances from Depository Institutions	49,011	2.41	66,321	2.61	57,476	1.98
Other Assets	36,521	1.79	45,948	1.81	57,005	1.96
Premises/Fixed Assets	11,343	0.56	11,299	0.44	15,353	0.53
Federal Funds Sales	21,100	1.04	24,500	0.96	10,000	0.34
Intangible Assets	6,345	0.31	6,314	0.25	5,296	0.18
Trading Assets	0	0.00	0	0.00	2,135	0.07
Other Real Estate Owned	1,268	0.06	1,183	0.05	1,046	0.04
Total	2,036,907	100.00	2,542,104	100.00	2,901,416	100.00

As shown in the table below, USB is primarily a commercial real estate lender. As of year-end 2003, approximately 41.6% of USB's loan portfolio was in commercial real estate, compared to 20.8% in one- to four-family residential real estate and 20.3% in construction and land development loans.

¹ The prior performance evaluation was conducted as of December 31, 2001.

Gross Loans Outstanding						
LOAN TYPE	12/31/2001		12/31/2002		12/31/2003	
	\$ (000s)	%	\$ (000s)	%	\$ (000s)	%
Commercial Real Estate Loans	491,430	41.83	572,613	42.27	605,306	41.64
1-4 Family Residential Mtge.	262,781	22.37	287,120	21.20	302,041	20.78
Construction and Land Dev. Loans	198,510	16.90	267,729	19.76	295,605	20.34
Commercial and Industrial Loans	143,290	12.20	141,505	10.45	142,878	9.83
Multifamily Mortgage Loans	61,433	5.23	72,177	5.33	95,153	6.55
Consumer Loans	15,388	1.31	11,757	0.87	9,652	0.66
Other Loans	1,981	0.17	1,750	0.13	2,933	0.20
Gross Loans	1,174,813	100.00	1,354,651	100.00	1,453,568	100.00

The following table contains a county-by-county breakdown of USB's deposit base. As might be expected, the majority (64.1%) of USB's deposits come from Rockland County, where the bank is headquartered. According to deposit market data compiled by the FDIC, USB ranked first among insured deposit-taking institutions in Rockland County during 2003, with a market share of 17.2%. The bank also established a strong presence in Westchester County, where it captured a market share of 2.1%. Westchester County's fierce competitive environment is underscored by the fact that the top-five financial institutions in the county hold a combined market share of 66.8% in 382 branches.

Deposit Market Share as of June 30, 2003						
COUNTY	USB Branch Count	Deposits (\$000)	Deposits as % of Total	% Market Share	Market Rank	# of FDIC-Insured Competitors*
Rockland	14	1,046,659	64.1	17.2	1	18
Westchester	11	508,774	31.2	2.1	10	33
New York (Partial)	1	29,138	1.8	0.0	54	65
Orange	1	48,598	3.0	1.0	17	24
Assessment Area	27	1,633,169	100.0	0.9	15	93

* Note: The total number of competitors in the assessment area is less than a sum of this column because many institutions have branches in multiple counties within the assessment area.

USB operates 27 full-service banking offices spread across the following counties in New York State: Rockland County (14 branches, including the main office in Orangeburg), Westchester County (11), New York County (1) and Orange County (1). USB also operates three loan centers within the assessment area, including one office in each of the following towns: Orangeburg in Rockland County, Tarrytown in Westchester County, and Goshen in Orange County.

The bank's retail offices are supplemented by a network of 28 automated teller machines ("ATMs"). Four of these machines are located at stand-alone sites, while the remaining 24 ATMs are located at various branches. None of the offsite ATMs accepts deposits.

During the evaluation period, USB opened an office in Orange County. This office, which is included in the branch count provided above, was opened in March 2003.

At its prior CRA Performance Evaluation, conducted by the New York State Banking Department as of December 31, 2001, the bank received a rating of “2,” reflecting a satisfactory record of helping to meet the credit needs of its community.

There are no known legal or financial impediments affecting USB’s ability to meet the credit needs of its assessment area.

Assessment Area:

USB’s New York State assessment area includes all of Rockland, Westchester and Orange Counties and a portion of New York County (Manhattan).² Within New York County, USB takes the southern portion of Manhattan, from 42nd Street south to Battery Park.

Since Orange County was only added to USB’s assessment area in 2003, the analyses contained in this Performance Evaluation do not discuss USB’s performance in that county during calendar year 2002.

According to data from the 2000 U.S. Census, USB’s assessment area comprises 450 census tracts, including 62 (13.8%) LMI tracts. Please note that, due to the schedule on which data from the 2000 Census was published, population demographics and income coding for calendar year 2002 are based on the 1990 Census. In accordance with regulatory reporting requirements, data for 2003 are based on the 2000 Census.

The following chart illustrates census tract information utilizing data from both censuses.

Breakdown of Census Tracts within USB’s Assessment Area														
COUNTY	Zero		Low		Moderate		Middle		Upper		Total Tracts		% LMI	
	2000	1990	2000	1990	2000	1990	2000	1990	2000	1990	2000	1990	2000	1990
Rockland	0	2	2	0	1	1	9	4	46	35	58	42	5.2	2.38
Westchester	4	2	2	2	17	18	37	35	161	163	221	220	8.6	9.09
New York (partial county)	3	5	9	14	15	17	12	16	65	51	104	103	23.1	30.10
Orange	0	0	5	0	11	0	33	0	18	0	67	0	23.9	0.00
Total	7	9	18	16	44	36	91	55	290	249	450	365	13.8	14.25

USB’s assessment area appears reasonable based upon the bank’s lending patterns and the location of its branches. There is no evidence that LMI areas have been arbitrarily excluded from the assessment area.

² Rockland, Westchester and New York Counties are part of Metropolitan Statistical Area (“MSA”) 5600, while Orange County is part of MSA 5660.

County Demographics:

Rockland County - Rockland County contains 58 census tracts, including two (3.5%) low-income, one (1.7%) moderate-income, nine (15.5%) middle-income, and 46 (79.3%) upper-income tracts.

Population: According to the U.S. Census Bureau, Rockland County's population was approximately 287 thousand residents in 2000. Approximately 33.9 thousand residents (11.8%) were over the age of 65 and 72.1 thousand (25.1%) were under the age of 16. As of 2003, the county's population had increased by approximately 2.2% to 293 thousand, according to estimates from the U.S. Department of Housing and Urban Development ("HUD").

Families: In 2000, there were 71.7 thousand families in the county, including 7.6 thousand (10.5%) low-income, 6.3 thousand (8.7%) moderate-income, 9.6 thousand (13.4%) middle-income and 48.3 thousand (67.4%) upper-income families. Of the 13.8 thousand LMI families living in the county, 1.6 thousand (11.8%) lived in LMI tracts. These same families accounted for two-thirds of all families living in LMI tracts.

Households: Seven thousand (7.5%) of the county's 92.7 thousand households had income below the poverty level.

Housing: Rockland County contains 95 thousand housing units, including 77.8 thousand units (81.9%) in one- to four-family buildings, 16 thousand units (16.8%) in multifamily buildings and 1.2 thousand units (1.3%) in mobile homes.

Approximately 70% of the county's housing stock (66.5 thousand units) is owner occupied. Only 764 units (1.2%) of owner-occupied housing were located in LMI tracts. Approximately 29% of the county's total housing units were occupied by renters. Renter-occupied units in LMI areas accounted for 7.2% of total rental units in the county. Approximately 2.3 thousand (2.4%) units were vacant.

In 2000, the county's median housing value was \$228 thousand and the median age of the housing stock was 24 years.

Median Family Income: In 2000, the median family income for Rockland County was \$79.9 thousand, while the metropolitan area's median family income was \$46.5 thousand. As of 2003, the metropolitan area's HUD-estimated median family income was \$51.9 thousand.

Unemployment: According to the New York State Department of Labor, Rockland County's unemployment rate was 3.9% in 2002 and 4.1% in 2003. These rates are well below the statewide average unemployment rates of 6.1% in 2002 and 6.3% in 2003. Rockland County's unemployment rates also were well below the metropolitan area's rates of 7.3% in 2002 and 7.7% in 2003.

Westchester County - Westchester County contains 221 census tracts, including 4 (1.8%) zero-income, 2 (0.9%) low-income, 17 (7.7%) moderate-income, 37 (16.7%) middle-income and 161 (72.8%) upper-income tracts.

Population: According to the U.S. Census Bureau, Westchester County had a population of 923.5 thousand residents in 2000. Approximately 128.9 thousand of these residents (14%) were over the age of 65 and 207.2 thousand (22.4%) were under the age of 16. As of 2003, the county's population had increased by approximately 1.8% (17.1 thousand residents) to 940.6 thousand, according to HUD estimates.

Families: In 2000, there were 237 thousand families in the county, including 27.8 thousand (11.7%) low-income, 23.1 thousand (9.7%) moderate-income, 31.3 thousand (13.2%) middle-income and 154.9 thousand (65.4%) upper-income families. Of the 50.9 thousand LMI families in the county, 11.1 thousand (21.8%) lived in LMI tracts. LMI families accounted for 62.2 % of all families living in LMI tracts (17.9 thousand).

Households: Approximately 8.5% of the county's 337.5 thousand households have income below the poverty level.

Housing: Westchester County contains 349.4 thousand housing units, including 237.1 thousand units (67.9%) in one- to four-family buildings, 112.1 thousand units (32.1%) in multifamily buildings and 152 units (0.04%) in mobile homes. Approximately 203 thousand (58%) of the county's housing units are owner occupied; however, only 1.8% (3.6 thousand) of total owner-occupied units were located in LMI census tracts. A further 134.4 thousand (38.5%) of the county's housing units were occupied by renters. Renter-occupied units located in LMI census tracts account for 17.3% of total rental units. Approximately 12.3 thousand (3.5%) units were vacant.

In 2000, the median housing value was \$285.8 thousand and the median age of the housing stock was 36 years.

Median Family Income: According to the 2000 Census, Westchester County's median family income is \$89.2 thousand. In contrast, the median family income for the entire metropolitan area (MA 5600) is \$46.5 thousand. As of 2003, the metropolitan area's median family income was estimated at \$51.9 thousand by HUD.

Unemployment: According to the New York State Department of Labor, Westchester County's unemployment rate was 4.2% in 2002 and 4.0% in 2003. The county's average unemployment rates were well below the statewide averages of 6.1% in 2002 and 6.3% in 2003. Westchester County's unemployment rates also were well below the metropolitan area's rates of 7.3% in 2002 and 7.7% in 2003.

Areas Targeted for Redevelopment: Based on community economic distress, the Yonkers section of Westchester County has been designated an Empire Zone ("EZ") by the State of New York.³ Firms located within the EZ may qualify for various benefits such as wage and

³ Empire Zones were formerly known as Economic Development Zones.

investment tax credits, zone capital credits, sales tax refunds, real property tax abatements, technical assistance and utility rate savings.

Yonkers also falls within a federal Empowerment Zone (“FEZ”). Communities within a FEZ receive financial and technical support from multiple of federal, state and local agencies. The program’s purpose is to increase residents’ employment opportunities through job creation, retention and training programs, economic development initiatives, and essential community support services efforts such as affordable housing, education and childcare. Various federal tax benefits and other assistance are available to businesses that locate themselves within or employ residents from the FEZ.

Orange County - Orange County contains 67 census tracts, including five (7.5%) low-income, 11 (16.4%) moderate-income, 33 (49.3%) middle-income, and 18 (26.9%) upper-income tracts.

Population: The 2000 Census pegged Orange County’s population at 341.4 thousand residents. Approximately 35.2 thousand (10.3%) of the area’s residents were over the age of 65 and 88.7 thousand (26%) were under the age of 16. According to HUD estimates, by 2003 the county’s population had increased by 6.8% to 363.2 thousand people.

Families: In 2000, there were 85 thousand families in the county, including 16.2 thousand (19%) low-income, 14.4 thousand (16.9%) moderate-income, 19.5 thousand (23%) middle-income and 34.9 thousand (41.1%) upper-income families. Of the 30.5 thousand LMI families residing in the county, 10 thousand (32.8%) lived in LMI census tracts. These same LMI families accounted for 66.3 % of all families living in LMI tracts.

Households: Approximately 9.1% (10.5 thousand) of the county’s 114.8 thousand total households have income below the poverty level.

Housing: Orange County contains a total of 122.8 thousand housing units, including 104.2 thousand units (84.9%) in one- to four-family buildings, 14.9 thousand units (12.1%) in multifamily structures and 3.6 thousand units (2.9%) in mobile homes. Approximately 77 thousand (62.7%) of the county’s housing units are owner occupied, while another 37.8 thousand units (30.8%) are renter occupied. Housing in LMI census tracts accounted for 7.9 thousand units (9.9%) of owner-occupied housing and 14.8 thousand units (39.0%) of renter-occupied housing. Approximately 8 thousand (6.5%) units were vacant.

In 2000, the median housing value was \$146.5 thousand and the median age of the housing stock was 25 years.

Median Family Income: In 2000, the median family income for the county was \$61.3 thousand, while the metropolitan area had a median family income of \$58.4 thousand. The 2003 HUD-estimated median family income for the metropolitan area was \$63.5 thousand.

Unemployment: According to the New York State Department of Labor, Orange County’s unemployment rate was 4.3% in 2002 and 4.7% in 2003. The county’s unemployment rates were well below the statewide average rates of 6.1% in 2002 and 6.3% in 2003. Orange County’s unemployment rates were on par with the metropolitan area’s rates of

4.4% in 2002 and 4.7% in 2003.

Areas Targeted for Redevelopment: Based on community economic distress, a portion of Orange County has been designated an EZ by the State of New York. To be specific, the city of Newburgh and the towns of New Windsor and Newburgh form the Newburgh-Stewart EZ. Firms located in this area may be eligible for various forms of assistance including wage and investment tax credits, zone capital credits, sales tax refunds, real property tax abatements, technical assistance and utility rate savings.

New York County - As mentioned earlier in this report, USB's assessment area includes only a portion of New York County. Unless otherwise noted, the following statistics apply only to the portion of New York County that falls within the assessment area.

There are 104 census tracts within the New York County portion of the assessment area. This total comprises 3 (2.9%) zero-income, 9 (8.7%) low-income, 15 (14.4%) moderate-income, 12 (11.5%) middle-income and 65 (62.5%) upper-income tracts.

Population: According to the U.S. Census Bureau, New York County in its entirety had a population of 1.54 million in 2000. As of 2003, HUD estimated that the area's population had increased by 20 thousand (1.3%) to 1.56 million residents. The portion of New York County included within USB's assessment area had a population in 2000 of 468.3 thousand. Residents over the age of 65 accounted for 57.3 thousand (12.2%) of this total, while people under the age of 16 accounted for another 47.8 thousand (10.2%) residents.

Families: In 2000, there were 83.7 thousand families in the New York County portion of the assessment area. Included within this total are 19.8 thousand (23.6%) low-income, 10.0 thousand (12%) moderate-income, 10.6 thousand (12.7%) middle-income and 43.3 thousand (51.7%) upper-income families. Among the area's 29.8 thousand LMI families, 20.1 thousand (67.5%) lived in LMI tracts. These LMI families accounted for 67.2% of all families (29.9 thousand) living in LMI census tracts.

Households: Of the 242 thousand households in the partial county, 33.8 thousand (14%) have income below the poverty level.

Housing: The New York County portion of the assessment area contains 257.7 thousand housing units, including 11 thousand units (4.3%) in one- to four-family buildings, 246.5 thousand units (95.7%) in multifamily buildings and 108 units (0%) in mobile homes. Approximately 51.1 thousand (19.8%) of the area's housing units were owner occupied and an additional 190.7 thousand units (74%) were occupied by renters. Housing in LMI areas accounted for 4.5 thousand (8.9%) of the owner-occupied units and 48.7 thousand (25.5%) of renter-occupied units. Approximately 15.8 thousand (6.1%) units were vacant.

As of the 2000 Census, the median housing value for the New York County portion of USB's assessment area was \$327.1 thousand and the median age of the housing stock was 41 years.

Median Family Income: In 2000, the median family income for the entire county was \$72.6 thousand. By comparison, the median family income for the metropolitan area (MA 5600) was \$46.5 thousand. The 2003 HUD-estimated median family income for the metropolitan area was \$51.9 thousand.

Unemployment: According to the New York State Department of Labor, New York County's unemployment rate was 8.3% in 2002 and 8.2% in 2003. The county's average unemployment rates were well above the statewide average rates of 6.1% in 2002 and 6.3% in 2003. New York County's unemployment rates also were above the metropolitan area's rates of 7.3% in 2002 and 7.7% in 2003.

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 State assessment area during calendar years 2002 and 2003.⁴

For this evaluation, examiners considered the bank's HMDA-reportable and small business loans. Statistics used 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 from PCi Corporation's CRA Wiz[®] software. Demographic data are from the 1990 and 2000 U.S. Censuses, with updated median income estimates provided by HUD.

Comparisons for the bank's HMDA-reportable and small business loans are based upon market aggregate data for 2002. As of the date of this evaluation, aggregate data for 2003 were not available.

During March 2003, USB added Orange County to its assessment area. In doing so, the bank added a total of 67 census tracts, including 16 LMI tracts, to its assessment area.

I. Lending Test: "Low Satisfactory"

Lending Activity: "Outstanding"

USB's lending levels reflect excellent responsiveness to assessment area credit needs.

Small Business Lending

In 2002, USB originated 326 small business loans within its assessment area for a total of \$80 million. CRA Wiz's 2002 Lender Market Share Report indicates that, based on number of loans and a market share of 0.29%, USB ranked 20th out of 214 small business lenders within its assessment area. Based on number of loans and a market share of 2.27%, USB ranked 12th based dollar volume. It is worth noting that several of the top market positions are held by eight credit card lenders that offer small business loans but maintain no offices within USB's assessment area. Taken together, these eight credit card lenders accounted for 65.5% of the total number and 12.4% of the total dollar volume of small business loans within USB's assessment area during 2002.

In 2003, USB originated 297 small business loans, totaling \$59.3 million, inside the assessment area. Compared to 2002, this level of activity reflects a 9.7% decrease in the number of loans and a 25.9% decrease in dollar volume.

⁴ USB also operates branches in Connecticut. These branches are not subject to CRA oversight by the New York State Banking Department.

HMDA-Reportable Lending

In 2002, USB originated 298 HMDA-reportable loans totaling \$40.5 million, which placed the bank 34th by number of loans and 59th by dollar volume out of 430 lenders in the assessment area. USB's market share of HMDA-reportable lending during 2002 was 0.50% based on number of loans and 0.23% based on dollar volume.

In 2003, USB's HMDA-reportable originations increased to 329 loans for a total of \$49.5 million. Compared to 2002, this lending volume reflects a 10.4% and 22.3% increase in the number and dollar volume of loans, respectively.

MECA Activity

The bank augmented its small business and HMDA-reportable lending volume with MECAs. During 2002, USB granted 203 MECAs totaling \$40.3 million. In 2003, USB granted 356 MECAs totaling \$67.4 million. Since MECAs are not subject to annual regulatory reporting requirements under HMDA or CRA, aggregate data are not available for comparison purposes.

Assessment Area Lending: "Outstanding"

USB originated a substantial majority of its loans within the assessment area. During the evaluation period, USB extended 92.1% by number and 90.7% by dollar volume of its CRA-eligible lending activity (i.e., HMDA, small business and MECAs) within the assessment area.

Small Business Lending

During 2002, USB originated 92.6% of its small business loans inside the assessment area. The following year, the bank originated 94.3% of its small business loans within the assessment area.

HMDA-Reportable Lending

During 2002, USB originated 85.8% of its HMDA-reportable loans within the assessment area, compared to 94.3% a year later.

MECA Activity

In 2002, USB granted 91.1% of its MECAs within the assessment area. In 2003, that ratio increased to 93.8%.

Overall, the bank demonstrated an outstanding commitment to lending within its assessment area. The table below summarizes USB's HMDA-reportable, MECA and small business lending activity from calendar years 2002 and 2003.

Summary of USB's Lending within its Assessment Area								
LOAN TYPE	2002				2003			
	#	% by #	(\$000s)	% by \$	#	% by #	(\$000)	% by \$
HMDA								
Inside	291	85.8	40,118	83.0	329	94.3	49,502	93.1
Outside	48	14.2	8,231	17.0	20	5.7	3,648	6.9
<i>Subtotal - HMDA</i>	<i>339</i>	<i>100.0</i>	<i>48,349</i>	<i>100.0</i>	<i>349</i>	<i>100.0</i>	<i>53,150</i>	<i>100.0</i>
MECA								
Inside	185	91.1	36,511	90.5	334	93.8	62,878	93.3
Outside	18	8.9	3,828	9.5	22	6.2	4,481	6.7
<i>Subtotal - MECA</i>	<i>203</i>	<i>100.0</i>	<i>40,339</i>	<i>100.0</i>	<i>356</i>	<i>100.0</i>	<i>67,359</i>	<i>100.0</i>
Small Business								
Inside	326	92.6	79,210	91.3	297	94.3	59,264	91.1
Outside	26	7.4	7,542	8.7	18	5.7	5,805	8.9
<i>Subtotal - Sm. Bus.</i>	<i>352</i>	<i>100.0</i>	<i>86,752</i>	<i>100.0</i>	<i>315</i>	<i>100.0</i>	<i>65,069</i>	<i>100.0</i>
Total Activity								
Inside	802	89.7	155,839	88.8	960	94.1	171,644	92.5
Outside	92	10.3	19,601	11.2	60	5.9	13,934	7.5
Grand Total	894	100.0	175,440	100.0	1,020	100.0	185,578	100.0

Geographic Distribution: "Low Satisfactory"

The geographic distribution of USB's loans reflects adequate dispersion throughout the assessment area. In 2002, the bank trailed the aggregate in originating small business and HMDA-reportable loans in LMI tracts; however, in 2003, with the addition of Orange County to its assessment area, USB improved its overall geographic distribution of loans.

Small Business Lending

USB's small business lending reflects adequate penetration throughout the assessment area. Although the bank originated more small business loans in LMI geographies in 2002 than 2001, USB continued to trail the aggregate.

During 2002, the bank extended 18 small business loans (5.5%) totaling \$3.5 million (4.5%) in LMI geographies. This was a 38.5% improvement by number and a 118.8% improvement by dollar volume over 2001. Nonetheless, USB's LMI penetration rates were significantly lower than the aggregate's 13.3% based on number of loans and 13.8% based on dollar volume.

In 2003, USB's lending to small businesses in LMI geographies declined 11.1% based on number of loans, and 26.3% based on dollar volume, compared to 2002 levels. During 2003, USB originated 16 small business loans (5.39%), for a total of \$2.6 million (4.4%), to small businesses in LMI areas.

The following chart depicts the geographic distribution of USB's small business loans during 2002 and 2003. The business demographics shown in the table are based on all businesses (not just small businesses) and are included as a reference point.

Geographic Distribution of USB's Small Business Loans									
CENSUS TRACT INCOME LEVEL	Union State Bank				Aggregate		Business Demographics		
	Number	% by #	(\$000s)	% by \$	% by #	% by \$	% by #		
2002	Low	8	2.45	973	1.23	2.63	2.75	3.47	
	Moderate	10	3.07	2,563	3.24	10.68	11.05	11.83	
	<i>LMI Total</i>	18	5.52	3,536	4.46	13.31	13.80	15.30	
	Middle	34	10.43	10,967	13.85	9.49	7.59	8.62	
	Upper	273	83.74	64,457	81.37	73.97	74.50	72.25	
	N/A	1	0.31	250	0.32	3.23	4.11	3.83	
	Total	326	100.00	79,210	100.00	100.00	100.00	100.00	
2003	Low	3	1.01	266	0.45	<i>(Aggregate data for 2003 was unavailable when this report was written.)</i>		2.50	
	Moderate	13	4.38	2,346	3.96			6.93	
	<i>LMI Total</i>	16	5.39	2,612	4.41			9.43	
	Middle	50	16.84	9,222	15.56			15.84	
	Upper	231	77.78	47,430	80.03			74.68	
	N/A	0	0.00	0	0.00			0.05	
	Total	297	100.00	59,264	100.00				

HMDA-Reportable Lending

USB's HMDA-reportable lending reflects adequate dispersion throughout the assessment area.

During 2002, USB only originated one loan (0.3%) in an LMI area. By comparison, the market aggregate originated 2.9% of its loans within LMI areas. Even in middle-income areas, where USB achieved a penetration rate of 4.5%, the bank's performance was substantially below the aggregate's penetration rate of 8.6%.

In 2003, USB originated two HMDA-reportable loans in LMI geographies, which increased its LMI penetration rate from 0.3% to 0.6%.

The following chart summarizes USB's HMDA-reportable lending from calendar years 2002 and 2003.

Distribution of HMDA Reportable Loans By Census Tract Income Level										
CENSUS TRACT	USB in 2002				AGGREGATE in 2002		USB in 2003			
	#	% by #	(\$000s)	% by \$	% by #	% by \$	#	% by #	(\$000)	% by \$
Low	0	0.0	0	0.0	0.6	1.0	0	0.0	0	0.0
Moderate	1	0.3	14	0.0	2.3	2.3	2	0.6	155	0.3
<i>LMI Total</i>	1	0.3	14	0.0	2.9	3.3	2	0.6	155	0.3
Middle	13	4.5	1,482	3.7	8.6	6.9	37	11.2	5,086	10.3
Upper	277	95.2	38,622	96.3	88.4	89.7	290	88.1	44,261	89.4
N/A	0	0.0	0	0.0	0.1	0.1	0	0.0	0	0.0
Total	291	100.0	40,118	100.0	100.0	100.0	329	100.0	49,502	100.0

Borrower Characteristics: “High Satisfactory”

The bank’s lending reflects good penetration among customers of different income levels and businesses of different revenue sizes within its assessment area.⁵ The rating for this category remains the same as the prior evaluation, however, if the downward trend in HMDA-reportable lending to LMI borrowers continues during the next evaluation period, this category is likely to be downgraded.

Small Business Lending

The bank achieved a good distribution of loans among businesses of different sizes within its assessment area.

During the evaluation period, USB’s small business lending activity showed a steady increase in number of loans originated. During 2001, which is the year prior to the start of the current evaluation period, USB originated 143 loans to businesses with gross annual revenues of \$1 million or less. During 2002 and 2003, the number of loans to businesses in this revenue category increased to 169 and 182 originations, respectively.

The dollar volume of USB’s small business lending within its assessment area fluctuated during the evaluation period, increasing from \$61.5 million in 2001, to \$79.2 million in 2002 and then falling to \$59.3 million in 2003. Nonetheless, USB’s lending to businesses with gross annual revenues of \$1 million or less increased steadily as a percentage of the bank’s total dollar volume of small business lending, growing from 38.8% in 2001, to 50.2% in 2002 and to 59.9% in 2003.

During 2002, USB’s lending to businesses with gross annual revenues of \$1 million or less exceeded the market aggregate’s penetration rates of 34.3% based on number of loans and 35.9% based on dollar volume. When this report was prepared, aggregate data for 2003 were not yet available.

The following chart summarizes the distribution of USB’s small business loans to businesses of different sizes during 2002 and 2003:

Distribution of Small Business Loans								
Gross Annual Revenues	2002				2003			
	#	% by #	(\$000)	% by \$	#	% by #	(\$000)	% by \$
\$1 Million or Less	169	51.8	\$39,803	50.2	182	61.3	\$35,481	59.9
Over \$1 Million	110	33.7	\$28,768	36.3	112	37.7	\$23,653	39.9
Unknown	47	14.4	\$10,639	13.4	3	1.0	\$130	0.2
Total	326	100.0	\$79,210	100.0	297	100.0	\$59,264	100.0

⁵ Borrower Distribution analysis only considers lending within the bank’s assessment area. Thus, unless otherwise noted, the numbers cited in the Borrower Distribution analysis refer only to loans within the assessment area.

HMDA-Reportable Lending

USB's HMDA-reportable lending reflects adequate penetration among customers of different income levels.

The number of HMDA-reportable loans granted to LMI borrowers decreased steadily during the evaluation period. During 2001 (i.e., the final year of the prior evaluation period), USB originated 21 loans to LMI borrowers, compared to 15 loans in 2002 and 13 loans in 2003. This decline occurred even though LMI families increased as a percentage of total families in the assessment area between 2002 and 2003. In 2002, LMI families accounted for 24.0% of total families in USB's assessment area, compared to 26.2% in 2003.⁶

Lending to LMI borrowers not only fell in the absolute number of loans originated, it also fell as a percentage of USB's total HMDA-reportable lending, dropping from 5.6% in 2001, to 5.2% in 2002 and then to 4.0% in 2003.

The following chart summarizes the bank's HMDA-reportable lending in 2002 and 2003.

Distribution of HMDA-Reportable Loans By Borrower Income Level						
Income Level	2002			2003		
	Bank		Aggregate	Bank		Aggregate
	#	% by #	% by #	#	% by #	% by #
Low	4	1.4	1.1	1	0.3	1.0
Moderate	11	3.8	6.0	12	3.6	5.3
Subtotal: LMI	15	5.2	7.1	13	4.0	6.3
Middle	39	13.4	14.8	50	15.2	14.1
Upper	228	78.4	69.6	253	76.9	70.7
N/A	9	3.1	8.5	13	4.0	8.9
Total	291	100.0	100.0	329	100.0	100.0

Community Development Lending: "Outstanding"

USB is a leader in making community development loans. During the evaluation period, USB originated nine new loans totaling \$83.7 million. These loans included a variety of lending products such as construction loans, commercial loans and letters of credit. The types of community development initiatives that were funded by these loans can be broken down as follows: community development services, \$61.4 million (74% of total); affordable housing, \$16.1 million (19.2% of total); and revitalize and stabilize activities, \$6.2 million (7.4% of total).

The following paragraphs provide brief descriptions of three community development loans originated by USB during the evaluation period:

⁶ These figures take into account other changes, including modifications to the assessment area and changes arising from the release of 2000 Census data during calendar year 2003 (e.g., tract and MSA boundary updates).

Meals on Wheels - The bank originated a \$2 million commercial mortgage to Meals on Wheels of Rockland County. This non-profit agency has been serving homebound and LMI senior citizens since 1974. The agency runs the following programs: a meal delivery program for homebound individuals, the Rockland Senior Centers program, the S.T.A.R. adult daycare program, and the Senior Net at Rockland program.

Hakiryah Affordable Housing - USB granted a \$15.5 million construction/commercial mortgage to Hakiryah Affordable Housing of KG Corporation, a non-profit entity. This transaction will support the construction of 348 housing units on 29 acres of land in the Village of Kiryas Joel in Orange County. The development is being built to provide affordable housing for LMI Hasidic families that live and work in the village.

Hutch Realty Partners - The bank originated a \$28.1 million construction loan to Hutch Realty Partners to build an office complex in Bronx County. The two main tenants of the facility will be Mercy College and the Visiting Nurse Service of New York. The primary focus of Mercy College is to provide quality, affordable education. Approximately 86% of Mercy College's students are from LMI families and over 80% will be first-generation college graduates. This loan supports community development services for LMI individuals in the regional area.

Innovative and Flexible Lending Practices: “Low Satisfactory”

The bank makes limited use of innovative and/or flexible lending practices in serving the credit needs of its assessment area.

USB offers its “First Home Club” program to qualified LMI borrowers. While enrolled in the program, prospective borrowers have the opportunity to correct any credit issues they have and then can request mortgage financing up to 97% of their future home's value. The bank stated that it has 19 active accounts under this program; however, none was originated during the review period.

The bank is an approved State of New York Mortgage Agency (“SONYMA”) lender. SONYMA provides low-cost mortgages to qualified LMI borrowers for the purchase of one-to four-family dwellings. USB originated three SONYMA loans totaling \$418.4 thousand over the review period.

USB participates in the Federal Home Loan Bank's “First Home Club” program that provides down payment and closing cost assistance to qualified, first-time homebuyers who are LMI. As part of the qualification process, a prospective borrower must establish a record of systematic savings and attend homeownership counseling sessions. USB offers participants a lower application fee, a reduced-rate mortgage and reduced closing attorney's fees.

USB offers a special line of credit to small businesses located in LMI tracts. This product features an express application, expedited underwriting decisions, a year of free business checking and an interest rate of prime minus ½ percent (“P - 0.5%”). USB actively markets

this product to small businesses located in LMI tracts and has originated 13 of these loans.

USB offers a revolving business line of credit to firms located in LMI census tracts. This product features line amounts of \$2.5 thousand to \$15 thousand and a special annual rate.

USB continues its involvement in New York State's Excelsior Linked Deposit Program, which offers commercial loans to qualified businesses at interest rates that are two to three percentage points below conventional rates. Under this program, New York State compensates participating banks by placing low-cost deposits in their institutions.

The bank provided loan-servicing functions to the Rockland/Westchester Revolving Loan Fund. This fund promotes small business growth and economic development by supporting start-up and existing businesses.

II. Investment Test: "Outstanding"

Investment and Grant Activity: Outstanding

Union State Bank has an excellent level of qualified community development investments.

USB's volume of qualified investments has more than doubled since the prior evaluation, increasing from \$9.3 million at the end of 2001 to the current level of \$19.2 million. As shown in the following table, new commitments represent 74.2% (\$14.3 million) of the investment total. Mortgage-backed securities account for a substantial portion (82.1%) of USB's CRA-eligible portfolio, whereas grants represent only 2.2% of total qualified investments.

USB Qualified Community Development Investments (\$000s)					
INVESTMENT TYPE	Commitment (\$000)	% of Total	New Money (\$000)	% of Commitment	Category
Targeted Mortgage Backed Sec.	15,786	82.1	13,467	85.3	Affordable Housing
CPC Collateral Trust Note	1,600	8.3	0	0.0	Affordable Housing
Hudson Valley Housing Fund	881	4.6	0	0.0	Affordable Housing
Grants	415	2.2	415	100.0	Various
FHLB AHP Credit	376	2.0	376	100.0	Affordable Housing
Dowling Gardens, LP	123	0.6	0	0.0	Affordable Housing
NYSBDC Equity	36	0.2	0	0.0	Small Business
Total	19,217	100.0	14,258	74.2	

The following paragraphs provide brief descriptions of USB's new qualified investments:

Targeted Mortgage-Backed Securities - During the current evaluation period USB purchased \$13.5 million in mortgage-backed securities. This total includes three Freddie Mac investments with a combined value of \$2 million and nine Fannie Mae securities worth \$11.5 million in the aggregate. The bank also received credit during this evaluation for \$2.3 million of outstanding balances on three mortgage-backed securities that were acquired

during the prior evaluation period. The mortgages underlying these various investments are primarily mortgages extended to LMI borrowers located within MA 5600.

Federal Home Loan Bank's Affordable Housing Program ("AHP") - USB contributed \$226.5 thousand to this affordable housing initiative in 2002 and an additional \$149 thousand in 2003. Through this program, the Federal Home Loan Bank of New York ("FHLB"), its 300 members and their not-for-profit community partners have funded more than 27 thousand units of affordable housing in the FHLB's regional service area.

Grants - USB made \$415.5 thousand in qualified grants during the evaluation period. These grants have supported a variety of non-profit community development organizations in their efforts to address local educational, social, health, economic and child-care issues.
Responsiveness to Credit and Community Development Needs: "High Satisfactory"

The bank exhibits good responsiveness to the credit and community development needs of its assessment area. USB's qualified investments are geared almost exclusively to promoting housing affordability. Given the high cost of housing and the substantial obstacles that LMI individuals face in obtaining affordable housing in the New York metropolitan area, this programmatic focus is entirely appropriate.

Community Development Initiatives: "Low Satisfactory"

The bank occasionally uses innovative or complex investments to support community development initiatives. Targeted mortgage-backed securities represent 82.1% of USB's qualified investments. While these securities are not particularly innovative or complex, they are adequately responsive to the needs of the assessment area.

III. Service Test: "High Satisfactory"

USB's retail service delivery systems are accessible to essentially all portions of the assessment area and the bank provides a high level of community development services.

Retail Banking Services: "High Satisfactory"

Accessibility of Delivery Systems:

As of December 31, 2003, USB's operations in New York State included 27 retail branch offices, three loan production centers and one residential mortgage center. The chart below summarizes USB's branch network on a county-by-county basis. As indicated in the table, USB does not have any branches in LMI tracts; however, there are five branches (18.5%) located in census tracts adjacent to LMI areas. This dispersion of branches is reasonable given the limited number of LMI tracts in the bank's assessment area.

Branch Locations by County as of 12/31/2003									
COUNTY	Tract Income Level (2000 Census)					Branches in County	County as % Total	Branches Adjacent to LMI Areas	% Adjacent to LMI Tract
	Low	Moderate	Middle	Upper	N/A				
Rockland	0	0	5	9	0	14	51.9	4	28.6
Westchester	0	0	1	10	0	11	40.7	1	9.1
New York	0	0	0	1	0	1	3.7	0	0.0
Orange	0	0	1	0	0	1	3.7	0	0.0
Total	0	0	7	20	0	27	100.0	5	18.5

The bank's loan production offices are located in Rockland, Westchester, and Orange Counties, while its residential mortgage center is located in Rockland County.

USB supplements its brick-and-mortar facilities with a network of 28 ATMs. All 28 ATMs offer customers a choice of conducting their transactions in English or Spanish. Twenty-four of the ATMs are co-located with a branch, while the remaining four ATMs are located offsite at Nyack Hospital, Good Samaritan Hospital, Iona College and New Roc City Mall. USB's four off-site ATMs do not accept deposits. All three branches that do not have an onsite ATM are located in Rockland County. Two of these three branches are located in middle-income tracts adjacent to LMI tracts.

Alternative Delivery Systems:

Personal PC Banking at Home - This system provides customers with access to a variety of account-related services and information including: checking account transaction histories, intra-bank funds transfers, stop payment requests and electronic bill payment services.

24-Hour Telephone Banking – This system allows customers to review their account balances, determine whether a check has been paid, verify deposits, transfer funds between accounts, receive rate quotes and pay bills electronically.

Electronic Benefits Transfer - The bank participates in the New York State Electronic Benefits Transfer ("EBT") program. This program delivers food stamps and other cash benefits via a state-issued debit card and allows recipients to access their benefits through participating banks' ATMs. The EBT system is available to customers and non-customers alike and provides a valuable service to LMI individuals.

PC Cash Management - This service offers business customers a means of connecting directly to the bank's network in real time. The system allows business clients to perform account reconciliations, monitor the status of their receivables, transfer funds between accounts, scan daily ACH transaction postings and send wire advices.

Customer Call Center - USB operates a bilingual (English/Spanish) service center that is accessible by phone during the same hours that the bank's branches are open.

Changes in Branch Location: “High Satisfactory”

Changes to USB’s branch network during the evaluation period did not adversely affect the accessibility of the bank’s delivery systems, particularly in LMI geographies and/or for LMI individuals.

During 2002, USB opened two branches in Yonkers in Westchester County. In 2003, USB opened a branch in Eastchester and a branch in Goshen. These two branches are located in Westchester and Orange Counties, respectively. All four of these new branches were equipped with an ATM, but none was located within or adjacent to an LMI tract.

The bank did not close any branches or remove any ATMs during the review period.

Reasonableness of Business Hours and Services: “High Satisfactory”

USB offers late hours of operation at all of its branches at least one day a week. Saturday hours are offered at 18 (66.7%) branches. One branch in Rockland County offers Sunday hours to serve the needs of that area’s community.

Drive-up windows are available at eleven of USB’s fourteen branches in Rockland County and at seven of its eleven branches in Westchester County. Drive-up services are also available at one branch in Orange County. Furthermore, seven of the bank’s fourteen branches in Rockland County offer walk-up window service.

Community Development Services: “High Satisfactory”

USB operates two business resource centers in Rockland County. These centers, located in Haverstraw and Spring Valley, provide free technical assistance to small business owners and start-up businesses. The centers offer seminars and educational programs in collaboration with government agencies to help small business owners operate their businesses successfully. Some of the topics presented include: strategic planning; growing an existing business; marketing; individual and business tax information; credit repair; computer literacy; and record-keeping and financial statements. These workshops are often held in conjunction with business, professional and community organizations.

USB sponsored and/or participated in 32 seminars and workshops promoting affordable housing, credit repair, first time home-buying, and small business education. The following paragraphs provide examples and descriptions of the seminars and workshops in which the bank participated during the evaluation period:

- *Affordable Housing Expo* - In 2002 and 2003, USB both sponsored and participated in Westchester Interfaith Housing Corporation’s Affordable Housing Expo at the Westchester County Center. This all-day event helps LMI homebuyers understand the mortgage lending process and explains government loan programs such as the FHLB’s First Home Club.

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- *“Make Your Dreams Come True”* - In 2002, USB hosted Community Action Partnership’s seminar on affordable housing entitled “Make Your Dreams Come True.” The event was held at USB’s resource center in Spring Valley. The Community Action Partnership of Rockland County is a nonprofit agency providing services to the economically disadvantaged.
 - *Credit Repair* - In 2003, USB hosted a credit repair seminar at its Spring Valley business resource center. The event, which was attended primarily by LMI individuals from the Village of Spring Valley, taught participants how to read a credit report, correct erroneous information in a credit report, rebuild and/or strengthen their credit ratings and complete a loan application.
 - *Chamber of Commerce Seminar Series* - In 2002, the bank sponsored a series of four-part workshops with the Westchester County Chamber of Commerce. These workshops addressed such topics as “The Economy, Financing and Banking for your Business”.
 - *Small Business Conference* - USB sponsored the first “Westchester Small Business Conference 2002” that was coordinated by SCORE and the Westchester County Office for Small Business.

In addition to its sponsorship efforts, the bank is actively involved in community initiatives through the volunteer efforts of its board members, executive managers and staff. A number of the bank’s directors and officers volunteer as members of the board or as treasurers of local community development organizations. Examples of these efforts are provided below:

- *Hudson Valley Affordable Housing Corporation* - The bank participates in a housing tax credit fund that provides housing for LMI borrowers. USB’s Chief Financial Officer is a member of the corporation’s board of directors.
- *Hudson Valley Affordable Housing Corporation’s Enterprise Fund* - The bank’s CRA Officer is a member of the Enterprise Fund committee. The fund is the small business-lending program of the Westchester Housing Fund, a community development financial institution that provides micro-loans, expertise and support for small businesses and startups.
- *New York State Business Development Corporation* - The bank’s chief credit officer sits on the regional loan committee, which makes credit decisions for loans to small businesses in the bank’s assessment area.
- *Rockland Economic Development Corporation* - A senior officer of the bank sits on the board of directors and the executive committee of the organization and a senior officer of the bank serves on the loan committee for this fund. This organization administers the Rockland/Westchester Revolving Loan Fund, which is a low interest loan pool for small businesses.

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- *Service Corporation of Retired Executives (“SCORE”)* - SCORE works with the U.S. Small Business Administration (“SBA”) to provide business owners with information and counseling on financing options, business planning and marketing strategies, product development and more. USB’s CRA officer is a member of SCORE’s board of directors for Rockland and Westchester Counties. Furthermore, the bank hosted SCORE workshops at its business resource centers in Spring Valley and Haverstraw.
 - *Theodora’s Fund* - An officer of the bank is a member of the Fund’s advisory board. This fund is a micro-loan program that helps aspiring LMI business owners in Rockland County develop their entrepreneurial skills.
 - *Westchester Hispanic Chamber of Commerce (“WHCC”)* – USB’s CRA officer is the president of WHCC. This organization promotes the growth and development of Westchester County’s eight thousand Hispanic-owned businesses.

The following list provides examples of other community development organizations that have benefited from bank employees’ efforts to serve the assessment area by sharing their expertise in financial services:

- Jawanio
- Child Care Resources of Rockland
- Martin Luther King Multipurpose Center
- St. Paul’s Outreach Program
- Community Action Program
- Mental Health Association of Rockland
- Services Education Resources, Inc.
- Westchester Putnam Workforce Investment Board
- Westchester Department of Social Services Advisory Board

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.

No practices intended to discourage applications for the types of credit offered by the institution were noted during this examination.

Evidence of prohibited discriminatory or other illegal credit practices.

The most recent regulatory compliance examination of USB was conducted concurrently with this evaluation and indicates satisfactory performance in terms of adherence to antidiscrimination 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 ascertains the credit need of its community through its officers' and employees' direct involvement in local neighborhood groups, civic groups, charitable groups, nonprofit organizations, community development organizations and economic development organizations throughout the bank's assessment area. A partial listing of the groups with which USB has worked is provided below:

- Westchester Hispanic Chamber of Commerce
- African American Chamber of Commerce
- Dominican Sisters Family Healthcare
- Association of Visually Impaired
- Child Abuse Prevention Center
- 100 Hispanic Women Leaders
- Epilepsy Foundation
- SCORE
- Salvation Army
- Tarrytown YMCA
- Theodora's Fund
- Meals on Wheels
- People to People
- Junior Achievement

In addition, the bank has hosted or participated in numerous first-time homebuyer, credit repair and small business seminars during the evaluation period.

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.

As a part of its ongoing assessment of community needs, the bank advertises in various print publications such as the *African-American and Caribbean News*, *Women's News*, *60 Plus*, *Jewish Tribune*, *Senior Choice*, *New York Times*, *Hudson Valley Magazine*, and *Westchester Spotlight Magazine*. In addition, USB has made a special effort to reach the Hispanic community within its assessment area by advertising in *El Clarin* and *El Aguila del Hudson Valley*, two local Spanish-language publications. The bank also has placed Spanish signage at branches where local demographics indicate this would be appropriate and offers translated brochures for its products and services. Furthermore, the bank transferred bilingual branch employees to the Haverstraw, Spring Valley and Yonkers branches in an effort to better serve those communities.

USB uses the following media outlets for radio advertising:

- *WFAS - FM*
- *WRTN - FM*
- *WLNA - AM*
- *WVOX - AM*
- *WBNR - AM*
- *WLIR - AM*
- *WCBS - AM*
- *WHUD - FM*

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.

A CRA committee, chaired by a senior vice president, includes management representatives and a member of the board. The CRA committee provides policy direction and oversees all CRA activities of the bank, including an annual review of the bank's assessment area and its CRA statement. The CRA Officer/Director of Community Development reports annually to the board of directors to provide summaries and updates regarding the bank's CRA activities and performance.

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.

USB is expanding its focus on the Hispanic community within the assessment area, which is expanding at a rate six times faster than the non-Hispanic population. As part of this effort, USB has established a Hispanic Market Segment team and developed a Hispanic Market Initiative Plan for 2003.

USB donated more than \$166.5 thousand to various hospitals, religious organizations and youth athletic programs that did not meet the regulatory definition of community development but that nonetheless provide valued community services.

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:

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- 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

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- ❖ 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 nonmetropolitan 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 nonmetropolitan 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 nonmetropolitan 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.