



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, 2006

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

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

TABLE OF CONTENTS

	Section
General Information	1
Overview of Institution's Performance	2
Performance Context.....	3
Institution's Profile	
Assessment Area	
Performance Standards and Assessment Factors	4
Lending Test	
Loan-to-Deposit Analysis	
Assessment Area Concentration	
Geographic Distribution of Loans	
Distribution by Borrower Characteristics	
Community Development Test	
Community Development Lending	
Investments	
Services	
Action Taken in Response to Written Complaints with Respect to CRA	
Discrimination or Other Illegal Practices	
Process Factors	
Other Factors	
Glossary	5

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of Ulster Savings Bank (“USB”) prepared by the New York State Banking Department. The evaluation represents the Banking Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of December 31, 2006.

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 Section 76.12. 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

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

I. Lending Test- "Satisfactory"

- **Loan-to-Deposit Ratio ("LTD"):** USB's LTD is reasonable in light of its size, financial condition and assessment area credit needs. USB's average LTD ratio for the eight quarters ending December 31, 2006, was 99.17%, which is well above the peer group's average of 88.04%.
- **Assessment Area Concentration:** A majority of loans, 78.3% by number and 72.3% by dollar volume, are in the assessment area.
- **Geographic Distribution:** The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area.
- **Distribution by Borrower Characteristics:** USB's distribution of loans reflects reasonable penetration among individuals of different income levels (including low and moderate income) and businesses of different sizes.
- The New York State Banking Department has not received any complaints concerning USB with respect to CRA since the prior evaluation.

II. Community Development Test- "Satisfactory"

- Community Development Loans – USB made an adequate level of community development loans in its assessment area.
- Investments - During the evaluation period USB's total qualified investments and grants increased to \$3.4 from \$3.0 million at the prior evaluation.
- Community Development Services - Some of USB's officers and senior managers serve on the board or as officers of various community development organizations. For example USB's CEO and two other senior officers, are on the board of Rural Ulster Preservation Company ("RUPCO"), a not for profit housing agency which provides housing for low and moderate income individuals residing in Ulster County, New York. In addition, USB is a Federal Home Loan Bank ("FHLB") member and participates in the FHLB Affordable Housing Program. In conjunction with this program, USB has maintained 19 projects providing 885 housing units in Dutchess and Ulster Counties.

PERFORMANCE CONTEXT

Institution's Profile:

USB, a mutual savings bank chartered in 1851, is headquartered in Kingston, Ulster County. USB is a full financial service provider with three core business groups: mortgage banking, retail banking, and non-traditional banking. Its non-traditional banking products include mutual funds, annuities, residential and commercial insurance products, income tax preparation and payroll services.

USB competes with other institutions for both lending and deposit products and services, which includes mortgage companies, regional banks, local credit unions, large international banks and local community banks in the assessment area.

USB operates 11 banking offices of which four are located in Dutchess County and seven in Ulster County where its main office is located. Four offices were opened during 2005: two in Dutchess County and two in Ulster County. An automated teller machine ("ATM") network supplements USB's teller services at seven offices. USB also maintains two off-site non-deposit taking ATMs located at SUNY New Paltz and Ulster Community College.

According to USB's December 31, 2006, Consolidated Report of Condition ("Call Report"), the bank reported total assets of \$621.3 million, of which \$470.4 million were net loans and lease finance receivables. It also reported total deposits of \$482.8 million, resulting in a loan to deposit ratio of 97.4%, which is above the national peer group average of 90.5%. According to the latest available comparative deposit data dated June 30, 2006, USB obtained a market share of 4.3% or \$463.5 million out of \$10.7 billion inside its market, ranking it ninth among 34 deposit taking institutions in Dutchess, Orange, and Ulster counties. Additionally, USB's home county provides 76.5% of the bank's total deposits.

USB offers several types of credit products, including individual and commercial mortgages, construction, home equity, auto and business loans, and lines of credit.

The following is a summary of USB's lending portfolio, based on Schedule RC-C of the bank's December 31, 2004, December 31, 2005 and December 31, 2006 Call Reports:

LOAN TYPE	12/31/2004		12/31/2005		12/31/2006	
	\$(000's)	%	\$(000's)	%	\$(000's)	%
1-4 Family Residential Mortgage Lns	283,674	68.8	302,104	66.4	316,370	66.7
Commercial Mortgage Loans	46,067	11.2	56,723	12.5	62,787	13.2
Commercial & Industrial Loans	6,525	1.6	11,069	2.4	15,100	3.2
Construction and Land Development	73,679	17.9	82,100	18.0	76,681	16.2
Consumer Loans	1,974	0.5	2,808	0.6	2,810	0.6
Other Loans	422	0.1	267	0.1	271	0.1
Total Gross Loans	412,341	100.0	455,071	100.0	474,019	100

As shown in the above chart, USB is primarily a residential real estate lender, with 66.7% of its loan portfolio in 1-4 family residential mortgage loans.

USB participates in governmentally insured, guaranteed or subsidized loan programs for housing, small businesses or small farms, which include the following:

- First Home Club
- National Housing Service of America (“NHSA”)
- Federal Housing Administration (FHA) Loan Program
- State of New York Mortgage Agency (SONYMA)

Lending Market Share:

Mortgage Lending - In 2005, USB ranked fifth out of 427 home mortgage lenders in the assessment area, with a 2.8% market share of the total number of loans and 2.3% of the total dollar volume. The average loan size was \$149 thousand.

Small Business Lending - In 2005, USB ranked 15th out of 84 small business lenders in the assessment area, with a 0.96% market share of the total number of loans and 4.1% of the total dollar volume. The average loan size was \$109 thousand.

USB was evaluated as a large bank at its prior Performance Evaluation conducted by the New York State Banking Department as of December 31, 2003 and received a rating of “2,” reflecting a satisfactory record of helping to meet community credit needs. Due to regulatory classification changes during 2005, USB’s asset size was appropriate for it to be evaluated as an intermediate-small bank for this evaluation.

here are no known financial or legal impediments that adversely impacted USB’s ability to meet the credit needs of its community.

Assessment Area:

USB’s assessment area includes the counties of Ulster, Dutchess and Orange in their entirety. This area consists of 182 census tracts, of which ten are low and 28 are moderate-income tracts. The following chart shows the distribution of the census tracts within the assessment area:

Distribution of Assessment Area Census Tracts by Income Level							
County	Zero	Low	Moderate	Middle	Upper	Total	LMI %
Dutchess	2	5	7	43	9	66	18.2
Orange	0	5	14	35	13	67	28.4
Ulster	0	0	7	35	7	49	14.3
Total	2	10	28	113	29	182	20.9

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

Details of Assessment Area:

Chart #1: Shows population and income.

Chart #2: Shows housing demographics.

Chart #3: Shows business demographics.

Unemployment Rates:

According to the U.S. Department of Labor, the statewide unemployment rate (not seasonally adjusted) for New York was 5.0% in 2005 and 4.5% in 2006. The rates for the three counties for the same period were: Dutchess County, 3.9% and 3.7%; Orange County, 4.2% and 4.2%; and Ulster County, 4.3% and 4.1%; respectively.

CHART # 1

ASSESSMENT AREA POPULATION AND INCOME CHARACTERISTICS BY COUNTY																						
COUNTY	Total Population	Age 65 and over		Age 16 and less		Median Family Income(MFI)	HUD MSA MFI	# of Households		# of HH below poverty level		Total Families	Low income		Moderate income		Middle income		Upper income		LMI families in LMI tracts	
		#	%	#	%			#	%	#	%		#	%	#	%	#	%	#	%	#	%
Dutchess	280,150	33,690	12.0	62,129	22.2	63,825	73,400	99,719	7,499	7.5	69,776	12,024	17.2	12,464	17.9	17,299	24.8	27,989	40.1	5,492	22.4	
Orange	341,367	35,185	10.3	88,699	26.0	61,313	73,400	114,809	10,461	9.1	85,028	17,610	20.7	15,465	18.2	20,475	24.1	31,478	37.0	11,861	35.9	
Ulster	177,749	23,711	13.3	36,734	20.7	52,019	61,400	67,501	7,084	10.5	43,790	8,422	19.2	7,971	18.2	10,394	23.7	17,003	38.8	2,736	16.7	
TOTAL A/A*	799,266	92,586	11.6	187,562	23.47	60,146	70,169	282,029	25,044	8.9	198,594	38,056	19.2	35,900	18.1	48,168	24.3	76,470	38.5	20,089	27.3	

*Assessment Area

CHART # 2

ASSESSMENT AREA HOUSING CHARACTERISTICS BY COUNTY																			
COUNTY	Total Housing Units	1-4 family Units		Multifamily Units		Owner-Occupied Units (O-O)		O-O Units in Low-income Tracts		O-O Units in Mod-income Tracts		O-O Units in Midd-income Tracts		O-O Units in Upp-income Tracts		Rental Units		Vacant/ Boarded-up Units	
		#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%
DUCHESS	106,103	92,003	87.0	14,100	13.0	68,628	65.0	1,098	1.6	4,118	6.0	48,177	70.2	15,235	22.2	32,925	31.0	6,567	6.0
ORANGE	122,754	107,886	88.0	14,868	12.0	76,948	63.0	1,916	2.5	8,087	10.5	48,754	63.4	18,191	23.6	40,353	33.0	7,966	6.0
ULSTER	77,656	71,371	91.5	6,285	8.0	45,916	59.0	0	0	3,829	8.3	35,309	76.9	6,777	14.8	23,413	30.0	10,157	13.0
TOTAL A/A*	306,513	271,260	89.0	35,253	12.0	191,492	62.0	3,014	1.6	16,034	8.4	132,241	69.1	40,203	21.0	96,691	32.0	24,690	8.0

* Assessment Area

CHART # 3

BUSINESS DEMOGRAPHICS BY COUNTY											
COUNTY AND ASSESSMENT AREA(A/A)	Number of Businesses	Businesses with Rev. of \$1 million or less		Businesses with Rev. of more than \$1 million		Businesses with no revenues reported		Businesses with less than 50 employees		Operating from a single location	
		#	%	#	%	#	%	#	%	#	%
DUCHESS	20,491	13,906	67.9	916	4.5	5,669	27.7	15,858	77.4	18,393	89.8
ORANGE	26,988	18,286	67.8	1,240	4.6	7,462	27.7	20,892	77.4	24,216	89.7
ULSTER	14,290	9,811	68.7	582	4.1	3,897	27.3	10,988	76.9	13,036	91.2
Total A/A	61,769	42,003	68.0	2,738	4.4	17,028	27.6	47,738	77.3	55,645	90.1

PERFORMANCE TESTS AND ASSESSMENT FACTORS

USB's performance was evaluated according to the intermediate small bank's CRA performance criteria, which consisted of lending and community development activities within the assessment area, pursuant to parts 76.11 and 76.12 of the General Regulations of the Banking Board. The lending performance is evaluated according to the following criteria: (1) Loan-to-deposit Ratio and other Lending-Related Activities; (2) Assessment Area Concentration; (3) Geographic Distribution of Loans; (4) Distribution by Borrower Characteristics; and (5) Action Taken in Response to Written Complaints Regarding CRA. The Community Development Performance is evaluated according to the following criteria: (1) community development loans, (2) qualified investments and (3) community development services.

The evaluation period covers 2005 and 2006. Statistical data used in this evaluation were derived primarily from HMDA-reportable and small business loan information submitted by the bank. Aggregate data for HMDA-reportable and small business loans were obtained from the Federal Financial Examination Council ("FFIEC") and PCI Services, Inc. CRA Wiz© software. Lending comparisons were based on 2005 aggregate data. Aggregate data for 2006 were not available. Demographic data were taken from the 2000 U.S. census along with the updated HUD estimated median family income figures. Deposit data were derived from the FDIC's website.

Examiners considered HMDA-reportable and small business loans in evaluating its lending activities. Because residential mortgage lending constitutes the largest portion of the bank's portfolio greater emphasis is placed on the bank's HMDA-reportable loans.

I. Lending Test: "Satisfactory"

Loan-to-Deposit Ratio ("LTD"): "Outstanding"

USB's LTD ratio is more than reasonable considering its size, financial condition and the credit needs of the assessment area.

USB's average LTD ratio for the eight quarters ending December 31, 2006, was 99.17%, which is well above the peer group's average of 88.04%. USB's peer group includes all FDIC insured savings banks having assets between \$300 million and \$1 billion. These ratios were calculated from information shown in the bank's Uniform Bank Performance Report ("UBPR") prepared by the Federal Deposit Insurance Corporation ("FDIC").

The following table shows the details of the quarterly LTD ratios:

Loan-to-Deposit Ratios									
	3/31/05	6/30/05	9/30/05	12/31/05	3/31/06	6/30/06	9/30/06	12/31/06	Aver.* LTD
Bank	100.04	93.29	98.29	101.08	104.61	99.08	99.62	97.42	99.17
Peer	84.52	85.79	86.66	88.15	88.67	89.74	90.33	90.47	88.04

* Average

Assessment Area Concentration: “Satisfactory”

A majority of USB’s HMDA-reportable and small business loans are in the assessment area as shown in the table below:

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Loans in Dollars (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
HMDA										
2005	1,086	74.9	364	25.1	1,450	161,957	68.8	73,531	31.2	235,488
2006	818	76.3	254	23.7	1,072	127,542	70.0	54,543	30.0	182,085
Subtotal	1,904	75.5	618	24.5	2,522	289,499	69.3	128,074	30.7	417,573
Small Business										
2005	214	95.5	10	4.5	224	26,819	95.0	1,400	5.0	28,219
2006	151	100.0	0	0	151	20,884	100.0	0	0	20,884
Subtotal	365	97.3	10	2.7	375	47,703	97.1	1,400	2.9	49,103
Total	2,269	78.3	628	2.2	2,897	337,202	72.3	129,474	27.7	466,676

HMDA-Reportable Loans:

During the evaluation period, USB originated a majority of its HMDA-reportable loans within the assessment area, with 75.5% in number and 69.3% in dollar volume.

Small Business Loans:

During the evaluation period, USB originated a substantial majority of its small business loans within the assessment area, with 97.3% in number and 97.1% in dollar volume.

Geographic Distribution of Loans: “Satisfactory”

The geographic distribution of HMDA-reportable and small business loans reflects a reasonable dispersion throughout the assessment area.

HMDA Loans

USB’s penetration rates for LMI areas were 12.0% in number and 10.4% in dollar volume, which was lower than the aggregate’s penetration rates of 15.0% and 12.7%, respectively, in 2005.

In 2006, USB’s HMDA-reportable loans declined to 818 loans totaling \$127.5 million from 1,086 loans totaling \$162 million the previous year. USB’s penetration rates for LMI areas were 11.0% in number and 9.4% in dollar volume.

USB’s originations in both years compared favorably with the 10.0% owner-occupied housing units located in LMI areas.

The following chart provides a summary of USB’s HMDA related lending distribution in its assessment area during the evaluation period:

Distribution of HMDA-reportable Loans by Geographic Income Level*								
Geography Income Level	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
Low	4	0.4	683	0.4	1,315	3.4	206,287	2.9
Moderate	126	11.6	16,274	10.0	4,438	11.6	708,007	9.8
Middle	778	71.6	117,955	72.8	25,204	65.7	4,580,541	63.6
Upper	178	16.4	27,045	16.7	7,360	19.2	1,702,926	23.6
N/A	0	0.0	0	0.0	21	0.1	3,427	0.1
Total	1,086	100.0	161,957	100.0	38,338	100.0	7,201,188	100.0
Geography Income Level	Bank				Not available			
	#	%	\$000	%				
Low	1	0.1	179	0.1				
Moderate	89	10.9	11,829	9.3				
Middle	597	73.0	92,768	72.7				
Upper	131	16.0	22,766	17.8				
N/A	0	0.0	0	0.0				
Total	818	100.0	127,542	100.0				

Small Business Loans

The following chart provides a summary of USB's small business lending distribution during the evaluation period:

Distribution of Small Business Loans by Geographic Income Level								
Geography Income Level	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
Low	2	0.9	225	0.8	1,034	4.7	32,411	5.7
Moderate	33	15.4	4,182	15.6	2,252	10.2	70,967	12.4
Middle	156	72.9	20,340	75.9	14,356	65.0	353,605	62.0
Upper	23	10.8	2,072	7.7	4,450	20.1	113,434	19.9
N/A	0	0.0	0	0.0	1	0.0	4	0.0
Total	214	100.0	26,819	100.0	22,093	100.0	570,421	100.0
Geography Income Level	Bank				Aggregate			
	#	%	\$000	%	Not available			
Low	0	0.0	0	0.0				
Moderate	26	17.2	4,605	22.0				
Middle	111	73.5	13,820	66.2				
Upper	14	9.3	2,459	11.8				
N/A	0	0.0	0	0.0				
Total	151	100.0	20,884	100.0				

In 2005, USB originated 214 small business loans totaling \$26.8 million in the assessment area. Loans originated in LMI areas accounted for 16.3% in number and 16.4% in dollar volume compared to the aggregate's 14.9% and 18.1%, respectively.

In 2006, loans to small businesses declined to 151 totaling \$20.9 million in the assessment area. Loans originated in moderate income areas accounted for 17.2% in number and 22.1% in dollar volume. Management attributes USB's decreased lending in this area to increased competition to several larger regional banks in the assessment area.

Distribution by Borrower Characteristics: "Satisfactory"

The distribution of loans reflects a reasonable penetration among individuals of different income levels and businesses of different sizes.

HMDA Loans

The bank's distribution of HMDA-reportable loans based on borrower characteristics reflects a reasonable penetration among individuals of different income levels.

The following chart provides a summary of USB's HMDA lending distribution during the evaluation period:

Geography Income Level	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
Low	51	4.7	3,724	2.3	1,455	3.8	128,865	1.8
Moderate	181	16.7	21,196	13.1	6,387	16.6	856,704	11.9
Middle	266	24.5	35,377	21.8	11,724	30.6	1,956,933	27.2
Upper	462	42.5	83,205	51.4	16,862	44.0	3,795,056	52.7
N/A	126	11.6	18,455	11.4	1,910	5.0	463,630	6.4
Total	1,086	100.0	161,957	100.0	38,338	100.0	7,201,188	100.0

Geography Income Level	Bank				Aggregate			
	#	%	\$000	%	Not available			
Low	39	4.8	3,634	2.9	Not available			
Moderate	123	15.0	15,793	12.4				
Middle	217	26.5	32,705	25.6				
Upper	328	40.1	58,973	46.2				
N/A	111	13.6	16,437	12.9				
Total	818	100.0	127,542	100.0				

In 2005, USB originated 1,086 HMDA-reportable loans, totaling \$162.0 million, in the assessment area. USB's penetration rates for LMI borrowers were 21.4% in number and 15.4% in dollar volume, which were slightly higher than the market aggregate's penetration rates of 20.5% and 13.7%, respectively.

In 2006, the LMI loans declined both in number and dollar volume compared to the 2005 levels. The LMI penetration rates also slightly declined to 19.0% in number and 15.2% in dollar volume.

Small Business Loans

USB's distribution of small business loans based on borrower characteristics reflects adequate penetration among businesses of different sizes.

The following chart provides a summary of USB's small business lending distribution:

Distribution of Small Business Loans by Business Revenue Size								
Revenue Size	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
\$1million or less	198	92.5	25,578	95.4	10,339	46.8	280,116	49.1
Over \$1 million	12	5.6	406	1.5	0	0.0	0	0.0
No Revenue Info	4	1.9	835	3.1	11,754	53.2	290,305	50.9
Total	214	100.0	26,819	100.0	22,093	100.0	570,421	100.0
Revenue Size	Bank				Aggregate			
	#	%	\$000	%	Not available			
\$1million or less	151	100.0	20,884	100.0	Not available			
Over \$1 million	0	0.0	0	0.0	Not available			
No Revenue Info	0	0.0	0	0.0	Not available			
Total	151	100.0	20,884	100.0	Not available			

In 2005, USB extended 214 loans (92.5%) amounting to \$26.8 million (95.4%) to business borrowers with gross annual revenues("GARs") of \$1 million or less compared to the market aggregate's ratios of 46.8% and 49.1%, respectively. In 2006 all business loans were extended to borrowers with GARs of \$1 million or less.

II. Community Development Test: "Satisfactory"

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

Community Development Loans

USB made an adequate level of community development loans in its assessment area.

During the evaluation period USB originated eight new community development loans totaling \$1.5 million. USB's community development lending was significantly lower than the previous evaluation total of \$4.0 million. Management attributed the decrease to the arrival of new lenders in the assessment area.

The table below summarizes USB’s community development lending activities during the evaluation period:

Community Development Loans								
	Affordable Housing		Community Services		Revitalize and Stabilize		Total	
	#	(\$000s)	#	(\$000s)	#	(\$000s)	#	(\$000s)
\$	6	1,400	1	50	1	50	8	1,500
%	75.0%	93.3%	12.5%	3.3%	12.5%	3.3%	100.0%	100.0%

Qualified Investments

During the evaluation period, USB’s total qualified investments, consisting of shares in the Community Reinvestment Act Qualified Investment Fund (“Fund”), was valued at \$3 million and grants totaling \$350 thousand, increased the total to \$3.4 from \$2.9 million at the prior evaluation. The Fund invests in debt securities deemed to be qualified under the Community Reinvestment Act.

The beneficiaries of USB’s donations are non-profit organizations involved in affordable housing, economic development and community services activities. These organizations include: American Red Cross, Habitat for Humanity, Small Business Development, Rural Ulster Preservation Company, United Way, YWCA, NYS Rural Housing, Kingston Ulster Empire Zone and Rural Opportunities, Inc.

Community Development Services:

- USB’s officers and senior managers serve as board members or officers of various community development organizations to provide technical assistance and financial expertise. The following are examples of some of the organizations where bank officers have served:
 - The bank president and a loan originator are board members of Rural Ulster Preservation Corporation (RUPCO), a non-profit organization that provides housing to low and moderate income families and communities.
 - The bank executive vice president and a vice president are board members of Ulster Development Corporation (UCDC), an economic development agency with a mission of creating and maintaining jobs through the attraction of new businesses or the retention and expansion of existing businesses.
 - The bank senior vice president is board member and vice president of Family of Woodstock, Inc, a non-profit organization that provides a broad range of services including housing for homeless residents, after school care and child care. He is also a board member of Community Services Program, a non profit organization that provides affordable housing for low

to moderate income households.

- A bank assistant vice president is the board chairman of United Way of Ulster County, a non-profit agency respondent to community human services needs by raising and distributing funds through a coordinated volunteer effort and to act as catalyst and support for programs that enhance the quality of life in Ulster County.
- USB is a Federal Home Loan Bank (“FHLB”) member and participates in the FHLB Affordable Housing Program (“AHP”). Member banks, through grants or below market interest rate loans from the FHLB, partner with developers and community organizations to finance the purchase, construction or rehabilitation of low- or moderate-income, owner-occupied and rental housing. The bank is involved in 19 projects that have provided 885 housing units to Dutchess and Ulster Counties.

Action Taken in Response to Written Complaints with Respect to CRA

Since the previous evaluation as of December 31, 2003, neither USB nor the New York State Banking Department has received any written complaints regarding the bank’s CRA performance.

- **Discrimination or Other Illegal Practices**

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

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

Evidence of prohibited discriminatory or other illegal credit practices.

The regulatory compliance and fair lending examinations conducted as of June 30, 2006, indicate satisfactory adherence to anti-discrimination and other applicable laws and regulations. No evidence of prohibited discriminatory or other illegal credit practices was noted.

- **Process Factors**

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

USB is in contact with various community-based organizations to ascertain the credit needs of its community. This contact includes involvement by senior management on the boards

of organizations and by contacting organizations to better understand needs of the community. Examples of these organizations include The First Home Club, Rural Ulster Preservation Company, Hudson River Housing, Shandaken Area Revitalization Project, Rural Opportunities Inc. and Community Services, Inc. These are all organizations within the assessment area, focusing on home ownership needs and community improvement.

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

USB's marketing and advertising media include local newspapers and journals, local radio, TV and billboards. In addition, USB conducts outreach to LMI individuals and geographies as well as the Spanish speaking communities to make them aware of USB's products and services.

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

The Board of Trustees receives from the CRA Officer a quarterly report covering USB's ongoing CRA efforts. The CRA Committee, consisting of the bank's president, two executive vice presidents, marketing director, loan officers, the compliance officer, the CRA officer and bank auditors, meets and discusses on a quarterly basis CRA related products, services, strategies and issues.

VI. Other Factors

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

None noted.

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 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.

CHART # 1

ASSESSMENT AREA POPULATION AND INCOME CHARACTERISTICS BY COUNTY																						
COUNTY	Total Population	Age 65 and over		Age 16 and less		Median Family Income(MFI)	HUD MSA MFI	# of Households		# of HH below poverty level		Total Families	Low income		Moderate income		Middle income		Upper income		LMI families in LMI tracts	
		#	%	#	%			#	%	#	%		#	%	#	%	#	%	#	%	#	%
Dutchess	280,150	33,690	12.0	62,129	22.2	63,825	73,400	99,719	7,499	7.5	69,776	12,024	17.2	12,464	17.9	17,299	24.8	27,989	40.1	5,492	22.4	
Orange	341,367	35,185	10.3	88,699	26.0	61,313	73,400	114,809	10,461	9.1	85,028	17,610	20.7	15,465	18.2	20,475	24.1	31,478	37.0	11,861	35.9	
Ulster	177,749	23,711	13.3	36,734	20.7	52,019	61,400	67,501	7,084	10.5	43,790	8,422	19.2	7,971	18.2	10,394	23.7	17,003	38.8	2,736	16.7	
TOTAL A/A*	799,266	92,586	11.6	187,562	23.47	60,146	70,169	282,029	25,044	8.9	198,594	38,056	19.2	35,900	18.1	48,168	24.3	76,470	38.5	20,089	27.3	

*Assessment Area

CHART # 2

ASSESSMENT AREA HOUSING CHARACTERISTICS BY COUNTY																			
COUNTY	Total Housing Units	1-4 family Units		Multifamily Units		Owner-Occupied Units (O-O)		O-O Units in Low-income Tracts		O-O Units in Mod-income Tracts		O-O Units in Midd-income Tracts		O-O Units in Upp-income Tracts		Rental Units		Vacant/ Boarded-up Units	
		#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%
DUCHESS	106,103	92,003	87.0	14,100	13.0	68,628	65.0	1,098	1.6	4,118	6.0	48,177	70.2	15,235	22.2	32,925	31.0	6,567	6.0
ORANGE	122,754	107,886	88.0	14,868	12.0	76,948	63.0	1,916	2.5	8,087	10.5	48,754	63.4	18,191	23.6	40,353	33.0	7,966	6.0
ULSTER	77,656	71,371	91.5	6,285	8.0	45,916	59.0	0	0	3,829	8.3	35,309	76.9	6,777	14.8	23,413	30.0	10,157	13.0
TOTAL A/A*	306,513	271,260	89.0	35,253	12.0	191,492	62.0	3,014	1.6	16,034	8.4	132,241	69.1	40,203	21.0	96,691	32.0	24,690	8.0

* Assessment Area

CHART # 3

BUSINESS DEMOGRAPHICS BY COUNTY											
COUNTY AND ASSESSMENT AREA(A/A)	Number of Businesses	Businesses with Rev. of \$1 million or less		Businesses with Rev. of more than \$1 million		Businesses with no revenues reported		Businesses with less than 50 employees		Operating from a single location	
		#	%	#	%	#	%	#	%	#	%
DUCHESS	20,491	13,906	67.9	916	4.5	5,669	27.7	15,858	77.4	18,393	89.8
ORANGE	26,988	18,286	67.8	1,240	4.6	7,462	27.7	20,892	77.4	24,216	89.7
ULSTER	14,290	9,811	68.7	582	4.1	3,897	27.3	10,988	76.9	13,036	91.2
Total A/A	61,769	42,003	68.0	2,738	4.4	17,028	27.6	47,738	77.3	55,645	90.1