



**NEW YORK STATE BANKING DEPARTMENT**  
**Consumer Services Division**  
One State Street Plaza  
New York, NY 10004

**PUBLIC SUMMARY**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**Evaluation Date: December 31, 2007**

**Institution: Rondout Savings Bank**  
**300 Broadway**  
**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
Loan-to-Deposit Analysis and Other	
Lending-Related Activities	
Assessment Area Concentration	
Geographic Distribution of Loans	
Distribution by Borrowers Characteristics	
Action Taken in Response to Written Complaints	
With Respect to CRA	
Services (Optional)	
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 Rondout Savings Bank (“RSB”) 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, 2007.

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 (“LMI”) areas, consistent with safe and sound operations.

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

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

Section 76.5 further requires that the CRA rating and the written summary be made available to the public (“Evaluation”). Evaluations are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Sections 76.12. 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

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

- ***Loan-to-Deposit ("LTD") Ratio and Other Lending-Related Activities:*** RSB's LTD ratio is considered reasonable in light of its size, financial condition and the credit needs of its assessment area. RSB enhanced the availability of credit in its assessment area with community development loans totaling \$2.7 million and qualified investments totaling \$35 thousand.
- ***Assessment Area Concentration:*** RSB extended a substantial majority of its loans in the assessment area. Of the total loans originated by RSB during the evaluation period, 94.6% were extended within the assessment area.
- ***Geographic Distribution of Loans:*** RSB's geographic distribution of its HMDA-reportable, small business and consumer loans reflects an excellent dispersion among census tracts of different income levels.
- ***Distribution by Borrowers Characteristics:*** RSB's lending distribution in the assessment area reflects an excellent penetration among individuals of different income levels and businesses of different revenue sizes.
- Neither RSB nor the New York State Banking Department received any complaints with respect to its CRA performance during the evaluation period.

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:

Chartered in 1868, RSB is a mutually owned savings bank, located in Kingston, New York. RSB currently operates four banking offices located in middle-income census tracts in Ulster County. Three of the four branches are open till 5:00 PM, Monday to Friday and offer Saturday hours, and one is open till 6:00 PM on Fridays. Supplementing the banking offices is a network of automated teller machines ("ATMs") consisting of five 24-hour machines. RSB offers on-line banking in addition to the 24-hour telephone banking and bank-by-mail service. During the evaluation period, RSB opened the Hurley Ridge Market Branch and did not close any branch.

As per the Federal Deposit Insurance Corporation's ("FDIC") Consolidated Report of Condition ("Call Report") as of December 31, 2007, RSB reported total assets of \$191.6 million, of which \$134.2 million were net loans and lease finance receivables. It also reported total deposits of \$158.2 million, resulting in a loan-to-deposit ratio of 84.8%. According to the latest available comparative deposit data dated June 30, 2007, the bank has a market share of 6.7% or \$157.1 million out of \$2.3 billion inside its market, ranking it 6<sup>th</sup> among other 19 deposit-taking institutions in Ulster County.

The following is a summary of RSB's lending portfolio, based on Schedule RC-C of its December 31, 2005, December 31, 2006 and December 31, 2007 Call Reports:

<b>TOTAL GROSS LOANS OUTSTANDING</b>						
<b>LOAN TYPE</b>	<b>12/31/2005</b>		<b>12/31/2006</b>		<b>12/31/2007</b>	
	<b>\$000</b>	<b>%</b>	<b>\$000</b>	<b>%</b>	<b>\$000</b>	<b>%</b>
1-4 Family Residential Loans	65,408	66.1	75,577	64.3	89,507	66.3
Multifamily Loans	456	0.5	458	0.4	715	0.5
Commercial Mortgage Loans	16,419	16.6	13,943	11.9	25,373	18.8
Commercial & Industrial Loans	14,471	14.6	19,052	16.2	13,978	10.4
Consumer Loans	794	0.8	728	0.6	727	0.5
Construction Loans	1,348	1.4	7,799	6.6	4,610	3.4
Other Loans	80	0.1	0	0.0	0	0.0
<b>Total Gross Loans</b>	<b>98,976</b>	<b>100.0</b>	<b>117,557</b>	<b>100.0</b>	<b>134,910</b>	<b>100.0</b>

RSB is primarily a real estate lender. As illustrated in the above chart, real estate loans comprise 83.2%, 76.6% and 85.6% of the total loan portfolio for 2005, 2006 and 2007, respectively. One to four family residential loans remain its primary focus, with 64.3% and 66.3% of its loan portfolio in 2006 and 2007, respectively.

After growing 18.8% to \$117.6 million in 2006, the loan portfolio increased at a slower rate of 14.8% in 2007, reflecting the slowing economy in Ulster County and intensifying competition for loans, not only from large credit unions but also from regional banks that have recently established branches in the assessment area. RSB's primary competitors include: Hudson Valley Federal Credit Union, Mid-Hudson Valley Federal Credit Union and TEG Federal Credit Union.

At the prior CRA evaluation conducted by the Banking Department as of December 31, 2003, RSB received a rating of “2,” reflecting a satisfactory record of helping to meet the credit needs of its community.

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

### **Assessment Area:**

RSB’s assessment area is comprised of Ulster County. Based on the 2000 U.S. Census, the assessment area consists of 49 census tracts, of which 7 (14.3%) are moderate-income, 35 (71.4%) are middle-income and 7 (14.3%) are upper-income. Ulster County does not contain any low-income tracts. Three prisons (Eastern Correction Facility, Walkkill Correctional Facility and Ulster County Correctional Facility) are located in the assessment area. There were no changes to RSB’s assessment area since the prior evaluation.

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

### **Details of Assessment Area**

Population: According to 2000 US census, the assessment area has a population of 177.7 thousand, including 23.7 thousand (13.4%) people over the age of 65 and 36.7 thousand (20.7%) below the age of 16.

Families and Households: The assessment area is home to 43.8 thousand families, including 8.4 thousand (19.2%) low-income families, 8.0 thousand (18.2%) moderate-income families, 10.4 thousand (23.7%) middle-income families, and 17 thousand (38.8%) upper-income families. More than 2.7 thousand (16.7%) LMI families live in LMI tracts. Of the 67.5 thousand households living in the assessment area, 19.4 thousand households (28.7%) are on social security, 1.7 thousand households (2.5%) are on public assistance and 7.1 thousand households (10.5%) live below the poverty level.

Median Family Income: According to the 2000 Census, the median family income in Ulster County was \$52,019. Per estimates of the Department of Housing and Urban Development (“HUD”), the County’s median family income as of 2007 was \$63,500.

Housing Units: The assessment area’s population is contained in 77.7 thousand housing units of which 71.4 thousand (91.9%) were 1-4 family houses, 6.3 thousand (8.1%) were multifamily structures. The area’s housing stock, consisting of 45.9 thousand (59.1%) owner-occupied units, 21.6 thousand (27.8%) rental-occupied units and 10.2 thousand (13.1%) vacant units has an average age of 49 years and the median value was \$111,549. Of the total owner-occupied units, 8.3% were in moderate-income, 76.9% in middle-income, 14.8% in upper-income and none in low-income tracts.

Business Demographics: There were 14.5 thousand businesses in Ulster County in 2007, of which 9.8 thousand (68.7%) reported revenues of \$1 million or less. In 2007, the number of businesses grew 1.4% to 14.5 thousand, of which 10.1 thousand (69.5%) had revenues of \$1 million or less. The assessment area consists mainly of very small businesses, with 76.9% and 77.6% employing less than 50 persons in 2006 and 2007, respectively. Services and retail trade were the largest sectors, accounting for 35.7% and 16.7%, respectively, of the total businesses in 2007.

The following table shows the distribution of businesses by industry in the assessment area during the evaluation period.

<b>Distribution of Businesses Within Assessment Area</b>				
	<b>2006</b>		<b>2007</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Agriculture, Forestry & Fishing	443	3.1	454	3.1
Mining	4	0.0	3	0.0
Construction	1,286	9.0	1,335	9.2
Manufacturing	555	3.9	552	3.8
Transportation, Communication	488	3.4	497	3.4
Wholesale Trade	424	3.0	451	3.1
Retail Trade	2,398	16.8	2,425	16.7
Finance, Insurance & Real Estate	914	6.4	932	6.4
Services	5,292	37.0	5,174	35.7
Public Administration	201	1.4	221	1.5
Non-Classified Establishments	2,285	16.0	2,444	16.9
<b>Total</b>	<b>14,290</b>	<b>100.0</b>	<b>14,488</b>	<b>100.0</b>

Unemployment: The U.S. Department of Labor reported an average unemployment rate of 4.2% in Ulster County in 2006, as compared to the New York State average unemployment rate of 4.6%. Although the county's average unemployment rate increased to 4.3% in 2007, it remained lower than New York State's 4.5%.

Roundout Savings Bank  
2007 CRA Examination Report

CHART # 1

<b>ASSESSMENT AREA POPULATION AND INCOME CHARACTERISTICS BY COUNTY</b>																					
COUNTY	Total Population	Persons Over 65		Persons less than 16		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	
		#	%	#	%				#	%		#	%	#	%	#	%	#	%	#	%
<b>Ulster</b>	177,749	23,711	13.3	36,734	20.7	52,019	63,500	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
<b>TOTAL A/A</b>	177,749	23,711	13.3	36,734	20.7	52,019	63,500	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

Roundout Savings Bank  
2007 CRA Examination Report

CHART # 2

<b>ASSESSMENT AREA HOUSING CHARACTERISTICS BY COUNTY</b>																			
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 Mid-income Tracts		O-O Units in Upp-income Tracts		Rental Units		Vacant/ Boarded-up Units	
		#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%
Ulster	77,656	71,371	91.9	6,285	8.1	45,916	59.1	0	0.0	3,829	8.3	35,309	76.9	6,777	14.8	23,413	30.1	10,157	13.1
<b>TOTAL A/A</b>	<b>77,656</b>	<b>71,371</b>	<b>91.9</b>	<b>6,285</b>	<b>8.1</b>	<b>45,916</b>	<b>59.1</b>	<b>0</b>	<b>0.0</b>	<b>3,829</b>	<b>8.3</b>	<b>35,309</b>	<b>76.9</b>	<b>6,777</b>	<b>14.8</b>	<b>23,413</b>	<b>30.1</b>	<b>10,157</b>	<b>13.1</b>

Roundout Savings Bank  
2007 CRA Examination Report

**CHART # 3**

<b>BUSINESS DEMOGRAPHICS BY COUNTY - 2007</b>											
<b>COUNTY AND ASSESSMENT AREA(A/A)</b>	Number of Businesses	Businesses with Rev. of \$1 million or less		Businesses with Rev. of more than \$1 million		Bussinesses with no revenues reported		Businesses with less than 50 employees		Operating from a single location	
		#	%	#	%	#	%	#	%	#	%
<b>Ulster</b>	14,488	10,067	69.5	565	3.9	3,856	26.6	11,245	71.9	13,270	91.6
<b>Total A/A</b>	14,488	10,067	69.5	565	3.9	3,856	26.7	11,245	72.9	13,270	91.6

---

## **PERFORMANCE STANDARDS AND ASSESSMENT FACTORS**

*RSB's performance was evaluated according to the small bank's performance criteria, which include the following: (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 assessment period included calendar years 2004 to 2007. The examiner considered HMDA-reportable, small business and consumer lending originated in 2006 and 2007 in evaluating factors (2), (3) and (4), as noted above. Although consumer loans represent a tiny portion of lending activity, it was given the same emphasis as HMDA-reportable and small business loans to fully assess RSB's performance.

RSB is a HMDA reporter. The demographic data referred to in this report was obtained from the 2000 U.S. Census, with the updated median family income figures provided by U.S. Department of Housing and Urban Development ("HUD").

- **Loan-to-Deposit Ratio and other Lending-Related Activities: "Satisfactory"**

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

For the 16 consecutive quarters ending December 31, 2007, RSB's average LTD ratio was 65.9%. This is well below the peer group's average LTD ratio of 84.1%<sup>1</sup>. Contributing to the lower LTD ratio is the sale of seven loans totaling \$1.3 million during the evaluation period. RSB's LTD ratio, however, has significantly improved to 84.8% at year-end 2007 from 48.4 at year-end 2003. The table below shows the quarterly average ratios of RSB and the national peer group during the evaluation period:

<b>Loan-to-Deposit Ratios</b>									
	3/31/04	6/30/04	9/30/04	12/31/04	3/31/05	6/30/05	9/30/05	12/31/05	
Bank	49.5	49.2	52.2	58.1	58.0	58.7	60.5	65.0	
Peer	76.8	77.6	79.1	79.3	80.2	81.3	82.1	84.3	
	3/21/06	6/30/06	9/30/06	12/31/06	3/31/07	6/30/07	9/30/07	12/31/07	Average LTD
Bank	65.1	65.7	71.4	76.4	77.6	79.4	83.3	84.8	65.9
Peer	84.9	86.3	87.7	87.4	87.3	88.2	90.2	91.6	84.9

---

<sup>1</sup> These ratios were derived from the Uniform Bank Performance Report ("UBPR") as prepared by the FDIC. The bank's peer group includes all insured savings banks having assets between \$100 million and \$300 million. The UBPR peer group is a national peer group and includes banks that may be operating in very different economic environments.

---

### *Community Development Loans/Qualified Investments*

RSB enhanced the availability of credit in its assessment area with three community development loans totaling \$2.7 million. It also made qualified investments/grants of \$35 thousand during the evaluation period. Two of the community development loans made by RSB are as follows:

- A \$500 thousand participation loan to a for-profit entity for the construction of a hotel located in an area designated as an Empire Zone by the New York Business Development Corporation.
- A \$1.8 million participation loan to a limited liability company for the construction of a mixed-use facility located in an area designated as an Empire Zone by the New York Business Development Corporation.
- **Assessment Area Concentration: “Outstanding”**

RSB originated a substantial majority of its loans within the assessment area. During the evaluation period, RSB originated 94.6% by number and 93.0% by dollar volume of its total loans inside its assessment area.

### HMDA-Reportable Loans

RSB originated 95.2% by number and 92.9% by dollar volume of its HMDA-reportable loans inside its assessment area during the evaluation period. Lending inside its assessment area declined slightly to 93.5% by number and to 92.2% by dollar volume in 2007 from 96.5% and 93.6%, respectively; this performance, however, still represents a substantial majority of RSB’s total HMDA-reportable loans.

### Small Business Loans

RSB originated 92.0% by number and 92.7% by dollar volume of its total small business loans inside its assessment area during the evaluation period. In 2006, 93.4% by number and 96.2% by dollar volume of RSB’s small business loans were extended inside its assessment area. Although lending declined both by number (90.4%) and dollar volume (88.9%) in 2007, loans extended inside its assessment area represent a substantial majority of RSB’s small business loans.

### Consumer Loans

During the evaluation period, RSB originated 97.9% by number and 94.9% by dollar volume of its total consumer loans inside its assessment area. In 2006, RSB extended 100% of its consumer loans inside its assessment area. Although the number (95.8%) and dollar volume (90.0%) of consumer loans extended inside its assessment area declined in 2007, these loans represent a substantial majority of the total consumer loans.

The following table shows the distribution of loans inside and outside the assessment area during the evaluation period:

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Category or Type	Number of Loans					Dollars in Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$000	%	\$000	%	
<b>Home Mortgage</b>										
2006	191	96.5	7	3.5	198	20,798	93.6	1,421	6.4	22,219
2007	144	93.5	10	6.5	154	19,151	92.2	1,630	7.8	20,781
<b>Subtotal</b>	<b>335</b>	<b>95.2</b>	<b>17</b>	<b>4.8</b>	<b>352</b>	<b>39,949</b>	<b>92.9</b>	<b>3,051</b>	<b>7.1</b>	<b>43,000</b>
<b>Small Business</b>										
2006	99	93.4	7	6.6	106	9,129	96.2	358	3.8	9,487
2007	85	90.4	9	9.6	94	7,718	88.9	963	11.1	8,681
<b>Subtotal</b>	<b>184</b>	<b>92.0</b>	<b>16</b>	<b>8.0</b>	<b>200</b>	<b>16,847</b>	<b>92.7</b>	<b>1,321</b>	<b>7.3</b>	<b>18,168</b>
<b>Consumer</b>										
2006	49	100.0	0	0.0	49	2,443	100.0	0	0.0	2,443
2007	46	95.8	2	4.2	48	2,247	90.0	250	10.0	2,497
<b>Subtotal</b>	<b>95</b>	<b>97.9</b>	<b>2</b>	<b>2.1</b>	<b>97</b>	<b>4,690</b>	<b>94.9</b>	<b>250</b>	<b>5.1</b>	<b>4,940</b>
<b>Total</b>	<b>614</b>	<b>94.6</b>	<b>35</b>	<b>5.4</b>	<b>649</b>	<b>61,486</b>	<b>93.0</b>	<b>4,622</b>	<b>7.0</b>	<b>66,108</b>

- **Geographic Distribution of Loans: “Outstanding”**

The geographic distribution of loans reflects an excellent dispersion among census tracts of different income levels.

#### HMDA-Reportable Loans

The geographic distribution of HMDA-reportable loans reflects an excellent dispersion among census tracts of different income levels.

In 2006, the bank extended 19.9% by number and 14.5% by dollar volume of its HMDA-reportable loans to moderate-income geographies as compared to the aggregate’s 11.0% and 8.6%, respectively. Although the penetration rates declined to 14.6% by number and to 10.7% by dollar volume in 2007, RSB’s performance is more than reasonable given that 14.3% of the census tracts in the assessment area are designated as moderate-income tracts.

The following chart provides a summary of RSB’s HMDA-reportable lending distribution during the evaluation period:

Distribution of HMDA-Reportable Loans by Geography Income Level*								
2006								
Geography	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	38	19.9	3,016	14.5	742	11.0	92,806	8.6
Middle	139	72.8	15,404	74.1	5,052	74.9	810,338	74.9
Upper	14	7.3	2,378	11.4	944	14.0	178,290	16.5
N/A	0	0.0	0	0.0	4	0.1	425	0.0
<b>Total</b>	<b>191</b>	<b>100.0</b>	<b>20,798</b>	<b>100.0</b>	<b>6,742</b>	<b>100.0</b>	<b>1,081,859</b>	<b>100.0</b>
2007								
Geography	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
Low	0	0.0	0	0.0	Not available.			
Moderate	21	14.6	2,054	10.7				
Middle	111	77.1	14,730	76.9				
Upper	12	8.3	2,367	12.4				
N/A	0	0.0	0	0.0				
<b>Total</b>	<b>144</b>	<b>100.0</b>	<b>19,151</b>	<b>100.0</b>				

\*Geography income level is based upon 2000 Census data on median family income figure for the MSA of the mortgaged property. Low income is defined as <50% of the MSA median, moderate income is 50% to <80%, middle income is 80% to <120% and upper income is at least 120%.

### Small Business Loans

RSB's geographic distribution of small business loans reflects an excellent dispersion among census tracts of different income levels.

In 2006, RSB originated 20.2% by number and 31.3% by dollar volume of its small business loans in moderate-income areas as compared to the aggregate's rate of 10.0% and 11.2%, respectively. In 2007, RSB's penetration rate of 21.2% exceeded the distribution of small businesses (11.2%) in moderate-income areas.

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

Distribution of Small Business Loans by Geography Income Level*								
2006								
Geography	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	20	20.2	2,858	31.3	865	10.0	13,857	11.2
Middle	74	74.7	5,611	61.5	6,349	73.7	89,571	72.4
Upper	5	5.1	660	7.2	1,398	16.2	20,359	16.4
<b>Total</b>	<b>99</b>	<b>100.0</b>	<b>9,129</b>	<b>100.0</b>	<b>8,612</b>	<b>100.0</b>	<b>123,787</b>	<b>100.0</b>
2007								
Geography	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
Low	0	0.0	0	0.0	Not available.			
Moderate	18	21.2	1,559	20.2				
Middle	62	72.9	4,212	54.6				
Upper	5	5.9	1,947	25.2				
<b>Total</b>	<b>85</b>	<b>100.0</b>	<b>7,718</b>	<b>100.0</b>				

\*Geography income level is based upon 2000 Census data on median family income figure for the MSA of the mortgaged property. Low income is defined as <50% of the MSA median, moderate income is 50% to <80%, middle income is 80% to <120% and upper income is at least 120%.

## Consumer Loans

RSB's geographic distribution of consumer loans reflects an excellent dispersion among census tracts of different income levels.

In 2006, RSB originated 22.5% by number and 17.1% by dollar volume of consumer loans in moderate-income areas. In 2007, consumer loans extended to moderate-income areas declined both by number and dollar volume to 19.6% and 14.7%, respectively. This performance, however, is excellent given that only 12.6% of the households in the assessment area are in moderate-income geographies.

The following chart summarizes the distribution of RSB's consumer loan originations during the evaluation period:

Distribution of Consumer Loans by Geographic Income Level*						
2006						
Geography	Bank				Distribution of Households	
Income Level	#	%	\$000	%	#	%
Low	0	0.0	0	0.0	0	0.0
Moderate	11	22.5	418	17.1	8,519	12.6
Middle	37	75.5	2,024	82.9	50,239	74.4
Upper	1	2.0	1	0.0	8,743	13.0
<b>Total</b>	<b>49</b>	<b>100.0</b>	<b>2,443</b>	<b>100.0</b>	<b>67,501</b>	<b>100.0</b>
2007						
Geography	Bank				Distribution of Households	
Income Level	#	%	\$000	%	#	%
Low	0	0.0	0	0.0	0	0.0
Moderate	9	19.6	330	14.7	8,519	12.6
Middle	28	60.8	1,491	66.3	50,239	74.4
Upper	9	19.6	426	19.0	8,743	13.0
<b>Total</b>	<b>46</b>	<b>100.0</b>	<b>2,247</b>	<b>100.0</b>	<b>67,501</b>	<b>100.0</b>

\*Geography income level is based upon 2000 Census data on median family income figure for the MSA of the mortgaged property. Low income is defined as <50% of the MSA median, moderate income is 50% to <80%, middle income is 80% to <120% and upper income is at least 120%.

- **Distribution by Borrower Characteristics: “Satisfactory”**

The distribution of RSB’s loans based on borrower characteristics reflects an excellent penetration among individuals of different income levels and businesses of different revenue sizes.

HMDA- Reportable loans

RSB’s HMDA-reportable lending distribution based on borrower characteristics reflects excellent penetration among individuals of different income levels.

As the table below shows, RSB’s percentage of one to four family HMDA-reportable loans to LMI borrowers during the evaluation period was better than the aggregate. In 2006, the bank originated 18.8% by number and 13.0% by dollar volume of its HMDA- reportable loans to LMI borrowers as compared to the aggregate’s 17.9% and 11.7%, respectively. In 2007, the number of loans extended to LMI borrowers was similar to 2006 but the dollar amount declined to 7.9%.

The following chart provides a summary of RSB’s HMDA-lending distribution during the evaluation period:

Distribution of 1-4 family HMDA-Reportable Loans by Borrower Income Level*								
2006								
Borrower Income	Bank				Aggregate			
	#	%	\$	%	#	%	\$	%
Low	13	7.1	847	4.1	260	3.9	20,738	1.9
Moderate	23	12.6	1,860	9.0	911	13.7	102,689	9.6
Middle	49	26.9	4,175	20.1	1,782	26.9	242,183	22.7
Upper	80	44.0	11,113	53.5	3,261	49.2	631,539	59.2
N/A	17	9.3	2,767	13.3	412	6.2	68,990	6.5
<b>Total</b>	<b>182</b>	<b>100.0</b>	<b>20,762</b>	<b>100.0</b>	<b>6,626</b>	<b>100.0</b>	<b>1,066,139</b>	<b>100.0</b>
2007								
Borrower Income	Bank				Aggregate			
	#	%	\$	%	#	%	\$	%
Low	12	8.3	556	2.9	Not available.			
Moderate	16	11.1	957	5.0				
Middle	37	25.7	4,246	22.2				
Upper	77	53.5	13,242	69.1				
N/A	2	1.4	150	0.8				
<b>Total</b>	<b>144</b>	<b>100.0</b>	<b>19,151</b>	<b>100.0</b>				

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

### Small Business Loans

RSB's small business lending distribution based on borrower characteristics reflects an excellent penetration among businesses of different sizes.

In 2006, RSB extended 79.8% by number of its business loans to firms with gross annual revenues ("GAR") of \$1 million or less in 2006. This is well above the aggregate's ratio of 35.8%. In 2007, lending to firms with GAR of \$1 million or less increased to 88.2% by number. This performance is excellent considering that firms with GAR of \$1 million or less comprise 68.7% and 69.5% of the total businesses in the assessment area in 2006 and 2007, respectively.

The following chart provides a summary of RSB's small business lending distribution based on borrower gross annual revenues during the evaluation period:

Distribution of Small Business Loans by Revenue Size								
2006								
Revenues	Bank				Aggregate			
	#	%	\$	%	#	%	\$	%
One million or less	79	79.8	3,993	43.7	3,086	35.8	57,417	46.4
Over one million	20	20.2	5,136	56.3	5,526	64.2	66,370	53.6
<b>Total</b>	<b>99</b>	<b>100.0</b>	<b>9,129</b>	<b>100.0</b>	<b>8,612</b>	<b>100.0</b>	<b>123,787</b>	<b>100.0</b>
2007								
Revenues	Bank				Aggregate			
	#	%	\$	%	#	%	\$	%
One million or less	75	88.2	6,824	88.4	Not available			
Over one million	10	11.8	894	11.6				
<b>Total</b>	<b>85</b>	<b>100.0</b>	<b>7,718</b>	<b>100.0</b>				

### Consumer Loans

RSB's consumer lending based on borrower characteristics reflects a reasonable penetration among individuals of different income levels.

RSB extended 32.6% and 39.2% of consumer loans to LMI borrowers in 2006 and 2007, respectively. In comparison, LMI families comprise 37.4% of the total families in the assessment area.

The following table shows the distribution of consumer loans by borrower income in the assessment area during the evaluation period:

Distribution of Consumer Loans by Borrower Income Level*						
2006						
Borrower	Bank				Distribution of Total Families	
Income Level	#	%	\$000	%	#	%
Low	10	20.4	275	11.3	8,422	19.2
Moderate	6	12.2	284	11.6	7,971	18.2
Middle	13	26.5	654	26.8	10,394	23.8
Upper	16	32.7	952	39.0	17,003	38.8
N/A	4	8.2	278	11.4	0	0.0
<b>Total</b>	<b>49</b>	<b>100.0</b>	<b>2,443</b>	<b>100.0</b>	<b>43,790</b>	<b>100.0</b>
2007						
Borrower	Bank				Distribution of Total Families	
Income Level	#	%	\$000	%	#	%
Low	13	28.3	156	6.9	8,422	19.2
Moderate	5	10.9	169	7.5	7,971	18.2
Middle	11	23.9	422	18.8	10,394	23.8
Upper	11	23.9	1,140	50.8	17,003	38.8
N/A	6	13.0	360	16.0	0	0.0
<b>Total</b>	<b>46</b>	<b>100.0</b>	<b>2,247</b>	<b>100.0</b>	<b>43,790</b>	<b>100.0</b>

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

---

- **Action Taken In Response to Written Complaints With Respect to CRA**

Since the latest CRA evaluation on December 31, 2003, neither RSB nor the New York State Banking Department has received any written complaints regarding the bank's CRA performance.

- **Services**

**First Home Club:** RSB participates in the First Home Club ("FHC") sponsored by the Federal Home Loan Bank of New York. The program provides down payment and closing cost assistance to LMI first-time homebuyers by granting four dollars in matching funds (up to \$7,500) for each dollar saved in a dedicated FHC savings account. RSB pays FHC accounts 2% above its current interest rate on savings account. RSB has not closed any loans under this program.

**First Time Homebuyers Program:** This program is designed to help LMI individuals and families own their first home. Loans under this program require just 3% down payment and RSB pays bank attorney fees, mortgage tax and recording fees. The interest rate on this loan is 25 basis points below the bank's current rate at the time of application. RSB holds first time homebuyers' seminars a couple of times a year.

**Community Development:** RSB's CEO is a member of the board of Ulster County Development Corporation and sits on the executive board of the Kingston Economic Development Zone.

- **Discrimination and other Illegal Practices**

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

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

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

The most recent regulatory compliance and fair lending examinations conducted concurrent with this evaluation 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.**

RSB ascertains the credit needs of its community through active participation in the activities of various community organizations, such as Ulster County Development Corporation, Gateway Community Industries Foundation, Kingston Economic Development Zone, Ulster County Chamber of Commerce and Rural Ulster Preservation Company. Several of RSB's senior staff sit on the boards or serve as officers of these organizations, which are either involved in the development of affordable housing for LMI individuals/families or the expansion of businesses in economically disadvantaged areas. In addition to holding first-time homebuyers seminars at its main office twice a year, RSB's CRA Officer participates and speaks at Rural Ulster Preservation Company's first time homebuyers program. Additionally, RSB conducts "Bank at Work Days," wherein its staff visits various employers throughout the county to inform and educate their employees about RSB's products and services, specifically its low down payment loans and the first time homebuyer program.

**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.**

RSB advertises its products in local newspapers, radio and TV. Additionally, it maintains its own website that provides information on all products and services, including rate information.

**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 is minimally involved in RSB's CRA program. The board has not established a formal written CRA Policy and is not apprised of its CRA activities on a regular basis. The newly appointed CRA Officer is currently formulating the CRA Policy and will institute in the near future regular briefings of the board of trustees on CRA activities.

- **Other Factors**

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

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.

### **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 2000 US Census, the median family income is less than 80% of the area median family income. In the case of tracted areas that are part of a Metropolitan Statistical Area (“MSA”) or Primary Metropolitan Statistical Area (“PMSA”), this would relate to the median family income for the MSA or PMSA in which the tracts are located. In the case of BNAs and tracted areas that are not part of a MSA or PMSA, the area median family income would be the statewide non-metropolitan median family income.

### **LMI Borrowers**

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

### **LMI Individuals/Persons**

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

---

**LMI Penetration Rate**

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

**Small Business Loans**

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