



**NEW YORK STATE
DEPARTMENT OF FINANCIAL SERVICES
FINANCIAL FRAUD AND CONSUMER PROTECTION DIVISION**

One State Street
New York, NY 10004

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: December 31, 2009

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 Profile	
Assessment Area	
Demographic & Economic Data	
Community Information	
Performance Standards and Assessment Factors	4
Lending Test	
Loan-to-Deposit Ratio and Other Lending-Related Activities	
Assessment Area Concentration	
Distribution by Borrower Characteristics	
Geographic Distribution of Loans	
Action Taken in Response to Written Complaints With Respect to CRA	
Community Development Test	
Community Development Loans	
Community Development Investments	
Community Development Services	
Additional 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, 2009.

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 Banking 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 of banking institutions are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Sections 76.8 through 76.13. The 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 was evaluated according to the small bank performance criteria pursuant to Part 76.12 of the General Regulations of the Banking Board. This assessment period included calendar years 2007, 2008 and 2009. USB 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:** "Outstanding"
USB's average LTD ratio was more than reasonable considering its size, business strategy, financial condition, aggregate and peer group activity. The bank's LTD ratio consistently surpassed that of the peer group, resulting in an average LTD ratio of 98.8% compared to the peer average ratio of 92.2% during the evaluation period.
- **Assessment Area Concentration:** "Satisfactory"
During the evaluation period, USB originated HMDA-reportable, small business and consumer loans of 77.7% by number, and 67.7% by dollar value within its assessment area. This substantial majority of lending inside of its assessment area is a "Satisfactory" record of lending.
- **Distribution by Borrower Characteristics:** "Satisfactory"
The distribution of loans based on borrower characteristics demonstrated a reasonable rate of lending among individuals of different income levels and businesses of different revenue sizes. The distribution of small business loans based on the revenue size of the business demonstrated an excellent penetration rate of lending among businesses of different revenue sizes, while the distribution of HMDA-reportable and consumer loans demonstrated a reasonable penetration rate of lending among borrowers of different income levels.
- **Geographic Distribution of Loans:** "Satisfactory"
The distribution of HMDA-reportable, small business, and consumer loans in census tracts of varying income levels demonstrated a reasonable penetration rate of lending.
- **Community Development Test:** "Outstanding"
During the evaluation period, USB originated \$19.6 million in new community development loans, and still had \$5.7 million outstanding from the prior evaluation period. Also during the evaluation period, USB made \$426 thousand in new community development investments as grants and donations and participated in eight community development services supplemented by 54 activities conducted by 49 staff members.

- **Action Taken in Response to Written Complaints With Respect to CRA:**
“Satisfactory”
Neither USB nor the New York State Banking Department has received any written complaints regarding USB’s CRA performance.

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 Profile:

Chartered in 1851, USB is a mutual savings bank, located in Kingston, NY. The bank has three core business functions: lending, retail banking, and nontraditional products and services. The lending business includes residential loans including home equity lines of credit and long term fixed rate home mortgages; consumer loans including car loans; and commercial loans which include commercial mortgages, business installment loans, and small business lines of credit. USB's primary loan product is its one to four family mortgage, the majority of which it sells to the secondary market. USB's traditional retail banking includes products such as checking and savings accounts, and certificates of deposit. USB's nontraditional business includes insurance products and services, payroll services for small businesses, tax preparation, small business bookkeeping, and title insurance. USB provides insurance products through its wholly-owned subsidiary, Ulster Insurance Agency.

USB operates fourteen branches, of which nine are located in Ulster County, four in Dutchess County, and one in Greene County. USB also operates loan centers in Westchester, Orange, and Suffolk Counties, a mortgage office in Connecticut and, a tax office in Ulster County. Supplementing the branch offices is an automated teller machine ("ATM") network consisting of 14 machines; one each at twelve of the branches and one at each of the two off-site locations on the SUNY Ulster and SUNY New Paltz campuses in Ulster County. The twelve branch ATMs take deposits but the two off-site ATMs do not. The two branches that do not have ATMs are located in middle income tracts and supplemented by branches with an ATM in the same county. USB has one ATM in an LMI tract which is reasonable given the majority of tracts in the assessment area are middle-income.

As per the Consolidated Report of Condition ("Call Report"), as of December 31, 2009, filed with the Federal Deposit Insurance Corporation ("FDIC"), USB reported total assets of \$704.9 million, of which \$552 million were net loans and lease finance receivables. It also reported total deposits of \$590.7 million, resulting in a loan-to-deposit ratio of 94.9%¹. According to the latest available comparative deposit data as of June 30, 2010, USB obtained a market share of 4.7%, or \$635.9 million in a market of \$13.5 billion, inside its market, ranking it 10th among 37 deposit-taking institutions in Ulster, Orange, Greene, and Dutchess counties.

The following is a summary of USB's loan portfolio, based on Schedule RC-C of USB's December 31, 2007, December 31, 2008, and December 31, 2009 Call Reports:

¹ LTD ratio is based on net loans plus loans and leases held for sale, divided by total deposits. At December 31, 2009, loans and leases held for sale was \$8.2 million.

TOTAL GROSS LOANS OUTSTANDING						
Loan Type	2007		2008		2009	
	\$000's	%	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	340,210	67.6	387,171	70.1	393,809	69.8
Commercial & Industrial Loans	21,790	4.3	24,387	4.4	31,732	5.6
Commercial Mortgage Loans	65,511	13.0	70,978	12.9	77,419	13.7
Multifamily Mortgages	0	0.0	0	0.0	0	0.0
Consumer Loans	3,093	0.6	2,882	0.5	2,478	0.4
Agricultural Loans	0	0.0	0	0.0	0	0.0
Construction Loans	72,116	14.3	66,353	12.0	58,118	10.3
Obligations of States & Municipalities	0	0.0	0	0.0	0	0.0
Other Loans	374	0.1	454	0.1	609	0.1
Lease financing	0	0.0	0	0.0	0	0.0
Total Gross Loans	503,094		552,225		564,165	

As illustrated in the above chart, USB is primarily a residential real estate lender, with an average of approximately 69% of its loan portfolio in residential real estate over the three year period.

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

Assessment Area:

USB's assessment area is comprised of *Ulster, Greene, Dutchess, and Orange Counties.*

There are 193 census tracts in the area, of which *ten* are low-income, 28 are moderate-income, 122 are middle-income, 30 are upper-income and *three* are tracts with no income indicated.

Assessment Area Census Tracts by Income Level							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
Ulster	0	0	7	35	7	49	14.3
Orange	0	5	14	35	13	67	28.4
Greene	1	0	0	9	1	11	0.0
Dutchess	2	5	7	43	9	66	18.2
Total	3	10	28	122	30	193	19.7

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

Demographic & Economic Data

The assessment area had a population of 847 thousand during the evaluation period. Approximately 11.8% of the population was over the age of 65 and 23.3% was under the age of 16.

Of the 210,686 families in the assessment area, 19.1% were low-income, 18.1% were moderate-income, 24.1% were middle-income and 38.7% were upper-income families. There were 300,305 households in the assessment area, of which 9.1% had income below the poverty level and 2.6% were on public assistance.

The MSA median family income within the assessment area ("AA") was \$58 thousand. The U.S. Department of Housing and Urban Development ("HUD") estimated median family income for the area was \$77 thousand in 2009. Dutchess and Orange Counties have the highest HUD median family income in the assessment area at \$82 thousand, compared to Ulster and Green Counties at \$70 and \$55 thousand, respectively.

There were 333,057 housing units within the assessment area, of which 83.9% were one-to four-family units, and 11% were multifamily units. A majority (61.5%) of the area's housing units were owner-occupied, while 28.7% were rental occupied units. Of the 204,670 owner-occupied housing units, 7.8% were in moderate-income tracts while 70.5% were in middle-income tracts. The median age of the housing stock was 46 years and the median home value in the assessment area was \$135 thousand.

There were 73,757 non-farm businesses in the assessment area. Of these, 77.1% were businesses with reported revenues of less than or equal to \$1 million; 3.8% reported revenues of more than \$1 million; and, 19.1% of these businesses did not report their revenues. Of all the businesses in the assessment area, 85.5% had less than fifty employees, and 91.9% of these businesses operated from a single location. The largest industries in the area were services (43.9%) followed by retail trade (16%) and construction (10%), while 8.2% of businesses in the assessment area were not classified.

The New York State Department of Labor reported that the average unemployment rate for New York State rose to 8.4% in 2009 from 5.3% in 2008, and 4.5% in 2007. Although, the unemployment rate for the assessment area (5.9%) remained below that of the state average for the evaluation period, it has still risen significantly for the four counties that make up USB's assessment area.

Assessment Area Unemployment Rate					
	Statewide	Ulster	Dutchess	Greene	Orange
2007	4.5	4.4	3.9	4.8	4.3
2008	5.3	5.4	5.0	5.8	5.3
2009	8.4	7.7	7.6	8.3	7.8

Community Information

The assessment area is comprised of four of the seven counties in the Mid-Hudson Region, and includes the cities of Poughkeepsie, Newburgh, Kingston, and Middletown. The region is located north of New York City and south of the Albany Capital Region and is a mix of urban areas, waterfront cities, rural villages, farmlands, and forests.

The more densely populated communities in the assessment area are well serviced by retail businesses and public transportation to New York City and Albany via commuter rail, Amtrak, Greyhound/Trailways, and an airport in Newburgh.

A representative from a nonprofit organization whose mission is to create and develop affordable homeownership and rental opportunities in Ulster County was interviewed. This organization works with individuals, groups, government agencies, and financial institutions to accomplish its goals. The organization's representative identified affordable housing as a community financial need and noted that local financial institutions have been helpful during the evaluation period by supporting its activities and financial programs, such as First Home Club and foreclosure prevention. This organization's representative identified USB as being outstanding in meeting the community's credit needs with its wide range of products, including those regarding affordable housing.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

USB was evaluated under the intermediate small banking institution's performance standards in accordance with Parts 76.7 and 76.12 of the General Regulations of the Banking Board. USB's performance was evaluated according to the intermediate small bank performance criteria, which consists of the lending test and the community development test. The lending test includes (1) loan-to-deposit ratio and other lending-related activities; (2) assessment area concentration; (3) distribution by borrower characteristics; (4) geographic distribution of loans; and (5) action taken in response to written complaints regarding CRA. The community development test includes: (1) community development lending; (2) community development investments; (3) community development services; (4) innovative or complex practices; and (5) responsiveness to community development needs. The following factors were also considered in assessing the bank's record of performance: the extent of participation by the board of directors or board of trustees in formulating CRA policies and reviewing CRA performance; any practices intended to discourage credit applications, evidence of prohibited discriminatory or other illegal credit practices; record of opening and closing offices and providing services at offices; and process factors, such as activities to ascertain credit needs and the extent of marketing and special credit related programs. Finally, the evaluation considered other factors as delineated in Section 28-b of the Banking Law that reasonably bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community.

Statistics employed in this evaluation were derived from various sources. Bank-specific information was submitted by the bank both as part of the examination process and on its Call Report submitted to the Federal Deposit Insurance Corporation ("FDIC"). Aggregate lending data were obtained from the Federal Financial Institutions Examination Council ("FFIEC") and deposit data were obtained from the FDIC. Loan-to-deposit ratios were calculated from information shown in the bank's Uniform Bank Performance Report ("UBPR") as submitted to the FDIC.

The demographic data referred to in this report were derived from the 2000 U.S. Census and the U.S. Department of Housing and Urban Development ("HUD"). Business demographic data used in this report provide information on US businesses, enhanced by Dun & Bradstreet reports and updated annually. Unemployment data were obtained from the New York State Department of Labor. Some non-specific bank data are only available on a county-wide basis, and were used even where the institution's assessment area includes partial counties.

The assessment period included calendar years 2007, 2008, and 2009. Examiners considered USB's small business, HMDA-reportable, and consumer loans in evaluating factors (2), (3) and (4) of the lending test as noted above. HMDA-reportable loans were given greater weight in this evaluation, as they constitute the majority of USB's lending activity. Small business loan aggregate data are shown for comparative purposes. USB is not required to report this data. As such, USB is not included in the aggregate data.

As USB made only a few small farm loans, all analyses were based on small business lending. At USB's request, consumer data were also evaluated; aggregate consumer data are not available for comparative purposes.

USB received a rating of "2", reflecting a "Satisfactory" record of helping to meet community credit needs at its prior Performance Evaluation conducted by the New York State Banking Department as of December 31, 2006.

Current CRA Rating: "Satisfactory"

Lending Test: "Satisfactory"

USB's small business, HMDA-reportable, and consumer lending activities were reasonable in light of aggregate peer group activity and demographics.

Loan-to-Deposit ("LTD") Ratio and other Lending-Related Activities: "Outstanding"

USB's average LTD ratio was more than reasonable considering its size, business strategy, financial condition, aggregate and peer group activity.

USB's LTD ratio exceeded that of its peer group in each of the twelve quarters that comprised the evaluation period, resulting in an average LTD ratio of 98.8% compared to the peer average ratio of 92.2% during the period.

The chart below shows USB's LTD ratios in comparison with the peer group's ratios for the twelve quarters since the prior evaluation.

Loan-to-Deposit Ratios													
	2007 Q1	2007 Q2	2007 Q3	2007 Q4	2008 Q1	2008 Q2	2008 Q3	2008 Q4	2009 Q1	2009 Q2	2009 Q3	2009 Q4	Avg.
Bank	99.0	98.3	99.1	101.1	101.0	99.4	101.5	101.1	100.5	96.4	93.3	94.9	98.8
Peer	90.0	90.3	91.7	93.8	93.7	94.8	95.7	96.7	92.4	90.9	88.7	87.6	92.2

Assessment Area Concentration: "Satisfactory"

During the evaluation period, USB originated HMDA-reportable, small business and consumer loans of 77.7% by number, and 67.7% by dollar value within its assessment area. This substantial majority of lending inside of its assessment area is a "Satisfactory" record of lending.

HMDA-Reportable Loans

During the evaluation period, for HMDA-reportable lending, USB originated 72.1% by number, and 64.4% by dollar value of its loans within the assessment area. This

substantial majority of lending inside of its assessment area is a “Satisfactory” record of lending.

Small Business Loans

During the evaluation period, for small business lending, USB originated 96.6% by number, and 97% by dollar value of its loans within the assessment area. This substantial majority of lending inside of its assessment area is an “Outstanding” record of lending.

Consumer Loans

During the evaluation period, for consumer lending, USB originated 86.5% by number, and 74% by dollar value of its loans within the assessment area. This substantial majority of lending inside of its assessment area is a “Satisfactory” record of lending.

The following table shows the percentages of USB’s small business, consumer, and HMDA-reportable loans originated inside and outside of the assessment area.

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-Reportable										
2007	837	82.3%	180	17.7%	1,017	133,581	75.8%	42,751	24.2%	176,332
2008	722	72.4%	275	27.6%	997	123,220	63.5%	70,729	36.5%	193,949
2009	1,128	65.8%	585	34.2%	1,713	194,701	58.9%	135,830	41.1%	330,531
Subtotal	2,687	72.1%	1,040	27.9%	3,727	451,502	64.4%	249,310	35.6%	700,812
Small Business										
2007	211	95.5%	10	4.5%	221	19,161	98.5%	294	1.5%	19,455
2008	196	96.1%	8	3.9%	204	22,451	93.3%	1,625	6.7%	24,076
2009	154	98.7%	2	1.3%	156	20,924	99.9%	18	0.1%	20,942
Subtotal	561	96.6%	20	3.4%	581	62,536	97.0%	1,937	3.0%	64,473
Consumer										
2007	381	88.2%	51	11.8%	432	19,129	79.5%	4,926	20.5%	24,055
2008	344	85.1%	60	14.9%	404	15,583	71.7%	6,147	28.3%	21,730
2009	234	85.7%	39	14.3%	273	9,787	68.4%	4,527	31.6%	14,314
Subtotal	959	86.5%	150	13.5%	1,109	44,499	74.0%	15,600	26.0%	60,099
Grand Total	4,207	77.7%	1,210	22.3%	5,417	558,537	67.7%	266,847	32.3%	825,384

Distribution by Borrower Characteristics: “Satisfactory”

The distribution of loans based on borrower characteristics demonstrated a reasonable rate of lending among individuals of different income levels and businesses of different revenue sizes.

HMDA-Reportable Loans

USB's HMDA-reportable loans demonstrated a reasonable penetration rate of lending among borrowers of different income levels.

Overall, during the evaluation period, USB performed better than the aggregate peer group but was below the family demographic ratio. By number, 23.7%, and by dollar, 17.3% of loans were made to LMI families which constitute 37.2% of the family demographic in the assessment area. Lending increased by 34.8% by number during the evaluation period, although there was a decline in lending between 2007 and 2008.

The following chart provides a summary of HMDA-reportable lending distribution based on borrower income.

Distribution of HMDA-Reportable Lending by Borrower Income									
2007									
Borrower Income	Bank				Aggregate				Fam. Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	29	3.5%	2,939	2.2%	1,074	4.1%	96,471	1.9%	19.1%
Moderate	144	17.2%	17,626	13.2%	4,204	15.9%	578,094	11.1%	18.1%
LMI	173	20.7%	20,565	15.4%	5,278	20.0%	674,565	13.0%	37.2%
Middle	210	25.1%	28,101	21.0%	7,608	28.8%	1,308,924	25.2%	24.1%
Upper	367	43.8%	69,996	52.4%	12,431	47.0%	2,865,094	55.2%	38.7%
Unknown	87	10.4%	14,919	11.2%	1,127	4.3%	342,280	6.6%	0.0%
Total	837		133,581		26,444		5,190,863		
2008									
Borrower Income	Bank				Aggregate				Fam. Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	42	5.8%	5,613	4.6%	790	5.1%	76,893	2.5%	19.1%
Moderate	122	16.9%	15,351	12.5%	2,803	18.1%	398,587	12.8%	18.1%
LMI	164	22.7%	20,964	17.0%	3,593	23.2%	475,480	15.2%	37.2%
Middle	176	24.4%	25,099	20.4%	4,556	29.5%	826,532	26.5%	24.1%
Upper	330	45.7%	67,343	54.7%	6,907	44.7%	1,628,387	52.2%	38.7%
Unknown	52	7.2%	9,814	8.0%	410	2.7%	189,342	6.1%	0.0%
Total	722		123,220		15,466		3,119,741		
2009									
Borrower Income	Bank				Aggregate				Fam. Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	80	7.1%	8,183	4.2%	915	5.3%	106,007	3.0%	19.1%
Moderate	219	19.4%	28,299	14.5%	3,367	19.4%	500,971	14.2%	18.1%
LMI	299	26.5%	36,482	18.7%	4,282	24.7%	606,978	17.3%	37.2%
Middle	289	25.6%	42,875	22.0%	5,015	28.9%	957,567	27.2%	24.1%
Upper	499	44.2%	103,477	53.1%	7,168	41.3%	1,714,710	48.8%	38.7%
Unknown	41	3.6%	11,867	6.1%	871	5.0%	236,355	6.7%	0.0%
Total	1,128		194,701		17,336		3,515,610		
GRAND TOTAL									
Borrower Income	Bank				Aggregate				Fam. Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	151	5.6%	16,735	3.7%		4.7%		2.4%	
Moderate	485	18.0%	61,276	13.6%		17.5%		12.5%	
LMI	636	23.7%	78,011	17.3%		22.2%		14.9%	
Middle	675	25.1%	96,075	21.3%		29.0%		26.2%	
Upper	1,196	44.5%	240,816	53.3%		44.7%		52.5%	
Unknown	180	6.7%	36,600	8.1%		4.1%		6.5%	
Total	2,687		451,502						

Small Business Loans

The distribution of small business loans based on the revenue size of the business demonstrated an excellent penetration rate of lending among businesses of different revenue sizes. Although lending declined 27% by number during the evaluation period, it still outperformed the peer group aggregate and the demographics of businesses with a million dollars or less in revenue.

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

Distribution of Small Business Lending by Revenue Size of Business									
2007									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	188	89.1%	16,411	85.6%	14,704	35.1%	307,829	42.9%	68.2%
Rev. > \$1MM	23	10.9%	2,750	14.4%	Aggregate Data Not Available				4.3%
Rev. Unknown	-	0.0%	0	0.0%	Aggregate Data Not Available				27.5%
Total	211		19,161		41,874		717,035		
2008									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	182	92.9%	21,011	93.6%	8,466	27.1%	198,975	35.0%	66.1%
Rev. > \$1MM	14	7.1%	1,440	6.4%	Aggregate Data Not Available				3.9%
Rev. Unknown	-	0.0%	0	0.0%	Aggregate Data Not Available				30.0%
Total	196		22,451		31,273		567,817		
2009									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	148	96.1%	19,942	95.3%	3,172	24.8%	106,480	34.1%	77.1%
Rev. > \$1MM	6	3.9%	982	4.7%	Aggregate Data Not Available				3.8%
Rev. Unknown	-	0.0%	0	0.0%	Aggregate Data Not Available				19.1%
Total	154		20,924		12,815		312,507		
GRAND TOTAL									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	518	92.3%	57,364	91.7%		30.6%		38.4%	
Rev. > \$1MM	43	7.7%	5,172	8.3%	Aggregate Data Not Available				
Rev. Unknown	-	0.0%	-	0.0%	Aggregate Data Not Available				
Total	561		62,536						

Consumer Loans

The distribution of consumer loans based on the income of the borrowers demonstrated a reasonable penetration rate of lending among borrowers of different income levels.

During the evaluation period, USB originated only 21.2% by number and 13.1% by dollar value of its loans to LMI borrowers, comparing unfavorably to the assessment area demographic of 37.5%. However, this apparent low level of LMI lending is mitigated by the high number of borrowers with unknown income. This category was composed of home equity loans, auto loans, and passbook loans. For auto loans,

income verification is not required for borrowers with credit scores above a certain level, and passbook loans do not require income verification as the funds held in the passbook account are held as collateral. So, LMI loans comprised a much higher percentage of consumer loans, where borrower income was required to be collected.

The following chart provides a summary of USB's consumer lending distribution based on borrowers of different income levels during the evaluation period:

Distribution of Consumer Lending by Borrower Income					
2007					
Borrower	Bank				HH Dem.
Income	#	%	\$000's	%	%
Low	24	6.3%	417	2.2%	21.7%
Moderate	40	10.5%	1,216	6.4%	15.9%
LMI	64	16.8%	1,633	8.5%	37.5%
Middle	61	16.0%	2,115	11.1%	19.4%
Upper	90	23.6%	6,822	35.7%	43.1%
Unknown	166	43.6%	8,559	44.7%	0.0%
Total	381		19,129		
2008					
Borrower	Bank				HH Dem.
Income	#	%	\$000's	%	%
Low	25	7.3%	460	3.0%	21.7%
Moderate	52	15.1%	1,760	11.3%	15.9%
LMI	77	22.4%	2,220	14.2%	37.5%
Middle	52	15.1%	2,294	14.7%	19.4%
Upper	97	28.2%	7,753	49.8%	43.1%
Unknown	118	34.3%	3,316	21.3%	0.0%
Total	344		15,583		
2009					
Borrower	Bank				HH Dem.
Income	#	%	\$000's	%	%
Low	28	12.0%	524	5.4%	21.7%
Moderate	34	14.5%	1,467	15.0%	15.9%
LMI	62	26.5%	1,991	20.3%	37.5%
Middle	54	23.1%	2,839	29.0%	19.4%
Upper	76	32.5%	4,326	44.2%	43.1%
Unknown	42	17.9%	631	6.4%	0.0%
Total	234		9,787		
GRAND TOTAL					
Borrower	Bank				HH Dem.
Income	#	%	\$000's	%	%
Low	77	8.0%	1,401	3.1%	21.7%
Moderate	126	13.1%	4,443	10.0%	15.9%
LMI	203	21.2%	5,844	13.1%	37.5%
Middle	167	17.4%	7,248	16.3%	19.4%
Upper	263	27.4%	18,901	42.5%	43.1%
Unknown	326	34.0%	12,506	28.1%	0.0%
Total	959		44,499		

Geographic Distribution of Loans: “Satisfactory”

The distribution of loans based on lending in census tracts of varying income levels demonstrated a reasonable penetration rate of lending.

HMDA-Reportable Loans

The distribution of HMDA-reportable loans based on the income level of the geography demonstrated a reasonable penetration rate of lending.

The following chart provides a summary of USB’s HMDA-reportable lending distribution based on the income level of the geography.

Distribution of HMDA-Reportable Lending by Geographic Income of the Census Tract									
2007									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	6	0.7%	1,012	0.8%	724	2.7%	138,428	2.7%	1.5%
Moderate	73	8.7%	10,018	7.5%	2,650	10.0%	468,318	9.0%	7.8%
LMI	79	9.4%	11,030	8.3%	3,374	12.8%	606,746	11.7%	9.3%
Middle	621	74.2%	97,783	73.2%	18,087	68.4%	3,412,008	65.7%	70.5%
Upper	137	16.4%	24,768	18.5%	4,967	18.8%	1,168,563	22.5%	20.2%
Unknown	0	0.0%	0	0.0%	16	0.1%	3,546	0.1%	0.0%
Total	837		133,581		26,444		5,190,863		
2008									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	2	0.3%	65	0.1%	328	2.1%	60,562	1.9%	1.5%
Moderate	72	10.0%	9,324	7.6%	1,445	9.3%	243,025	7.8%	7.8%
LMI	74	10.2%	9,389	7.6%	1,773	11.5%	303,587	9.7%	9.3%
Middle	537	74.4%	92,125	74.8%	10,739	69.4%	2,104,483	67.5%	70.5%
Upper	111	15.4%	21,706	17.6%	2,946	19.0%	710,738	22.8%	20.2%
Unknown	0	0.0%	0	0.0%	8	0.1%	933	0.0%	0.0%
Total	722		123,220		15,466		3,119,741		
2009									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	302	1.7%	61,499	1.7%	1.5%
Moderate	93	8.2%	12,551	6.4%	1,193	6.9%	202,390	5.8%	7.8%
LMI	93	8.2%	12,551	6.4%	1,495	8.6%	263,889	7.5%	9.3%
Middle	844	74.8%	146,151	75.1%	11,868	68.5%	2,310,815	65.7%	70.5%
Upper	191	16.9%	35,999	18.5%	3,961	22.8%	938,892	26.7%	20.2%
Unknown	0	0.0%	0	0.0%	12	0.1%	2,014	0.1%	0.0%
Total	1,128		194,701		17,336		3,515,610		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	8	0.3%	1,077	0.2%		2.3%		2.2%	1.5%
Moderate	238	8.9%	31,893	7.1%		8.9%		7.7%	7.8%
LMI	246	9.2%	32,970	7.3%		11.2%		9.9%	9.3%
Middle	2,002	74.5%	336,059	74.4%		68.7%		66.2%	70.5%
Upper	439	16.3%	82,473	18.3%		20.0%		23.8%	20.2%
Unknown	-	0.0%	-	0.0%		0.1%		0.1%	0.0%
Total	2,687		451,502						

Small Business Loans

The distribution of small business loans based on the income level of the geography of the business demonstrated a reasonable penetration rate of lending, although it declined 27% by number during the evaluation period.

The following chart provides a summary of USB's small business lending distribution based on the income level of the geography.

Distribution of Small Business Lending by Geographic Income of the Census Tract									
2007									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	2	0.9%	221	1.2%	2,250	5.4%	48,183	6.7%	5.5%
Moderate	37	17.5%	3,151	16.4%	3,506	8.4%	67,764	9.5%	11.5%
LMI	39	18.5%	3,372	17.6%	5,756	13.7%	115,947	16.2%	16.9%
Middle	151	71.6%	14,555	76.0%	27,070	64.6%	457,176	63.8%	66.2%
Upper	21	10.0%	1,234	6.4%	9,039	21.6%	143,831	20.1%	16.9%
Unknown	0	0.0%	0	0.0%	9	0.0%	81	0.0%	0.0%
Total	211		19,161		41,874		717,035		
2008									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	2	1.0%	803	3.6%	1,780	5.7%	30,221	5.3%	5.6%
Moderate	20	10.2%	4,782	21.3%	2,540	8.1%	55,069	9.7%	11.9%
LMI	22	11.2%	5,585	24.9%	4,320	13.8%	85,290	15.0%	17.5%
Middle	148	75.5%	15,886	70.8%	20,195	64.6%	366,417	64.5%	65.8%
Upper	26	13.3%	980	4.4%	6,751	21.6%	116,071	20.4%	16.7%
Unknown	0	0.0%	0	0.0%	7	0.0%	39	0.0%	0.0%
Total	196		22,451		31,273		567,817		
2009									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	2	1.3%	487	2.3%	653	5.1%	16,665	5.3%	5.7%
Moderate	20	13.0%	3,062	14.6%	949	7.4%	33,474	10.7%	11.2%
LMI	22	14.3%	3,549	17.0%	1,602	12.5%	50,139	16.0%	16.8%
Middle	119	77.3%	16,925	80.9%	8,363	65.3%	208,272	66.6%	66.1%
Upper	13	8.4%	450	2.2%	2,846	22.2%	54,072	17.3%	17.0%
Unknown	0	0.0%	0	0.0%	4	0.0%	24	0.0%	0.0%
Total	154		20,924		12,815		312,507		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	6	1.1%	1,511	2.4%		5.4%		6.0%	
Moderate	77	13.7%	10,995	17.6%		8.1%		9.8%	
LMI	83	14.8%	12,506	20.0%		13.6%		15.7%	
Middle	418	74.5%	47,366	75.7%		64.7%		64.6%	
Upper	60	10.7%	2,664	4.3%		21.7%		19.7%	
Unknown	-	0.0%	-	0.0%		0.0%		0.0%	
Total	561		62,536						

Consumer Loans

The distribution of consumer loans demonstrated a reasonable penetration rate of lending among geographies of different income levels. Lending in LMI tracts during the period under review is 9.2%, which appears reasonable given that 9.1% of households in the assessment area had income below the poverty level.

The following chart provides a summary of USB's consumer lending distribution based on geographies of different income levels during the evaluation period:

Distribution of Consumer Lending by Geographic Income of the Census Tract					
2007					
Geographic Income	Bank				HH Dem.
	#	%	\$000's	%	%
Low	2	0.5%	42	0.2%	4.4%
Moderate	39	10.2%	1,509	7.9%	12.1%
LMI	41	10.8%	1,551	8.1%	16.5%
Middle	283	74.3%	13,428	70.2%	67.4%
Upper	57	15.0%	4,149	21.7%	16.1%
Unknown	0	0.0%	0	0.0%	0.0%
Total	381		19,128		
2008					
Geographic Income	Bank				HH Dem.
	#	%	\$000's	%	%
Low	1	0.3%	16	0.1%	4.4%
Moderate	28	8.1%	821	5.3%	12.1%
LMI	29	8.4%	837	5.4%	16.5%
Middle	250	72.7%	12,175	78.1%	67.4%
Upper	65	18.9%	2,570	16.5%	16.1%
Unknown	0	0.0%	0	0.0%	0.0%
Total	344		15,582		
2009					
Geographic Income	Bank				HH Dem.
	#	%	\$000's	%	%
Low	1	0.4%	70	0.7%	4.4%
Moderate	17	7.3%	275	2.8%	12.1%
LMI	18	7.7%	345	3.5%	16.5%
Middle	173	73.9%	7,023	71.8%	67.4%
Upper	43	18.4%	2,419	24.7%	16.1%
Unknown	0	0.0%	0	0.0%	0.0%
Total	234		9,787		
GRAND TOTAL					
Geographic Income	Bank				HH Dem.
	#	%	\$000's	%	%
Low	4	0.4%	128	0.3%	4.4%
Moderate	84	8.8%	2,605	5.9%	12.1%
LMI	88	9.2%	2,733	6.1%	16.5%
Middle	706	73.6%	32,626	73.3%	67.4%
Upper	165	17.2%	9,138	20.5%	16.1%
Unknown	-	0.0%	-	0.0%	0.0%
Total	959		44,497		

Action Taken In Response to Written Complaints With Respect to CRA: "Satisfactory"

Since the previous CRA evaluation as of December 31, 2006, neither USB nor the New York State Banking Department has received any written complaints regarding USB's CRA performance.

Community Development Test: “Outstanding”

USB’s community development performance demonstrated an excellent responsiveness to the community development needs of its assessment area through community development loans, investments and services, considering USB’s capacity and the need and availability of such opportunities for community development in its assessment area.

During the evaluation period, USB originated \$19.6 million in new community development loans, and still had \$5.7 million outstanding from the prior evaluation period. Also during the evaluation period, USB made \$426 thousand in new community development investments as grants and donations and participated in eight community development services supplemented by 54 activities conducted by 49 staff members.

USB’s community development loan originations increased by \$18.1 million from \$1.5 million during the prior evaluation period, while investments decreased by \$3 million overall from the prior period. USB had changed its investment strategy and reduced its investment portfolio due to changes in market conditions. Aside from that, there was still a large increase in loans from the prior period.

A more detailed description of USB’s community development activity is listed below:

Community Development Lending: “Outstanding”

During the evaluation period, USB originated \$19.6 million in new community development loans, and still had \$5.7 million outstanding from prior evaluation periods. This demonstrated an excellent level of community development lending over the course of the evaluation period.

Community Development Loans				
Purpose	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Loans	\$000	# of Loans	\$000
Affordable Housing	1	2,200	1	1,015
Economic Development	11	17,381	2	1,974
Community Services				
Other: Revitalization/Stabilization			1	2,725
Total	12	19,581	4	5,714

Below is a summary of USB’s community development lending.

Revitalization and Stabilization:

In 2006, USB approved a \$ 2.7 million working capital line of credit to an LLC for the re-

development of the Kingston waterfront. The line is secured by several vacant parcels and a mixed use building along the Hudson River. The balance of available credit remains at \$2.7 million.

Affordable Housing:

In 2009, USB approved a \$2.2 million term loan for the purchase and renovation of a rental property that would offer high end affordable housing for low and moderate income senior citizens.

Economic Development:

USB approved two lines of credit for a local auto dealership totaling \$2.8 million. A \$1.7 million line of credit was approved in 2008 for working capital and to pay off debt obligations, and a second line of credit was approved in 2010 for \$1.1 million.

In 2008, USB approved a \$4 million line of credit for a non-profit group to construct a pedestrian walkway across the Hudson River from Poughkeepsie to Highland, NY. The project entailed the renovation and repurposing of an abandoned railway bridge in the area. The bridge is listed on the National Historic Registry. After the project was completed, the bridge was transferred to a New York State agency which provides maintenance, with support from the non-profit group, which is dedicated to developing and supporting activities for the adjacent park.

Community Development Investments: “Satisfactory”

During the evaluation period, USB made no new community development investments, and there were no outstanding investments from prior evaluation periods. USB did however make \$310 thousand in community development grants through the Ulster Saving Charitable Foundation, and another \$116 thousand in community development bank grants and donations. This demonstrated an adequate level of community development investments over the course of the evaluation period.

Community Development Grants and Donations			
	This Evaluation Period		Outstandings from Prior Evaluation Periods
CD Grants	# of Grants and Donations	\$000	Not Applicable
Affordable Housing	22	\$ 101	
Economic Development	4	\$ 7	
Community Services	25	\$ 303	
Other: Revitalization/Stabilization	3	\$ 15	
Total	54	\$ 426	

The following are highlights of USB's community development grants and donations.

Federal Home Loan Bank of New York (FHLBNY)

USB is a FHLBNY member and participates in the FHLBNY Affordable Housing Program. Through the FHLBNY's member banks and their not-for-profit community partners, numerous affordable housing initiatives for LMI individuals are funded in the FHLBNY's region. Of these funds, 59% was spent on projects in New York State, amounting to \$52 thousand accredited to USB during the evaluation period.

Rebuilding Together

In 2007, the Ulster Saving Charitable Foundation approved a grant for \$5 thousand to help preserve and repair homes in Dutchess County for low-income homeowners

Boys and Girls Club of Kingston

In 2007, 2008, and 2009 the Ulster Saving Charitable Foundation approved a grant of \$10 thousand for each year to help support programs and activities for youths between the ages of 8 and 18, at the Saugerties facility. The majority of the young people served are from low-income families.

Hudson River Housing

From 2007 to 2009, USB made five donations totaling \$15 thousand. The funds were used to help support the organization's programs which are dedicated to providing affordable housing and eliminating the consequences of homelessness in Dutchess County.

NYS Mid-Hudson Small Business Development Center

In 2008 and 2009, USB donated \$2 thousand each year. The center provides professional business advisement, education, network resources, and advocacy for small businesses and entrepreneurs.

Community Development Services: "Outstanding"

USB demonstrated an excellent level of community development services over the course of the evaluation period.

USB participated in eight community service activities over the evaluation period and 49 staff members participated in 54 CRA qualified activities. The following are highlights of USB's community development services.

First Time Homebuyer Club

USB implemented a First Time Homebuyer program in conjunction with several housing agencies in Ulster, Dutchess, and Orange counties. The First Time Homebuyer Club assists first time homebuyers with counseling and training on homeownership, discount on closing costs, and savings accounts which pay 5% interest, and access to grants to assist with the down payment and closing costs. USB partnered with the Federal Home

Loan Bank of New York (“FHLBNY”) to provide a \$7,500 grant from the FHLBNY to qualified borrowers purchasing their first home. Household incomes must be at or below 80% of the area median income; the borrowers must save over ten months at least \$2500.00 and complete a homeownership training course in order to qualify for the grant.

Ulster County Loan Consortium

USB has been part of a consortium of several banks that make up and contribute to a loan program for struggling small businesses. This initiative by the County Executive provides much needed credit to struggling small businesses which have been hit particularly hard by the recent economic downturn.

Minority Homeownership Outreach Initiative (“Get the Facts!”)

In 2008, Freddie Mac awarded the Rural Ulster Preservation Company (“RUPCO”) with a \$15,000 grant through this initiative. USB worked with RUPCO on this project and facilitated numerous meetings with area non-profit groups in an effort to reach out to minority organizations and educate them on the mortgage and home buying process. Seminars were conducted with USB personnel along with RUPCO representatives to help administer the program.

Smart Money Workshop

In 2009, USB hosted a free workshop, tailored to English and Spanish speaking residents, in a moderate income neighborhood in Kingston. The topics included a range of financial literacy issues such as understanding bank products, choosing the right bank for an individual’s savings and borrowing needs, and safety tips when using debit cards.

Mexican Mobile Consulate

In 2007, USB joined with the Mexican Consulate’s Mobile Unit in providing products and services to the Hispanic community. The Consulate issued passports and consular ID cards to area residents who are Mexican citizens, and USB gave these individuals the opportunity to open free personal or business checking accounts. The event was an outreach effort to unbanked individuals of which the majority are low-income.

Free Seminars

USB also hosted several seminars on social security advice for retirees, reverse mortgages, and defensive driving during the evaluation period.

Innovative or Complex Practices: “Satisfactory”

USB demonstrated an adequate level of flexible community development practices.

USB offers special loan programs such as Small Business Administration Loans, New York State Energy Research and Development Authority (NYSERDA) loans, Federal Housing Administration (FHA) Home Loans, State of New York Mortgage Agency (SONYMA) loans, Federal National Mortgage Association (FNMA) loans, and Federal

Home Loan Mortgage Corp (FHLMC) loans. These products offer alternative financial terms to traditional loan products which make them more affordable to borrowers.

Responsiveness to Community Development Needs: “Satisfactory”

USB demonstrated an adequate level of responsiveness to credit and community development needs. This is evident by the organizations they support through activities, lending, and grants; and from the perspective of the community contact.

Additional Factors

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

USB has a CRA Committee which meets on a quarterly basis to discuss CRA related products, services, strategies, and issues. The CRA Committee includes USB’s President, two Executive Vice Presidents, Marketing Director, Compliance Officer, CRA Officer, loan officers, and auditors. The Board of Trustees receives a quarterly report detailing USB’s ongoing CRA efforts. This presentation to the Board is made by the CRA Officer. USB also conducts an annual CRA self assessment and has an annual business plan.

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.*

New York State Banking Department 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.*

New York State Banking Department noted no evidence of prohibited discriminatory or other illegal practices.

Record of opening and closing offices and providing services at offices

USB opened three new branches during the evaluation period. Two branches were opened in Ulster County in 2008 and one in Greene County in 2007. All branches offer the same products and primary services with some differences in convenience such as ATM availability and functions, drive up windows, safe deposit boxes, coin machines, and night depositories. Most of the branches offer extended hours which include a later closing time on Friday and operating hours on Saturday. USB’s branch network is supplemented by 14 ATMs, a 24 hour telephone banking system, bank by mail, and online banking.

Distribution of Branches within the Assessment Area						
County	Low	Moderate	Middle	Upper	Total	LMI
	#	#	#	#	#	%
Ulster	0	1	7	1	9	11%
Dutchess	0	0	4	0	4	0%
Greene	0	0	1	0	1	0%
Total	-	1	12	1	14	7%

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 has developed a strong working relationship with area not-for-profit agencies with a particular emphasis on those agencies which address the community need of affordable housing. USB and its employees are very involved in the community at various levels which gives them a good sense of the community's credit needs.

- 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 annual marketing plan is presented to the CRA Committee for review. Particular attention is paid to marketing for its low cost retail accounts and outreach to low to moderate income communities and special loan programs such as Small Business Administration Loans. USB engaged in a print media campaign with placement in various local publications, including those printed in the Spanish language. The print advertisements highlighted the USB's mortgage rates and first time home buyer tax credits.

USB sponsored several programs on nine local radio stations and placed ads in eight area church bulletins. USB's website is also used for advertising and included sponsorship of housing products and programs that are available to LMI individuals. Direct Mail and press releases were also used to advertise branch events and promote bank products. A wide variety of pamphlets and brochures describing USB's products and services are available to the public at the branch offices.

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

In addition to community development grants and donations, USB also contributed \$155 thousand to charitable organizations through the Ulster Savings Charitable Foundation and \$679 thousand to various civic, community and business organizations in the assessment area. USB staff also volunteered in several community based organizations in addition to those that qualified for CRA credit.

GLOSSARY

Aggregate Penetration Rate

The number of loans originated and purchased by all reporting lenders in specified categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the assessment area.

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.

Income Level

The income level of the person, family or household is based on the income of person, family or household. A geography’s income is categorized by median family income for the geography. In both cases, the income is compared to the MSA or statewide nonmetropolitan median income.

Income level of individual or geography	% of the area median income
Low-income	Less than 50
Moderate-income	At least 50 and less than 80
Middle-income	At least 80 and less than 120
Upper-income	120 or more

Loans to Small Businesses

Small business loans to businesses with gross annual revenues (“GAR”) of \$1 million or less (“< = \$ 1MM”).

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

Individuals or persons 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 in LMI geographies or to LMI borrowers.

Small Business Loans

Loans to businesses with original amounts of \leq \$1MM.