



NEW YORK STATE BANKING DEPARTMENT
CONSUMER SERVICES DIVISION
One State Street
New York, NY 10004

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: December 31, 2009

Institution: USNY Bank
389 Hamilton Street
Geneva, NY 14456

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

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GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of USNY Bank (“USNY”) 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 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 small banking institutions are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Section 76.12. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York State Banking Law.

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

OVERVIEW OF INSTITUTION'S PERFORMANCE

USNY'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 2008 and 2009. USNY is rated "1," indicating an "**Outstanding**" record of helping to meet community credit needs. This is the first New York State CRA examination of USNY.

This rating is based on the following factors:

- **Loan-to-Deposit (LTD") Ratio and Other Lending-Related Activities:** "Outstanding"
USNY's LTD ratio is more than reasonable considering its size, financial condition, the aggregate and peer group activity and area demographics. USNY's average LTD ratio for the eight quarters ending December 31, 2009 was 97.7%. In addition, as a small institution, USNY is not required to make community development loans. Nevertheless, USNY made 12 community development loans totaling \$4.8 million. This is an excellent record, and is particularly notable for a de novo institution.
- **Assessment Area Concentration:** "Satisfactory"
USNY originated or purchased a majority of its HMDA-reportable, small business and small farm loans within its assessment area. Considering all three types of lending, USNY extended 73.1% of the number of loans and 64.6% of the dollars lent within its assessment area during the evaluation period.
- **Distribution by Borrowers Characteristics:** "Outstanding"
USNY's distribution of small business and small farm loans based on borrower characteristics reflected an excellent penetration among businesses and farms of different revenue sizes operating within the assessment area. However, the bank's distribution of HMDA-reportable loans made within the assessment area reflected a poor penetration among borrowers of different income levels. Together, small business and small farm loans represent 77% of the dollars lent during the evaluation period. Therefore, the overall rating for this factor is "Outstanding."
- **Geographic Distribution of Loans:** "Outstanding"
USNY's geographic distribution of small business, small farm and HMDA-reportable loans reflected a more than reasonable dispersion throughout the assessment area.
- **Action Taken in Response to Written Complaints With Respect to CRA:** "Satisfactory"
Neither the bank nor the New York State Banking Department has received any written complaints regarding the bank'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:

USNY is a New York state-chartered commercial bank, founded in July of 2007 and headquartered in Geneva, New York. USNY has two full-service branches: its main office at 389 Hamilton Street, Geneva (Ontario County) and a branch in Cooperstown, New York (Otsego County). The two branches operate under different names. The Geneva branch is known as the Bank of the Finger Lakes and the Cooperstown branch as Bank of Cooperstown. However, both branches are part of the same legal entity – USNY Bank. Both offices are located in middle-income geographies.

According to the Federal Deposit Insurance Corporation's ("FDIC") Call Report, as of December 31, 2009, USNY reported total assets of \$64.3 million. Net loans and leases stood at \$56.9 million and deposits were \$59 million, which resulted in a loan-to-deposit ratio of 96.5%.

As of June 30, 2009, USNY had approximately a 1.2% market share of the \$3.1 billion deposit pool within Ontario, Seneca, Wayne and Yates Counties. This market share placed USNY 13th among 15 deposit-taking institutions in those four counties. Although small, this marketshare is double USNY's marketshare of one year ago, when the bank held 0.6% share of the area's \$2.8 billion deposit pool and ranked last of the 14 deposit-taking institutions. This rate of growth in deposit market share is typical for newly established banks. In Otsego County, USNY held a 1.9% market share of the \$1.1 billion deposit pool within the area. This market share placed USNY 5th among six deposit-taking institutions in that county as of June 30, 2009. Again, this was a much bigger market share than one year earlier, when the bank held a 1% share of the area's \$1 billion deposit pool and the same ranking. Although Seneca, Wayne and Yates Counties are part of USNY's assessment area, with no physical presence in these counties, USNY competes with institutions that have multiple branches in these counties.

The bank is primarily a commercial mortgage lender. As of December 31, 2009, 35.1% of USNY's loan portfolio was comprised of commercial mortgage loans and 28.1% constituted agricultural or farm loans. In addition, commercial and industrial loans were 15.2% of the portfolio, 1-4 family residential mortgage loans were 14.2% and construction loans another 3.5%. The gross loan portfolio increased by 365.7% (\$45.4 million) from 12/31/07 to 12/31/09, which reflects USNY's successful growth in spite of the economic downturn of 2008. The bank offers a variety of loan products within all of these categories.

The following chart is a summary of the bank's loan portfolio, based on Schedule RC-C of the bank's call reports, as submitted to the FDIC.

TOTAL GROSS LOANS OUTSTANDING						
LOAN TYPE	12/31/2007		12/31/2008		12/31/2009	
	\$(000s)	%	\$(000s)	%	\$(000s)	%
Commercial Mortgage Loans	3,433	27.6	15,782	36.3	20,668	35.7
Agricultural/Farm Loans	5,684	45.8	12,835	29.5	16,272	28.1
Commercial & Industrial Loans	1,971	15.9	6,987	16.1	8,776	15.2
1-4 Residential Mortgage Loans	885	7.1	5,042	11.6	8,201	14.2
Construction Loans	99	0.8	622	1.4	2,005	3.5
Multifamily Mortgage Loans	235	1.9	1,710	3.9	1,231	2.1
Consumer Loans	94	0.8	490	1.1	665	1.1
Other Loans	20	0.2	3	0.0	31	0.1
Total Gross Loans	12,421	100.0	43,471	100.0	57,849	100.0

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

Assessment Area:

USNY's assessment area consists of the contiguous counties of Ontario, Seneca, Wayne and Yates, as well as Otsego County, which is geographically detached. The distance between these two areas does not warrant including the counties between them. Ontario and Wayne Counties are part of the Rochester MSA while Otsego, Seneca and Yates are in a non-MSA area.

The assessment area consists of 74 census tracts, seven (9.5%) of which are LMI, four located in Ontario County and three in Wayne County. The following chart shows the income-level distribution of the census tracts by counties:

Distribution of Census Tracts Within the Assessment Area								
County	Zero-Income	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total Census	LMI Tracts	LMI %
<i>Rochester MSA</i>								
Ontario	0	1	3	17	2	23	4	17.4%
Wayne	0	0	3	15	2	20	3	15.0%
<i>non-MSA counties</i>								
Otsego	1	0	0	14	1	16	0	0.0%
Seneca	0	0	0	9	1	10	0	0.0%
Yates	0	0	0	5	0	5	0	0.0%
Total	1	1	6	60	6	74	7	
Percent	1.4%	1.4%	8.1%	81.1%	8.1%	100.0%	9.5%	

Within USNY's assessment area, only Wayne and Ontario counties contain LMI census tracts. As a new, low-asset, small institution, USNY does not significantly serve some of the more distant townships and villages within its assessment area. Five out of the six

moderate-income tracts are located relatively far from USNY's Geneva branch. Therefore, most of USNY's lending in low- and moderate-income census tracts was made in the one low-income and one moderate-income census tracts that are contiguous with the Geneva branch. In contrast, some of the other LMI census tracts, such as Wolcott in Wayne county and Naples in Ontario county are more difficult to serve due to the distance from the branch office and normal traffic patterns. For a bank of USNY's size and branch distribution, the assessment area is extremely large.

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

Demographic & Economic Data:

The assessment area had a population of 313.6 thousand. About 13.6% of the population were over the age of 65 and 22.4% were under the age of 16.

Of the 81,781 families in the assessment area, 18.5% were low-income, 19.9% were moderate-income, 24.4% were middle-income and 37.2% were upper-income families. There were 118,316 households in the assessment area, of which 9.6% had income below the poverty level and 2.3% were on public assistance.

The MSA median family income within the assessment area was \$48.9 thousand. The U.S. Department of Housing and Urban Development ("HUD") estimated median family income for the area was \$61.6 thousand in 2009.

There were 136,753 housing units within the assessment area, of which 93.3% were one-to four-family units, and 6.7% were multifamily units. A majority (64.8%) of the area's housing units were owner-occupied, while 21.7% were rental units. Of the 88,600 owner-occupied housing units, 0.5% was in low-income tracts, 5.2% were in moderate-income geographies, 82.1% were in middle-income geographies while 12.3% were located in upper-income census tracts. The median age of the housing stock was 52 years, and the median home value in the assessment area was \$83.3 thousand.

There were 25,310 businesses in the assessment area. Of these, 77.7% were businesses with reported revenues of less than or equal to \$1 million, 4.0% reported revenues of more than \$1 million and 18.3% did not report their revenues. Of all the businesses in the assessment area, 87.1% were businesses with less than fifty employees while 90% operated from a single location. The largest industries in the area were services (44.3%), followed by retail trade (15.5%), construction (8.2%) and agriculture, forestry and fishing (7.5%). About 6.9% of businesses in the assessment area were not classified.

For the year 2009, The New York State Department of Labor reported an average unemployment rate of 7.9% in the Finger Lakes Region. This region includes the four contiguous counties that belong to the assessment area, as well as other counties outside the assessment area. It is the closest approximation for which unemployment statistics were available. The rate was slightly lower than the New York State's average

unemployment rate of 8.4%. Nonetheless, the average annual unemployment rates for the region, the state, and the five counties revealed an upward trend during the evaluation period, primarily due to the overall economic downturn.

The following is a chart of the statewide and individual counties' unemployment rates for the years 2007 through 2009:

Assessment Area Unemployment Rate						
	Statewide	Ontario	Seneca	Wayne	Yates	Otsego
2009	8.4%	7.3%	7.6%	8.3%	6.7%	7.5%
2008	5.3%	5.1%	5.4%	5.8%	4.8%	5.6%
2007	4.5%	4.2%	4.5%	4.8%	4.2%	4.6%

Community Information

An organization located in the bank's assessment area active in providing community services to LMI and other disadvantaged populations was contacted to share information on the credit needs of the area and the extent to which those needs were being met by banks serving the area. The organization operates from a single location in Wayne County but is active in surrounding counties as well. It had no concerns or adverse comments about USNY.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

USNY's performance was evaluated according to the small bank performance criteria, which include the following: (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 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.

The assessment period included calendar years 2008 and 2009. In evaluating factors (2), (3), and (4), examiners considered USNY's performance with respect to small business, small farm and HMDA-reportable loans within USNY's assessment area.

Small business loan aggregate data are shown for comparative purposes; USNY is not required to report these data and, as such, USNY is not included in the aggregate data.

Statistics employed in this evaluation were derived from various sources. In addition to specific loan information submitted by USNY, aggregate data for small business and HMDA-reportable lending activity were obtained from the Federal Financial Institutions Examination Council ("FFIEC"). The demographic and census data referred to in this report were obtained from the 2000 U.S. Census Data, with updated median family income figures provided by the US Department of Housing and Urban Development ("HUD"). Business demographic data used in this report are information on US businesses, enhanced by Dun & Bradstreet and updated annually.

This is the first CRA examination for USNY done by the New York State Banking Department.

Overall CRA Rating: "Outstanding"

- **Loan-to-Deposit Ratio Analysis and Other Lending-Related Activities:**
"Outstanding"

USNY's LTD ratio is more than reasonable considering its size, financial condition the aggregate and peer group activity and area demographics. In addition, as a small institution, USNY is not required to make community development loans. Nevertheless, USNY made 6 community development loans totaling \$2.3 million. This is an excellent record, and is particularly notable for a de novo institution.

Loan-to-Deposit Ratio: “Outstanding”

USNY’s average LTD ratio for the eight quarters ending December 31, 2009 was 97.7%, which is better than the peer banks’ average LTD ratio of 90.8%. Loan-to-deposit ratios were calculated from information shown in the bank’s Uniform Bank Performance Report (“UBPR”) as prepared by the FDIC. The bank’s custom peer group includes all insured de novo banks opened in 2007 having assets of up to \$750 million.

The following chart illustrates USNY’s and its peer group’s LTD ratios for the 8 quarters ending December 31, 2009:

Loan-to-Deposit Ratios									
	2008	2008	2008	2008	2009	2009	2009	2009	Average LTD
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Bank	97.26	107.48	94.99	98.99	100.40	89.85	96.45	96.46	97.74
Peer	93.52	99.03	95.94	93.23	88.46	87.73	85.00	83.69	90.83

Other Lending-Related Activities: “Outstanding”

USNY’s community development lending supported economic development, housing, small business, alternative energy and health care projects in low- and moderate-income rural and non-rural areas.

Six loans, totaling almost \$2.3 million, supported economic development, either by providing financing for start-up businesses or by financing alternative energy projects. Four loans, totaling \$1.7 million, were extended to finance the acquisition and/or renovation of residential units that are then rented at affordable rates. One loan for \$230,000 was extended to a health care provider whose clients include rural low- and moderate-income residents. One loan for \$600,000 financed the purchase and renovation of space for a non-profit youth services agency located in the economic development zone of downtown Utica, New York.

• **Assessment Area Concentration: “Satisfactory”**

USNY originated or purchased a majority of its HMDA-reportable, small business and small farm loans within its assessment area. Considering all three types of lending, USNY extended 73.1% of the number of loans and 64.6% of the dollars lent within its assessment area during the evaluation period.

In 2009 USNY served as a temporary funding source for an affiliate company and purchased 68 mortgage loans (largely in Michigan) totaling \$12.2 million, but re-sold them back to the affiliate within the same year. As a result, HMDA-reportable lending within USNY’s assessment area dropped under 25% in 2009. Although these lending concentration ratios would normally be considered extremely poor, the facts surrounding the ratios completely mitigate the CRA concerns. The factors considered in this evaluation include: 1) the short-term nature of the transaction; 2) no evidence that this purchase

affected USNY's ability to lend within its assessment area; and 3) the overall two-year multi-product ratio for lending within USNY's assessment area.

During 2008 and 2009, the bank extended 72.1% of its small business loans to businesses located in its assessment area and 87.5% of its small farm loans to farmers located inside the area.

The following table illustrates the distribution of HMDA-reportable, small business and small farm 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 -2008	41	89.1	5	10.9	46	5,143	90.1	562	9.9	5,705
HMDA -2009	21	22.3	73	77.7	94	3,295	18.8	14,195	81.2	17,490
2-year total	62	44.3	78	55.7	140	8,438	36.4	14,757	63.6	23,195
SBL -2008	126	68.1	59	31.9	185	14,972	62.8	8,851	37.2	23,823
SBL -2009	153	75.7	49	24.3	202	17,931	66.2	9,153	33.8	27,084
2-year total	279	72.1	108	27.9	387	32,903	64.6	18,004	35.4	50,907
SFL -2008	133	87.5	19	12.5	152	12,510	89.2	1,513	10.8	14,023
SFL -2009	134	87.6	19	12.4	153	11,059	89.2	1,342	10.8	12,401
2-year total	267	87.5	38	12.5	305	23,569	89.2	2,855	10.8	26,424
combined 2-year total	608	73.1	224	26.9	832	64,910	64.6	35,616	35.4	100,526

• **Distribution by Borrower Characteristics: “Outstanding”**

USNY's distribution of small business and small farm loans based on borrower characteristics reflected an excellent penetration among businesses and farms of different revenue sizes operating within the assessment area. However, the bank's distribution of HMDA-reportable loans made within the assessment area reflected a poor penetration among borrowers of different income levels. USNY's predominant business lines are small business and small farm lending. Together, small business and small farm loans represent 77% of the dollars lent during the evaluation period. In contrast, HMDA-reportable lending is a relatively small portion of USNY's lending and therefore was weighted less heavily. Therefore, the overall rating for this factor is “Outstanding.”

Small Business Loans: “Outstanding”

In 2008, USNY originated 85.7% of its small business loans to businesses with gross annual revenues of \$1 million or less, more than double the aggregate banks' lending penetration ratio of 35.7% for the same category of borrowers.

In 2009, USNY's lending penetration ratio decreased slightly to 76.5%, which is still an outstanding level. Aggregate data for 2009 were not available.

USNY's lending penetration ratio is comparable to the business demographics; 76% of businesses in the assessment area have gross annual revenues that are less than or equal to \$1 million¹.

The following table illustrates the distribution of small business loans by business revenue size for 2008 and 2009.

Distribution of Small Business Loans by Business Revenue Size									
2008									
Business Revenue Level	Bank				Aggregate				Business Demographics
	#	%	\$(000's)	%	#	%	\$(000's)	%	
\$1million or less	108	85.7	12,320	82.3	3,041	35.7	83,230	37.7	57.8%
Over \$1 million	12	9.5	1,692	11.3					4.2%
No Revenue Info	6	4.8	960	6.4					38.0%
Total	126	100.0	14,972	100.0	8,513	100.0	221,054	100.0	100.0%
2009									
Business Revenue Level	Bank				Aggregate				Business Demographics
	#	%	\$(000's)	%	#	%	\$(000's)	%	
\$1million or less	117	76.5	13,401	74.7	<i>unavailable</i>				76.1%
Over \$1 million	22	14.4	3,133	17.5					4.2%
No Revenue Info	14	9.2	1,397	7.8					19.7%
Total	153	100.0	17,931	100.0					100.0%
2 Year Total	279	100.0	32,903	100.0	8,513	100.0	221,054	100.0	
Total <\$1 million	225	80.6	25,721	78.2	3,041	35.7	83,230	37.7	

Small Farm Loans: "Outstanding"

Virtually all of USNY's small farm loans were made to farms with revenues of less than \$1 million, which is consistent with the demographics of farms in the assessment area. Therefore, a more meaningful measure is an analysis by the size of the loan. In this analysis, while USNY made more than 70% of its loans in loan sizes of less than \$100,000, the aggregate made 90% of its loans in this loan amount.

USNY's rating of "Outstanding" is based, in part, on its volume of lending. As a small institution, USNY is not required to report these loans and its loans are not included in the aggregate data. The entire market without USNY only made a little more than 500 loans in 2008. In its first full year of operations, USNY made 133 loans. According to market share reports, had USNY reported, it would be listed as the third largest lender (by number of loans) to small farms within its assessment area.

¹ The large change in the business demographic data was a result of D&B's efforts to improve its data integrity. Accordingly, 2008 data are shown, but were not relied on for analytical purposes.

The following two tables illustrate the distribution of small farm loans by farm revenue size and loan size.

Distribution of Small Farm Loans by Farms' Revenue Size									
2008									
Farm Revenue Level	Bank				Aggregate				Farm Demographics
	#	%	\$(000's)	%	#	%	\$(000's)	%	
\$1million or less	129	97.0	11,880	95.0	424	83.6	18,451	85.9	97.4%
Over \$1 million	4	3.0	630	5.0					1.8%
No Revenue Info	0	-	0	-					0.9%
Total	133	100.0	12,510	100.0	507	100.0	21,482	100.0	100.0%
2009									
Farm Revenue Level	Bank				Aggregate				Farm Demographics
	#	%	\$(000's)	%	#	%	\$(000's)	%	
\$1million or less	131	97.8	10,529	95.2	<i>unavailable</i>				98.1%
Over \$1 million	3	2.2	530	4.8					1.5%
No Revenue Info	0	-	0	-					0.4%
Total	134	100.0	11,059	100.0					100.0%
2 Year Total	267	100.0	23,569	100.0	507	100.0	21,482	100.0	
Total <\$1 million	260	97.4	22,409	95.1	424	83.6	18,451	85.9	

Distribution of Small Farm Loans by Loan Size									
2008									
Loan Size	Bank				Aggregate				
	#	%	\$(000's)	%	#	%	\$(000's)	%	
<\$100K	96	72.2	3,174	25.4	459	90%	11,774	55%	
\$100K - < \$250K	21	15.8	3,374	27.0	40	8%	6,521	30%	
>\$250K	16	12.0	5,962	47.7	9	2%	3,202	15%	
Total	133	100.0	12,510	100.0	508	100%	21,497	100%	
2009									
Farm Revenue Level	Bank				Aggregate				
	#	%	\$(000's)	%	#	%	\$(000's)	%	
<\$100K	102	76.1	3,428	31.0	<i>No Data Available</i>				
\$100K - < \$250K	18	13.5	2,723	21.8					
>\$250K	14	10.5	4,908	39.2					
Total	134	100.2	11,059	92.0					

HMDA-reportable Loans: "Needs to Improve"

In 2008, USNY's penetration ratio for number of 1-4 family HMDA-reportable loans to low- and moderate-income borrowers was 10%, significantly lower than the aggregate lenders' ratio of 31.2%. USNY did not extend any 1-4 family mortgage loans to low-income borrowers in 2008; all of the afore-mentioned loans were extended to moderate-income

borrowers.

USNY's 2009 HMDA-reportable lending showed considerable improvement. Loans to low- and moderate-income borrowers increased (by one loan), even as overall volume dropped by 40%. In 2009, USNY's penetration ratio increased to 22.3%. In addition 75% of these loans (three out of four) were made to low-income borrowers. No aggregate data were available for comparison.

Despite this improvement, USNY's HMDA-reportable lending continued to lag the demographics for the area, as well as the aggregate's record in 2008.

The following table illustrates distribution of HMDA-reportable 1-4 family mortgage loans originated by borrowers' income level.

Distribution of HMDA-Reportable 1-4 Family Mortgage Loans by Borrower Income Level*									
2008									
Borrower Income Level	Bank				Aggregate				Family Demographics
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0	0	0.0	532	8.6	24,567	3.8	18.5
Moderate	3	10.0	401	13.3	1,403	22.6	99,863	15.5	19.9
Middle	6	20.0	837	27.7	1,693	27.2	148,853	23.1	24.3
Upper	15	50.0	1,438	47.7	2,471	39.7	357,666	55.4	37.2
N/A	6	20.0	341	11.3	121	1.9	14,733	2.3	0.0
Total	30	100.0	3,017	100.0	6,220	100.0	645,682	100.0	100.0
2009									
Borrower Income Level	Bank				Aggregate				Family Demographics
	#	%	\$000's	%	#	%	\$000's	%	%
Low	3	16.7	194	8.1	<i>unavailable</i>				18.5
Moderate	1	5.6	30	1.3					19.9
Middle	5	27.8	590	24.7					24.3
Upper	3	16.7	393	16.4					37.2
N/A	6	33.3	1,185	49.5					0.0
Total	18	100.0	2,392	100.0					100.0
LMI 2-year	7	14.6%	625	11.6%					
Total	48	100.0%	5,409	100.0%					

- **Geographic Distribution of Loans: "Outstanding"**

USNY's geographic distribution of small business, small farm and HMDA-reportable loans reflected a more than reasonable dispersion throughout the assessment area.

Small Business Loans: Outstanding

In 2008, USNY originated 9.6% of its small business loans within low- and moderate-

income geographies, more than the aggregate level of 6.2% and more than the percentage of all businesses located in those same geographies – 8.6%.

In 2009, USNY’s low- and moderate-income geography lending increased to 17%. No aggregate data were available for comparison.

The following chart summarizes the bank’s distribution of small business loans by geographic income level.

Distribution of Small Business Loans by Geographic Income Level									
2008									
Geography Income Level	Bank				Aggregate				Business Demographics
	#	%	\$000's	%	#	%	\$000's	%	%
Low	7	5.6	947	6.3	83	1.0	1,228	0.6	1.5
Moderate	5	4.0	765	5.1	446	5.2	11,135	5.0	7.2
Middle	93	73.8	11,339	75.7	6,422	75.4	151,798	68.7	77.7
Upper	21	16.7	1,921	12.8	1,560	18.3	56,861	25.7	13.6
N/A	0	0.0	0	0.0	2	0.0	32	0.0	0.0
Total	126	100.0	14,972	100.0	8,513	100.0	221,054	100.0	100.0
2009									
Geography Income Level	Bank				Aggregate				
	#	%	\$000's	%	#	%	\$000's	%	%
Low	21	13.7	3,042	17.0	<i>unavailable</i>				1.5
Moderate	5	3.3	400	2.2					6.8
Middle	116	75.8	13,079	72.9					77.8
Upper	11	7.2	1,410	7.9					13.9
N/A	0	0.0	0	0.0					0.0
Total	153	100.0	17,931	100.0	100.0				
LMI 2-year	38	13.6	5,154	15.7	529	6.2	12,363	5.6	
Total	279	100.0	32,903	100.0	8,513	100.0	221,054	100.0	

Small Farm Loans: “Satisfactory”

There is very limited opportunity for lending to small farms in low- and moderate-income census tracts, as less than 3% of small farms are located in these tracts and less than 1% of the aggregate’s lending occurred within these census tracts. Within this performance context, USNY’s record of no loans in 2008 and two loans in 2009 (1.5%) was reasonable.

The following chart summarizes the bank's distribution of small farm loans by geographic income level.

Distribution of Small Farm Loans by Geographic Income Level										
2008										
Geography Income Level	Bank				Aggregate				Farm Demographics	
	#	%	\$000's	%	#	%	\$000's	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	2	0.4	225	1.0	43	2.3
Middle	106	79.7	9,952	79.6	445	87.8	18,942	88.2	1,606	85.2
Upper	27	20.3	2,558	20.4	60	11.8	2,315	10.8	236	12.5
N/A	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Total	133	100.0	12,510	100.0	507	100.0	21,482	100.0	1,885	100.0
2009										
Geography Income Level	Bank				Aggregate				Farm Demographics	
	#	%	\$000's	%	#	%	\$000's	%	#	%
Low	0	0.0	0	0.0	<i>unavailable</i>				1	0.1
Moderate	2	1.5	272	2.5					41	2.7
Middle	89	66.4	6,900	62.4					1,282	83.8
Upper	43	32.1	3,887	35.1					205	13.4
N/A	0	0.0	0	0.0					0	0.0
Total	134	100.0	11,059	100.0	1,529	100.0				
LMI 2-year	2	0.7	272	1.2	2	0.4	225	1.0		
Total	267	100.0	23,569	100.0	507	100.0	21,482	100.0		

HMDA-reportable Loans: "Outstanding"

There is limited opportunity for making HMDA-reportable loans in low-income census tracts within USNY's assessment area. Only the town of Geneva in Ontario County has a low-income tract; owner-occupied housing units in this tract are less than 1% of all owner-occupied housing units in USNY's assessment area. Nevertheless, over the two-year evaluation period, USNY made 13% of its loans in this tract.

In 2008, USNY made 9.8% of its loans in this low-income census tract. This contrasts with the aggregate's lending penetration ratio of .5% and the percentage of owner-occupied housing units in this tract – which is also .5%. This excellent record improved still further in 2009, with USNY making 19% of its HMDA-reportable loans in this tract. Aggregate data were not available for comparison.

Opportunity for lending in moderate-income tracts is also limited, although less so. Owner-occupied housing units are just 5% of all owner-occupied housing units; the aggregate lending penetration ratio for 2008 matches this demographic. However, USNY only made one loan in these tracts, for a two-year lending penetration ratio of 2%.

While USNY's record of HMDA-reportable lending in Geneva is excellent, USNY should

work to expand its lending to other moderate-income areas within its assessment area.

The following chart summarizes the bank's distribution of HMDA-reportable loans by geographic income level.

Distribution of HMDA-reportable Loans by Geographic Income Level									
2008									
Geography Income Level	Bank				Aggregate				Owner-occupied units
	#	%	\$000's	%	#	%	\$000's	%	
Low	4	9.8	97	1.9	31	0.5	1,660	0.2	0.5%
Moderate	1	2.4	35	0.7	323	4.9	25,278	3.8	5.2%
Middle	32	78.0	4,743	92.2	5,112	78.2	483,780	72.0	82.1%
Upper	4	9.8	268	5.2	1,069	16.4	160,671	23.9	12.3%
N/A	0	0.0	0	0.0	1	0.0	123	0.0	12.3%
Total	41	100.0	5,143	100.0	6,536	100.0	671,512	100.0	100.0%
2009									
Geography Income Level	Bank				Aggregate				Owner-occupied units
	#	%	\$000's	%	#	%	\$000's	%	
Low	4	19.0	614	18.6	<i>unavailable</i>				0.5%
Moderate	0	0.0	0	0.0					5.2%
Middle	15	71.4	2,491	75.6					82.1%
Upper	2	9.5	190	5.8					12.3%
N/A	0	0.0	0	0.0					12.3%
Total	21	100.0	3,295	100.0	100.0%				
LMI 2-year	9	14.5	746	8.8	354	5.4	26,938	4.0	
Total	62	100.0	8,438	100.0	6,536	100.0	671,512	100.0	

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

Since the latest CRA evaluation as of December 31, 2009, neither USNY nor the New York State Banking Department has received any written complaints regarding USNY's CRA performance.

Additional Factors

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

On an annual basis, the board reviewed and approved the CRA Policy and appointed a CRA Officer.

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 found satisfactory adherence to anti-discrimination and other applicable laws and regulations. No evidence of prohibited discriminatory or other illegal credit practices was noted.

Record of opening and closing offices and providing services at offices

As noted in the prior section, USNY has two full-service branches: its main office at 389 Hamilton Street, Geneva (Ontario County) and a branch in Cooperstown, New York (Otsego County). The two branches operate under different names: the Geneva branch is known as the Bank of the Finger Lakes and the Cooperstown branch as Bank of Cooperstown. However, both branches are part of the same legal entity – USNY Bank. Both offices are located in middle-income geographies. As this is the first CRA examination for USNY, there were no openings or closings to note.

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*

USNY ascertained the credit needs of its community by working with individuals and institutions that are active in economic development. Below are two examples of those activities:

- USNY worked closely with the City of Geneva's Department of Planning and Economic Development on Restore New York projects for restoration/renovation of downtown buildings and
- USNY participated in the Great Geneva Loan Program to improve residential neighborhoods.

Downtown building restoration/renovation and improving residential neighborhoods were identified as primary credit needs by the USNY management.

USNY also ascertained the credit needs of its community through contacts with its existing and potential customers. For example, through proactive monitoring of trends, the bank noted that due to cheaper farmland, there has been a recent migration of Amish farmers from Pennsylvania to New York. USNY was then able to respond to this newly identified credit need.

- *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

USNY advertises its lending programs through direct contact with present and potential customers. The bank has not made special marketing efforts to reach low- and moderate-income individuals or geographies. However, in 2009, it participated in several "How to start a new business" seminars in conjunction with Pathstone Corporation of Rochester, NY.

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

As noted above, as a small institution, USNY is not required to make community development loans. Nevertheless, USNY made 6 community development loans totaling \$2.3 million. This is an excellent record, and is particularly notable for a de novo institution.

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.