



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

One State Street  
New York, NY 10004

**PUBLIC SUMMARY**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**Date of Evaluation:** September 30, 2018

**Institution:** Rondout Savings Bank  
300 Broadway  
Kingston, NY 12401

**Note:** This evaluation is not an assessment of the financial condition of this institution. The rating assigned does not represent an analysis, conclusion or opinion of the New York State Department of Financial Services 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 Rondout Savings Bank (“RSB” or the “Bank”) prepared by the New York State Department of Financial Services (“DFS” or the “Department”). This evaluation represents the Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of September 30, 2018.

Section 28-b of the New York Banking Law, as amended, requires that when evaluating certain applications, the Superintendent of Financial Services 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 Superintendent (“GRS”) implements Section 28-b and further requires that the Department assess the CRA performance records of regulated financial institutions. Part 76 establishes the framework and criteria by which the Department will evaluate institutions’ performance. Section 76.5 further provides that the 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 in meeting community credit needs; and
- (4) Substantial noncompliance in meeting community credit needs.

Section 76.5 further requires that the CRA rating and the written summary (“Evaluation”) be made available to the public. Evaluations 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 Banking Law.

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

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## **OVERVIEW OF INSTITUTION'S PERFORMANCE**

The Department evaluated RSB according to the intermediate small bank performance criteria pursuant to Sections 76.7 and 76.12 of the GRS. The Department evaluated RSB's performance under the Lending Test in calendar years 2015, 2016, and 2017, and its performance under the Community Development Test from January 1, 2015 through September 30, 2018. RSB is rated "Satisfactory" or "2." This rating means RSB had a satisfactory record of helping to meet community credit needs.

The rating is based on the following factors:

**Lending Test:** "Satisfactory"

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

RSB's average loan-to-deposit ("LTD") ratio was reasonable considering its size, business strategy, financial condition and peer group activity.

RSB's average LTD ratio of 86% for the 12-quarter evaluation period was slightly below its peer group's ratio of 88.9%. RSB's ratio was comparable to its prior ratio of 85.6%, while the peer group's ratio increased from 80.8% at the prior evaluation.

**Assessment Area Concentration:** "Satisfactory"

During the evaluation period, RSB originated 83.1% by number of loans and 78.9% by dollar value of its total HMDA-reportable and small business loans within the assessment area. This geographic lending pattern represents a reasonable concentration of lending.

**Distribution by Borrower Characteristics:** "Needs to Improve"

RSB's level of one-to-four family HMDA-reportable lending to LMI individuals was less than adequate and, at 16.3% by number of loans and 9.4% by dollar amount, was notably lower than the aggregate's respective levels of 25.6% and 17%. The LMI demographic for the assessment area was 38.8%.

RSB's average rate of small business lending of 83.3% by number of loans and 78.1% by dollar value to businesses with gross annual revenues of \$1 million or less exceeded the aggregate's rates of 49.7% and 32.8%, respectively. Although RSB's distribution of small business lending was excellent, this was a secondary product line and received less emphasis in the Department's evaluation.

**Geographic Distribution of Loans:** "Satisfactory"

RSB's assessment area contained no low-income census tracts in years 2015 and 2016.

Overall RSB's origination of loans in census tracts of varying income levels demonstrated a reasonable distribution of lending.

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RSB's HMDA-reportable average rate of lending of 10.5% by number of loans outperformed its market aggregate's average rate of 7.8%.

RSB's average rates of small business lending in LMI census tracts of 20.8% by number and 27.6% by dollar value of loans exceeded the aggregate's rates of 11.2% and 13.1%, respectively.

Action Taken in Response to Written Complaints with Respect to CRA: "N/A"

Neither DFS nor RSB received any written complaints during the evaluation period regarding RSB's CRA performance.

**Community Development Test: "Satisfactory"**

RSB's overall community development performance demonstrated reasonable responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services, considering RSB's capacity and the need for and availability of opportunities for community development in its assessment area.

Community Development Lending: "Satisfactory"

During the evaluation period, RSB originated \$4.8 million in new community development loans, which demonstrated a reasonable level of community development lending over the course of the evaluation period.

Qualified Investments: "Needs to Improve"

RSB did not make any community development investments during the evaluation period but made \$200,375 in new community development grants.

Community Development Services: "Satisfactory"

RSB demonstrated a reasonable level of community development services over the course of the evaluation period. The Bank customarily contributes to nonprofit organizations through its "Dividends to the Community" program, committing 10% of its earnings back to the community. RSB made qualified community development grants of \$200,375 during the evaluation period.

*This evaluation was conducted based on a review of the 12 assessment factors set forth in Section 28-b of the New York Banking Law and GRS Part 76.*

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## PERFORMANCE CONTEXT

### Institution Profile

Established in 1868, RSB is a New York State-chartered mutual savings bank headquartered in Kingston, New York in Ulster County. RSB has one wholly owned subsidiary, Rondout Financial Services, Inc., formed in 1990 as a non-depository investment product affiliate to sell securities and insurance products offered by Infinex, formerly called Essex National Securities, and Essex National Insurance Agency, Inc. RSB offers traditional personal banking products, such as checking, savings, certificates of deposit, mortgages, personal loans, and online banking in Ulster and Dutchess counties.

In its Consolidated Report of Condition (the "Call Report") as of December 31, 2017, filed with the Federal Deposit Insurance Corporation ("FDIC"), RSB reported total assets of \$351.1 million, of which \$256.5 million were net loans and lease finance receivables. It also reported total deposits of \$297.7 million, resulting in a LTD ratio of 86.2%. According to the latest available comparative deposit data as of June 30, 2017, RSB had a market share of 3.28%, or \$308.1 million in a market of \$9.4 billion, ranking it 10<sup>th</sup> among 24 deposit-taking institutions in the assessment area.

The following is a summary of the Bank's loan portfolio, based on Schedule RC-C of the Bank's December 31, 2015, 2016 and 2017 Call Reports:

<b>TOTAL GROSS LOANS OUTSTANDING</b>						
Loan Type	2015		2016		2017	
	\$000's	%	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	159,068	64.0	157,472	64.9	167,895	64.7
Commercial & Industrial Loans	19,167	7.7	17,242	7.1	16,925	6.5
Commercial Mortgage Loans	58,247	23.4	52,514	21.7	55,571	21.4
Multifamily Mortgages	5,326	2.1	5,354	2.2	5,451	2.1
Consumer Loans	1,745	0.7	1,235	0.5	1,229	0.5
Construction Loans	5,091	2.0	8,692	3.6	12,446	4.8
Total Gross Loans	248,644	100.0	242,509	100.0	259,517	100.0

As illustrated in the above table, RSB is primarily a one-to-four family residential mortgage lender. As of December 31, 2017, one-to-four family residential and multifamily mortgage loans comprised 66.8% of the loan portfolio. While RSB's mix of loans remained relatively unchanged since the prior evaluation, the portfolio increased by 8.4% or \$20.1 million compared to 2014 year-end results. The majority of the increase (\$17.9 million) was in 1-4 family residential loans.

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RSB currently operates five branches, one loan center, and one loan production office within its assessment area. The branches are supplemented by an automated teller machine (“ATM”) network which has deposit-taking capabilities. All the branches are in middle-income census tracts.

*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**

The Bank’s assessment area is comprised of parts of Dutchess County and all of Ulster County.

There are 59 census tracts in the assessment area, of which one is low-income, nine are moderate-income, 36 are middle-income, and 13 are upper-income.

### **Income Tract Designation Changes**

While the total number of income tracts was the same as the prior evaluation period, there were changes in income tract designations.

In 2015 and 2016, the assessment area had no low-income tracts and eight moderate-income tracts. In 2017, the assessment area had one low-income tract and nine moderate-income tracts. In addition, the number of middle-income tracts decreased from 43 to 36, while the number of upper-income tracts increased from eight to 13.

<b>Assessment Area Census Tracts by Income Level</b>							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
Dutchess*			2	9	1	12	16.7
Ulster		1	7	27	12	47	17.0
Total		1	9	36	13	59	16.9

\* Partial County

### **Demographic & Economic Data**

The assessment area had a population of 221,637 during the evaluation period. About 17% of the population were over the age of 65 and 16% were under the age of sixteen.

Of the 52,562 families in the assessment area, 21.4% were low-income, 17.3% were moderate-income, 20.9% were middle-income, and 40.3% were upper-income. There were 84,047 households in the assessment area, of which 11.2% had income below the poverty level and 3.6% were on public assistance.

The weighted average median family income in the assessment area was \$79,024.

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There were 99,900 housing units within the assessment area, of which 83.7% were one-to-four family units, and 10.3% were multifamily units. A majority (58.3%) of the area's housing units were owner-occupied, while 25.8% were rental-occupied units. Of the 58,252 owner-occupied housing units, 9.1% were in LMI census tracts while 90.9% were in middle- and upper-income census tracts. The median age of the housing stock is 54 years, and the median home value in the assessment area is \$231,966.

There were 14,112 non-farm businesses in the assessment area. Of these, 86% were businesses with reported revenues of less than or equal to \$1 million, 4.5% reported revenues of more than \$1 million and 9.4% did not report their revenues. Of all the businesses in the assessment area, 97.6% were businesses with less than fifty employees and 90.3% operated from a single location. The largest industries in the area were services (45.2%), retail trade (15.5%), construction (9.4%), while 6.3% of businesses in the assessment area were not classified.

According to the New York State Department of Labor, the yearly average unemployment rate for New York State decreased steadily since 2015, dropping from 5.3% to 4.7% as of 2017, an improvement of 0.6%. Both Ulster and Dutchess counties had lower unemployment rates than New York State as a whole during the evaluation period, although they showed a more modest 0.2% improvement.

<b>Assessment Area Unemployment Rate</b>			
<b>Year</b>	<b>Statewide</b>	<b>Dutchess *</b>	<b>Ulster</b>
2015	5.3	4.5	4.8
2016	4.8	4.2	4.4
2017	4.7	4.3	4.6
Avg.	4.9	4.3	4.6

\* Partial County

### **Community Information**

Examiners perform community contact interviews to further understand the banking and financial needs of the assessment area, and to try to determine opportunities for banking institutions such as RSB to meet those needs.

A nonprofit organization that provides and supports affordable housing in the region was interviewed for this evaluation. The CEO of this organization noted that there are many large national and regional banks in the assessment area that offer mortgage products. Even though RSB is not a large player, the Bank is strong in small business lending and is noted to be proactive in the community and has reached out for opportunities to lend to LMI borrowers by reaching out to nonprofit and community groups.

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With a high poverty rate of 34% in the area, the CEO noted that there is a tremendous housing need, especially for LMI individuals. In addition, the assessment area has seen an influx of people from New York City that has caused displacements of workers and LMI residents.

The following were mentioned as potential opportunities to address the needs of the communities: USDA lending for rural areas; mortgage products targeting LMI borrowers that provide low down payments, low fees, and low interest rates; and consumer and business loans for home energy-efficiency.

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## **PERFORMANCE STANDARDS AND ASSESSMENT FACTORS**

*The Department evaluated RSB under the intermediate small banking institution performance standards in accordance with Sections 76.7 and 76.12 of the GRS, which consist 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 of loans 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; and*
- 4. Responsiveness to community development needs.*

*DFS also considered the following factors in assessing the bank's record of performance:*

- 1. The extent of participation by the board of directors or board of trustees in formulating CRA policies and reviewing CRA performance;*
- 2. Evidence of any practices intended to discourage credit applications;*
- 3. Evidence of prohibited discriminatory or other illegal credit practices;*
- 4. Record of opening and closing offices and providing services at offices; and*
- 5. Process factors, such as activities to ascertain credit needs and the extent of marketing and special credit related programs.*

DFS derived statistics employed in this evaluation from various sources. RSB submitted bank-specific information both as part of the examination process and on its Call Report submitted to the FDIC. DFS obtained aggregate lending data from the Federal Financial Institutions Examination Council ("FFIEC") and deposit data from the FDIC. DFS calculated LTD ratios from information shown in the Bank's Uniform Bank Performance Report, compiled by the FFIEC from Call Report data.

DFS derived the demographic data referred to in this report from the 2010 U.S. Census and the FFIEC. DFS based business data on Dun & Bradstreet reports, which Dun & Bradstreet updates annually. DFS obtained unemployment data from the New York State Department of Labor. Some non-specific bank data are only available on a county-wide basis, and DFS used this information even though RSB's assessment area includes only a portion of Dutchess County.

The Department evaluated RSB's performance under the Lending Test in calendar years 2015, 2016, and 2017, and its performance under the Community Development Test from January 1, 2015 through September 30, 2018.

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Examiners considered RSB's HMDA-reportable loans in evaluating factors (2), (3), and (4) of the lending test noted above.

Examiners gave greater weight to RSB's HMDA-reportable lending because it represented 80% of the total number of loans considered for this evaluation.

At its **prior** Performance Evaluation, as of December 31, 2014, DFS assigned RSB a rating of "2," reflecting a "Satisfactory" record of helping to meet the credit needs of its communities.

**Current CRA Rating: "Satisfactory"**

**Lending Test:** "Satisfactory"

RSB's HMDA-reportable and small business lending activities were reasonable in light of RSB's size, business strategy, and financial condition, as well as aggregate and peer group activity and the demographic characteristics and credit needs of the assessment area.

Although the distribution of RSB's loans among individuals of different income levels was less than adequate, DFS considered the following economic and qualitative factors to arrive at an overall "Satisfactory" for the Lending Test:

- 1.) The percentage of low-income families in RSB's assessment area increased from 19.6% during the previous evaluation to 21.4% in 2017, indicating that there may now be more families that have difficulty affording home purchases.
- 2.) The housing market in Ulster County is experiencing high demand with low inventory.
- 3.) According to the 2017 Institutional Market Share Report, RSB's residential lending performance lagged behind only two other lenders. A local bank was the number one lender followed by a credit union. Both are larger in size by assets and have the ability to offer flexible lending products. The report showed that the top five lenders had 45.5% of the loan market, of which the leading lender had the largest share at 14.2%; followed by the credit union at 9%, and RSB 7.6%. This data showed that the Bank, even though smaller than the other two lenders, was able to meet the financial needs of its assessment area.

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

RSB's average LTD ratio was reasonable considering its size, business strategy, and financial condition, as well as the lending activity of its peer group and the demographic characteristics and credit needs of its assessment area.

RSB's average LTD ratio of 86% slightly trailed its peer group's average of 88.9%. For

the 12 quarter of the evaluation period, RSB's LTD ratios ranged from a low of 80.1% in the second quarter of 2017 to a high of 91.9% in the third quarter of 2015. RSB's peer group's ratios ranged from low a low of 87% in first quarter of 2015 to a high of 91.5% in the fourth quarter of 2017.

RSB's average ratio was in line with its previous ratio of 85.6%; while its peer group's ratio increased from 80.8% at the prior evaluation period.

The table below shows RSB's LTD ratios in comparison with the peer group's ratios for the 12 quarters since the prior evaluation.

Loan-to-Deposit Ratios													
	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	Avg.
Bank	90.0	90.9	91.9	89.1	86.6	83.6	83.7	86.6	80.3	80.1	83.5	86.2	86.0
Peer	87.0	87.4	87.8	88.0	88.2	89.4	89.1	89.3	88.6	89.6	90.5	91.5	88.9

Assessment Area Concentration: "Satisfactory"

During the evaluation period, RSB originated 83.1% by number and 78.9% by dollar value of its total HMDA-reportable and small business loans within the assessment area. This represented a reasonable concentration of lending within the Bank's assessment area.

HMDA-Reportable Loans

During the evaluation period, RSB originated 82% by number and 79.7% by dollar value of its HMDA-reportable loans within the assessment area. RSB's HMDA-reportable lending averages within the assessment area increased when compared to the prior period averages. Current lending averaged 194 loans per year and \$207,300 per loan, compared to 167 and \$182,400, respectively, for the prior period.

Small Business Loans

During the evaluation period, RSB originated 87.9% by number and 74.7% by dollar value of its small business loans within the assessment area. While RSB's small business lending by number of loans decreased, from 57 loans in 2015 to 43 loans in 2017, the dollar value per loan increased from \$119,165 per loan in 2015 to \$166,535 per loan in 2017.

The following table shows the percentages of RSB's HMDA-reportable and small business 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
	#	%	#	%		\$	%	\$	%	
<b>Small Business</b>										
2015	57	87.7%	8	12.3%	65	6,838	72.5%	2,593	27.5%	9,431
2016	45	93.8%	3	6.3%	48	7,109	84.0%	1,352	16.0%	8,461
2017	43	82.7%	9	17.3%	52	7,161	69.1%	3,208	30.9%	10,369
Subtotal	145	87.9%	20	12.1%	165	21,108	74.7%	7,153	25.3%	28,261
<b>HMDA-Reportable</b>										
2015	170	82.9%	35	17.1%	205	28,905	77.3%	8,483	22.7%	37,388
2016	162	79.8%	41	20.2%	203	31,479	78.0%	8,899	22.0%	40,378
2017	251	82.8%	52	17.2%	303	60,490	81.8%	13,434	18.2%	73,924
Subtotal	583	82.0%	128	18.0%	711	120,874	79.7%	30,816	20.3%	151,690
Grand Total	728	83.1%	148	16.9%	876	141,982	78.9%	37,969	21.1%	179,951

\* DFS based its analysis of Small Business and HMDA-Reportable lending on actual loans.

### Distribution by Borrower Characteristics: “Needs to Improve”

RSB’s HMDA-reportable lending demonstrated a less than adequate distribution of loans among individuals of different income levels. Although RSB’s distribution of small business lending was excellent, this was a secondary product line and received less emphasis in the Department’s evaluation.

#### HMDA-Reportable Loans

The level of RSB’s one-to-four family HMDA-reportable lending to LMI individuals, at 16.3% by number of loans and 9.4% by dollar amount, was notably lower than the aggregate’s respective levels of 25.6% and 17%, as well as the LMI demographic for the assessment area of 38.8%.

Of the 582 HMDA-reportable loans the Bank originated, 4.8% by number and 2.2% by dollar value were made to low-income borrowers as compared to the aggregate’s 6.4% and 3.1%, respectively. The same was evident for RSB’s rates of lending to moderate-income borrowers, where RSB’s rates of 11.5% by number of loans and 7.2% by dollar value lagged the aggregate’s rates of 19.3% and 13.9%, respectively.

RSB’s average levels of lending to LMI borrowers by number of loans and dollar value decreased from the prior evaluation period’s 19.8% and 13%.

The following table provides a summary of the distribution of RSB’s one-to-four family loans by borrower income.

Distribution of 1-4 Family Loans by Borrower Income									
2015									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	9	5.3%	783	2.7%	198	6.6%	16,603	3.1%	19.6%
Moderate	22	13.0%	2,379	8.4%	612	20.5%	76,536	14.1%	18.1%
LMI	31	18.3%	3,162	11.1%	810	27.1%	93,139	17.2%	37.7%
Middle	48	28.4%	7,594	26.7%	788	26.4%	125,073	23.1%	22.9%
Upper	82	48.5%	16,463	57.8%	1,243	41.7%	294,698	54.3%	39.4%
Unknown	8	4.7%	1,254	4.4%	143	4.8%	29,334	5.4%	
<b>Total</b>	<b>169</b>		<b>28,473</b>		<b>2,984</b>		<b>542,244</b>		
2016									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	7	4.3%	557	1.8%	213	6.5%	20,483	3.4%	19.6%
Moderate	22	13.6%	2,799	8.9%	591	18.0%	79,618	13.1%	18.1%
LMI	29	17.9%	3,356	10.7%	804	24.5%	100,101	16.5%	37.7%
Middle	46	28.4%	8,045	25.6%	874	26.6%	142,842	23.5%	22.9%
Upper	86	53.1%	19,858	63.1%	1,442	43.9%	332,145	54.6%	39.4%
Unknown	1	0.6%	220	0.7%	168	5.1%	32,758	5.4%	
<b>Total</b>	<b>162</b>		<b>31,479</b>		<b>3,288</b>		<b>607,846</b>		
2017									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	12	4.8%	1,316	2.2%	193	6.0%	18,459	3.0%	21.4%
Moderate	23	9.2%	3,533	5.8%	630	19.5%	89,038	14.4%	17.3%
LMI	35	13.9%	4,849	8.0%	823	25.4%	107,497	17.4%	38.8%
Middle	42	16.7%	8,278	13.7%	889	27.5%	148,559	24.1%	20.9%
Upper	167	66.5%	44,178	73.0%	1,408	43.5%	337,028	54.6%	40.3%
Unknown	7	2.8%	3,185	5.3%	117	3.6%	23,801	3.9%	
<b>Total</b>	<b>251</b>		<b>60,490</b>		<b>3,237</b>		<b>616,885</b>		
GRAND TOTAL									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	28	4.8%	2,656	2.2%	604	6.4%	55,545	3.1%	
Moderate	67	11.5%	8,711	7.2%	1,833	19.3%	245,192	13.9%	
LMI	95	16.3%	11,367	9.4%	2,437	25.6%	300,737	17.0%	
Middle	136	23.4%	23,917	19.9%	2,551	26.8%	416,474	23.6%	
Upper	335	57.6%	80,499	66.8%	4,093	43.0%	963,871	54.5%	
Unknown	16	2.7%	4,659	3.9%	428	4.5%	85,893	4.9%	
<b>Total</b>	<b>582</b>		<b>120,442</b>		<b>9,509</b>		<b>1,766,975</b>		

### Small Business Loans

RSB's small business lending demonstrated an excellent distribution of loans among

businesses of different revenue sizes.

RSB's average rate of lending of 83.3% by number of loans to businesses with gross annual revenues of \$1 million or less was in line with the business demographic of 86% and exceeded its market aggregate's average lending rates of 49.7%.

Additionally, in all years of the evaluation period, RSB's lending performance outperformed its aggregate, with 2016 being its highest rate of lending at 88.9% by number of loans, compared to its market aggregate's rate of 50.7%.

The following table provides a summary of the distribution of RSB's small business loans by the revenue size of the business.

<b>Distribution of Small Business Lending by Revenue Size of Business</b>									
<b>2015</b>									
<b>Rev. Size</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	
Rev. <= \$1MM	46	80.7%	3,965	58.0%	1,754	48.2%	30,500	30.6%	81.1%
Rev. > \$1MM	11	19.3%	2,873	42.0%					3.8%
Rev. Unknown		0.0%		0.0%					15.1%
<b>Total</b>	<b>57</b>		<b>6,838</b>		<b>3,642</b>		<b>99,666</b>		
<b>2016</b>									
<b>Rev. Size</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	
Rev. <= \$1MM	40	88.9%	6,333	89.1%	2,075	50.7%	34,757	32.1%	86.0%
Rev. > \$1MM	5	11.1%	776	10.9%					4.5%
Rev. Unknown		0.0%		0.0%					9.6%
<b>Total</b>	<b>45</b>		<b>7,109</b>		<b>4,091</b>		<b>108,268</b>		
<b>2017</b>									
<b>Rev. Size</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	
Rev. <= \$1MM	34	81.0%	6,071	86.6%	2,072	50.1%	42,361	35.1%	86.0%
Rev. > \$1MM	8	19.0%	940	13.4%					4.5%
Rev. Unknown		0.0%		0.0%					9.4%
<b>Total</b>	<b>42</b>		<b>7,011</b>		<b>4,137</b>		<b>120,593</b>		
<b>GRAND TOTAL</b>									
<b>Rev. Size</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	
Rev. <= \$1MM	120	83.3%	16,369	78.1%	5,901	49.7%	107,618	32.8%	
Rev. > \$1MM	24	16.7%	4,589	21.9%	-				
Rev. Unknown		0.0%		0.0%	0				
<b>Total</b>	<b>144</b>		<b>20,958</b>		<b>11,870</b>		<b>328,527</b>		

#### Geographic Distribution of Loans: "Satisfactory"

RSB's origination of loans in census tracts of varying income levels demonstrated a reasonable distribution of lending.

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Since there were no low-income census tracts in the assessment area for years 2015 and 2016, RSB's performance was evaluated on lending in moderate-income census tracts only for those years.

*HMDA-Reportable Loans*

The distribution of RSB's HMDA-reportable loans among census tracts of different income levels was reasonable.

During the evaluation period, RSB's average rates of lending to borrowers whose properties were located in LMI census tracts of 10.5% by number of loans and 7.8% by dollar value were greater than its market aggregate's 8.4% and 6.9%, respectively. The LMI demographic was 9.1%.

RSB's highest level of performance in lending in moderate-income census tracts was in 2016, when its rate of lending of 16% by number of loans and 11.4% by dollar value exceeded the aggregate's rates of 7.5% and 6.5%, respectively. In the same year, the assessment area's level of owner-occupied households was 9.4%.

In 2017, RSB's lending in low-income tracts exceeded both the aggregate and the low-income assessment area demographic. However, RSB's lending in moderate-income tracts trailed the aggregate and area demographics.

The following table provides a summary of the distribution of RSB's HMDA-reportable loans by the income level of the geography where the property was located.

<b>Distribution of HMDA-Reportable Lending by Geographic Income of the Census Tract</b>									
<b>2015</b>									
<b>Geographic</b>	<b>Bank</b>				<b>Aggregate</b>				<b>OO HUs</b>
<b>Income</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	17	10.0%	2,393	8.3%	266	8.8%	41,257	7.0%	9.4%
LMI	17	10.0%	2,393	8.3%	266	8.8%	41,257	7.0%	9.4%
Middle	142	83.5%	23,636	81.8%	2,364	77.8%	458,866	77.8%	76.6%
Upper	11	6.5%	2,876	9.9%	409	13.5%	89,977	15.2%	14.0%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
<b>Total</b>	<b>170</b>		<b>28,905</b>		<b>3,039</b>		<b>590,100</b>		
<b>2016</b>									
<b>Geographic</b>	<b>Bank</b>				<b>Aggregate</b>				<b>OO HUs</b>
<b>Income</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	26	16.0%	3,574	11.4%	251	7.5%	41,216	6.5%	9.4%
LMI	26	16.0%	3,574	11.4%	251	7.5%	41,216	6.5%	9.4%
Middle	123	75.9%	24,694	78.4%	2,614	77.7%	485,372	76.2%	76.6%
Upper	13	8.0%	3,211	10.2%	498	14.8%	110,044	17.3%	14.0%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
<b>Total</b>	<b>162</b>		<b>31,479</b>		<b>3,363</b>		<b>636,632</b>		
<b>2017</b>									
<b>Geographic</b>	<b>Bank</b>				<b>Aggregate</b>				<b>OO HUs</b>
<b>Income</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	6	2.4%	902	1.5%	54	1.6%	7,180	1.1%	1.5%
Moderate	12	4.8%	2,509	4.1%	241	7.3%	38,117	6.0%	7.6%
LMI	18	7.2%	3,411	5.6%	295	8.9%	45,297	7.2%	9.1%
Middle	167	66.5%	39,036	64.5%	2,115	63.9%	383,166	60.8%	63.1%
Upper	66	26.3%	18,043	29.8%	900	27.2%	201,923	32.0%	27.7%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
<b>Total</b>	<b>251</b>		<b>60,490</b>		<b>3,310</b>		<b>630,386</b>		
<b>GRAND TOTAL</b>									
<b>Geographic</b>	<b>Bank</b>				<b>Aggregate</b>				<b>OO HUs</b>
<b>Income</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	6	1.0%	902	0.7%	54	0.6%	7,180	0.4%	
Moderate	55	9.4%	8,476	7.0%	758	7.8%	120,590	6.5%	
LMI	61	10.5%	9,378	7.8%	812	8.4%	127,770	6.9%	
Middle	432	74.1%	87,366	72.3%	7,093	73.0%	1,327,404	71.5%	
Upper	90	15.4%	24,130	20.0%	1,807	18.6%	401,944	21.6%	
Unknown	0	0.0%	0	0.0%	-	0.0%	-	0.0%	
<b>Total</b>	<b>583</b>		<b>120,874</b>		<b>9,712</b>		<b>1,857,118</b>		

### Small Business Loans

The distribution of RSB's small business loans among census tracts of varying income levels was excellent.

RSB made a total of 30 small business loans to businesses located in LMI census tracts, of which 29 loans were in moderate-income tracts with a dollar value of \$5.7 million. RSB's overall average rates of lending in LMI tracts of 20.1% by number of loans and 27.6% by dollar value were almost double its aggregate's average rates of 11.2% and 13.1%, respectively. RSB's rates of lending also outperformed the LMI demographic of 12% for the assessment area.

The following table provides a summary of the distribution of RSB's small business loans by the income level of the geography where the business was located.

<b>Distribution of Small Business Lending by Geographic Income of the Census Tract</b>									
<b>2015</b>									
<b>Geographic Income</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	11	19.3%	2,186	32.0%	444	12.2%	17,241	17.3%	12.7%
LMI	11	19.3%	2,186	32.0%	444	12.2%	17,241	17.3%	12.7%
Middle	45	78.9%	4,544	66.5%	2,642	72.5%	69,760	70.0%	71.9%
Upper	1	1.8%	108	1.6%	556	15.3%	12,665	12.7%	15.4%
Unknown	0	0.0%		0.0%	0	0.0%	0	0.0%	
<b>Total</b>	<b>57</b>		<b>6,838</b>		<b>3,642</b>		<b>99,666</b>		
<b>2016</b>									
<b>Geographic Income</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	8	17.8%	1,286	18.1%	438	10.7%	13,093	12.1%	12.9%
LMI	8	17.8%	1,286	18.1%	438	10.7%	13,093	12.1%	12.9%
Middle	33	73.3%	5,453	76.7%	2,987	73.0%	76,323	70.5%	71.9%
Upper	4	8.9%	370	5.2%	666	16.3%	18,852	17.4%	15.3%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
<b>Total</b>	<b>45</b>		<b>7,109</b>		<b>4,091</b>		<b>108,268</b>		
<b>2017</b>									
<b>Geographic Income</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	1	2.3%	75	1.0%	61	1.5%	512	0.4%	1.8%
Moderate	10	23.3%	2,232	31.2%	388	9.4%	12,219	10.1%	10.2%
LMI	11	25.6%	2,307	32.2%	449	10.9%	12,731	10.6%	12.0%
Middle	27	62.8%	4,275	59.7%	2,428	58.7%	73,419	60.9%	60.9%
Upper	5	11.6%	579	8.1%	1,260	30.5%	34,443	28.6%	27.0%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
<b>Total</b>	<b>43</b>		<b>7,161</b>		<b>4,137</b>		<b>120,593</b>		
<b>GRAND TOTAL</b>									
<b>Geographic Income</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	1	0.7%	75	0.4%	61	0.5%	512	0.2%	
Moderate	29	20.0%	5,704	27.0%	1,270	10.7%	42,553	13.0%	
LMI	30	20.7%	5,779	27.4%	1,331	11.2%	43,065	13.1%	
Middle	105	72.4%	14,272	67.6%	8,057	67.9%	219,502	66.8%	
Upper	10	6.9%	1,057	5.0%	2,482	20.9%	65,960	20.1%	
Unknown	0	0.0%	0	0.0%	-	0.0%	-	0.0%	
<b>Total</b>	<b>145</b>		<b>21,108</b>		<b>11,870</b>		<b>328,527</b>		

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Action Taken in Response to Written Complaints with Respect to CRA: “N/A”

Neither DFS nor RSB received any written complaints during the evaluation period regarding RSB’s CRA performance.

**Community Development Test: “Satisfactory”**

RSB’s community development performance demonstrated overall reasonable responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services, considering RSB’s capacity and the need for and availability of opportunities for community development in its assessment area.

During the evaluation period, RSB originated \$4.8 million in new community development loans. There were no community development loans outstanding from prior periods. Also, RSB made \$200,375 in new community development grants.

The Department considered several factors as part of the overall evaluation of RSB’s community development test. The Bank noted a lack of excess liquidity and fewer investment opportunities in the assessment area during the evaluation period. In addition, RSB, as part of its longtime practice, commits 10% of its annual earnings to the community through its “Dividend to the Community Program.” Local nonprofit organizations and community and civic groups can apply for grants through RSB’s website.

A more detailed description of RSB’s community development activity follows.

**Community Development Lending: “Satisfactory”**

During the evaluation period, RSB originated \$4.8 million in new community development loans. This demonstrated a reasonable level of community development lending over the course of the evaluation period.

A majority of RSB’s community development lending included commercial mortgages to nonprofit organizations providing services to the local community.

Community Development Loans		
	This Evaluation Period	
Purpose	# of Loans	\$000
Affordable Housing		
Economic Development		
Community Services	7	4,476
Revitalization & Stabilization	1	308
<b>Total</b>	<b>8</b>	<b>4,784</b>

Below are highlights of RSB's community development lending.

#### *Community Services*

- In years 2015 and 2017, RSB extended three term loans totaling \$2.8 million to a nonprofit organization that supports a local center that provides support service programs for autism. The center serves children and adults with autism and other developmental disabilities through various programs including a school, day programming, and residential services. The center receives its supports primarily from federal and New York government sources.
- RSB originated two term loans totaling \$52,959 to a community based nonprofit organization that provides vocational and residential programs and services to disabled individuals in Ulster and Dutchess counties. Funds were used to install heating and ventilating units in its properties. The majority of its revenue comes from Medicaid, Office of Mental Health, OPWDD, and contract services.

#### *Revitalization & Stabilization*

- In 2017 RSB extended a \$307,600 loan to a real estate company to support operating and working capital needs. The real estate company manages property in a moderate-income census tract in Catskill, NY. The property is within close proximity to the assessment area, and the entire property is leased by a nonprofit organization serving Ulster and Greene counties.

#### Qualified Investments: "Needs to Improve"

RSB's qualified investments were less than adequate during the evaluation period, primarily because RSB did not make any community development investments (such as municipal bonds or other investment vehicles). However, the Bank continued its customary practice of contributing to nonprofit organizations through its "Dividends to the Community" program. Through this program, RSB commits 10% of its annual earnings to the communities it serves. The Bank made \$200,375 in community development grants

during the evaluation period.

<b>Community Development Investments and Grants</b>				
	<b>This Evaluation Period</b>		<b>Outstandings from Prior Evaluation Periods</b>	
<b>CD Investments</b>	<b># of Inv.</b>	<b>\$000</b>	<b># of Inv.</b>	<b>\$000</b>
Affordable Housing				
Economic Development				
Community Services				
Revitalize & Stabilize				
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>CD Grants</b>	<b># of Grants</b>	<b>\$000</b>	<i>Not Applicable</i>	
Affordable Housing	2	2		
Economic Development	15	53		
Community Services	53	138		
Revitalize and Stabilize	5	8		
<b>Total</b>	<b>75</b>	<b>201</b>		

Below are highlights of RSB's community development grant activity.

- RSB made \$20,000 in grants to a healthcare alliance organization that supports numerous healthcare programs, services and facilities. This organization's primary service area includes a majority of Ulster County. One of its members is located in middle-income census tract, but adjacent to three moderate-income tracts and one low-income tract. Another member is in a low-income tract providing healthcare services to its communities.
- RSB gave a \$10,000 grant to a private, not-for-profit agency in Ulster County whose mission is to offer people with intellectual and other developmental disabilities opportunities to live and experience full lives. This nonprofit organization primarily receives its revenues from government agencies.
- RSB granted \$8,400 to a local nonprofit organization that helps youths in need by providing opportunities to develop responsible citizenship through programs which include financial literacy and workforce development skills.
- RSB contributed \$6,000 to a medical center foundation to support the medical center's mission of providing healthcare to the people of the Mid-Hudson Valley. The medical center houses the area's first and only cardiothoracic surgery program between Westchester County and Albany. The medical center is located in a low-income census tract adjacent to two other low-income tracts, and one moderate-income tract in Poughkeepsie, NY.

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- RSB contributed \$4,000 to a foundation that raises and distributes resources to support quality healthcare to those who are vulnerable and underserved in Ulster County and the surrounding area. The foundation established a cancer fund to aid in the treatment, care, and support of cancer patients. To qualify, patients must be in treatment with a cancer diagnosis and meet certain income parameters. These parameters qualified the patients as LMI individuals and families within Ulster County.

#### Community Development Services: Satisfactory

RSB demonstrated a reasonable level of community development services over the course of the evaluation period. Services included management participation as board and committee members of local not-for-profit organizations. Bank employees also participated in financial literacy and small business events.

Below are highlights of RSB's community development services.

- The Bank's president and CEO is a native of Kingston, NY and serves on various boards of nonprofit and civic organizations. In particular, she is a board member of a nonprofit organization based in Kingston whose mission is to help at risk youth who primarily come from a high population of LMI individuals. As member of the board, her primary duties include trusteeship, planning, policy, and evaluation of the organization's performance and resource development and oversight in achieving its mission and goals. A trustee and a vice president of the Bank also served as board members of this organization. Programs offered by the organization include financial literacy, extended after school programs, and workforce development for young people about to enter the workforce.
- The CEO was an instructor for a conference geared toward women entrepreneurs and women in small business startups. The presentation highlighted steps to receiving financing. The CEO also served on the board of trustees of a local medical center that serves the immediate LMI area.
- Three members of senior bank management participated as loan executives, board member and committee members for a local nonprofit agency. One vice president served as the chair of the Housing Allocation Committee and two employees served as loan executives. The organization provides programs and resources for families in need, including affordable housing.

#### Responsiveness to Community Development Needs

Through its community development activities and community participations and grants, RSB demonstrated an adequate level of responsiveness to credit and community

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development needs.

In addition, RSB offers special home loan programs through the Federal Home Loan Mortgage Corporation (“Freddie Mac”) called “Home Possible” and “Home Possible Advantage.” These programs offer low down payments for LMI borrowers and borrowers in high-cost or underserved communities. The Bank originated 61 loans for \$12.8 million through these programs during the evaluation period.

### **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 CRA.**

The most recent self–assessment of the Bank’s CRA activities was February 8, 2017. It is performed by the Compliance Officer and presented to the Board Examining Committee. The Chief Lending Officer presents lending activity to the board each month at the board meeting. In September 2017, the board reviewed and approved the CRA Policy. The CRA Officer is responsible for overall CRA compliance.

#### **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.*

DFS examiners did not note evidence of 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.*

DFS examiners did not note evidence by RSB of prohibited discriminatory or other illegal practices.

#### **Record of opening and closing offices and providing services at offices**

RSB opened a loan production office in 2017 in a middle-income census tract in Ulster County. No offices were closed during the evaluation period.

RSB offers traditional banking services such as checking accounts, savings accounts, mortgage loans and consumer loans. Additionally, RSB customers have access to 24-hour ATMs and online and mobile banking services.

Distribution of Branches within the Assessment Area							
County	N/A #	Low #	Moderate #	Middle #	Upper #	Total #	LMI %
*Dutchess				1		1	0%
Ulster				6		6	0%
<b>Total</b>				<b>7</b>		<b>7</b>	<b>0%</b>

\* Partial County

## Process Factors

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

RSB is a community-based banking institution involved in many community events and sponsorships. RSB's board members, who are professionals within the business community, have expertise in the regional and state economy. Board members that are involved in the community or are directors of nonprofit organizations have the ability to discuss their experiences in facing state funding and local fundraising gaps. The Bank's board members also have staff that live, work, and volunteer in the local communities. Therefore, they and their staff have direct experiences with the challenges that their communities are facing, such as finding affordable housing, and other community services.

Additionally, board members, management and staff participate in the local community by serving on boards, committees, and task forces, and as volunteers for nonprofit organizations. The president and CEO of the Bank is actively involved with local community nonprofits, foundations, and trade associations. Through these various involvements that the Bank is able to ascertain the credit needs of its assessment area.

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

RSB uses traditional marketing strategies, such as website advertising, advertisements in local newspapers, digital media, and social media. RSB also buys air time on local radio stations to inform and reach out to its customers.

## **Other factors that in the judgment of the Superintendent bear upon the extent to which RSB is helping to meet the credit needs of its entire community**

DFS noted no other factors.

## **GLOSSARY**

### **Aggregate Lending**

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**

“Community development”:

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.

### **Community Development Loan**

A loan that has 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.

## **Community Development Service**

Service that has community development as its *primary purpose*, 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.

## **Geography**

A census tract delineated by the United States Bureau of the Census in the most recent decennial census

## **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 for borrowers is based on household or family income. A geography's income is categorized by median family income for the geography. In both cases, the income is compared to the Metropolitan Statistical Area ("MSA") or statewide nonmetropolitan median income.

<b>Income level of individual or geography</b>	<b>% of the area median income</b>
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

## **Small Business Loan**

A small business loan is a loan less than or equal to \$1 million.

## **Low or Moderate Income ("LMI") Geographies**

Those census tracts or block numbering areas where, according to the 2010 U.S. 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 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 cases 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 represents 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.

### **Low-Income Housing Tax Credit (LIHTC)**

A dollar for dollar tax credit for affordable housing, created under the Tax Reform Act of 1986, that provides incentives to invest in projects for the utilization of private equity in the development of affordable housing aimed at low income Americans. It is also more commonly called Section 42 credits in reference to the applicable section of the IRC. The tax credits are more attractive than tax deductions as they provide a dollar for dollar reduction in a taxpayer's federal income tax. It is more commonly attractive to corporations since the passive loss rules and similar tax changes greatly reduced the value of tax credits and deductions to individual taxpayers.

### **New Markets Tax Credit (NMTC)**

The New Markets Tax Credits (NMTC) Program was established by Congress in December 2000 to stimulate economic and community development and job creation in low-income communities. It permits individual and corporate taxpayers to receive a credit against federal income taxes for making qualified equity investments in Community Development Entities (CDEs). The credit provided to the investor totals 39% of the cost of the investment and is claimed over a 7-year period. CDEs must use substantially all of the taxpayer's investments to make qualified investments in low-income communities. The Fund is administered by the US Treasury Department's Community Development Financial Institutions Fund (CDFI).

### **Qualified Investment**

A lawful investment, deposit, membership share or grant that has community development as its *primary purpose*. 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.