



**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: June 30, 2019

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

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

TABLE OF CONTENTS

	Section
General Information	1
Overview of Institution's Performance	2
Performance Context.....	3
Institution Profile	
Assessment Area	
Demographic & Economic Data	
Community Information	
Performance Standards and Assessment Factors	4
Lending Test	
Loan-to-Deposit Ratio and Other Lending-Related Activities	
Assessment Area Concentration	
Distribution by Borrower Characteristics	
Geographic Distribution of Loans	
Action Taken in Response to Written Complaints With Respect to CRA	
Community Development Test	
Community Development Loans	
Community Development Investments	
Community Development Services	
Additional Factors	
Glossary	5

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of Ulster Savings Bank (“USB” 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 June 30, 2019.

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.

OVERVIEW OF INSTITUTION'S PERFORMANCE

The Department evaluated USB according to the intermediate small banking institution performance criteria pursuant to Sections 76.7 and 76.12 of the GRS. The evaluation period included calendar years 2016, 2017, and 2018 for lending activities and July 1, 2016 to June 30, 2019 for community development activities. USB is rated "2" indicating 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

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

The Bank's average LTD ratio of 88.2%, while slightly below the peer's average of 90.4%, was an increase from USB's average LTD ratio of 83.7% during the prior evaluation period.

Assessment Area Concentration: Satisfactory

USB originated and purchased 74.6% by number and 65.5% by dollar value of its total HMDA-reportable and small business loans within the assessment area, demonstrating a reasonable concentration of lending.

Distribution by Borrower Characteristics: Satisfactory

USB's one-to-four family HMDA-reportable mortgage and small business lending demonstrated a reasonable distribution of loans among individuals of different income levels and businesses of different revenue sizes.

Geographic Distribution of Loans: Satisfactory

USB's HMDA-reportable and small business lending in census tracts of varying income levels demonstrated a reasonable distribution of lending. The Bank's HMDA-reportable loans were given greater weight as they comprised a substantial majority (87%) of USB's total loans during the evaluation period.

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

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

Community Development Test: Satisfactory

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

Community Development Lending: Satisfactory

USB originated \$20.2 million in new community development loans and had \$5.4 million outstanding from prior evaluation periods. This demonstrated a reasonable level of community development lending.

Qualified Investments: Satisfactory

USB made \$1.5 million in new qualified investments during the evaluation period and had \$900,000 outstanding from prior evaluation periods. In addition, USB made \$471,022 in qualified grants. This demonstrated a reasonable level of qualified investments over the course of the evaluation period.

Community Development Services: Satisfactory

USB demonstrated a reasonable level of community development services over the course of the evaluation period.

Responsiveness to Community Development Needs:

USB demonstrated a reasonable level of responsiveness to credit and community development needs.

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.

PERFORMANCE CONTEXT

Institution Profile

Established in 1851, USB is a New York state-chartered mutual savings bank, headquartered in Kingston, NY.

USB offers traditional banking services. Loan products include residential and commercial mortgages, small business loans, and consumer loans. Deposit products and services include personal and business checking, savings and time deposit accounts. The Bank offers online banking, mobile banking, banking by mail and 24-hour telephone banking.

USB has the four wholly-owned subsidiaries: USB Agency Inc.; Ulster Financial Group, Inc.; Ulster Assignment Corp.; and Ulster Insurance Services, Inc. The Bank's subsidiaries offer various financial products and services, including personal and commercial insurance products, investment products, and tax and payroll services.

In its Consolidated Report of Condition (the "Call Report") as of December 31, 2018, filed with the Federal Deposit Insurance Corporation ("FDIC"), USB reported total assets of \$896.3 million, of which \$719.4 million were net loans and lease financing receivables. The Bank reported total deposits of \$774.6 million, resulting in an LTD ratio of 92.9%. According to the latest available comparative deposit data as of June 30, 2019, USB had a market share of 4.3%, or \$798.6 million in a market of \$18.7 billion, ranking it 8th among 32 deposit-taking institutions in the assessment area.

The following is a summary of the USB's loan portfolio, based on Schedule RC-C of the Bank's December 31, 2016, 2017, and 2018 Call Reports:

TOTAL GROSS LOANS OUTSTANDING						
Loan Type	2016		2017		2018	
	\$000's	%	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	436,339	72.2	454,315	67.1	453,581	62.2
Commercial & Industrial Loans	11,339	1.9	14,728	2.2	19,239	2.6
Commercial Mortgage Loans	95,672	15.8	111,519	16.5	127,708	17.5
Multifamily Mortgages	38,880	6.4	47,452	7.0	54,553	7.5
Consumer Loans	576	0.1	12,395	1.8	12,212	1.7
Agricultural Loans	0	0.0	0	0.0	3,500	0.5
Construction Loans	21,383	3.5	36,377	5.4	57,933	7.9
Other Loans	360	0.1	296	0.0	270	0.0
Total Gross Loans	604,549		677,082		728,996	

As illustrated in the above table, USB is primarily a residential real estate lender, with 62.2% of its loan portfolio in 1-4 family residential mortgages and 7.5% in multifamily mortgages. Commercial lending constitutes a secondary focus with 17.5% of the loan portfolio in commercial mortgages and 2.6% in commercial and industrial loans.

USB operates 14 banking offices, of which nine are in Ulster County, four are in Dutchess County, and one is in Orange County. In addition, the Bank operates two residential lending offices in Orange and Westchester counties. Supplementing the banking offices are deposit-taking automated teller machines (“ATMs”) located at each branch, as well as two deposit-taking ATMs located at the campuses of Ulster County Community College and SUNY New Paltz.

Examiners did not find evidence of financial or legal impediments that had an adverse impact on USB’s ability to meet the credit needs of its community.

Assessment Area

USB’s assessment area is comprised of Ulster, Dutchess and Orange counties.

There are 205 census tracts in the assessment area, of which 12 are low-income, 31 are moderate-income, 95 are middle-income, 65 are upper-income, and two census tracts have no income indicated. The percentage of LMI census tracts in the Bank’s assessment area increased to 21% from 19% during the previous evaluation period, because four census tracts that were previously designated as middle- and upper-income were re-classified as LMI tracts.

Assessment Area Census Tracts by Income Level							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
Dutchess	2	6	13	49	9	79	24.1
Orange	0	5	11	19	44	79	20.3
Ulster	0	1	7	27	12	47	17.0
Total	2	12	31	95	65	205	21.0

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

Demographic & Economic Data

The assessment area had a population of 853,612 during the examination period. Approximately 14.1% of the population was over the age of 65 and 19.8% was under the age of 16.

Of the 204,154 families in the assessment area, 20.6% were low-income, 16% were moderate-income, 20.4% were middle-income and 43% were upper-income. There were 301,515 households in the assessment area, of which 10.7% had income below the poverty level and 2.9% were on public assistance.

The weighted average median family income in the assessment area was \$85,883.

There were 341,832 housing units within the assessment area, of which 82.4% were one-to-four family units and 13.7% were multifamily units. A majority (60.8%) of these units

were owner-occupied, while 27.4% were rental units. Of the 207,819 owner-occupied housing units, 11.5% were in LMI census tracts while 88.5% were in middle- and upper-income census tracts. The median age of the housing stock was 51 years, and the median home value in the assessment area was \$252,893.

There were 53,084 non-farm businesses in the assessment area. Of these, 85% were businesses with reported revenues of less than or equal to \$1 million, 5% reported revenues of more than \$1 million and 10% did not report their revenues. Of all the businesses in the assessment area, 97.2% were businesses with less than fifty employees and 89.5% operated from a single location. The largest industries in the area were services (43.2%), retail trade (15.3%) and construction (9%); 9.4% of businesses in the assessment area were not classified.

According to the New York State Department of Labor, the annual average unemployment rates for New York State and the three counties that make up USB's assessment area continued to improve throughout the evaluation period. Dutchess county's annual average unemployment rates were consistently the lowest; annual unemployment rates for all three counties were consistently lower than the annual unemployment rates for New York State during the evaluation period.

Assessment Area Unemployment Rate				
	Statewide	Dutchess	Orange	Ulster
2016	4.9	4.2	4.3	4.4
2017	4.7	4.3	4.5	4.5
2018	4.1	3.7	3.9	3.9
3-year Average	4.6	4.1	4.2	4.3

Community Information

DFS examiners conducted community contact interviews with representatives of two nonprofit housing organization engaged in providing affordable housing opportunities to LMI individuals and families. One of the organizations works to help address community housing needs nationwide and has a local office in Ulster County. The second organization is a nonprofit housing counseling and development agency based in Orange County.

Both representatives identified affordable housing as the primary need of the assessment area. They noted that while the unemployment rates have improved, workers are not finding jobs that provide wages sufficient to afford homes for their families. In addition, some homeowners, especially seniors, have trouble maintaining their homes with their current income. The representatives stated that local banks can help address the community's affordable housing needs by providing access to credit, financial education, and grants to community organizations. One of the representatives mentioned USB among other banks as being active in helping to address these needs through affordable housing loan programs, participating and sponsoring financial literacy workshops and providing grants.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

The Department evaluated USB 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. USB 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 obtained 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.

The evaluation period included calendar years 2016, 2017 and 2018 for lending activities, and the period July 1, 2016 through June 30, 2019 for community development activities.

Examiners considered USB's HMDA-reportable and small business loans in evaluating factors (2), (3) and (4) of the lending test noted above. Examiners gave greater weight to

USB's HMDA-reportable loans, as it represented a substantial majority (86.5% by number of loans) of the Bank's total HMDA-reportable and small business lending activities.

USB reported small business and small farm loan data; as a result, USB's small business lending is included in the aggregate data. The aggregate data are shown only for comparative purposes.

At its **prior** Performance Evaluation as of June 30, 2016, DFS assigned USB a rating of "2," reflecting a "Satisfactory" record of helping to meet the credit needs of its community.

Current CRA Rating: Satisfactory

Lending Test: Satisfactory

USB's HMDA-reportable and small business lending activities were reasonable in light of USB'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.

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

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

USB's average LTD ratio of 88.2% was slightly below its peer group's average of 90.4% but was an improvement from USB's average LTD ratio of 83.7% during the prior evaluation period. The Bank's LTD ratio fluctuated between a low of 82% to a high of 93% during the current evaluation period.

The table below shows USB's LTD ratios in comparison with the peer group's ratios for the 12 quarters of the evaluation period.

Loan-to-Deposit Ratios													
	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3	2018 Q4	Avg.
Bank	85.2	83.8	82.0	84.3	86.1	87.3	91.3	92.5	91.3	89.8	91.6	93.0	88.2
Peer	88.2	89.4	89.1	89.3	88.6	89.6	90.5	91.5	91.1	92.1	92.5	92.5	90.4

Assessment Area Concentration: Satisfactory

During the evaluation period, USB made 74.6% by number and 65.5% by dollar value of its total HMDA-reportable and small business loans within the assessment area. This majority of lending inside of its assessment area is a reasonable concentration of lending.

HMDA-Reportable Loans:

During the evaluation period, USB made 72.3% by number and 63.2% by dollar value of its HMDA-reportable loans within the assessment area, demonstrating a reasonable concentration of lending.

Small Business Loans:

During the evaluation period, USB made 93.1% by number and 87.6% by dollar value of its small business loans within the assessment area, demonstrating an excellent concentration of lending.

The following table shows the percentages of USB'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
	#	%	#	%		\$	%	\$	%	
HMDA-Reportable										
2016	614	71.1%	250	28.9%	864	116,708	63.0%	68,668	37.0%	185,376
2017	612	71.8%	240	28.2%	852	126,160	62.2%	76,760	37.8%	202,920
2018	764	73.7%	272	26.3%	1,036	142,520	64.4%	78,670	35.6%	221,190
Subtotal	1,990	72.3%	762	27.7%	2,752	385,388	63.2%	224,098	36.8%	609,486
Small Business										
2016	113	95.0%	6	5.0%	119	18,496	87.5%	2,638	12.5%	21,134
2017	84	91.3%	8	8.7%	92	15,533	86.0%	2,520	14.0%	18,053
2018	113	92.6%	9	7.4%	122	20,669	88.9%	2,579	11.1%	23,248
Subtotal	310	93.1%	23	6.9%	333	54,698	87.6%	7,737	12.4%	62,435
Grand Total	2,300	74.6%	785	25.4%	3,085	440,086	65.5%	231,835	34.5%	671,921

Distribution by Borrower Characteristics: Satisfactory

USB's lending demonstrated a reasonable distribution of loans among individuals of different income levels and businesses of different revenue sizes.

One-to-four family HMDA-Reportable Loans:

USB's one-to-four family HMDA-reportable lending demonstrated a reasonable distribution of loans among borrowers of different income levels.

USB's average rates of lending to LMI borrowers of 24.6% by number and 16.6% by dollar value of loans were comparable to the aggregate's rates of 22.5% and 15.7%, respectively. The Bank's rates of lending to LMI borrowers exceeded the aggregate's rates in 2016 and 2018, but trailed the aggregate's rates in 2017.

USB's and the aggregate's LMI lending rates were lower than the assessment area's residential demographics, which indicated that 36.6% of families living in the Bank's assessment area were LMI.

The following table provides a summary of the distribution of USB's one-to-four family HMDA-reportable loans by borrower income.

Distribution of 1-4 Family HMDA-reportable Loans by Borrower Income									
2016									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	33	5.5%	3,113	2.8%	607	4.7%	67,535	2.5%	18.7%
Moderate	111	18.4%	15,318	13.6%	2,216	17.2%	344,150	12.5%	16.4%
LMI	144	23.8%	18,431	16.4%	2,823	21.9%	411,685	14.9%	35.1%
Middle	147	24.3%	24,606	21.9%	3,468	26.9%	670,580	24.3%	21.4%
Upper	295	48.8%	67,416	59.9%	5,872	45.5%	1,501,473	54.5%	43.5%
Unknown	18	3.0%	2,034	1.8%	747	5.8%	172,385	6.3%	0.0%
Total	604		112,487		12,910		2,756,123		
2017									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	31	5.2%	3,211	2.7%	610	4.7%	65,539	2.3%	20.6%
Moderate	98	16.6%	13,803	11.4%	2,315	17.8%	366,124	13.1%	16.0%
LMI	129	21.8%	17,014	14.1%	2,925	22.5%	431,663	15.4%	36.6%
Middle	138	23.3%	23,607	19.5%	3,603	27.7%	708,393	25.3%	20.4%
Upper	304	51.4%	76,151	62.9%	5,918	45.4%	1,538,769	54.9%	43.0%
Unknown	21	3.5%	4,227	3.5%	576	4.4%	123,869	4.4%	0.0%
Total	592		120,999		13,022		2,802,694		
2018									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	54	7.2%	5,190	3.9%	850	5.3%	103,120	3.1%	20.6%
Moderate	151	20.2%	19,905	15.1%	2,834	17.8%	442,790	13.4%	16.0%
LMI	205	27.4%	25,095	19.0%	3,684	23.2%	545,910	16.6%	36.6%
Middle	180	24.1%	27,330	20.7%	4,234	26.6%	802,560	24.3%	20.4%
Upper	341	45.6%	76,725	58.2%	7,478	47.0%	1,841,500	55.8%	43.0%
Unknown	22	2.9%	2,750	2.1%	500	3.1%	108,250	3.3%	0.0%
Total	748		131,900		15,896		3,298,220		
GRAND TOTAL									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	118	6.1%	11,514	3.2%		4.9%		2.7%	
Moderate	360	18.5%	49,026	13.4%		17.6%		13.0%	
LMI	478	24.6%	60,540	16.6%		22.5%		15.7%	
Middle	465	23.9%	75,543	20.7%		27.0%		24.6%	
Upper	940	48.4%	220,292	60.3%		46.1%		55.1%	
Unknown	61	3.1%	9,011	2.5%		4.4%		4.6%	
Total	1,944		365,386						

Small Business Loans:

USB's small business lending demonstrated an excellent distribution of loans among businesses of different revenue sizes.

USB's average rates of lending to businesses with revenues of \$1 million or less were 75.8% by number and 68.4% by dollar value of loans, well above the aggregate's average rates of 48.6% and 35%, respectively.

USB's rates of lending in 2016 and 2017 were comparable to the business demographics of 84.7% for businesses with revenue of \$1 million or less, while the Bank's rates for 2018 trailed the business demographics.

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

Distribution of Small Business Lending by Revenue Size of Business									
2016									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	98	86.7%	15,920	86.1%	8,071	49.4%	177,446	35.3%	84.7%
Rev. > \$1MM	11	9.7%	2,208	11.9%	8,262		325,011		5.0%
Rev. Unknown	4	3.5%	368	2.0%	0		0		10.3%
Total	113		18,496		16,333		502,457		
2017									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	71	84.5%	10,981	70.7%	8,991	51.4%	194,695	36.1%	84.7%
Rev. > \$1MM	13	15.5%	4,552	29.3%	8,487		344,812		5.1%
Rev. Unknown	-	0.0%	0	0.0%	0		0		10.2%
Total	84		15,533		17,478		539,507		
2018									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	66	58.4%	10,502	50.8%	8,905	45.4%	187,030	33.5%	85.0%
Rev. > \$1MM	43	38.1%	10,153	49.1%	10,698		370,496		5.0%
Rev. Unknown	4	3.5%	14	0.1%	0		0		10.0%
Total	113		20,669		19,603		557,526		
GRAND TOTAL									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	235	75.8%	37,403	68.4%		48.6%		35.0%	
Rev. > \$1MM	67	21.6%	16,913	30.9%					
Rev. Unknown	8	2.6%	382	0.7%					
Total	310		54,698						

Geographic Distribution of Loans: Satisfactory

USB's rates of lending in census tracts of varying income levels demonstrated a reasonable distribution of lending. The rating reflects the greater weight given to the Bank's HMDA-reportable loans, which made up 87.6% of all HMDA-reportable and small business loans by number for this evaluation period.

HMDA-Reportable Loans:

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

USB's average rates of lending in LMI census tracts for the evaluation period were 12.8% by number and 11.3% by dollar value of loans, which were comparable with the aggregate's rates of 12.2% and 11.7%, respectively. The Bank's average lending rate of 3.2% by number of loans in low-income census tracts was an improvement over the 0.4% recorded in the prior evaluation period.

USB and the aggregate's rates of lending in LMI census tracts were comparable to the assessment area's demographics of 11.5% owner-occupied housing units located within LMI census tracts.

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

Distribution of HMDA-Reportable Lending by Geographic Income of the Census Tract									
2016									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	5	0.8%	466	0.4%	382	2.9%	115,789	3.9%	1.6%
Moderate	59	9.6%	10,053	8.6%	1,127	8.6%	207,249	7.0%	9.9%
LMI	64	10.4%	10,519	9.0%	1,509	11.5%	323,038	10.8%	11.4%
Middle	376	61.2%	69,319	59.4%	5,976	45.7%	1,301,077	43.7%	48.1%
Upper	174	28.3%	36,870	31.6%	5,585	42.7%	1,355,438	45.5%	40.5%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
Total	614		116,708		13,070		2,979,553		
2017									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	29	4.7%	4,523	3.6%	392	3.0%	121,080	3.9%	1.9%
Moderate	62	10.1%	10,606	8.4%	1,208	9.2%	223,091	7.1%	9.7%
LMI	91	14.9%	15,129	12.0%	1,600	12.1%	344,171	11.0%	11.5%
Middle	348	56.9%	68,775	54.5%	6,079	46.1%	1,414,969	45.3%	47.5%
Upper	173	28.3%	42,256	33.5%	5,521	41.8%	1,364,698	43.7%	41.0%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
Total	612		126,160		13,200		3,123,838		
2018									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	30	3.9%	3,440	2.4%	583	3.6%	146,915	4.0%	1.9%
Moderate	69	9.0%	14,305	10.0%	1,465	9.1%	322,255	8.8%	9.7%
LMI	99	13.0%	17,745	12.5%	2,048	12.8%	469,170	12.9%	11.5%
Middle	442	57.9%	78,720	55.2%	7,141	44.6%	1,593,585	43.7%	47.5%
Upper	223	29.2%	46,055	32.3%	6,833	42.6%	1,584,035	43.4%	41.0%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
Total	764		142,520		16,022		3,646,790		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	64	3.2%	8,429	2.2%		3.2%		3.9%	
Moderate	190	9.5%	34,964	9.1%		9.0%		7.7%	
LMI	254	12.8%	43,393	11.3%		12.2%		11.7%	
Middle	1,166	58.6%	216,814	56.3%		45.4%		44.2%	
Upper	570	28.6%	125,181	32.5%		42.4%		44.1%	
Unknown	-	0.0%	-	0.0%		0.0%		0.0%	
Total	1,990		385,388						

Small Business Loans:

The distribution of USB's small business loans among census tracts of varying income levels was less than adequate.

USB's small business lending rates of 15.5% by number and 15% by dollar value in LMI census tracts were well below the aggregate's lending rates of 24% for both number and dollar value of loans. The Bank's lending rates also trailed the aggregate's rates for each year of the evaluation period.

USB's lending rates in LMI census tracts for 2016 and 2018 were also below the assessment area's business demographics, where 20% of businesses are located in LMI census tracts.

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

Distribution of Small Business Lending by Geographic Income of the Census Tract									
2016									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	1,926	11.8%	57,093	11.4%	5.5%
Moderate	16	14.2%	2,801	15.1%	1,828	11.2%	65,457	13.0%	14.1%
LMI	16	14.2%	2,801	15.1%	3,754	23.0%	122,550	24.4%	19.6%
Middle	71	62.8%	12,398	67.0%	6,646	40.7%	208,914	41.6%	43.2%
Upper	26	23.0%	3,297	17.8%	5,933	36.3%	170,993	34.0%	37.2%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	113		18,496		16,333		502,457		
2017									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	5	6.0%	1,955	12.6%	2,067	11.8%	58,344	10.8%	6.0%
Moderate	12	14.3%	1,318	8.5%	2,319	13.3%	68,880	12.8%	13.8%
LMI	17	20.2%	3,273	21.1%	4,386	25.1%	127,224	23.6%	19.8%
Middle	53	63.1%	7,999	51.5%	6,746	38.6%	226,649	42.0%	43.4%
Upper	14	16.7%	4,261	27.4%	6,346	36.3%	185,634	34.4%	36.7%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	84		15,533		17,478		539,507		
2018									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	3	2.7%	501	2.4%	2,173	11.1%	61,865	11.1%	6.1%
Moderate	12	10.6%	1,613	7.8%	2,519	12.9%	71,687	12.9%	13.8%
LMI	15	13.3%	2,114	10.2%	4,692	23.9%	133,552	24.0%	19.9%
Middle	64	56.6%	10,121	49.0%	7,612	38.8%	223,736	40.1%	43.4%
Upper	34	30.1%	8,434	40.8%	7,299	37.2%	200,238	35.9%	36.8%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	113		20,669		19,603		557,526		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	8	2.6%	2,456	4.5%		11.5%		11.1%	
Moderate	40	12.9%	5,732	10.5%		12.5%		12.9%	
LMI	48	15.5%	8,188	15.0%		24.0%		24.0%	
Middle	188	60.6%	30,518	55.8%		39.3%		41.2%	
Upper	74	23.9%	15,992	29.2%		36.7%		34.8%	
Unknown	-	0.0%	-	0.0%		0.0%		0.0%	
Total	310		54,698						

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

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

Community Development Test: Satisfactory

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

A more detailed description of USB's community development activity follows:

Community Development Lending: Satisfactory

During the evaluation period, USB originated \$20.2 million in new community development loans, and had \$5.4 million outstanding from prior evaluation periods. This demonstrated a reasonable level of community development lending.

The majority (64%) of the Bank's community development loans were for affordable housing projects and the remaining supported community services and revitalization and stabilization purposes.

Community Development Loans				
Purpose	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Loans	\$000	# of Loans	\$000
Affordable Housing	21	13,364	7	3,045
Economic Development	0	0	0	0
Community Services	5	2,374	3	887
Revitalization/Stabilization	4	4,460	2	1,505
Total	30	20,198	12	5,437

Below are highlights of USB's community development lending.

Affordable Housing:

- USB refinanced a \$4.5 million loan for a 103-unit multifamily apartment complex located in Ulster County. The complex is located in a moderate-income census tract designated as a U.S. Department of Housing and Urban Development ("HUD") Choice Neighborhood Block Group (an area with a high poverty rate). Rents for all units in the apartment complex are below HUD fair market rents ("FMR") for Ulster County. Loan funds were used for repairs and improvements to the property.
- USB refinanced a \$1.5 million loan for a 49-unit mobile home park in Ulster County. All mobile home units are rented below HUD's FMR, and the loan proceeds will be used to make improvements to the mobile home park.

- USB extended a \$1.1 million loan for the purchase of a 28-unit multifamily property located in a moderate-income tract in Ulster County. All units are rented below HUD's FMR.

Community Services:

- USB originated a \$1.7 million loan for the construction of an emergency medical facility in Dutchess County. The facility is located adjacent to low- and moderate-income census tracts and will provide needed medical services to the area.

Revitalization/Stabilization:

- USB refinanced a \$3.3 million loan for two large mixed-use properties located in Ulster County. The properties are occupied mostly by local small businesses and are located in moderate-income census tracts designated as HUD Choice Neighborhood Block Groups.

Qualified Investments: Satisfactory

During the evaluation period, USB made \$1.5 million in new qualified investments and had \$900,000 outstanding from prior evaluation periods. In addition, USB made \$471,022 in qualified grants. This demonstrated a reasonable level of qualified investments over the course of the evaluation period.

Qualified Investments and Grants				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Inv.	\$000	# of Inv.	\$000
CD Investments				
Affordable Housing	1	1,000		
Economic Development			1	900
Community Services	1	500		
Other (Please Specify)				
Total	2	1,500	1	900
CD Grants	# of Grants	\$000	Not Applicable	
Affordable Housing	21	156		
Economic Development	19	53		
Community Services	83	229		
Other (Please Specify)	9	33		
Total	132	471		

Below are highlights of USB's qualified investments and grants.

Investments:

- USB invested \$1 million in a certified Community Development Financial Institution that provides first-time homebuyers with down-payment and closing cost assistance.

-
- The Bank invested \$500,000 in an organization that provides support for crime prevention programs benefiting a senior housing facility in Ulster County that includes many low- and moderate-income senior residents.

Grants:

- USB donated a property to a nonprofit organization to be used as its headquarters in Dutchess County. The property's value was appraised at close to \$85,000. The nonprofit organization provides affordable housing for LMI individuals and families.
- The Bank donated \$32,500 to an organization specializing in affordable housing projects and community development programs designed to revitalize communities.
- USB donated \$35,000 to a local organization that provides community services such as art education, music, dance, and theater programs in low-income neighborhoods.

Community Development Services: Satisfactory

USB demonstrated a reasonable level of community development services over the course of the evaluation period. USB's community development services include board and/or committee memberships of local community organizations and participation in community events providing financial education and information about services and products offered by the Bank.

Below are highlights of USB's community development services.

- A vice president serves as treasurer of an organization that operates a summer meal program and a weekly backpack food program. The backpack food program provides children with a backpack of groceries at the end of the school week to take home for the weekend.
- An assistant vice president has served as president and board chairperson, and member of the finance and audit committee for an organization that provides services for individuals with autism; more than 70% of this organization's clients receive government assistance.
- USB employees conducted a number of financial literacy education seminars at local schools and other venues during the evaluation period, as well as participated in informational seminars with local nonprofit housing organizations relating to home purchase, financing and ownership.

Innovativeness of Community Development Investments:

USB did not use innovative investments to support community development during the evaluation period.

Responsiveness to Community Development Needs:

USB demonstrated a reasonable level of responsiveness to credit and community development needs, which includes offering special loan programs to address the affordable housing needs within the Bank's assessment area.

During the evaluation period, USB participated in the First Home Club program of the Federal Home Loan Bank of New York ("FHLBNY"). The program, which ended in 2019, provided first-time homebuyers with counseling on homeownership, discounts on closing costs, high interest earning savings accounts, and access to grants to assist with down payments and closing costs. USB offered the First Home Club program in partnership with local not-for-profit housing agencies. In addition, USB worked with area developers by submitting grant requests to the FHLBNY on behalf of developers creating affordable housing units.

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 CRA officer provides a CRA Self-Assessment to the Risk Committee of the Board of Trustees on an annual basis. The CRA officer also presents the CRA Self-Assessment, quarterly HMDA data, a review of community development activities, and an analysis of community development opportunities to the Bank's Enterprise Compliance Risk Management Committee ("ECRM"). A summary of the ECRM meetings, including meeting minutes and reports, are provided to the Risk Committee of the Board of Trustees.

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 any practices by USB intended to discourage applications for the types of credit offered by USB.

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

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

Record of opening and closing offices and providing services at offices

USB did not open or close any branches during the evaluation.

Two of USB's branches that were in moderate-income census tracts at the beginning of the evaluation period are now in middle-income census tracts due to census tract re-classification during the evaluation period. In addition, six branches are adjacent to LMI census tracts.

Distribution of Branches within the Assessment Area							
County	N/A #	Low #	Moderate #	Middle #	Upper #	Total #	LMI %
Dutchess				3	1	4	0%
Orange				1		1	0%
Ulster				6	3	9	0%
Total	0	0	0	10	4	14	0%

USB's 14 branches are open during normal business hours Monday through Friday and offer extended hours until 6 pm on Fridays. Eleven branches are open on Saturday from 9 am to 2 pm, and 13 branches offer drive-up service.

The Bank also operates two loan production offices in Orange and Westchester counties that originate residential mortgage loans.

The Bank has at least one ATM at each branch location and one ATM each on the Ulster County Community College and SUNY New Paltz campuses. All of the Bank's ATMs accept deposits.

USB also offers alternative banking services including 24-hour telephone banking, online and mobile banking, banking by mail, bank at work program, business cash management services, bill payment, ClickSwitch, Automated Clearing House ("ACH"), stop payments, merchant services, official checks, MasterCard check cards and gift cards, remote deposit capture, and night depository.

Process Factors

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

USB works with nonprofit organizations involved in various community services such as affordable housing. USB also works with area developers, both private and non-profit, on the development of workforce housing and affordable senior housing.

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

USB utilizes several forms of marketing and advertising, including media (television, radio, local newspapers, magazines, billboards), direct media, and digital media (websites, social media platforms, electronic ads and promotional emails).

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

USB has a community services committee that helps facilitate events such as coat drives, veteran's luncheons, toys for tots, and food drives, and coordinates bank personnel volunteer activities with local non-profit organizations.

In 2001, the Bank established Ulster Savings Charitable Foundation Inc. to further its charitable activities in the community supporting areas of education, housing and community services.

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.

Banking Development District (“BDD”) Program

The BDD Program is a program designed to encourage the establishment of bank branches in areas across New York State where there is a demonstrated need for banking services, in recognition of the fact that banks can play an important role in promoting individual wealth, community development, and revitalization. Among others, the BDD Program seeks to reduce the number of unbanked and underbanked New Yorkers and enhance access to credit for consumers and small businesses. More information about the program, may be found at <https://www.dfs.ny.gov> and search for the BDD Program.

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.

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

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 Block Numbering Areas (“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.

Minority Depository Institutions ("MDIs")

An MDI is defined as a federal insured depository institution for which (1) 51 percent or more of the voting stock is owned by minority individuals; or (2) a majority of the board of directors is minority and the community that the institution serves is predominantly minority. For more of MDIs, go to FDIC.gov (Minority Depository Institutions Program) including list of MDIs.

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.

Paycheck Protection Program ("PPP") Loans

The Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") temporarily permits the U.S. Small Business Administration ("SBA") to guarantee 100% of 7(a) loans under a new program titled the "Paycheck Protection Program". The intent of the PPP is to help small business cover payroll costs providing for forgiveness of up to the full principal of qualifying loans guaranteed under the PPP subject to certain rules including how much or percentage of the loan proceeds a borrower spends on payroll costs. A small business owner can apply through any existing SBA 7(a) lender or through any federally insured depository institution, federally insured credit union, and Farm Credit System institution that is participating. Any amount of the PPP loan that is not forgiven shall be repaid over a 5-year term at a fixed interest rate of 1%.