



**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: December 31, 2019

Institution: Sawyer Savings Bank
87 Market Street
Saugerties, New York 12477

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 Sawyer Savings Bank (“SSB” 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 December 31, 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 SSB according to the small banking institution performance criteria pursuant to Sections 76.7 and 76.12 of the GRS. The evaluation period included calendar years 2018 and 2019. SSB 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

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

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

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

SSB's average LTD ratio of 87.7% for the evaluation period was comparable to the peer group's average of 87.5%.

Assessment Area Concentration: Satisfactory

During the evaluation period, SSB originated 76.5% by number and 64.7% 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

SSB's HMDA-reportable 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: Needs to Improve

SSB's origination of loans in census tracts of varying income levels demonstrated a less than adequate distribution of lending.

The Bank's rates of lending in LMI geographies were lower than the aggregate's rates for both HMDA-reportable and small business loans. SSB's rates of lending were also below the assessment area's percentage of owner-occupied housing and businesses located in LMI geographies.

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

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

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

PERFORMANCE CONTEXT

Institution Profile

SSB is a New York State-chartered mutual savings bank headquartered in the Village of Saugerties in Ulster County, New York.

SSB operates three branches located in the Village of Saugerties and in the Hamlets of Marlboro and Highland. All branch offices are in Ulster County, and each branch has an on-site automated teller machine (“ATM”) that accepts deposits.

The Bank offers a variety of consumer and business banking products and services. Consumer products include checking and savings accounts, money market accounts, certificates of deposit, home equity, and construction and mortgage loans. Consumer services include mobile banking, online banking, online bill pay and telephone banking. Business products include business checking, business savings, time deposits, commercial mortgage loans, agricultural loans, business installment loans, overdraft protection loans, equipment lines of credit, and revolving lines of credit. Business services offered include remote deposit capture, night depository and merchant services.

In its the Consolidated Report of Condition (the “Call Report”) as of December 31, 2019, filed with the Federal Deposit Insurance Corporation (“FDIC”), SSB reported total assets of \$255.1 million, of which \$183.4 million were net loans and lease financing receivables. It also reported total deposits of \$206.4 million, resulting in an LTD ratio of 88.9%. According to the latest available comparative deposit data as of June 30, 2019, SSB had a market share of 6%, or \$197.8 million, in a market of \$3.3 billion, ranking it 6th among 19 deposit-taking institutions in Ulster County.

The following is a summary of the Bank's loan portfolio, based on Schedule RC-C of the Bank's December 31, 2018 and December 31, 2019 Call Reports:

TOTAL GROSS LOANS OUTSTANDING				
Loan Type	2018		2019	
	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	114,145	67.2	121,547	66.2
Commercial & Industrial Loans	7,650	4.5	8,824	4.8
Commercial Mortgage Loans	15,238	9.0	19,872	10.8
Multifamily Mortgages	11,522	6.8	14,239	7.8
Consumer Loans	277	0.2	328	0.2
Agricultural Loans	19,030	11.2	14,333	7.8
Construction Loans	2,016	1.2	4,341	2.4
Obligations of States & Municipalities	0	0.0	0	0.0
Other Loans	0	0.0	0	0.0
Lease financing	0	0.0	0	0.0
Total Gross Loans	169,878		183,484	

As illustrated in the above table, SSB is primarily a residential lender, with 66.2% of its loan portfolio in one-to-four family mortgage loans. During the two-year evaluation period, the bank's total gross loan portfolio increased by \$13.6 million.

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

Assessment Area

SSB's assessment area is comprised of a portion of Ulster County. The Bank's assessment area includes 39 of the 47 census tracts in Ulster County, comprised of one low-income, four moderate-income, 24 middle-income and 10 upper-income tracts. The eight census tracts that are not included in the Bank's assessment area are located on Ulster County's western and southern borders, and are mountainous, forested, and sparsely populated.

Assessment Area Census Tracts by Income Level							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
Ulster*		1	4	24	10	39	12.8
Total	0	1	4	24	10	39	12.8

* Partial county

Demographic and Economic Data

The assessment area had a population of 150,178 during the evaluation period. About 17.3% of the population was over the age of 65 and 16.5% was under the age of 16.

Of the 36,707 families in the assessment area 22.1% were low-income, 16.6% were moderate-income, 20.3% were middle-income and 41% were upper-income families.

There were 59,473 households in the assessment area, of which 11.8% had income below the poverty level and 4.1% were on public assistance. The weighted average median family income in the assessment area was \$76,349.

There were 69,343 housing units within the assessment area, of which 83.3% were one-to-four family units and 10.9% were multifamily units. A majority (58.5%) of the area's housing units were owner-occupied, while 27.2% were rental units. Of the 40,590 owner-occupied housing units, 5.6% were in LMI census tracts while 94.4% were in middle- and upper-income census tracts. The median age of the housing stock was 56 years, and the median home value in the assessment area was \$229,087.

There were 11,060 non-farm businesses in the assessment area. Of these, 86.3% were businesses with reported revenues of less than or equal to \$1 million, 4.3% reported revenues of more than \$1 million, and 9.4% did not report their revenues.

Of all the businesses in the assessment area, 97.5% were businesses with less than fifty employees while 90.3% operated from a single location. The largest industries in the area were services (43.0%), followed by retail trade (15.1%), and construction (7.8%), while 11.6% of businesses in the assessment area were not classified.

According to the New York State Department of Labor, the average unemployment rates for New York State and Ulster County were 4.1% and 3.9%, respectively, in 2019. During the evaluation period, Ulster County's average unemployment rates were slightly lower than New York State's unemployment rates.

Assessment Area Unemployment Rate		
	Statewide	Ulster
2018	4.1%	3.9%
2019	4.0%	3.8%
2 year- average	4.1%	3.9%

Community Information

As a part of the evaluation, DFS examiners conducted community contact interviews with representatives of two nonprofit organization that operate within the Bank's assessment area, to better understand the credit needs of the community. One of the organizations focuses on expanding access to affordable homeownership by providing financial education, counseling, grant assistance (working with municipalities), and improving, preserving, rehabilitating, and adding to the supply of affordable homes in the Mid-Hudson Valley region. The other organization focuses on economic development by providing entrepreneurial guidance to minorities and low-income individuals for business endeavors.

The representative of the affordable housing organization noted the limited housing stock in the area, and that 75% of the housing is at least 50 years old. Also, there is limited new residential construction, and housing prices have been steadily increasing due to migration of people from New York City. The representative noted that local financial institutions could address community needs by offering construction financing, loans to rehabilitate vacant and abandoned homes, less restrictive homebuyer programs, rental assistance for landlords, partnerships with community organizations, innovative financial solutions for homebuyers, and closing cost assistance for LMI borrowers. The representative noted that local and regional banks have been more helpful than national banks in providing solutions.

The representative of the economic development organization noted that there has been significant demographic change in the area in recent years with an increase in the minority population. The change in demographics has resulted in an increased need for small business assistance and financing programs. The representative noted the current stringent requirements for small business financing, and the need for more

flexibility in this area. It was suggested that local financial institutions could do more in the area of financial education, both directly and by partnering with local organizations already providing such education. The representative also noted that many smaller community banks have been absorbed by larger banks which are not as connected to the local communities. In addition, the representative noted that donations to local community organizations have been declining over the last three to four years.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

The Department evaluated SSB under the small banking institution performance standards in accordance with Sections 76.7 and 76.12 of the GRS, which consist of the following lending test criteria:

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.*

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 practices intended to discourage credit applications;*
3. *Evidence of prohibited discriminatory or other illegal credit practices;*
4. *The institution's 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.*

Finally, DFS considered other factors as delineated in New York Banking Law Section 28-b that reasonably bear upon the extent to which SSB helps meet the credit needs of its entire community.

DFS derived statistics employed in this evaluation from various sources. SSB submitted bank-specific information both as part of the examination process and in 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 demographic 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 SSB's assessment area includes only a portion of Ulster County.

The evaluation period consisted of calendar years 2018 and 2019.

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

SSB is not required to report small business/small farm loan data. As a result, SSB's small business and small farm lending is not included in the aggregate data. The aggregate data are shown only for comparative purposes.

Because SSB made very few small farm loans, DFS based all analyses on small business lending only.

At its prior Performance Evaluation as of December 31, 2017, DFS assigned SSB a rating of "2," reflecting a "Satisfactory" record of helping to meet the credit needs of SSB's communities.

Current CRA Rating: Satisfactory

Lending Test: Satisfactory

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

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

SSB'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.

The Bank's current average LTD ratio of 87.7% was comparable to its peer group's average ratio of 87.5% and an improvement from its average LTD ratio of 78.1% during the prior evaluation.

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

Loan-to-Deposit Ratios									
	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2	2019 Q3	2019 Q4	Avg.
Bank	85.9	86.6	84.8	85.8	90.4	90.2	89.9	88.5	87.7
Peer	86.8	88.2	88.5	88.3	86.8	87.4	88.0	86.3	87.5

Assessment Area Concentration: Satisfactory

During the evaluation period, SSB originated 76.5% by number and 64.7% by dollar value of its total HMDA-reportable and small business loans within the assessment area, demonstrating a reasonable concentration of lending.

HMDA-Reportable Loans

SSB originated 68.6% by number and 57.3% by dollar value of its HMDA-reportable loans within the assessment area. The Bank's HMDA-reportable average lending rates within the assessment area were significantly lower than the prior evaluation period's rates of 78.1% and 75.5%, respectively. This declining trend was attributable to the Bank's purchase of 11 HMDA-reportable loans, totaling \$6.7 million, that were originated outside of its assessment area.

Small Business Loans

SSB originated 87.2% by number and 88.8% by dollar value of its small business loans within the assessment area. The Bank's small business average rates of lending within the assessment area were comparable to the prior evaluation period's rates.

The following table shows the percentages of SSB'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										
2018	81	75.7%	26	24.3%	107	15,464	72.9%	5,763	27.1%	21,227
2019	63	61.2%	40	38.8%	103	12,469	45.3%	15,064	54.7%	27,533
Subtotal	144	68.6%	66	31.4%	210	27,933	57.3%	20,827	42.7%	48,760
Small Business										
2018	67	89.3%	8	10.7%	75	6,080	88.3%	809	11.7%	6,889
2019	69	85.2%	12	14.8%	81	7,207	89.3%	865	10.7%	8,072
Subtotal	136	87.2%	20	12.8%	156	13,287	88.8%	1,674	11.2%	14,961
Grand Total	280	76.5%	86	23.5%	366	41,220	64.7%	22,501	35.3%	63,721

Distribution by Borrower Characteristics: Satisfactory

SSB's HMDA-reportable and small business 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

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

The Bank's average rates of HMDA-reportable lending to LMI borrowers of 30.3% by number and 22.2% by dollar value of loans compared favorably to the aggregate's rates of 23.3% and 15.4%, respectively. The Bank's rates of lending to moderate-income borrowers well exceeded the aggregate's rates for each year of the evaluation period, but

its rates of lending to low-income borrowers trailed the aggregate's rates. SSB's and the aggregate's rates were below the 38.6% of LMI families in the assessment area.

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

Distribution of 1-4 Family Loans by Borrower Income									
2018									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	147	5.4%	15,565	3.1%	22.1%
Moderate	20	34.5%	2,924	27.4%	515	18.8%	65,825	13.3%	16.6%
LMI	20	34.5%	2,924	27.4%	662	24.2%	81,390	16.4%	38.6%
Middle	13	22.4%	2,604	24.4%	703	25.7%	109,065	22.0%	20.3%
Upper	22	37.9%	4,771	44.7%	1,282	46.9%	291,640	58.8%	41.0%
Unknown	3	5.2%	378	3.5%	87	3.2%	14,285	2.9%	0.0%
Total	58		10,677		2,734		496,380		
2019									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	2	3.3%	225	1.9%	154	5.2%	16,320	2.7%	22.1%
Moderate	14	23.0%	1,886	15.8%	511	17.2%	73,045	12.0%	16.6%
LMI	16	26.2%	2,111	17.7%	665	22.4%	89,365	14.6%	38.6%
Middle	14	23.0%	2,482	20.8%	760	25.6%	125,050	20.5%	20.3%
Upper	27	44.3%	6,547	54.8%	1,439	48.4%	369,545	60.5%	41.0%
Unknown	4	6.6%	813	6.8%	107	3.6%	26,535	4.3%	
Total	61		11,953		2,971		610,495		
GRAND TOTAL									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	2	1.7%	225	1.0%		5.3%		2.9%	
Moderate	34	28.6%	4,810	21.3%		18.0%		12.5%	
LMI	36	30.3%	5,035	22.2%		23.3%		15.4%	
Middle	27	22.7%	5,086	22.5%		25.6%		21.2%	
Upper	49	41.2%	11,318	50.0%		47.7%		59.7%	
Unknown	7	5.9%	1,191	5.3%		3.4%		3.7%	
Total	119		22,630						

Small Business Loans

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

The Bank's average lending rates to businesses with gross annual revenues of \$1 million or less of 81.6% by number and 68.7% by dollar value of loans were well above the aggregate's rates of 45.4% and 35.6%, respectively.

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

Distribution of Small Business Lending by Revenue Size of Business									
2018									
Rev. Size	Bank				Aggregate				Bus. Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	54	80.6%	3,895	64.1%	1,585	46.2%	34,457	35.4%	85.7%
Rev. > \$1MM	13	19.4%	2,185	35.9%	1,848		62,754		4.7%
Rev. Unknown	-	0.0%	0	0.0%					9.7%
Total	67		6,080		3,433		97,211		
2019									
Rev. Size	Bank				Aggregate				Bus. Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	57	82.6%	5,237	72.7%	1,711	44.7%	33,876	35.8%	86.3%
Rev. > \$1MM	12	17.4%	1,970	27.3%	2,118		60,662		4.3%
Rev. Unknown	-	0.0%	0	0.0%					9.4%
Total	69		7,207		3,829		94,538		
GRAND TOTAL									
Rev. Size	Bank				Aggregate				Bus. Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	111	81.6%	9,132	68.7%		45.4%		35.6%	
Rev. > \$1MM	25	18.4%	4,155	31.3%					
Rev. Unknown	-	0.0%	-	0.0%					
Total	136		13,287						

Geographic Distribution of Loans: Needs to Improve

SSB's origination of loans in census tracts of varying income levels demonstrated a less than adequate distribution of lending.

The Bank's rates of lending in LMI geographies were lower than the aggregate's rates for both HMDA-reportable and small business loans. SSB's rates of lending were also below the assessment area's percentage of owner-occupied housing and businesses located in LMI geographies.

HMDA-Reportable Loans

The distribution of SSB's HMDA-reportable loans among census tracts of varying income levels was less than adequate.

During the evaluation period, SSB's HMDA-reportable average lending rates of 2.8% by number and 2.6% by dollar value were below the aggregate's rates of 6.6% and 5.3%, respectively. While the Bank made three loans in moderate-income census tracts in 2018, it made only one such loan in 2019, and made no loans in its assessment's one low-income tract during the evaluation period.

The Bank's average rates of lending also trailed the assessment area's 5.6% demographics of owner-occupied housing in LMI geographies, while the aggregate's rates were comparable to the demographics.

The following table provides a summary of the distribution of SSB'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									
2018									
Geographic	Bank				Aggregate				OO Hus
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	62	2.2%	9,550	1.6%	2.2%
Moderate	3	3.7%	529	3.4%	126	4.5%	17,290	2.9%	3.5%
LMI	3	3.7%	529	3.4%	188	6.8%	26,840	4.5%	5.6%
Middle	60	74.1%	11,371	73.5%	1,742	62.8%	382,540	64.5%	63.9%
Upper	18	22.2%	3,564	23.0%	846	30.5%	183,420	30.9%	30.5%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	81		15,464		2,776		592,800		
2019									
Geographic	Bank				Aggregate				OO Hus
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	60	2.0%	9,940	1.5%	2.2%
Moderate	1	1.6%	200	1.6%	134	4.5%	29,630	4.5%	3.5%
LMI	1	1.6%	200	1.6%	194	6.5%	39,570	6.0%	5.6%
Middle	36	57.1%	6,737	54.0%	1,883	62.9%	409,875	61.6%	63.9%
Upper	26	41.3%	5,532	44.4%	919	30.7%	215,545	32.4%	30.5%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	63		12,469		2,996		664,990		
GRAND TOTAL									
Geographic	Bank				Aggregate				OO Hus
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%		2.1%		1.5%	
Moderate	4	2.8%	729	2.6%		4.5%		3.7%	
LMI	4	2.8%	729	2.6%		6.6%		5.3%	
Middle	96	66.7%	18,108	64.8%		62.8%		63.0%	
Upper	44	30.6%	9,096	32.6%		30.6%		31.7%	
Unknown	-	0.0%	-	0.0%		0.0%		0.0%	
Total	144		27,933						

Small Business Loans

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

During the evaluation period, SSB originated 5.9% by number and 3.5% by dollar value of its small business loans in LMI census tracts versus the aggregate's rates of 6.8% and 8.6%, respectively. SSB made eight small business loans in LMI census tracts during the evaluation period, resulting in an average lending rate by number of loans just below the aggregate's rate, while the Bank's average lending rate by dollar value of loans was well below the aggregate's rate.

The Bank's average lending rates also trailed the assessment area's business demographics of 8.3% of businesses located in LMI census tracts, while the aggregate's rates were comparable to the demographics.

The following table provides a summary of the distribution of SSB's small business loans

by the income level of the geography where the businesses were located.

Distribution of Small Business Lending by Geographic Income of the Census Tract									
2018									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	1	1.5%	10	0.2%	62	1.8%	738	0.8%	2.6%
Moderate	3	4.5%	150	2.5%	169	4.9%	7,690	7.9%	5.5%
LMI	4	6.0%	160	2.6%	231	6.7%	8,428	8.7%	8.1%
Middle	38	56.7%	4,277	70.3%	2,137	62.2%	61,515	63.3%	62.2%
Upper	25	37.3%	1,643	27.0%	1,065	31.0%	27,268	28.1%	29.7%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	67		6,080		3,433		97,211		
2019									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	1	1.4%	10	0.1%	65	1.7%	1,261	1.3%	2.7%
Moderate	3	4.3%	300	4.2%	201	5.2%	6,759	7.1%	5.5%
LMI	4	5.8%	310	4.3%	266	6.9%	8,020	8.5%	8.3%
Middle	38	55.1%	4,191	58.2%	2,377	62.1%	61,963	65.5%	62.0%
Upper	27	39.1%	2,706	37.5%	1,186	31.0%	24,555	26.0%	29.7%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	69		7,207		3,829		94,538		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	2	1.5%	20	0.2%		1.7%		1.0%	
Moderate	6	4.4%	450	3.4%		5.1%		7.5%	
LMI	8	5.9%	470	3.5%	49	6.8%	16,441	8.6%	
Middle	76	55.9%	8,468	63.7%		62.2%		64.4%	
Upper	52	38.2%	4,349	32.7%		31.0%		27.0%	
Unknown	-	0.0%	-	0.0%		0.0%		0.0%	
Total	136		13,287						

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

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

Additional Factors

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

SSB's board of directors approves the Bank's CRA policy annually, and on a monthly basis receives the Bank's lending data reports.

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 by SSB intended to discourage

applications for the types of credit offered by SSB.

Evidence of prohibited discriminatory or other illegal credit practices.

DFS examiners did not note evidence that SSB engaged in any prohibited discriminatory or other illegal practices.

Record of opening and closing offices and providing services at offices

Distribution of Branches within the Assessment Area							
County	N/A #	Low #	Moderate #	Middle #	Upper #	Total #	LMI %
Ulster County *				3		3	0%
Total	-	-	-	3	-	3	0%

*Partial County

The Bank did not open or close any branches during the evaluation period.

All three of SSB’s branch offices are located in middle-income census tracts on the eastern side of Ulster County. The Bank also operates a loan production office in the town of Saugerties in Ulster County.

All three branch offices are full-service branches and offer branch hours from 9:00 am to 5:00 pm Monday through Thursday, with extended hours on Friday from 9:00 am to 6:00 pm. SSB also offers Saturday hours at all of its branches from 9:00 am to 2:00 pm. Each branch has a drive-up teller window open from 8:30 am to 5:00 pm Monday through Friday and 9:00 am to 2:00 pm on Saturday. An onsite ATM with deposit-taking capabilities is available at each branch. In addition, SSB customers have surcharge-free access to the Allpoint ATMs network with over 55,000 ATMs worldwide.

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.*

SSB’s management and employees are members of various business and professional associations in the county and regional level. In addition, SSB conducts financial literacy and affordable housing seminars for the public, often partnering with a local nonprofit organization focused on providing assistance to potential homebuyers. All of these activities provide SSB management and employees the opportunity to meet with potential consumers and homebuyers, ascertain the credit needs of the community and introduce the Bank’s credit services.

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- *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*

The Bank advertises its loan products, including its First Time Homebuyer Program via its website, radio, lobby postings, and on the Bank's Facebook page. SSB also uses digital advertising (search ads, display ads, and Facebook ads). SSB is also featured on a local billboard in the area and is engaged in more focused advertising efforts based on specific identified needs in the community.

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

SSB originated 38 loans totaling \$6.6 million through its "First-Time Homebuyers" program. The lending program offers a 100% financing option and reduced closing costs. The program has been expanded to include housing renovations.

SSB's management and employees are members of various local chambers of commerce. In addition, SSB partners with a local nonprofit organization to participate in their First Home Club seminars that focuses on providing assistance to potential homebuyers. The Bank also sponsors financial literacy seminars through other community organizations.

In addition, SSB made 50 community development grants to 31 organizations totaling approximately \$72,900 during the evaluation period. Recipients included youth-oriented organizations, affordable housing operations, and local food pantries, as well as other organizations involved in community development activities.

GLOSSARY

Aggregate Lending

“Aggregate lending” means 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” means:

- Affordable housing (including multifamily housing) for LMI individuals;
- Community services targeted to LMI individuals;
- 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;
- Activities that revitalize or stabilize LMI geographies, designated disaster areas, or distressed or underserved metropolitan middle-income geographies designated by the Board of Governors of the federal Reserve System, FDIC and the Office of Comptroller of the Currency; and
- Activities that seek to prevent defaults and/or foreclosures in loans included in the first and third bullet points above.

Community Development Loan

“Community development loan” means 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 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

“Community development service” means a 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.

Community Development Financial Institution (“CDFI”)

A CDFI is a financial institution that provides credit and financial services to underserved markets and populations and has a primary mission of community development, serves a target market, is a financing entity, provides development services, remains accountable to its community, and is a non-governmental entity. CDFIs are certified as such by United States Treasury Department’s CDFI Fund.

Geography

“Geography” means 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.

LMI Geographies

“LMI geographies” means those census tracts or block numbering areas where, according to the most current 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

“LMI borrowers” means 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 Federal Financial Institutions Examination Council (“FFIEC”).

LMI Individuals/Persons

“LMI individuals” or “LMI persons” means 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 the FFIEC.

LMI Penetration Rate

“LMI penetration rate” means the percentage of a bank’s total loans (for a particular product) that was extended to LMI geographies or borrowers. For example, if a bank made 20 out of a total of 100 loans in LMI geographies or to LMI borrowers, the penetration rate would be 20%.

Low-Income Housing Tax Credit (“LIHTC”)

LIHTC were 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. The tax credits 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 NMTC Program was established by Congress in December 2000 to stimulate economic and community development and job creation in low-income communities. It permits 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 CDFI Fund, an agency of the United States Department of the Treasury.

Qualified Investment

“Qualified investment” means 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.