



PUBLIC SUMMARY

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION OF ULSTER SAVINGS BANK

AS OF SEPTEMBER 30, 2022

New York State Department of Financial Services
Consumer Protection and Financial Enforcement Division
One State Street, New York NY 10004

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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ULSTER SAVINGS BANK – CRA PERFORMANCE EVALUATION

I - GENERAL INFORMATION

This document is an evaluation (the “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 Bank’s CRA performance based on an evaluation conducted as of September 30, 2022.

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 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 Evaluation.

II - OVERVIEW OF INSTITUTION’S PERFORMANCE

The Department evaluated USB according to the intermediate small banking institutions performance criteria pursuant to Sections 76.7 and 76.12 of the GRS. The evaluation period included calendar years 2019, 2020 and 2021 for the lending test and the period July 1, 2019, to September 30, 2022, for the community development test. USB is rated “2,” indicating a “Satisfactory” record of helping to meet community credit needs.

The rating is based on the following factors:

A. Lending Test: Satisfactory

1. 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.

USB’s average LTD ratio for the evaluation period was 81.3%, below its peer average LTD ratio of 86.5% and represented a decline from the average LTD of ratio of 88.2% reported at the prior evaluation. The Bank’s decrease in LTD ratio was attributed to large increases in deposits received during the COVID-19 pandemic. USB’s quarterly average LTD ratios ranged from 66.8% to 94.9% for the current evaluation period.

2. Assessment Area Concentration: Satisfactory

During the evaluation period, USB originated 76.2% by number and 67.5% by dollar value of its total HMDA-reportable, small business and consumer loans within the assessment area, demonstrating a reasonable concentration of lending.

3. Distribution by Borrower Characteristics: Satisfactory

USB’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.

4. Geographic Distribution of Loans: Needs to Improve

USB’s origination of loans in census tracts of varying income levels demonstrated a poor distribution of lending.

The Bank’s HMDA reportable and small business lending rates in LMI census tracts were well below the aggregate’s lending rates. Furthermore, USB’s HMDA-reportable and small business lending rates in LMI census tracts trailed the percentage of owner-occupied housing units and percentage of small businesses located in LMI census tracts, respectively.

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5. 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.

B. Community Development Test: Outstanding

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

1. Community Development Lending: Outstanding

During the evaluation period, USB originated \$63.5 million in new community development loans, and still had \$5.1 million outstanding from prior evaluation periods. This demonstrated an excellent level of community development lending over the course of the evaluation period.

2. Qualified Investments: Satisfactory

During the evaluation period, USB made \$2 million in new qualified investment and had \$2.4 million outstanding from prior evaluation periods. In addition, USB made \$955,515 in qualified grants. This demonstrated an adequate level of qualified investments over the course of the evaluation period.

3. Community Development Services: Outstanding

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

4. Responsiveness to Community Development Needs:

USB demonstrated an excellent 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.

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III - PERFORMANCE CONTEXT

A. Institution Profile

Chartered in 1851, USB is a New York State-chartered mutual savings bank headquartered in Kingston, New York. The Bank has four wholly-owned subsidiaries: USB Agency, Inc., a title company; Ulster Insurance Services, Inc., an insurance agency that offers various types of personal and commercial insurance products and annuities; Ulster Financial Group, Inc., a provider of financial and investment services, as well as payroll and tax preparation services; and USB Assignment Corp., a real estate holding company.

USB operates 15 banking offices: nine in Ulster County, five in Dutchess County and one in Orange County. Supplementing the banking offices is an automated teller machine (“ATM”) network consisting of 18 machines: one at each of the 15 offices and three off-site ATMs. All USB’s ATMs have deposit-taking capabilities with the exception of one off-site ATM.

The Bank offers various services and products to its retail customers and business customers. Services include banking by mail, mobile and online banking with bill pay for consumers and remote deposit capture, night depository and cash management for business customers. Deposit products offered include personal and business checking and savings accounts, money market accounts, IOLA accounts, statement savings and health savings accounts. Loan products include home equity loans, residential mortgage loans, reverse mortgage loans, multifamily loans, commercial mortgage loans and business lines of credit.

In its Consolidated Report of Condition (the “Call Report”) as of December 31, 2021, filed with the Federal Deposit Insurance Corporation (“FDIC”), USB reported total assets of \$1.3 billion, of which \$796.1 million were net loans and lease financing receivables. The Bank also reported total deposits of \$1.1 billion, resulting in a LTD ratio of 69.5%. According to the latest available comparative deposit data as of June 30, 2022 USB obtained a market share of 4.7%, or \$1.2 billion in a market of \$24.4 billion, ranking it 7th among 30 deposit-taking institutions in the assessment area.

The following is a summary of the Bank’s loan portfolio, based on Schedule RC-C of the Bank’s December 31, 2019, December 31, 2020 and December 31, 2021’s Call Reports:

TOTAL GROSS LOANS OUTSTANDING						
Loan Type	2019		2020		2021	
	\$000's	%	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	475,731	59.2	435,101	56.0	421,575	52.1
Commercial & Industrial Loans	40,236	5.0	43,682	5.6	43,716	5.4
Commercial Mortgage Loans	156,137	19.4	156,546	20.1	177,132	21.9
Multifamily Mortgages	55,972	7.0	54,108	7.0	65,590	8.1
Consumer Loans	24,822	3.1	22,408	2.9	18,774	2.3
Agricultural Loans	258	0.0	1,357	0.2	4,402	0.5
Construction Loans	49,878	6.2	59,636	7.7	74,476	9.2
Other Loans	303	0.0	4,424	0.6	3,664	0.5
Total Gross Loans	803,337		777,262		809,329	

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As illustrated in the above table, USB is primarily a residential real estate lender, with 52.1% of its loan portfolio in 1-4 family residential mortgage loans and 8.1% in multifamily mortgages.

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.

B. Assessment Area

The Bank's assessment area consists of Dutchess, Orange and Ulster counties and is made up of 205 census tracts, of which 15 are low-income, 30 are moderate-income, 105 are middle-income, 53 are upper-income, and 2 are tracts with no income indicated.

Assessment Area Census Tracts by Income Level							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
Dutchess	2	5	9	41	22	79	17.7
Orange		9	14	37	19	79	29.1
Ulster		1	7	27	12	47	17.0
Total	2	15	30	105	53	205	22.0

C. Demographic & Economic Data

The assessment area had a population of 853,612 during the evaluation period. Approximately 14.1% of the population were over the age of 65 and 19.8% were 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 the housing units were owner-occupied, while 27.4% were rental occupied and 11.8% of housing units were vacant.

Of the 207,819 owner-occupied housing units, 12.5% were in LMI census tracts while 87.5% were in middle- and upper-income census tracts. The median age of the housing stock was 55 years, and the median home value in the assessment area was \$252,893.

There were 86,025 non-farm businesses in the assessment area. Of these, 89.3% were businesses with reported revenues of less than or equal to \$1 million, 3.1% reported revenues of more than \$1 million and 7.6% did not report their revenues. Of all the businesses in the assessment area, 97.3% were businesses with less than fifty employees while 93.1% operated from a single location. The largest industries in the area were services (35.6%), retail trade (12.3%) and finance, insurance and real estate (8.1%); and 22.6% of businesses in the assessment area were not classified.

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According to the New York State Department of Labor, annual average unemployment rates for each of the three counties in the Bank’s assessment area were below the statewide annual average unemployment rates for 2019, 2020 and 2021. Unemployment rates significantly increased for all three counties and statewide in 2020 due to the emergence of the COVID-19 pandemic which caused significant disruption and layoffs in the labor market. In 2021, unemployment rates improved as COVID 19 transmissions eased and businesses began hiring back workers and support staff.

Assessment Area Unemployment Rate				
	Statewide	Dutchess	Orange	Ulster
2019	3.8	3.5	3.6	3.6
2020	9.9	7.3	8	7.7
2021	6.9	4.4	4.7	4.7
Average of Years above	6.9	5.1	5.4	5.3

D. Community Information

As part of the evaluation, DFS examiners conducted a community contact interview with an executive director of a nonprofit housing organization. The organization assists LMI residents with housing needs, including, but not limited to, constructing, rehabilitating, preserving homes, training and access to resources to help LMI families access to affordable housing and improve their living conditions.

The executive director of the nonprofit organization suggested that financial institutions’ products and services should be tailored to the banking and credit needs of their community, including the needs of LMI individuals and minorities. Current banking products and services offered by local financial institutions are mostly inaccessible, and do not specifically address the needs of their entire community. This has discouraged some residents to apply for loans of fear of denial for not meeting all of the application’s requirements. USB received favorable comments from this organization as being active in their community.

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IV - PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

The Department evaluated USB under the intermediate small banking institution performance criteria 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 evaluation process and in its all 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 loan to deposit ("LTD") ratios from information shown in the Bank's Uniform Bank Performance Report, compiled by the FFIEC from call report data.

DFS derived statistics employed in this evaluation from various sources USB submitted.

DFS derived the demographic data referred to in this report from the 2020 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 2019, 2020 and 2021 for lending activities and the period July 1, 2019 to September 30, 2022 for community development activities.

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

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DFS did not consider small farm loans in the evaluation, as USB made only 8 small farm loans for a total of \$0.7 million during the evaluation period, which constituted only 0.1% by number and 0.1% by dollar value of the Bank’s total HMDA-reportable, small business and small farm loans originated in USB’s assessment area during the evaluation period.

Examiners gave greater weight to USB’s HMDA-reportable lending in this evaluation as it represents 85.4% by number and 87.2% by dollar value of all HMDA-reportable and small business loans originated by the Bank’s in its assessment area during the evaluation period.

HMDA-reportable loan data evaluated in this evaluation represented actual originations and purchases. Small business loan data evaluated in this evaluation represented actual originations and purchases; however, USB is not required to report small business and small farm loan data, therefore the Bank’s small business loans are not included in the aggregate data. The aggregate data are shown only for comparative purposes.

In its prior Community Reinvestment Act Performance Evaluation as of June 30, 2019 DFS assigned USB a rating of “2,” or a “satisfactory” record of helping to meet the credit needs of its community with regulatory standards.

CRA Rating: Satisfactory

A. Lending Test: Satisfactory

USB’s small business and HMDA-reportable activities were reasonable in light of UBS’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.

1. 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 for the evaluation period was 81.3%, trailing its peer ratio of 86.5%. The Bank’s average LTD ratio also declined from its average LTD ratio of 88.2% recorded for the prior evaluation period. The decline in the Bank’s LTD ratio was primarily due to a large inflow of deposits during the onset of the COVID-19 pandemic. As a result, the Bank’s quarterly LTD ratio declined from 92.1% for the 1st quarter of 2020 to 72.8% for the 4th quarter of 2020.

The table below shows the Bank’s LTD ratios in comparison with the peer group’s ratios for the 12 quarters of this evaluation.

Loan-to-Deposit Ratios													
	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4	Avg.
Bank	93.5	94.2	94.9	94.9	92.1	81.9	77.0	72.8	70.8	67.5	66.8	69.7	81.3
Peer	91.2	90.5	90.7	90.7	90.6	90.0	88.7	86.0	82.1	80.3	79.2	78.1	86.5

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2. Assessment Area Concentration: Satisfactory

During the evaluation period, USB originated 76% by number and 67.4% by dollar value of its total HMDA-reportable and small business loans within the assessment area, demonstrating a reasonable concentration of lending.

a. HMDA-Reportable Loans:

During the evaluation period, USB originated 74.7% by number and 66.6% by dollar value of its HMDA-reportable loans within the assessment area. This majority of lending inside of USB's assessment area reflects a reasonable concentration of lending.

b. Small Business Loans:

During the evaluation period, USB originated 86.9% by number and 76% by dollar value of its small business within the assessment area. This majority of lending inside of USB's assessment area reflects a reasonable concentration of lending.

The following table shows the percentages of the Bank's HMDA-reportable, small business and small farm loans originated inside and outside of the assessment area.

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Loans in Dollars (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
HMDA-Reportable										
2019	730	74.4%	251	25.6%	981	148,330	68.7%	67,663	31.3%	215,993
2020	995	72.3%	381	27.7%	1,376	231,551	66.3%	117,550	33.7%	349,101
2021	847	77.8%	241	22.2%	1,088	229,292	65.5%	120,630	34.5%	349,922
Subtotal	2,572	74.7%	873	25.3%	3,445	609,173	66.6%	305,843	33.4%	915,016
Small Business										
2019	121	80.7%	29	19.3%	150	16,123	62.8%	9,544	37.2%	25,667
2020	152	88.4%	20	11.6%	172	30,372	79.0%	8,087	21.0%	38,459
2021	159	90.9%	16	9.1%	175	25,865	83.3%	5,179	16.7%	31,044
Subtotal	432	86.9%	65	13.1%	497	72,360	76.0%	22,810	24.0%	95,170
Grand Total	3,004	76.0%	939	23.8%	3,951	681,533	67.4%	328,688	32.5%	1,010,940

* DFS based its analysis of HMDA-reportable and small business lending on actual loans.

3. Distribution by Borrower Characteristics: Satisfactory

USB'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.

a. 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.

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During the evaluation period, USB originated 23.2% by number and 15.2% by dollar value of its HMDA-reportable loans to LMI borrowers, just below the aggregate's 24.6% and 18%, respectively.

Both the Bank and the aggregate's rates of lending by dollar value of loans exceeded the percentage (16%) of moderate-income families (family demographics) living in the assessment area, while the Bank's and the aggregate's rates of lending to low-income borrowers were well below the percentage (20.6%) of low-income families (family demographics) living in the assessment area, which in part may be due to 10.7% of the population in the assessment area having income below the poverty level and 2.9% being on public assistance

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

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Distribution of One-to-Four Family Loans by Borrower Income									
2019									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	36	5.0%	3,488	2.5%	1,115	6.4%	151,985	3.9%	20.6%
Moderate	137	19.1%	20,609	14.6%	3,491	20.0%	615,365	15.7%	16.0%
LMI	173	24.1%	24,097	17.1%	4,606	26.4%	767,350	19.5%	36.6%
Middle	179	25.0%	31,656	22.4%	4,971	28.5%	1,053,075	26.8%	20.4%
Upper	357	49.8%	84,409	59.7%	7,100	40.7%	1,928,220	49.1%	43.0%
Unknown	8	1.1%	1,138	0.8%	766	4.4%	182,100	4.6%	
Total	717		141,300		17,443		3,930,745		
2020									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	37	3.8%	4,862	2.1%	1,220	4.9%	185,990	2.9%	20.6%
Moderate	174	17.7%	27,204	12.0%	4,588	18.3%	930,390	14.3%	16.0%
LMI	211	21.5%	32,066	14.2%	5,808	23.2%	1,116,380	17.2%	36.6%
Middle	244	24.8%	47,050	20.8%	7,051	28.2%	1,694,735	26.1%	20.4%
Upper	514	52.3%	143,741	63.6%	10,877	43.4%	3,323,855	51.1%	43.0%
Unknown	13	1.3%	3,314	1.5%	1,302	5.2%	368,590	5.7%	
Total	982		226,171		25,038		6,503,560		
2021									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	52	6.3%	6,015	2.8%	1,540	5.1%	238,900	2.9%	20.6%
Moderate	152	18.3%	25,905	12.1%	5,840	19.5%	1,231,940	15.1%	16.0%
LMI	204	24.5%	31,920	15.0%	7,380	24.6%	1,470,840	18.0%	36.6%
Middle	229	27.5%	49,424	23.2%	8,693	29.0%	2,185,865	26.8%	20.4%
Upper	386	46.4%	128,670	60.3%	12,566	41.9%	4,118,030	50.5%	43.0%
Unknown	13	1.6%	3,364	1.6%	1,352	4.5%	386,430	4.7%	
Total	832		213,378		29,991		8,161,165		
GRAND TOTAL									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	125	4.9%	14,365	2.5%	3,875	5.3%	576,875	3.1%	
Moderate	463	18.3%	73,718	12.7%	13,919	19.2%	2,777,695	14.9%	
LMI	588	23.2%	88,083	15.2%	17,794	24.6%	3,354,570	18.0%	
Middle	652	25.8%	128,130	22.1%	20,715	28.6%	4,933,675	26.5%	
Upper	1,257	49.7%	356,820	61.4%	30,543	42.1%	9,370,105	50.4%	
Unknown	34	1.3%	7,816	1.3%	3,420	4.7%	937,120	5.0%	
Total	2,531		580,849		72,472		18,595,470		

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b. 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 51.4% by number and 37.9% by dollar value of loans, were well above the aggregate's average rates of 42.3% and 27.1%, respectively.

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

Distribution of Small Business Lending by Revenue Size of Business									
2019									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	80	66.1%	6,461	40.1%	9,299	44.6%	187,846	31.8%	86.1%
Rev. > \$1MM	38	31.4%	9,631	59.7%					4.5%
Rev. Unknown	3	2.5%	31	0.2%					9.4%
Total	121		16,123		20,834		590,344		
2020									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	77	50.7%	10,307	33.9%	8,336	37.4%	237,655	23.8%	88.2%
Rev. > \$1MM	74	48.7%	20,055	66.0%					3.8%
Rev. Unknown	1	0.7%	10	0.0%					8.0%
Total	152		30,372		22,277		997,056		
2021									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	65	40.9%	10,645	41.2%	11,478	44.6%	241,398	27.6%	89.3%
Rev. > \$1MM	94	59.1%	15,220	58.8%					3.1%
Rev. Unknown		0.0%		0.0%					7.6%
Total	159		25,865		25,756		875,063		
GRAND TOTAL									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	222	51.4%	27,413	37.9%	29,113	42.3%	666,899	27.1%	
Rev. > \$1MM	206	47.7%	44,906	62.1%	-				
Rev. Unknown	4	0.9%	41	0.1%	0				
Total	432		72,360		68,867		2,462,463		

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4. Geographic Distribution of Loans: Needs to Improve

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

a. HMDA-Reportable Loans:

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

USB's average rates of lending in LMI census tracts were 10.1% by number of loans and 9.9% by dollar value of loans which were well below the aggregate's rates of lending of 13.6% and 14% respectively. Furthermore, the Bank's annual rates of lending in LMI census tracts trailed the aggregate's rates for each year of the evaluation period.

The Bank's average lending rates in LMI census tracts also trailed the percentage (12.5%) of owner-occupied housing units (housing demographics) located in LMI census tracts, while the aggregate's rates exceeded the percentage of owner-occupied housing units located in LMI census tracts.

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

ULSTER SAVINGS BANK – CRA PERFORMANCE EVALUATION

Distribution of HMDA-Reportable Lending by Geographic Income of the Census Tract									
2019									
Geographic	Bank				Aggregate				OO HUs
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	16	2.2%	2,226	1.5%	944	5.4%	271,700	6.5%	2.4%
Moderate	55	7.5%	12,653	8.5%	1,551	8.8%	324,155	7.8%	10.1%
LMI	71	9.7%	14,879	10.0%	2,495	14.2%	595,855	14.4%	12.5%
Middle	452	61.9%	87,651	59.1%	9,082	51.8%	2,018,680	48.7%	54.6%
Upper	207	28.4%	45,800	30.9%	5,972	34.0%	1,533,970	37.0%	32.9%
Unknown		0.0%		0.0%		0.0%		0.0%	
Total	730		148,330		17,549		4,148,505		
2020									
Geographic	Bank				Aggregate				OO HUs
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	31	3.1%	7,149	3.1%	1,302	5.2%	505,180	7.2%	2.4%
Moderate	64	6.4%	12,856	5.6%	1,975	7.8%	463,005	6.6%	10.1%
LMI	95	9.5%	20,005	8.6%	3,277	13.0%	968,185	13.8%	12.5%
Middle	600	60.3%	135,448	58.5%	12,643	50.2%	3,246,525	46.4%	54.6%
Upper	300	30.2%	76,098	32.9%	9,248	36.7%	2,780,530	39.7%	32.9%
Unknown		0.0%		0.0%		0.0%		0.0%	
Total	995		231,551		25,168		6,995,240		
2021									
Geographic	Bank				Aggregate				OO HUs
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	21	2.5%	8,908	3.9%	1,487	4.9%	543,135	6.1%	2.4%
Moderate	72	8.5%	16,802	7.3%	2,682	8.9%	716,800	8.0%	10.1%
LMI	93	11.0%	25,710	11.2%	4,169	13.8%	1,259,935	14.0%	12.5%
Middle	524	61.9%	134,667	58.7%	15,669	51.9%	4,571,575	50.9%	54.6%
Upper	230	27.2%	68,915	30.1%	10,342	34.3%	3,142,630	35.0%	32.9%
Unknown		0.0%		0.0%		0.0%		0.0%	
Total	847		229,292		30,180		8,974,140		
GRAND TOTAL									
Geographic	Bank				Aggregate				OO HUs
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	68	2.6%	18,283	3.0%	3,733	5.1%	1,320,015	6.6%	
Moderate	191	7.4%	42,311	6.9%	6,208	8.5%	1,503,960	7.5%	
LMI	259	10.1%	60,594	9.9%	9,941	13.6%	2,823,975	14.0%	
Middle	1,576	61.3%	357,766	58.7%	37,394	51.3%	9,836,780	48.9%	
Upper	737	28.7%	190,813	31.3%	25,562	35.1%	7,457,130	37.1%	
Unknown		0.0%		0.0%		0.0%		0.0%	
Total	2,572		609,173		72,897		20,117,885		

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b. Small Business Loans:

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

USB's small business lending rates of 10.2% by number and 17.3% by dollar value in LMI census tracts were well below the aggregate's lending rates of 23.7% and 23.7% respectively.

The Bank's small business lending rates in LMI census tracts were also well below the 20.1% of small businesses (business demographics) located in LMI census tracts within the assessment area, while the aggregate's rates of lending were comparable to the percentage of small businesses located in LMI census tracts.

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

ULSTER SAVINGS BANK – CRA PERFORMANCE EVALUATION

Distribution of Small Business Lending by Geographic Income of the Census Tract									
2019									
Geographic	Bank				Aggregate				Bus.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	2	1.7%	625	3.9%	2,866	13.8%	85,684	14.5%	7.6%
Moderate	12	9.9%	2,030	12.6%	2,258	10.8%	68,189	11.6%	12.5%
LMI	14	11.6%	2,655	16.5%	5,124	24.6%	153,873	26.1%	20.1%
Middle	78	64.5%	7,436	46.1%	9,487	45.5%	275,177	46.6%	51.0%
Upper	29	24.0%	6,032	37.4%	6,223	29.9%	161,294	27.3%	28.9%
Unknown		0.0%		0.0%		0.0%		0.0%	
Total	121		16,123		20,834		590,344		
2020									
Geographic	Bank				Aggregate				Bus.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	5	3.3%	2,684	8.8%	2,714	12.2%	104,425	10.5%	8.3%
Moderate	10	6.6%	2,516	8.3%	2,477	11.1%	119,373	12.0%	12.3%
LMI	15	9.9%	5,200	17.1%	5,191	23.3%	223,798	22.4%	20.6%
Middle	82	53.9%	13,110	43.2%	10,468	47.0%	486,934	48.8%	50.1%
Upper	55	36.2%	12,062	39.7%	6,618	29.7%	286,324	28.7%	29.3%
Unknown		0.0%		0.0%		0.0%		0.0%	
Total	152		30,372		22,277		997,056		
2021									
Geographic	Bank				Aggregate				Bus.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	1	0.6%	3	0.0%	3,173	12.3%	100,979	11.5%	9.1%
Moderate	14	8.8%	4,627	17.9%	2,825	11.0%	103,876	11.9%	12.6%
LMI	15	9.4%	4,630	17.9%	5,998	23.3%	204,855	23.4%	21.7%
Middle	63	39.6%	7,035	27.2%	12,050	46.8%	419,108	47.9%	49.2%
Upper	81	50.9%	14,200	54.9%	7,708	29.9%	251,100	28.7%	29.2%
Unknown		0.0%		0.0%		0.0%		0.0%	
Total	159		25,865		25,756	#DIV/0!	875,063		
GRAND TOTAL									
Geographic	Bank				Aggregate				Bus.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	8	1.9%	3,312	4.6%	8,753	12.7%	291,088	11.8%	
Moderate	36	8.3%	9,173	12.7%	7,560	11.0%	291,438	11.8%	
LMI	44	10.2%	12,485	17.3%	16,313	23.7%	582,526	23.7%	
Middle	223	51.6%	27,581	38.1%	32,005	46.5%	1,181,219	48.0%	
Upper	165	38.2%	32,294	44.6%	20,549	29.8%	698,718	28.4%	
Unknown		0.0%		0.0%		0.0%		0.0%	
Total	432		72,360		68,867		2,462,463		

5. 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.

ULSTER SAVINGS BANK – CRA PERFORMANCE EVALUATION

B. Community Development Test: Outstanding

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

1. Community Development Lending: Outstanding

During the evaluation period, USB originated \$63.5 million in new community development loans and had \$5.1 million outstanding from prior evaluation periods. The Bank’s level of community development lending increased by \$43 million from the \$25.5 million in the prior evaluation period. This demonstrated an excellent level of community development lending over the course of the evaluation period.

Community Development Loans				
Purpose	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Loans	\$000	# of Loans	\$000
Affordable Housing	17	11,451	9	4,176
Economic Development	16	43,401	0	0
Community Services	20	3,151	1	581
Other (Revitalizon/Stablization)	5	5,482	1	355
Total	58	63,485	11	5,112

Below are high lights of USB community development lending.

- USB extended a \$16 million line of credit (“LOC”) to a certified community development financial institution (“CDFI”) based in New York State. The LOC was specifically used for the Small Business Administration’s Paycheck Protection Program that was enacted to provided funding to small business struggling to stay open and keep workers employed during the COVID-19 pandemic. The CDFI used the LOC to provide funding specifically to small businesses located within the Bank’s assessment area.
- USB originated a total of \$2.2 million in loans to a not-for-profit organization that provides residential, educational and vocational services to individuals with developmental disabilities within the Bank’s assessment area. The proceeds were used to finance the purchase of motor vehicles to transport clients to and from its service locations. Approximately 70% of the organization’s revenue is derived from Medicaid.
- USB refinanced a mortgage loan totaling \$2 million for improvements of a multifamily property located in a low-income census tract in Orange County. The property contains 18 apartments all with rents below the HUD fair market rent, making them affordable.

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2. Qualified Investments: Satisfactory

During the evaluation period, USB made \$2 million in new qualified investments and had \$2.4 million outstanding from prior evaluation periods. In addition, USB made \$955,515 in qualified grants. This demonstrated a satisfactory level of qualified investments over the course of the evaluation period.

The Bank’s investment made during the evaluation period consisted of a \$2 million municipal bond, issued by a school district within the Bank’s assessment area. The Bond will fund renovations, upgrades and improvements to the school district’s facilities. The majority of the school district’s student population receive free- or reduced-price lunch.

Qualified Investments and Grants				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Inv.	\$000	# of Inv.	\$000
CD Investments				
Affordable Housing				1,000
Economic Development				900
Community Services	1	\$ 1,975		500
Other (Please Specify)				
Total	1	\$ 1,975	0	\$ 2,400
CD Grants	# of Grants	\$000	<i>Not Applicable</i>	
Affordable Housing	23	\$ 122		
Economic Development	9	\$ 19		
Community Services	280	\$ 803		
Revitalize/Stabilize	4	\$ 11		
Other (Please Specify)				
Total	316	\$ 955		

Below are highlights of USB’s Grants:

- USB donated a total of \$55,000 to an organization that specializes in digital learning. The Bank partnered with the organization to provide financial literacy education courses that included topics such as managing your money, financing your future, healthy financial habits and sustainable investing. These courses were provided to various schools in LMI geographies within the assessment area.
- The Bank made grants totaling \$55,000 to a nonprofit organization that seeks to break the barriers and challenges of disadvantaged communities. Services offered by the organization include affordable childcare, job training skills, mental health programs and homelessness prevention.
- The Bank made \$30,000 in donations to an organization that specializes in affordable housing projects and community development programs designed to revitalize communities in need.

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- USB contributed \$22,500 to a nonprofit organization whose mission is to educate, nurture and promote entrepreneurship in the Black, Indigenous, and People of Color (“BIPOC”) community and women, to create lasting solutions to poverty, hunger, and social injustice through education, ownership, and self-sufficiency.

3. Community Development Services: Outstanding

USB demonstrated an excellent level of community development services over the course of the evaluation period. The Bank’s community development services included board and/or committee memberships in local community organizations, participation in community events and providing financial education seminars.

Community Development Services	
Activity Type	Number of Activities
On-Going Board & Committee Memberships	144
Technical Assistance	1
Seminars	23
Credit Counseling	
Other Services	
Total Community Development Services	168

Below are highlights of USB’s personnel community development service activities.

- A senior bank officer serves as a board member and treasurer of an organization that brings together businesses, nonprofit organizations, and academic and government leaders to work together on solutions to housing, education, land use policy, transportation, and infrastructure to inspire changes and growth, and vitality for the regional economy.
- A bank officer serves as a trustee of an organization that helps people obtain living wage jobs, stable housing, and healthy connections to others and the community.
- A bank officer serves as a board member of an organization that provides confidential and accessible crisis prevention, intervention, and support services to address the needs of individuals and families, and to improve the quality of life in the communities.
- A senior officer serves as a board member of an organization that offers students financial support and academic programs to enhance their experience while pursuing their education.
- A vice president serves on the board of an organization that provides expert management and technical assistance to start-up and existing small businesses across the state.

Responsiveness to Community Development Needs:

USB demonstrated an excellent level of responsiveness through community development lending, investments, and service needs.

During the evaluation period, USB participated in the Federal Home Loan Bank of New York’s (“FHLBNY”) Homebuyer Dream grant program, which provides first-time homebuyers with

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homeownership education, reduced closing costs, and access to grants to assist with down payment and closing costs. The Bank partnered with local not-for-profit housing agencies in offering the program, as well as working with area developers submitting grant requests to the FHLB NY on behalf of the developers providing affordable housing units.

USB also actively participated in the Small Business Administration’s (“SBA’s”) Paycheck Protection Program (“PPP”) that provided much needed financing to local businesses struggling to remain open and keep workers employed during the COVID-19 pandemic.

C. Additional Factors

1. 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 performs an annual CRA Self-Assessment, which is provided to the Risk Committee of the board of trustees for review. The most recent self-assessment was conducted for the period October 22, 2021 to October 20, 2022.

The CRA officer reports to the CRA committee on a quarterly basis on the bank’s HMDA lending activities, community development activities and the committee discuss the reports and community development opportunities within the Bank’s assessment area. The CRA officer will also report bi-annually to the Bank’s Enterprise Compliance Risk Management Committee (“ECRM”) on the Bank’s CRA performance and activities. A summary of the ECRM meeting minutes and reports are provided to the Risk Committee of the board of trustees for review.

2. 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 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 evidence by USB of prohibited discriminatory or other illegal practices.

3. Record of opening and closing offices and providing services at offices

In July 2021, USB opened a branch in Hyde Park, Dutchess County, NY, in a middle-income census tract. The Bank did not close any branches during the evaluation period.

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Distribution of Branches within the Assessment Area							
County	N/A #	Low #	Moderate #	Middle #	Upper #	Total #	LMI %
Dutchess		1		4		5	20%
Orange			1			1	100%
Ulster			1	8		9	11%
Total	-	1	2	12	-	15	20%

USB operates 15 banking offices located within the three counties that make up its assessment area: nine in Ulster County, five in Dutchess County and one in Orange County. All branches offer regular business hours from 8:30 am to 5:00 pm, Monday through Friday, with extended hours until 6:00 pm on Friday. Twelve branches offer Saturday hours from 9:00 am to 2:00 pm (including the three branches in LMI census tracts) and all branches offer drive-through services except the Phoenicia branch.

Supplementing the banking offices is an automated teller machine (“ATM”) network consisting of 18 ATMs, one at each of its 15 offices, and three off-site ATMs (one each at Ulster County Community College, SUNY New Paltz, and the Emerson Resort). All ATMs have deposit-taking capabilities with the exception of the Emerson Resort ATM.

4. 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 closely with nonprofit organizations involved in various community activities such as affordable housing. The Bank also works with area developers, both private and not-for-profit, on the development of workforce housing and affordable senior housing. In addition, bank staff serves as board or committee members of local community organizations and provides financial literacy and homebuyer seminars to LMI individuals. All these activities help management ascertain the credit and banking needs of its community.

- 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 markets and advertises its products and services using various forms including billboards, local newspaper, television, radio, direct media, and digital media (social media platforms, websites, email blast and electronic ads).

5. 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 also made a total of \$13.2 million of qualified community development loans in New York State, but outside its assessment area. Below are highlights of these loans:

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- USB made a \$5.1 million loan to a developer for a business hub project located within a low-income census tract, in Rockland County. The project will help revitalize the area.
- The Bank extended a \$100,000 LOC to a nonprofit organization, headquartered in the Bronx, in a moderate-income census tract. The organization assists formerly incarcerated people to re-enter communities and become productive citizens.
- USB originated a \$4.2 million SBA approved loan to a cheese manufacturer that provides jobs to the residents of Sullivan County.

USB, to help better the lives of seniors and people in need within its community outside of a credit need, has also established a Community Service Committee which is responsible for matching volunteer opportunities within the community with willing bank employees. The committee aims to have a 100% employee participation in community service activities that focus primarily on helping to improve the quality of life and well-being of LMI, seniors and individuals in need within the Bank's assessment area.

V - 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

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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.

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Fair Market Rents (“FMRs”)

Fair Market Rents are published and developed annually by the US Department of Housing and Urban Development (“HUD”) and used to determine rent payments for affordable housing projects such as Section 8 contracts in defined metropolitan statistical areas (“MSAs”) nationwide. For easy reference of annual FMRs in New York MSAs or counties, go to www.huduser.gov/portal/datasets/fmr.html

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

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

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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.

ULSTER SAVINGS BANK – CRA PERFORMANCE EVALUATION

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%. The program officially ended May 31, 2021.

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.

Small Business Loan

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