



## **PUBLIC SUMMARY**

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION OF RONDOUT SAVINGS BANK**

**AS OF JUNE 30, 2024**

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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# RONDOUT SAVINGS BANK – CRA PERFORMANCE EVALUATION

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## I - GENERAL INFORMATION

This document is an evaluation (the “Evaluation”) of the Community Reinvestment Act (“CRA”) performance of Rondout Savings Bank (“RSB” or the “Bank”) prepared by the New York State Department of Financial Services (“DFS” or the “Department”). This Evaluation represents the Department’s current assessment and rating of the Bank’s CRA performance based on an evaluation conducted as of June 30, 2024.

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 end of this Evaluation.

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## II - OVERVIEW OF INSTITUTION'S PERFORMANCE

The Department evaluated RSB 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 2021, 2022 and 2023 for the lending test and the period from April 1, 2021, to June 30, 2024 for the community development test. RSB 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:

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

RSB's average LTD ratio of 85.8% for the evaluation period was comparable to the peer's average LTD ratio of 80.8%.

#### 2. Assessment Area Concentration:

During the evaluation period, RSB originated 83.3% by number and 81.6% by dollar value of its HMDA-reportable and small business loans within the assessment area, demonstrating a reasonable concentration of lending.

#### 3. Distribution by Borrower Characteristics:

RSB's HMDA-reportable and small business lending demonstrated a poor distribution of loans among individuals of different income levels and businesses of different revenue sizes.

RSB's average rates of lending to businesses with gross annual revenue of \$1 million or less were slightly lower than those of the aggregate. However, the Bank's average rates of HMDA-reportable one-to-four family lending to LMI borrowers were well below that of the aggregate. DFS examiners gave greater weight to RSB's HMDA-reportable loans, as they constituted the greater proportion of the Bank's total HMDA-reportable and small business lending.

#### 4. Geographic Distribution of Loans:

RSB's origination of loans in census tracts of varying income levels demonstrated an excellent distribution of lending. The Bank's average rates of lending in LMI census tracts significantly exceeded those of the aggregate for both HMDA-reportable and small business loans in terms of number and dollar value of loans, for both categories of lending.

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### 5. Action Taken in Response to Written Complaints with Respect to CRA:

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

### **B. Community Development Test:** Satisfactory

RSB's community development performance demonstrated adequate 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:

During the evaluation period, RSB originated \$8.6 million in new community development loans and had \$3 million outstanding from prior evaluation periods. This demonstrated an adequate level of community development lending.

#### 2. Qualified Investments:

During the evaluation period, RSB made \$1.4 million in qualified investments and had no investments outstanding from prior evaluation periods. In addition, RSB made \$261,215 in qualified grants. This demonstrated an adequate level of qualified investments over the course of the evaluation period.

#### 3. Community Development Services

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

#### 4. Responsiveness to Community Development Needs:

RSB demonstrated an adequate 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 1868, RSB is a mutual savings bank headquartered in Kingston, New York. The Bank has one wholly owned subsidiary, Rondout Financial Services, Inc. (“RFSI”) that offers securities and insurance products through Osaic Institutions, Inc.

RSB operates six banking offices- five in Ulster County and one in Dutchess County. Two branches in Ulster County are in moderate-income tracts while all others are in middle-income tracts. Supplementing the banking offices is an automated teller machine (“ATM”) network consisting of eight deposit-taking machines. The main office branch and the Wall Street branch each have two ATMs while all other branches have one ATM each.

RSB offers banking products and services including, but not limited to, mobile and online banking, residential and commercial mortgages, certificates of deposit, retirement accounts, as well as personal and business investments through RFSI.

In its Consolidated Report of Condition (the “Call Report”) as of December 31, 2023, filed with the Federal Deposit Insurance Corporation (“FDIC”), RSB reported total assets of \$564 million, of which \$442.1 million were net loans and lease financing receivables. It also reported total deposits of \$467.3 million, resulting in an LTD ratio of 94.6%. According to the latest available comparative deposit data as of June 30, 2024, RSB obtained a market share of 3.4% or \$439 million in a market of \$13 billion, ranking it 11<sup>th</sup> among 22 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, 2021, 2022 and December 31, 2023 Call Reports:

<b>TOTAL GROSS LOANS OUTSTANDING</b>						
Loan Type	12/31/2021		12/31/2022		12/31/2023	
	\$000's	%	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	216,145	63.0	271,936	65.6	294,930	66.0
Commercial & Industrial Loans	28,634	8.4	31,774	7.7	32,128	7.2
Commercial Mortgage Loans	64,481	18.8	71,501	17.2	69,826	15.6
Multifamily Mortgages	15,376	4.5	15,277	3.7	18,176	4.1
Consumer Loans	765	0.2	575	0.1	769	0.2
Agricultural Loans	118	0.0	115	0.0	111	0.0
Construction Loans	17,302	5.0	23,601	5.7	30,741	6.9
Total Gross Loans	342,821		414,779		446,681	

As illustrated in the above table, RSB is primarily a residential real estate lender, with 66% of its loan portfolio in 1-4 family residential mortgages and 4.1% in multifamily mortgages, followed by commercial lending at 22.8% comprised of 15.6% in commercial mortgage loans and 7.2% in commercial and industrial loans.

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

### **B. Assessment Area**

The Bank’s assessment area consists of Ulster County and part of Dutchess County (Rhinebeck, Red Hook, and Hyde Park).

There are 62 census tracts in the Bank’s assessment area, of which none are low-income, 10 are moderate-income, 43 are middle-income, eight are upper-income, and one tract has no income indicated. During the evaluation period, the only low-income tract in Ulster County was reclassified to moderate-income.

<b>Assessment Area Census Tracts by Income Level</b>							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
Dutchess*	0	0	0	9	3	12	0.0
Ulster	1	0	10	34	5	50	20.0
Total	1	0	10	43	8	62	16.1

\* *Partial county*

### **C. Demographic & Economic Data**

The assessment area had a population of 220,421 during the evaluation period. Approximately 19.7% of the population was over the age of 65 and 16.4% was under the age of 16.

Of the 52,069 families in the assessment area, 21.2% were low-income, 17.6% were moderate-income, 20.8% were middle-income and 40.4% were upper-income. There were 85,042 households in the assessment area, of which 11.2% had income below the poverty level and 2.3% were on public assistance.

The weighted average median family income in the assessment area was \$90,215.

There were 101,740 housing units within the assessment area, of which 84.6% were one- to four-family units and 9.1% were multifamily units. A majority (57.7%) of the housing units were owner-occupied, while 25.9% were rental-occupied units.

Of the 58,678 owner-occupied housing units, 11.8% were in moderate-income census tracts while 86.2% were in middle- and upper-income census tracts. The median age of the housing stock was 58 years, and the median home value in the assessment area was \$248,211.

There were 27,389 non-farm businesses in the assessment area. Of these, 91.8% were businesses with reported revenue of less than or equal to \$1 million, 2.2% reported revenue of more than \$1 million and 6% did not report their revenue. Of all the businesses in the assessment area, 98.3% were businesses with less than fifty employees while 94.4% operated from a single location. The

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largest industries in the area were services (33.9%), retail trade (11.2%) and finance, insurance, & real estate (8%); 26.6% of businesses in the assessment area were not classified.

According to the New York State Department of Labor, the average unemployment rate for New York State was 5.2% during the three-year evaluation period. During the evaluation period, both Dutchess and Ulster counties had lower unemployment rates than the statewide unemployment rates. In 2021, unemployment rates were highest due to remaining adverse economic effects of the COVID-19 pandemic, while in 2022 unemployment rates improved significantly as the economy started to recover from the pandemic. Both counties in the assessment area showed minor increases in unemployment in 2023.

<b>Assessment Area Unemployment Rate</b>			
	<b>Statewide</b>	<b>Dutchess</b>	<b>Ulster</b>
2021	7.1	4.5	4.7
2022	4.3	3.1	3.2
2023	4.2	3.3	3.4
Average of Years above	5.2	3.6	3.8

### **D. Community Information**

Examiners conducted two community contact interviews to obtain insight to the credit needs and economic conditions in the Bank’s assessment area.

The first interview was with a representative of an organization that constructs and renovates affordable housing for LMI people living in Ulster County. The representative stated that there was a high demand for lower interest rate mortgage loans and down payment assistance for LMI borrowers. The representative also stated that there were very few flexible loan programs available to LMI borrowers in the area and that lending programs offered are harder for LMI borrowers to qualify for due to the high cost of homes relative to their income. Furthermore, while economic conditions in Ulster County have reportedly improved, there were pockets of poverty in Kingston and Ellenville. Finally, the representative opined that recent gentrification had displaced LMI residents to outlying areas.

The second interview was with the executive director of a nonprofit organization that operates a food pantry in Dutchess County serving LMI and homeless populations in Poughkeepsie and surrounding parts of Dutchess County.

The representative stated that the community’s most significant difficulty was obtaining housing. In particular, residents often cannot obtain funds necessary for security deposits for rental properties. As a result, homelessness, poverty, and drug use were reportedly increasing, and that concentrations of all three were developing in downtown Poughkeepsie. These conditions are reportedly exacerbated by the proliferation of shelters and the presence of a correctional facility.

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Furthermore, the representative stated that many LMI individuals in the area were reluctant to use traditional banks, fearing that those institutions might not protect consumers' privacy. Consequently, local residents often used check cashers and other alternative financial services. The representative opined that if banks provided check cashing for no charge, they might regain the confidence of area residents.

Finally, the representative stated that there were few bank branches in the area, and financial institutions were often slow in responding to community development organizations' requests for partnership and assistance.

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### **IV - PERFORMANCE STANDARDS AND ASSESSMENT FACTORS**

The Department evaluated RSB 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. RSB submitted bank-specific information both as part of the Evaluation process and in reports 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 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. Some non-specific bank data are only available on a county-wide basis, and DFS used this information even where the institution's assessment area includes partial counties.

The evaluation period included calendar years 2021, 2022 and 2023 for lending activities and the period from April 1, 2021, to June 30, 2024, for community development activities.

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Examiners considered RSB’s HMDA-reportable and small business loans in evaluating factors (2), (3) and (4) of the lending test noted above. Since RSB did not make any small farm loans during the evaluation period, DFS based all analyses on small business lending only.

HMDA-reportable and small business loan data evaluated in this Evaluation represented actual originations.

RSB is not required to report small business loan data, so RSB's small business lending is not included in the aggregate data. The aggregate data are shown only for comparative purposes.

Examiners gave greater weight to RSB’s HMDA-reportable lending, as the Bank’s HMDA-reportable loans represented 74.5% by number and 84.1% by dollar value of the total HMDA-reportable and small business loans originated by the Bank in its assessment area during the evaluation period.

In its prior Community Reinvestment Act Performance Evaluation as of March 31, 2021, DFS assigned RSB a rating of “2” or “satisfactory” compliance with regulatory standards.

### **CRA Rating: Satisfactory**

#### **A. Lending Test:** Satisfactory

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

##### 1. Loan-to-Deposit Ratio and other Lending-Related Activities:

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

RSB’s average LTD ratio of 85.8% for the evaluation period was comparable to the peer group average LTD ratio of 80.8%. The Bank’s LTD ratio fluctuated between 79.2% and 94.6% during the evaluation period. DFS examiners noted that the Bank sold HMDA-reportable loans totaling \$59 million in 2021, \$16.5 million in 2022, and \$13.2 million in 2023 in the secondary market, which had the effect of lowering the Bank’s LTD ratios.

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

<b>Loan-to-Deposit Ratios</b>													
	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4	Avg.
Bank	82.0	79.2	79.4	82.6	79.6	83.9	87.3	90.0	90.2	89.4	91.6	94.6	85.8
Peer	79.1	77.5	76.6	76.0	75.5	78.2	80.8	82.9	83.7	85.6	86.5	87.4	80.8

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### 2. Assessment Area Concentration:

During the evaluation period, RSB originated 83.3% by number and 81.6% 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, RSB originated 80% by number and 79.6% by dollar value of its HMDA-reportable loans within the assessment area.

This majority of lending inside of RSB’s assessment area reflects a reasonable concentration of lending.

#### *b. Small Business Loans:*

During the evaluation period, RSB originated 94.7% by number and 94.2% by dollar value of its small business loans within the assessment area.

This substantial majority of lending inside of RSB’s assessment area reflects an excellent concentration of lending.

The following table shows the percentages of RSB’s HMDA-reportable and small business loans originated inside and outside of the assessment area.

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Loans in Dollars (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
<b>HMDA-Reportable</b>										
2021	332	82.4%	71	17.6%	403	113,982	84.9%	20,218	15.1%	134,200
2022	235	77.6%	68	22.4%	303	86,197	76.1%	27,044	23.9%	113,241
2023	109	78.4%	30	21.6%	139	41,162	73.9%	14,508	26.1%	55,670
Subtotal	676	80.0%	169	20.0%	845	241,341	79.6%	61,770	20.4%	303,111
<b>Small Business</b>										
2021	69	93.2%	5	6.8%	74	14,017	95.2%	710	4.8%	14,727
2022	95	96.0%	4	4.0%	99	18,689	96.4%	691	3.6%	19,380
2023	67	94.4%	4	5.6%	71	12,924	90.3%	1,395	9.7%	14,319
Subtotal	231	94.7%	13	5.3%	244	45,630	94.2%	2,796	5.8%	48,426
Grand Total	907	83.3%	182	16.7%	1,089	286,971	81.6%	64,566	18.4%	351,537

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

### 3. Distribution by Borrower Characteristics:

RSB’s HMDA-Reportable and small business lending demonstrated a poor distribution of loans among individuals of different income levels and businesses of different revenue sizes.

RSB’s average rates of lending to businesses with gross annual revenue of \$1 million or less were slightly lower than those of the aggregate. However, the Bank’s average rates of HMDA-reportable one-to-four family lending to LMI borrowers were well below that of the aggregate, leading to the

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overall poor rating assigned to this criterion. As noted previously, the Bank's HMDA-reportable lending was given more weight during the evaluation period.

### *a. One-to-four Family HMDA-Reportable Loans:*

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

The Bank's rates of lending to LMI borrowers of 16.4% by number and 8.7% by dollar value of loans were significantly below the aggregate's rates of 24.6% by number and 15.5% by dollar value of loans.

Both the Bank's and the aggregate's average rates of lending to LMI borrowers were below the percentage (38.8%) of LMI families living in the assessment area during the evaluation period.

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

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Distribution of One-to-Four Family Loans by Borrower Income									
2021									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	8	2.5%	1,063	1.0%	384	5.4%	52,250	2.8%	21.4%
Moderate	44	13.6%	8,043	7.5%	1,293	18.3%	243,095	13.0%	17.3%
LMI	52	16.0%	9,106	8.4%	1,677	23.8%	295,345	15.8%	38.8%
Middle	68	21.0%	14,513	13.5%	1,851	26.3%	405,105	21.7%	20.9%
Upper	194	59.9%	80,088	74.3%	3,256	46.2%	1,083,550	58.1%	40.3%
Unknown	10	3.1%	4,078	3.8%	264	3.7%	82,440	4.4%	
<b>Total</b>	<b>324</b>		<b>107,785</b>		<b>7,048</b>		<b>1,866,440</b>		
2022									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	6	2.6%	585	0.7%	280	5.6%	35,730	2.7%	21.2%
Moderate	28	12.0%	5,607	6.6%	930	18.6%	171,750	12.8%	17.6%
LMI	34	14.6%	6,192	7.3%	1,210	24.3%	207,480	15.4%	38.8%
Middle	38	16.3%	8,567	10.1%	1,251	25.1%	271,295	20.2%	20.8%
Upper	157	67.4%	69,052	81.2%	2,337	46.8%	809,895	60.2%	40.4%
Unknown	4	1.7%	1,201	1.4%	191	3.8%	56,065	4.2%	
<b>Total</b>	<b>233</b>		<b>85,012</b>		<b>4,989</b>		<b>1,344,735</b>		
2023									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	5	4.6%	500	1.3%	262	8.0%	32,330	3.5%	21.2%
Moderate	18	16.7%	4,150	11.1%	623	18.9%	106,665	11.6%	17.6%
LMI	23	21.3%	4,650	12.4%	885	26.9%	138,995	15.1%	38.8%
Middle	22	20.4%	5,181	13.8%	863	26.2%	187,175	20.4%	20.8%
Upper	59	54.6%	26,528	70.7%	1,392	42.3%	490,480	53.4%	40.4%
Unknown	4	3.7%	1,143	3.0%	152	4.6%	102,520	11.2%	
<b>Total</b>	<b>108</b>		<b>37,502</b>		<b>3,292</b>		<b>919,170</b>		
GRAND TOTAL									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	19	2.9%	2,148	0.9%	926	6.0%	120,310	2.9%	
Moderate	90	13.5%	17,800	7.7%	2,846	18.6%	521,510	12.6%	
LMI	109	16.4%	19,948	8.7%	3,772	24.6%	641,820	15.5%	
Middle	128	19.2%	28,261	12.3%	3,965	25.9%	863,575	20.9%	
Upper	410	61.7%	175,668	76.3%	6,985	45.6%	2,383,925	57.7%	
Unknown	18	2.7%	6,422	2.8%	607	4.0%	241,025	5.8%	
<b>Total</b>	<b>665</b>		<b>230,299</b>		<b>15,329</b>		<b>4,130,345</b>		

*b. Small Business Loans:*

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

The Bank's small business average lending rates of 43.3% by number and 33.4% by dollar value of loans to businesses with gross annual revenue of \$1 million or less were slightly below the aggregate's respective rates of 50.3% and 36.7% during the evaluation period.

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During the evaluation period, substantial majority (89.5% - 91.8%) of the businesses in the Bank’s assessment area had gross annual revenue of \$1 million or less.

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

<b>Distribution of Small Business Lending by Revenue Size of Business</b>									
<b>2021</b>									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	31	44.9%	5,573	39.8%	2,851	45.0%	65,142	31.8%	89.5%
Rev. > \$1MM	30	43.5%	8,124	58.0%					3.0%
Rev. Unknown	8	11.6%	320	2.3%					7.5%
<b>Total</b>	<b>69</b>		<b>14,017</b>		<b>6,332</b>		<b>204,749</b>		
<b>2022</b>									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	36	37.9%	5,412	29.0%	3,155	50.9%	59,843	41.4%	89.8%
Rev. > \$1MM	50	52.6%	12,722	68.1%					2.7%
Rev. Unknown	9	9.5%	555	3.0%					7.4%
<b>Total</b>	<b>95</b>		<b>18,689</b>		<b>6,194</b>		<b>144,626</b>		
<b>2023</b>									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	33	49.3%	4,277	33.1%	3,260	55.2%	50,784	39.3%	91.8%
Rev. > \$1MM	24	35.8%	8,282	64.1%					2.2%
Rev. Unknown	10	14.9%	365	2.8%					6.0%
<b>Total</b>	<b>67</b>		<b>12,924</b>		<b>5,904</b>		<b>129,137</b>		
<b>GRAND TOTAL</b>									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	100	43.3%	15,262	33.4%	9,266	50.3%	175,769	36.7%	
Rev. > \$1MM	104	45.0%	29,128	63.8%	-				
Rev. Unknown	27	11.7%	<b>1,240</b>	2.7%					
<b>Total</b>	<b>231</b>		<b>45,630</b>		<b>18,430</b>		<b>478,512</b>		

#### 4. Geographic Distribution of Loans:

RSB’s origination of loans in census tracts of varying income levels demonstrated an excellent distribution of lending. The Bank’s average rates of lending in LMI census tracts significantly exceeded those of the aggregate for both HMDA-reportable and small business loans in terms of number and dollar value of loans, for both categories of lending.

##### a. HMDA-Reportable Loans:

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

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The Bank originated 17.3% by number and 14.7% by dollar value of HMDA-reportable loans in LMI census tracts, exceeding the aggregate's respective rates of 11.4% and 10%. RSB's rates of lending (both by number and dollar value of loans) in LMI census tracts also exceeded the assessment area's rate of home ownership in LMI geographies during each year of the evaluation period.

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

<b>Distribution of HMDA-Reportable Lending by Geographic Income of the Census Tract</b>									
<b>2021</b>									
<b>Geographic Income</b>	<b>Bank</b>				<b>Aggregate</b>				<b>OO HUs</b>
	#	%	\$000's	%	#	%	\$000's	%	%
Low	14	4.2%	5,874	5.2%	114	1.6%	41,250	2.0%	1.5%
Moderate	30	9.0%	6,914	6.1%	569	8.0%	136,235	6.6%	7.6%
LMI	44	13.3%	12,788	11.2%	683	9.6%	177,485	8.6%	9.1%
Middle	198	59.6%	63,887	56.1%	4,160	58.5%	1,188,300	57.8%	59.8%
Upper	90	27.1%	37,307	32.7%	2,264	31.9%	690,980	33.6%	31.1%
Unknown	0	0.0%		0.0%	0	0.0%	0	0.0%	
<b>Total</b>	<b>332</b>		<b>113,982</b>		<b>7,107</b>		<b>2,056,765</b>		
<b>2022</b>									
<b>Geographic Income</b>	<b>Bank</b>				<b>Aggregate</b>				<b>OO HUs</b>
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	45	19.1%	14,666	17.0%	624	12.4%	164,610	11.0%	11.8%
LMI	45	19.1%	14,666	17.0%	624	12.4%	164,610	11.0%	11.8%
Middle	154	65.5%	59,179	68.7%	3,670	72.9%	1,103,290	73.6%	70.9%
Upper	30	12.8%	8,318	9.7%	660	13.1%	197,070	13.2%	15.3%
Unknown	6	2.6%	4,033	4.7%	82	1.6%	33,590	2.2%	2.0%
<b>Total</b>	<b>235</b>		<b>86,196</b>		<b>5,036</b>		<b>1,498,560</b>		
<b>2023</b>									
<b>Geographic Income</b>	<b>Bank</b>				<b>Aggregate</b>				<b>OO HUs</b>
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	28	25.7%	7,987	19.4%	446	13.5%	107,520	11.7%	11.8%
LMI	28	25.7%	7,987	19.4%	446	13.5%	107,520	11.7%	11.8%
Middle	64	58.7%	25,312	61.5%	2,327	70.7%	655,945	71.4%	70.9%
Upper	14	12.8%	5,730	13.9%	471	14.3%	138,555	15.1%	15.3%
Unknown	3	2.8%	2,133	5.2%	48	1.5%	17,150	1.9%	2.0%
<b>Total</b>	<b>109</b>		<b>41,162</b>		<b>3,292</b>		<b>919,170</b>		
<b>GRAND TOTAL</b>									
<b>Geographic Income</b>	<b>Bank</b>				<b>Aggregate</b>				<b>OO HUs</b>
	#	%	\$000's	%	#	%	\$000's	%	%
Low	14	2.1%	5,874	2.4%	114	0.7%	41,250	0.9%	
Moderate	103	15.2%	29,567	12.3%	1,639	10.6%	408,365	9.1%	
LMI	117	17.3%	35,441	14.7%	1,753	11.4%	449,615	10.0%	
Middle	416	61.5%	148,378	61.5%	10,157	65.8%	2,947,535	65.9%	
Upper	134	19.8%	51,355	21.3%	3,395	22.0%	1,026,605	22.9%	
Unknown	9	1.3%	6,166	2.6%	130	0.8%	50,740	1.1%	
<b>Total</b>	<b>676</b>		<b>241,340</b>		<b>15,435</b>		<b>4,474,495</b>		

## RONDOUT SAVINGS BANK – CRA PERFORMANCE EVALUATION

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### *b. Small Business Loans:*

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

RSB’s small business average lending rates in LMI census tracts for the evaluation period of 35.5% by number and 30% by dollar value of loans surpassed the aggregate’s rates of 13.3% and 14.3%, respectively. Additionally, the Bank’s average lending rates in LMI census tracts exceeded the assessment area’s business demographics in 2022 and 2023.

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

## RONDOUT SAVINGS BANK – CRA PERFORMANCE EVALUATION

Distribution of Small Business Lending by Geographic Income of the Census Tract									
2021									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	3	4.3%	616	4.4%	98	1.5%	1,867	0.9%	2.0%
Moderate	5	7.2%	645	4.6%	638	10.1%	26,636	13.0%	10.7%
LMI	8	11.6%	1,261	9.0%	736	11.6%	28,503	13.9%	12.7%
Middle	50	72.5%	10,470	74.7%	3,630	57.3%	117,423	57.3%	56.8%
Upper	11	15.9%	2,286	16.3%	1,966	31.0%	58,823	28.7%	30.6%
Unknown	0	0.0%		0.0%		0.0%		0.0%	
<b>Total</b>	<b>69</b>		<b>14,017</b>		<b>6,332</b>		<b>204,749</b>		
2022									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%		0.0%		0.0%		0.0%	0.0%
Moderate	42	44.2%	6,646	35.6%	845	13.6%	19,032	13.2%	15.0%
LMI	42	44.2%	6,646	35.6%	845	13.6%	19,032	13.2%	15.0%
Middle	51	53.7%	11,493	61.5%	4,361	70.4%	105,980	73.3%	70.9%
Upper	2	2.1%	550	2.9%	884	14.3%	17,453	12.1%	12.5%
Unknown		0.0%		0.0%	104	1.7%	2,161	1.5%	1.6%
<b>Total</b>	<b>95</b>		<b>18,689</b>		<b>6,194</b>		<b>144,626</b>		
2023									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%		0.0%	0	0.0%	0	0.0%	0.0%
Moderate	32	47.8%	5,768	44.6%	863	14.6%	20,848	16.1%	15.1%
LMI	32	47.8%	5,768	44.6%	863	14.6%	20,848	16.1%	15.1%
Middle	34	50.7%	6,936	53.7%	4,104	69.5%	90,325	69.9%	70.1%
Upper		0.0%		0.0%	832	14.1%	16,312	12.6%	13.2%
Unknown	1	1.5%	220	1.7%	105	1.8%	1,652	1.3%	1.6%
<b>Total</b>	<b>67</b>		<b>12,924</b>		<b>5,904</b>		<b>129,137</b>		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	3	1.3%	616	1.3%	98	0.5%	1,867	0.4%	
Moderate	79	34.2%	13,059	28.6%	2,346	12.7%	66,516	13.9%	
LMI	82	35.5%	13,675	30.0%	2,444	13.3%	68,383	14.3%	
Middle	135	58.4%	28,899	63.3%	12,095	65.6%	313,728	65.6%	
Upper	13	5.6%	2,836	6.2%	3,682	20.0%	92,588	19.3%	
Unknown	1	0.4%	220	0.5%	209	1.1%	3,813	0.8%	
<b>Total</b>	<b>231</b>		<b>45,630</b>		<b>18,430</b>		<b>478,512</b>		

### 5. Action Taken in Response to Written Complaints with Respect to CRA:

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

### **B. Community Development Test:** Satisfactory

RSB's community development performance demonstrated adequate responsiveness to the community development needs of its assessment area through community development loans,

## RONDOUT SAVINGS BANK – CRA PERFORMANCE EVALUATION

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qualified investments and community development services, considering RSB’s capacity, and the need for and availability of opportunities for community development in its assessment area.

During the evaluation period, RSB originated \$8.6 million in new community development loans, and still had \$3 million outstanding from prior evaluation periods. During the evaluation period, RSB made \$2.2 million in new qualified investments and had no investments outstanding from prior evaluation periods. RSB made \$261,215 in qualified grants.

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

### 1. Community Development Lending:

During the evaluation period, RSB originated \$8.6 million in new community development loans, and had \$3 million outstanding from prior evaluation periods. This demonstrated an adequate 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	3	7,860		
Economic Development	1	650		
Community Services	3	100	4	2,953
Revitalize and Stabilize	-	-	-	-
Total	7	8,610	4	2,953

Below are highlights of RSB’s community development lending.

- RSB originated two commercial mortgage loans totaling \$7.4 million to fund the purchase of two multifamily properties in Hyde Park, NY. All units in both properties were rented below the Department of Housing and Urban Development fair market rents in Dutchess County.
- RSB originated loans totaling \$100,000 to nonprofit organizations providing various services primarily to LMI children and start-up artists in Ulster County.

### 2. Qualified Investments

During the evaluation period, RSB made \$1.4 million in new qualified investments and had none outstanding from prior evaluation periods. Additionally, RSB made \$261,215 in qualified grants. This demonstrated an adequate level of qualified investments over the course of the evaluation period.

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<b>Qualified Investments and Grants</b>				
	<b>This Evaluation Period</b>		<b>Outstandings from Prior Evaluation Periods</b>	
	<b># of Inv.</b>	<b>\$000</b>	<b># of Inv.</b>	<b>\$000</b>
CD Investments				
Affordable Housing				
Economic Development				
Community Services	2	1,361		
Revitalize/Stabilize				
<b>Total</b>	<b>2</b>	<b>1,361</b>	<b>-</b>	<b>-</b>
CD Grants	# of Grants	\$000	<i>Not Applicable</i>	
Affordable Housing	6	28		
Economic Development	20	64		
Community Services	63	169		
Other (Please Specify)				
<b>Total</b>	<b>89</b>	<b>261</b>		

Below are highlights of RSB’s qualified investments and grants.

Community Development Investments

- RSB invested \$1.1 million in a municipal bond issued by a local school district in Ulster County. The funds financed renovations of school buildings and facilities. A majority or 64% of the school district’s student population is economically disadvantaged.
- RSB invested \$250,000 in a certificate of deposit issued by a Low-Income Designated Credit Union (“LIDCU”); an LIDCU’s members are primarily LMI individuals and families.

Community Development Grants

- RSB donated \$10,875 to an organization that provides financial assistance primarily to LMI patients struggling with cancer diagnoses and medical expenses. The nonprofit organization serves Ulster County residents and their families and other neighboring counties.
- RSB donated \$12,500 to a business advocacy and networking organization in Dutchess County whose primary mission is to support and promote the interests of the local business community.
- RSB donated a total of \$13,000 to a nonprofit organization that provides community activities, education, and food distribution, including running a thrift store, food pantry, wellness empowerment center and community café mostly for LMI communities.

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- RSB donated \$18,500 to an organization that provides homeownership services including education, rental, and emergency assistance to LMI individuals in Ulster County.
- RSB donated \$36,500 to a nonprofit organization offering free programs and activities to moderate-income communities in Kingston and other areas of Ulster County.

### 3. Community Development Services:

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

RSB was active in the community, providing 124 service activities to LMI residents, organizations, and to small businesses during the evaluation period. Most of the Bank's qualified services involved members of the Bank's senior management assuming leadership roles as board and committee members, as well as providing technical assistance to various community development organizations.

<b>Community Development Services</b>	
<b>Activity Type</b>	<b>Number of Activities</b>
On-Going Board & Committee Memberships	103
Technical Assistance	10
Seminars	11
Credit Counseling	
Other Services	
<b>Total Community Development Services</b>	<b>124</b>

Below are highlights of RSB's community development services.

- RSB's president served on the board of a local youth organization that seeks to t at-risk and underserved youth and teens. Programs offered include financial literacy, job interview training and workforce development.
- Several of RSB's officers and employees served on the board and committees of a local business organization in a county where the substantial majority, or 91.7% of businesses have annual revenue of \$1 million or less. This organization provides assistance programs to help small businesses have the tools and capital to thrive.
- RSB's chief financial officer served on the board of a nonprofit social service agency providing essential services such as food and employment assistance and benefits enrollment to people with disabilities and behavioral health needs, as well as and the aging population.
- An officer of the Bank served on the board and the finance committee of an organization

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that seeks to ensure access to affordable childcare, housing, mental health and substance abuse services, vocational and literacy training, and access to emergency assistance in the assessment area. Notably, one of the organization's community programs included providing technical assistance and mentoring to women who are victims of domestic violence, have been incarcerated, or suffering substance abuse, as well as women living in poverty or otherwise lacking opportunity.

- An RSB manager hosted a financial literacy event for high school students in a school district where majority of the students are economically disadvantaged. This event included subjects such as credit, student loans, self-sufficiency, and making good financial choices and setting goals.

### Responsiveness to Community Development Needs:

RSB demonstrated an adequate level of responsiveness through community development lending, investments, and service needs.

### **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.

RSB's Board of Trustees reviews and approves the Bank's CRA policy annually. The CRA officer is responsible for the Bank's overall CRA compliance including coordinating the training of personnel on CRA policies and procedures, evaluating the Bank's lending and community development lending performance and maintaining the CRA public file. Additionally, the Bank performs an annual self-assessment, the results of which the CRA officer reports to the Board of Trustees

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 RSB intended to discourage applications for the types of credit offered by RSB.

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

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

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

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On June 5, 2024, RSB opened a branch in Kingston, Ulster County, in middle-income tract; the Bank did not close any branches during the evaluation period.

In all, RSB operates six branches, five of which are in Ulster County (two in moderate-income tracts and three in middle-income tracts) and one in Dutchess County (in a middle-income tract). Four of RSB’s branches in Ulster County are adjacent to LMI census tracts. The Bank’s branches are supplemented by eight deposit-taking ATMs: two each at the Main Office branch and at the newly opened branch, and one each at the other four branches. All ATMs are accessible 24 hours a day, seven days a week.

RSB offers traditional banking services including checking and savings accounts, residential and commercial mortgage loans, consumer loans, and business loans. The Bank has alternative banking services such as banking by mail, telephone banking, as well as online and mobile banking.

Distribution of Branches within the Assessment Area							
County	N/A #	Low #	Moderate #	Middle #	Upper #	Total #	LMI %
Ulster			2	3		5	40%
Dutchess*				1		1	0%
<b>Total</b>	-	-	2	4	-	6	33%

\*Partial County

#### 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.

RSB is involved with several community organizations, events, and sponsorships. The Bank’s board members and management are able to ascertain the community’s credit needs through their leadership roles as board and committee members of various local and civic organizations.

- 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

During the evaluation period, RSB introduced a new service called the “Midtown Kingston Business Capital Program” targeted towards small business owners within certain geographic areas in Kingston, NY. This service is advertised on the Bank’s website and marketed at public events attended by Bank personnel.

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

RSB performed the following qualified community development activities outside of its assessment area but within New York State:

- The Bank originated a \$1.4 million commercial mortgage loan to fund the purchase and renovation of a mixed-use (retail/office) property in Poughkeepsie, NY. The property is in a low-income census tract and within Poughkeepsie’s Innovation District – Historic Core Zone program which aimed to revitalize the city’s historic central business district.
- The Bank invested in two municipal bonds issued by Dutchess County. The bond proceeds support the county’s purchase of equipment and various building improvement projects of the county office building in low-income census tract outside of the Bank’s assessment area.
- The Bank invested \$250,000 in a certificate of deposit in a LIDCU headquartered in Washington County, New York, providing banking and credit services to mostly LMI individuals and families.

### 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 ([DFS multifamily industry letter](#));
- 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;

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- 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

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- ❖ 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.

### **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](http://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.

<b>Income level of individual or geography</b>	<b>% of the area median income</b>
Low-income	Less than 50
Moderate-income	At least 50 and less than 80
Middle-income	At least 80 and less than 120
Upper-income	120 or more

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### **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

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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.

### **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;

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- 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.