



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

One State Street
New York, NY 10004

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: December 31, 2015

Institution: USNY Bank
389 Hamilton Street
Geneva, NY 14456

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

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GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of USNY Bank (“USNY”) prepared by the New York State Department of Financial Services (“DFS” or the “Department”). This evaluation represents the Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of December 31, 2015.

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 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 the performance. Section 76.5 further provides that the Department will prepare a written report summarizing the results of such assessment and will assign to each institution a numerical CRA rating based on a 1 to 4 scoring system. The numerical scores represent an assessment of CRA performance as follows:

- (1) Outstanding record of meeting community credit needs;
- (2) Satisfactory record of meeting community credit needs;
- (3) Needs to improve in meeting community credit needs; and
- (4) Substantial noncompliance in meeting community credit needs.

Section 76.5 further requires that the CRA rating and the written summary (“Evaluation”) be made available to the public. Evaluations of banking institutions are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Sections 76.8 through 76.13. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York Banking Law.

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

OVERVIEW OF INSTITUTION'S PERFORMANCE

DFS evaluated USNY according to the small bank performance criteria pursuant to Part 76.7 and Part 76.12 of the General Regulations of the Superintendent ("GRS"). This assessment period included calendar years 2010, 2011, 2012, 2013, 2014 and 2015. USNY is rated "2," indicating a "Satisfactory" record of helping to meet community credit needs.

The rating is based on the following factors:

Lending Test: "Satisfactory"

Loan-to-Deposit Ratio and other Lending-Related Activities: "Outstanding"

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

USNY's average LTD ratio for the evaluation period was 97.9% well above its peer group's ratio of 77.2%. Furthermore, USNY's quarterly LTD ratios exceeded the peer group's ratios every quarter of the evaluation period.

Assessment Area Concentration: "Satisfactory"

During the evaluation period, USNY originated a combined 82.7% by number, and 76.7% by dollar volume of its small business, small farms and HMDA loans within the assessment area. This majority of lending inside of its assessment area reflects a reasonable concentration of lending within USNY's assessment area.

Distribution by Borrower Characteristics: "Satisfactory"

USNY's HMDA-reportable, small business and small farm lending demonstrated a reasonable distribution of loans among individuals of different income levels and businesses and farms of different revenue sizes.

Geographic Distribution of Loans: "Satisfactory"

USNY's origination of loans in census tracts of varying income levels demonstrated a reasonable distribution of lending. USNY's assessment area has no low-income census tracts so its performance was evaluated based on its lending in moderate-income census tracts.

USNY's HMDA rate of lending in moderate-income census tracts was comparable with its aggregate's rate, while its small business and small farm rate of lending in moderate-income census tracts exceeded the aggregate's rate.

Action Taken in Response to Written Complaints with Respect to CRA: "Not Rated"

Neither USNY nor DFS received any CRA related complaints during the evaluation period.

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

PERFORMANCE CONTEXT

Institution Profile

USNY is a New York State chartered commercial bank, founded in 2007 and headquartered in Geneva, New York. The Geneva branch operates under the trade name of Bank of the Finger Lakes, a unit of USNY Bank. The bank opened a second branch in December 2007, in Cooperstown, NY and a third branch in September 2014 in Oneonta, NY. Both these branches operate under the trade name of Bank of Cooperstown, a unit of USNY Bank. In July 2016, USNY Bank became a wholly owned subsidiary of UpState New York Bancorp Inc., a bank holding company.

USNY provides retail banking services and products. It offers traditional checking and savings accounts, as well as online and mobile banking with bill pay. USNY offers a variety of loan products for consumers, small businesses and farms. However, its primary focus is lending to small businesses, agribusinesses, and production agriculture. While USNY offers direct lending, it may also participate in government guaranteed loan programs such as the U.S Small Business Administration (“SBA”) and U.S. Department of Agriculture (“USDA”) backed Farm Service Agency (“FSA”) loans.

Per the Consolidated Report of Condition (the “Call Report”) as of December 31, 2015, filed with the Federal Deposit Insurance Corporation (“FDIC”), USNY reported total assets of \$256.7 million, of which \$225.3 million were net loans and lease financing receivables. It also reported total deposits of \$218.6 million, resulting in a loan-to-deposit ratio of 103.1%.

According to the latest available comparative deposit data as of June 30, 2015, USNY had a market share of 4.6%, or \$207.3 million in a market of \$4.5 billion, ranking it 7th among 15 deposit-taking institutions in the assessment area which includes Ontario, Wayne, Otsego, Seneca and Yates counties in their entirety. While USNY has no physical presence in Seneca, Wayne and Yates counties they are a part of its assessment area and the bank must compete with institutions that operate multiple branches in these counties. In Ontario County where USNY’s main branch is located it had a deposit market share of 6.4% or \$120.1 million in a market of \$1.9 billion, ranking USNY 5th among ten deposit-taking institutions. In Otsego County where USNY has its other two branches it ranked 4th among five deposit-taking institutions with a deposit share of 9.0%, or 87.2 million in a market of \$966.4 million.

The following is a summary of USNY’s loan portfolio, based on Schedule RC-C of the bank’s December 31, 2010, 2011, 2012, 2013, 2014 and 2015 Call Reports.

TOTAL GROSS LOANS OUTSTANDING												
Loan Type	2010		2011		2012		2013		2014		2015	
	\$000's	%	\$000's	%	\$000's	%	\$000's	%	\$000's	%	\$000's	%
1-4 Family Residential	12,273	16.0	16,138	16.5	18,883	15.1	23,329	14.8	28,976	15.3	35,087	15.3
Commercial & Industrial	10,857	14.2	14,852	15.2	18,587	14.9	23,664	15.1	24,928	13.1	30,808	13.4
Commercial Mortgage	28,843	37.6	35,125	35.9	42,432	34.0	53,556	34.1	67,864	35.8	78,234	34.2
Multifamily Mortgages	1,806	2.4	1,724	1.8	2,755	2.2	5,316	3.4	5,758	3.0	10,093	4.4
Consumer	748	1.0	690	0.7	682	0.5	717	0.5	846	0.4	980	0.4
Agricultural	21,411	27.9	28,584	29.2	37,976	30.5	46,893	29.8	55,720	29.4	70,837	30.9
Construction	722	0.9	785	0.8	2,345	1.9	2,695	1.7	4,388	2.3	2,733	1.2
States & Municipalities	0	0.0	0	0.0	809	0.6	909	0.6	80	0.0	61	0.0
Other Loans	5	0.0	35	0.0	179	0.1	21	0.0	1,034	0.5	242	0.1
Total Gross Loans	76,665		97,933		124,648		157,100		189,594		229,075	

As illustrated in the above table, USNY is primarily a commercial mortgage and agricultural lender as these loans make up 34.2% and 30.9% of its gross loan portfolio, respectively, while residential 1-4 family mortgage loans constitute 15.3% in 2015.

USNY operates three branches all of which are in middle-income census tracts. All three branches are open from 8:30 am to 5:00 pm Monday through Friday and do not offer extended weekday or Saturday hours. Supplementing the banking offices are four automated teller machines (“ATM’s”). The Geneva and Oneonta branch have one drive-up ATM each that accept deposits, while the ATM located at the Cooperstown branch and the off-site ATM (middle-income census tract) at the Otesaga Resort Hotel only dispense cash.

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

Assessment Area

USNY’s assessment area is comprised of Ontario, Wayne, Seneca, Yates and Otsego counties in their entirety. All the counties except Otsego County are in the Finger Lakes region of New York, while Otsego County is located in the Leatherstocking region of the state and geographically separated by more than 100 miles from the other counties.

There are 80 census tracts in the assessment area, of which none are low-income, seven are moderate-income, 61 are middle-income, 10 are upper-income; and two tracts with no income indicated.

Assessment Area Census Tracts by Income Level							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
Ontario	0	0	3	17	5	25	12.0
Wayne	1	0	4	15	3	23	17.4
Otsego	1	0	0	14	2	17	0.0
Seneca	0	0	0	10	0	10	0.0
Yates	0	0	0	5	0	5	0.0
Total	2	0	7	61	10	80	8.8

As illustrated in the above table, USNY’s assessment area contains no low-income census tracts and only Wayne and Ontario counties contain moderate-income census tracts. Both these counties are mainly served by the Geneva branch located in Ontario County. Still, some of the moderate-income census tracts in Ontario County and Wayne County are more difficult to serve due to their distance from the Geneva branch.

USNY’s two banking markets within its assessment area are different. While both markets are rural in nature and have experienced economic stress, the Finger Lakes region’s economy depends on tourism related to its wineries and scenery and it has a stronger and a more diverse agricultural economy. In contrast, the Leatherstocking region’s economy is dependent on tourism related to local attractions such as the National Baseball Hall of Fame, Fenimore Art Museum and Farmer Museum. The largest employers in the area are private and public colleges, regional healthcare corporations and local governments as USNY’s assessment area contains very few large manufacturing firms.

Demographic & Economic Data

In 2015, the assessment area had a population of 324,561. About 14.7% of the population were over the age of 65 and 19.2% were under the age of sixteen.

Of the 85,711 families in the assessment area, 18.6% were low-income, 17.9% were moderate-income, 24.2% were middle-income and 39.4% were upper-income families. There were 127,159 households in the assessment area, of which 10.9% had income below the poverty level and 2.3% were on public assistance.

The weighted average median family income in the assessment area was \$63,350 and the Federal Financial Institutions Examination Council (“FFIEC”) updated (2015) MSA median family income for the area was \$66,426.

There were 147,953 housing units within the assessment area, of which 81.5% were one-to-four family units, and 7.8% were multifamily units. A majority (64.9%) of the area’s housing units are owner occupied, while 21.0% were rental units. Of the 96,056 owner-occupied housing units; 6.4% in moderate-income census tracts, 77.5% were

in middle-income census tracts and 16.1% were in upper income census tracts. The median age of the housing stock was 53 years, and the median home value in the assessment area was \$122,136.

There were 17,971 non-farm businesses in the assessment area. Of these, 76.8% were businesses with reported revenues of less than or equal to \$1 million, 5.1% reported revenues of more than \$1 million and 18.1% did not report their revenues. Of all the businesses in the assessment area 90.0% were businesses with less than fifty employees while 87.5% operated from a single location. The largest industries in the area were services (44.6%), retail trade (15.4%) and agriculture, forestry & fishing (9.2%), while 2.8% of businesses in the assessment area were not classified.

There were 1,830 farm businesses in the assessment area. Of these, 97.8% were businesses with reported revenues of less than or equal to \$1 million, 1.8% reported revenues of more than \$1 million and 0.4% did not report their revenues.

According to the New York State Department of Labor, the average unemployment rate for New York State for the evaluation period was 7.5%. Wayne County's average unemployment rate for the period equaled the state's rate and was the highest among the five counties in the assessment area. Indicative of an improvement in the regional and local economy annual average unemployment rates for New York State and the five counties decreased annually from 2012 to 2015.

Assessment Area Unemployment Rate						
	Statewide	Ontario	Seneca	Wayne	Yates	Otsego
2010	8.6%	7.4%	8.2%	8.9%	7.4%	7.6%
2011	8.3%	7.1%	7.9%	8.4%	7.5%	7.7%
2012	8.5%	7.3%	8.0%	8.6%	7.8%	7.9%
2013	7.7%	6.3%	6.9%	7.6%	6.8%	6.8%
2014	6.3%	5.2%	5.6%	6.2%	5.6%	5.7%
2015	5.3%	4.8%	5.2%	5.4%	5.0%	5.3%
6 year Avg.	7.5%	6.4%	7.0%	7.5%	6.7%	6.8%

Community Information

As part of the evaluation, examiners interviewed representatives from two organizations that primarily focus on small businesses and residents in the assessment area. The information obtained during the interviews assist in identifying the community's credit needs and helps to determine whether local financial institutions are responsive to those needs.

The East Lakeview ("North End") area of Geneva, primarily due to the lack of opportunities has a high level of poverty. As a result, some home owners cannot afford to maintain their properties, which adversely impacts property values. The Downtown

area of Geneva has also experienced tough times, but recently has been experiencing a recovery spurred by programs sponsored by local governments and banks.

Overall, the representatives noted that financial institutions have been responsive to the credit needs of the community. They also remarked that particularly USNY has been prominent in local events benefitting the community. Still, financial literacy programs are needed to help potential first-time homebuyers to understand the responsibility of owning a home. Another need they identified is the need to attract new businesses and ensure adequate financing is available to retain new and existing businesses in the community.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

DFS evaluated USNY under the small banking institution's performance standards in accordance with Parts 76.7 and 76.12 of the General Regulations of the Superintendent, which consists of the lending test, which includes:

- (1) Loan-to-deposit ratio and other lending-related activities;*
- (2) Assessment area concentration;*
- (3) Distribution by borrower characteristics;*
- (4) Geographic distribution of loans; and*
- (5) Action taken in response to written complaints regarding CRA.*

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

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

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

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

DFS derived the demographic data referred to in this report from the 2000 and 2010 U.S. Census and the FFIEC. DFS based business demographic data on Dun & Bradstreet ("D&B") reports, which D&B updates annually. DFS obtained unemployment data from the New York State Department of Labor.

The evaluation period included calendar years 2010, 2011, 2012, 2013, 2014, and 2015. However, USNY's HMDA-reportable loan volume for 2010 was too low for a meaningful lending analysis and small business and small farm data was only available for 2013, 2014 and 2015.

Examiners considered USNY’s HMDA-reportable, small business and farm loans in evaluating factors (2), (3), and (4) of the lending test noted below.

Small business/small farm loan aggregate data are shown for comparative purposes. USNY is not required to report this data and as such is not included in the aggregate data.

At its **prior** Performance Evaluation, as of December 31, 2009, DFS assigned USNY a rating of “1”, reflecting an “Outstanding record of helping to meet community credit needs.

Current CRA Rating: “Satisfactory”

Lending Test: “Satisfactory”

USNY’s small business, small farm and HMDA-reportable lending activities were reasonable considering its size, aggregate and peer group activity and demographics within the assessment area.

Loan-to-Deposit Ratio and other Lending-Related Activities: “Outstanding”

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

USNY’s average LTD ratio for the evaluation period was 97.9% well above its peer group’s LTD ratio of 77.2%. Furthermore, USNY’s quarterly LTD ratios exceeded the peer group’s ratios every quarter of the evaluation period.

The table below shows USNY’s LTD ratios in comparison with the peer group’s ratios for each of the 24 quarters of the evaluation period.

Loan-to-Deposit Ratios												
	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Q4
Bank	95.2	97.6	98.6	100.3	100.2	97.4	96.9	99.3	96.0	92.3	96.2	97.9
Peer	81.8	80.6	79.8	80.0	77.4	77.6	76.6	77.2	73.5	74.5	75.0	73.6

Loan-to-Deposit Ratios													
	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2015 Q1	2015 Q2	2015 Q3	2015 Q4	Avg.
Bank	96.1	94.8	96.7	97.9	98.0	100.5	99.5	99.0	99.3	98.4	98.4	103.3	97.9
Peer	74.3	75.8	75.3	75.5	76.1	77.3	77.5	78.1	77.8	79.1	78.8	78.9	77.2

Assessment Area Concentration: “Satisfactory”

During the evaluation period, USNY originated 82.6% by number, and 76.7% by dollar value of its small business, small farm and HMDA-reportable loans within the assessment area. This majority of lending inside USNY’s assessment area reflected a reasonable concentration of lending.

USNY by loan products, originated more than 80% by number of loans in its assessment area for every year of the evaluation period except for small business loans in 2013 and 2014 and HMDA-reportable loans in 2013.

Small Business:

During the evaluation period, USNY originated 80.4% by number, and 70.9% by dollar value of its small business loans within the assessment area. This majority of lending inside USNY’s assessment area reflected a reasonable concentration of lending within the assessment area.

Small Farms:

During the evaluation period, USNY originated 85.6% by number, and 80.0% by dollar value of its small farm loans within the assessment area. This majority of lending inside of USNY’s assessment area reflected a reasonable concentration of lending within the assessment area.

HMDA-Reportable Loans:

USNY originated 83.5% by number, and 82.0% by dollar value of its HMDA-reportable loans within the assessment area. This majority of lending inside USNY’s assessment area reflected a reasonable concentration of lending within the assessment area.

The following table shows the percentages of USNY’s small business, small farm and HMDA-reportable 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
	0	%		%			%		%	
Small Business										
2013	55	71.4%	22	28.6%	77	6,549	66.8%	3,248	33.2%	9,797
2014	298	81.0%	70	19.0%	368	37,391	75.1%	12,421	24.9%	49,812
2015	330	79.9%	83	20.1%	413	29,675	64.4%	16,390	35.6%	46,065
Subtotal	683	79.6%	175	20.4%	858	73,615	69.7%	32,059	30.3%	105,674
Small Farms										
2013	84	86.6%	13	13.4%	97	5,268	76.5%	1,618	23.5%	6,886
2014	211	84.4%	39	15.6%	250	19,238	77.0%	5,748	23.0%	24,986
2015	236	86.1%	38	13.9%	274	21,883	84.7%	3,964	15.3%	25,847
Subtotal	531	85.51%	90	14.5%	621	46,389	80.4%	11,330	19.6%	57,719
HMDA-Reportable										
2010	7	87.5%	1	12.5%	8	1,603	88.4%	210	11.6%	1,813
2011	27	87.1%	4	12.9%	31	3,994	88.3%	530	11.7%	4,524
2012	86	87.8%	12	12.2%	98	13,463	86.4%	2,125	13.6%	15,588
2013	96	76.2%	30	23.8%	126	19,056	75.7%	6,109	24.3%	25,165
2014	118	85.5%	20	14.5%	138	17,959	82.9%	3,704	17.1%	21,663
2015	147	84.0%	28	16.0%	175	23,950	83.2%	4,848	16.8%	28,798
Subtotal	481	83.5%	95	16.5%	576	80,025	82.0%	17,526	18.0%	97,551
Grand Total	1,695	82.5%	360	17.5%	2,055	200,029	76.7%	60,915	23.3%	260,944

Distribution by Borrower Characteristics: "Satisfactory"

USNY's combined small business, small farms and HMDA-reportable lending demonstrated a reasonable distribution of loans among businesses and farms of different revenue sizes and individuals of different income levels.

Small Business Loans:

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

USNY's rate of lending to businesses with annual revenue of \$1 million or less significantly exceeded the aggregate's rate for each year of the evaluation period. Furthermore, USNY's rate of lending exceeded the assessment area's business demographics for businesses with revenue of \$1 million or less. While it also should be noted that 18.1% of the small businesses in the area did not report revenue data, USNY's level of lending to businesses with revenue of \$1 million or less was excellent.

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

Distribution of Small Business Lending by Revenue Size of Business									
2013									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. < = \$1MM	41	74.5%	3,012	54.2%	1,872	46.5%	79,122	39.5%	72.5%
Rev. > \$1MM	13	23.6%	2,512	45.2%					4.4%
Rev. Unknown	1	1.8%	29	0.5%					23.1%
Total	55		5,553		4,029		200,388		
2014									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. < = \$1MM	267	89.6%	31,886	85.3%	2,127	46.4%	88,456	43.1%	71.8%
Rev. > \$1MM	31	10.4%	5,505	14.7%					4.8%
Rev. Unknown	0	0.0%	0	0.0%					23.4%
Total	298		37,391		4,588		205,028		
2015									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. < = \$1MM	290	87.9%	22,877	77.1%	2,399	52.3%	86,348	41.5%	76.8%
Rev. > \$1MM	39	11.8%	6,788	22.9%					5.1%
Rev. Unknown	1	0.3%	10	0.0%					18.1%
Total	330		29,675		4,591		207,845		
GRAND TOTAL									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. < = \$1MM	598	87.6%	57,775	79.6%	6,398	48.4%	253,926	41.4%	
Rev. > \$1MM	83	12.2%	14,805	20.4%					
Rev. Unknown	2	0.3%	39	0.1%					
Total	683		72,619		13,208		613,261		

Small Farms

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

USNY's rate of lending to small farms with revenues of \$1 million or less exceeded the aggregate's rate every year of the evaluation period. Furthermore, USNY's rate of lending increased every year of the evaluation period, while the aggregate's rate declined every year. Still, USNY's rate of lending trailed the farm demographics which showed that approximately 98% of the assessment area's farms had revenues of \$1 million or less.

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

Distribution of Small Farm Lending by Revenue Size of Business									
2013									
Rev. Size	Bank				Aggregate				Farm Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	75	89.3%	4,284	81.3%	618	78.2%	41,312	83.4%	98.3%
Rev. > \$1MM	9	10.7%	984	18.7%					1.5%
Rev. Unknown	0	0.0%	0	0.0%					0.2%
Total	84		5,268		790		49,523		
2014									
Rev. Size	Bank				Aggregate				Farm Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	193	91.5%	15,901	82.7%	581	76.6%	39,875	79.7%	97.9%
Rev. > \$1MM	18	8.5%	3,337	17.3%					1.8%
Rev. Unknown	0	0.0%	0	0.0%					0.3%
Total	211		19,238		758		50,046		
2015									
Rev. Size	Bank				Aggregate				Farm Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	218	92.4%	18,998	86.8%	584	72.8%	42,110	75.5%	97.8%
Rev. > \$1MM	18	7.6%	2,885	13.2%					1.8%
Rev. Unknown	0	0.0%	0	0.0%					0.4%
Total	236		21,883		802		55,806		
GRAND TOTAL									
Rev. Size	Bank				Aggregate				Farm Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	486	91.5%	39,183	84.5%	1,783	75.9%	\$123,297	79.4%	
Rev. > \$1MM	45	8.5%	7,206	15.5%					
Rev. Unknown	0	0.0%	-	0.0%					
Total	531		46,389		2,350		\$155,375		

HMDA-Reportable Loans:

USNY's HMDA-reportable lending demonstrated a reasonable distribution of loans among individuals of different income levels.

The 2010 HMDA loan volume was too low for a meaningful analysis; therefore, the 2010 HMDA data and aggregate loan data was not included in the analysis.

USNY originated 23.4% by number of loans and 13.0% by dollar value of loans to LMI borrowers for the evaluation period, which trailed the aggregate's 31.1% and 19.0%,

respectively. USNY's rate of lending to LMI borrowers also trailed the aggregate's rate for each year evaluated.

The following table provides a summary of the distribution of USNY's 1-4 family loans by borrower income.

Distribution of 1-4 Family Loans by Borrower Income									
2011									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	2	7.4%	188	4.7%	544	8.5%	28,082	4.0%	18.5%
Moderate	5	18.5%	308	7.7%	1,433	22.4%	106,710	15.3%	19.9%
LMI	7	25.9%	496	12.4%	1,977	31.0%	134,792	19.3%	38.4%
Middle	7	25.9%	847	21.2%	1,643	25.7%	145,156	20.8%	24.4%
Upper	13	48.1%	2,651	66.4%	2,599	40.7%	397,802	57.0%	37.2%
Unknown	0	0.0%	0	0.0%	168	2.6%	20,501	2.9%	0.0%
Total	27		3,994		6,387		698,251		
2012									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	2	2.3%	177	1.3%	648	8.3%	35,156	3.9%	18.5%
Moderate	20	23.3%	1,853	13.8%	1,687	21.7%	122,795	13.7%	17.8%
LMI	22	25.6%	2,030	15.1%	2,335	30.0%	157,951	17.7%	36.2%
Middle	19	22.1%	2,056	15.3%	2,015	25.9%	192,399	21.5%	23.9%
Upper	45	52.3%	9,377	69.7%	3,206	41.2%	511,548	57.2%	39.8%
Unknown	0	0.0%	0	0.0%	218	2.8%	32,267	3.6%	0.0%
Total	86		13,463		7,774		894,165		
2013									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	7	8.0%	504	3.1%	551	7.6%	28,956	3.6%	18.5%
Moderate	13	14.8%	1,200	7.4%	1,554	21.5%	114,977	14.4%	17.8%
LMI	20	22.7%	1,704	10.5%	2,105	29.1%	143,933	18.1%	36.2%
Middle	13	14.8%	1,717	10.5%	1,845	25.5%	168,724	21.2%	23.9%
Upper	48	54.5%	11,581	71.1%	3,054	42.3%	456,768	57.3%	39.8%
Unknown	7	8.0%	1,296	8.0%	220	3.0%	27,700	3.5%	0.0%
Total	88		16,298		7,224		797,125		
2014									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	7	6.5%	431	2.7%	530	9.1%	27,350	4.4%	18.6%
Moderate	17	15.9%	1,412	8.9%	1,374	23.7%	98,798	15.8%	17.9%
LMI	24	22.4%	1,843	11.6%	1,904	32.8%	126,148	20.2%	36.5%
Middle	28	26.2%	3,870	24.4%	1,507	26.0%	133,055	21.3%	24.2%
Upper	55	51.4%	10,171	64.0%	2,256	38.9%	349,804	56.0%	39.4%
Unknown	0	0.0%	0	0.0%	132	2.3%	15,277	2.4%	0.0%
Total	107		15,884		5,799		624,284		
2015									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	8	6.3%	878	4.2%	579	9.1%	29,047	4.1%	18.6%
Moderate	21	16.5%	2,247	10.7%	1,549	24.3%	114,681	16.1%	17.9%
LMI	29	22.8%	3,125	14.9%	2,128	33.4%	143,728	20.2%	36.5%
Middle	20	15.7%	2,684	12.8%	1,635	25.7%	155,123	21.8%	24.2%
Upper	61	48.0%	11,121	53.2%	2,432	38.2%	383,341	53.8%	39.4%
Unknown	17	13.4%	3,983	19.0%	175	2.7%	29,770	4.2%	0.0%
Total	127		20,913		6,370		711,962		
GRAND TOTAL									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	26	6.0%	2,178	3.1%	2,852	8.5%	148,591	4.0%	
Moderate	76	17.5%	7,020	10.0%	7,597	22.6%	557,961	15.0%	
LMI	102	23.4%	9,198	13.0%	10,449	31.1%	706,552	19.0%	
Middle	87	20.0%	11,174	15.8%	8,645	25.8%	794,457	21.3%	
Upper	222	51.0%	44,901	63.6%	13,547	40.4%	2,099,263	56.3%	
Unknown	24	5.5%	5,279	7.5%	913	2.7%	125,515	3.4%	
Total	435		70,552		33,554		3,725,787		

Geographic Distribution of Loans: “Satisfactory”

USNY’s origination of loans in census tracts of varying income levels demonstrated a reasonable distribution of lending. USNY’s assessment area has no low-income census tracts so its performance was evaluated based on its lending in moderate-income census tracts.

Small Business Loans:

The distribution of USNY’s small business loans by the income level of the geography was reasonable.

USNY founded in 2007 continues to expand and increase its lending volume. The table below shows USNY’s small business lending volume significantly increased from 2013 to 2014. The table also shows that for 2013 the aggregate’s rate of lending in moderate-income census tracts exceeded USNY’s rate while in 2014 and 2015 USNY’s rate of lending exceeded the aggregate’s rate. Furthermore, for both those years USNY’s rate of lending also exceeded the business demographics for the area. As a result, USNY’s average rate of lending in moderate-income census tracts for the evaluation period exceeded the aggregate’s average rate.

USNY during the evaluation period hired additional commercial loan officers, increased marketing to small business and partnered with Finger Lakes Economic Development Center in Yates County. These efforts were responsible for USNY’s improved small business lending for 2014 and 2015.

The following table provides a summary of the USNY’s small business lending distribution based on the income level of the geography.

Distribution of Small Business Lending by Geographic Income of the Census Tract									
2013									
Geographic	Bank				Aggregate				Bus.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	3	5.5%	40	0.6%	310	7.7%	17,188	8.6%	10.1%
LMI	3	5.5%	40	0.6%	310	7.7%	17,188	8.6%	10.1%
Middle	34	61.8%	3,001	45.8%	2,824	70.1%	130,647	65.2%	71.8%
Upper	18	32.7%	3,508	53.6%	895	22.2%	52,553	26.2%	18.1%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	55		6,549		4,029		200,388		
2014									
Geographic	Bank				Aggregate				Bus.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	36	12.1%	6,080	16.3%	300	6.5%	13,253	6.5%	8.8%
LMI	36	12.1%	6,080	16.3%	300	6.5%	13,253	6.5%	8.8%
Middle	233	78.2%	28,085	75.1%	3,326	72.5%	143,368	69.9%	73.5%
Upper	29	9.7%	3,226	8.6%	961	20.9%	48,392	23.6%	17.7%
Unknown	0	0.0%	0	0.0%	1	0.0%	15	0.0%	0.0%
Total	298		37,391		4,588		205,028		
2015									
Geographic	Bank				Aggregate				Bus.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	36	10.9%	5,111	17.2%	301	6.6%	13,203	6.4%	8.7%
LMI	36	10.9%	5,111	17.2%	301	6.6%	13,203	6.4%	8.7%
Middle	257	77.9%	21,427	72.2%	3,378	73.6%	139,999	67.4%	73.6%
Upper	37	11.2%	3,137	10.6%	912	19.9%	54,643	26.3%	17.6%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.1%
Total	330		29,675		4,591		207,845		
Grand Total									
Geographic	Bank				Aggregate				Bus.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
Moderate	75	11.0%	11,231	15.3%	911	6.9%	43,644	7.1%	
LMI	75	11.0%	11,231	15.3%	911	6.9%	43,644	7.1%	
Middle	524	76.7%	52,513	71.3%	9,528	72.1%	414,014	67.5%	
Upper	84	12.3%	9,871	13.4%	2,768	21.0%	155,588	25.4%	
Unknown	0	0.0%	-	0.0%	1	0.0%	15	0.0%	
Total	683		73,615		13,208		613,261		

Small Farm Loans:

The distribution of USNY's small farm loans by the income level of the geography was reasonable.

USNY's average rate of lending of 7.5% by number and 7.2% by dollar value of loans to small farms located in moderate-income census tracts during the evaluation period exceeded the aggregate's rate of 5.2% and 4.0%, respectively. USNY's rates of lending to small farms in moderate-income census tracts for the years 2013, 2014 and 2015 also exceeded the farm demographics, which indicated that approximately 6% of small farms in the assessment area were in moderate-income census tracts.

The following table provides a summary of the distribution of USNY's small farm loans by the income level of the geography where the loans were made.

Distribution of Small Farm Lending by Geographic Income of the Census Tract									
2013									
Geographic	Bank				Aggregate				Farm.Dem
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	5	6.0%	492	9.3%	34	4.3%	1,473	3.0%	6.6%
LMI	5	6.0%	492	9.3%	34	4.3%	1,473	3.0%	6.6%
Middle	76	90.5%	4,576	86.9%	723	91.5%	46,346	93.6%	82.0%
Upper	3	3.6%	200	3.8%	33	4.2%	1,704	3.4%	11.4%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	84		5,268		790		49,523		
2014									
Geographic	Bank				Aggregate				Farm.Dem
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	18	8.5%	1,848	9.6%	40	5.3%	2,519	5.0%	6.0%
LMI	18	8.5%	1,848	9.6%	40	5.3%	2,519	5.0%	6.0%
Middle	189	89.6%	16,445	85.5%	701	92.5%	46,141	92.2%	84.8%
Upper	4	1.9%	945	4.9%	17	2.2%	1,386	2.8%	9.2%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	211		19,238		758		50,046		
2015									
Geographic	Bank				Aggregate				Farm.Dem
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0	0	0.0%	0.0%
Moderate	17	7.2%	992	4.5%	49	6.1%	2,217	4.0%	5.5%
LMI	17	7.2%	992	4.5%	49	6.1%	2,217	4.0%	5.5%
Middle	212	89.8%	19,488	89.1%	730	91.0%	51,608	92.5%	85.0%
Upper	7	3.0%	1,403	6.4%	23	2.9%	1,981	3.5%	9.5%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	236		21,883		802		55,806		
Grand Total									
Geographic	Bank				Aggregate				Farm.Dem
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
Moderate	40	7.5%	3,332	7.2%	123	5.2%	6,209	4.0%	
LMI	40	7.5%	3,332	7.2%	123	5.2%	6,209	4.0%	
Middle	477	89.8%	40,509	87.3%	2,154	91.7%	144,095	92.7%	
Upper	14	2.6%	2,548	5.5%	73	3.1%	5,071	3.3%	
Unknown	0	0.0%	-	0.0%	0	0.0%	0	0.0%	
Total	531		46,389		2,350		155,375		

HMDA-Reportable Loans:

The distribution of USNY's HMDA-reportable loans by the income level of the geography was reasonable.

USNY's average lending rate of 5.7% by number and 6.4% by dollar value of loans originated in moderate-income census tracts during the evaluation period was comparable to the aggregate's rate of 5.9% and 3.5%, respectively. However, on a year by year basis USNY outperformed the aggregate only in 2014. In 2012, 2013 and 2015 USNY slightly trailed the aggregate's rate of lending while for 2011 USNY made no loans in moderate-income census tracts. Furthermore, examiners excluded 2010 as USNY's HMDA lending volume was too low for a meaningful analysis.

The level of owner-occupied housing units located in moderate-income census tracts within the assessment area ranged from 5.2% to 7.8% during the evaluation period. A lower level of owner-occupied housing units provides for a fewer lending opportunities. While the aggregate's rate of lending never exceeded the percentage of owner-occupied housing units in moderate-income census tracts, USNY's rate exceeded the percentage (7.8%) of owner-occupied housing units in 2014. While none of USNY's three branches are located within three miles of a moderate-income census tract, its performance in moderate-income census tracts was reasonable.

The following table provides a summary of USNY's HMDA-reportable lending distribution based on the income level of the geography.

Distribution of HMDA Reportable Lending by Geographic Income of the Census Tract									
2011									
Geographic	Bank				Aggregate				OO HUs
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	26	0.4%	1,237	0.2%	0.5%
Moderate	0	0.0%	0	0.0%	265	4.0%	19,220	2.6%	5.2%
LMI	0	0.0%	0	0.0%	291	4.4%	20,457	2.8%	5.7%
Middle	23	85.2%	3,348	83.8%	5,042	76.2%	518,627	70.4%	82.1%
Upper	4	14.8%	646	16.2%	1,285	19.4%	197,136	26.8%	12.3%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	27		3,994		6,618		736,220		
2012									
Geographic	Bank				Aggregate				OO HUs
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	5	5.8%	461	3.4%	487	6.1%	31,386	3.4%	7.8%
LMI	5	5.8%	461	3.4%	487	6.1%	31,386	3.4%	7.8%
Middle	64	74.4%	9,713	72.1%	5,800	72.1%	596,256	65.2%	75.9%
Upper	17	19.8%	3,289	24.4%	1,757	21.8%	287,339	31.4%	16.4%
Unknown	0	0.0%	0	0.0%	1	0.0%	116	0.0%	0.0%
Total	86		13,463		8,045		915,097		
2013									
Geographic	Bank				Aggregate				OO HUs
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	3	3.1%	619	3.2%	501	6.7%	31,926	3.6%	7.8%
LMI	3	3.1%	619	3.2%	501	6.7%	31,926	3.6%	7.8%
Middle	73	76.0%	14,152	74.3%	5,469	73.0%	572,397	65.2%	75.9%
Upper	20	20.8%	4,285	22.5%	1,519	20.3%	273,361	31.1%	16.4%
Unknown	0	0.0%	0	0.0%	3	0.0%	176	0.0%	0.0%
Total	96		19,056		7,492		877,860		
2014									
Geographic	Bank				Aggregate				OO HUs
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	11	9.3%	2,617	14.6%	370	6.1%	24,122	3.7%	6.4%
LMI	11	9.3%	2,617	14.6%	370	6.1%	24,122	3.7%	6.4%
Middle	96	81.4%	13,809	76.9%	4,566	75.3%	451,417	68.7%	77.5%
Upper	11	9.3%	1,533	8.5%	1,125	18.6%	181,717	27.6%	16.1%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	118		17,959		6,061		657,256		
2015									
Geographic	Bank				Aggregate				OO HUs
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0	0.0%
Moderate	8	5.4%	1,294	5.4%	393	5.9%	32,143	4.2%	6.4%
LMI	8	5.4%	1,294	5.4%	393	5.9%	32,143	4.2%	6.4%
Middle	122	83.0%	19,078	79.7%	5,055	76.0%	519,584	68.2%	77.5%
Upper	17	11.6%	3,578	14.9%	1,200	18.0%	209,582	27.5%	16.1%
Unknown	0	0.0%	0	0.0%	1	0.0%	126	0.0%	0.0%
Total	147		23,950		6,649		761,435		
GRAND TOTAL									
Geographic	Bank				Aggregate				OO HUs
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	26	0.1%	1,237	0.0%	
Moderate	27	5.7%	4,991	6.4%	2,016	5.8%	138,797	3.5%	
LMI	27	5.7%	4,991	6.4%	2,042	5.9%	140,034	3.5%	
Middle	378	79.7%	60,100	76.6%	25,932	74.4%	2,658,281	67.3%	
Upper	69	14.6%	13,331	17.0%	6,886	19.8%	1,149,135	29.1%	
Unknown	-	0.0%	-	0.0%	5	0.0%	418	0.0%	
Total	474		78,422		34,865		\$3,947,868		

Action Taken in Response to Written Complaints with Respect to CRA: “Not Rated”

Neither DFS nor USNY received any CRA related complaints during the evaluation period.

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

USNY’s CRA committee met annually during the evaluation period; however, in 2016 the committee commenced to meet quarterly. The committee discuss and assess the bank’s CRA performance, statement and policy, internal audit performance, the loan to deposit ratio and delineation of the assessment area. The CRA statement/policy is reviewed and approved by the board on an annual basis.

Employees are required to complete an annual online CRA training and the CRA officer attends periodic CRA training provided by external organizations or regulatory entities.

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

Evidence of prohibited discriminatory or other illegal credit practices.

- DFS examiners did not note evidence of prohibited discriminatory or other illegal practices

Record of opening and closing offices and providing services at offices

On September 8th, 2014, USNY opened a new full-service branch located at 34 Main Street Oneonta, in Otsego County. The branch is located 20 miles from the Cooperstown branch (Otsego County) and more than 100 miles away from the Geneva branch (Ontario County).

All USNY’s three branch offices are open from 8:30am-5:00pm Monday through Friday and offer no extended weekday hours or weekend hours. All three branches are in middle-income census tracts. Supplementing the three branch offices are two automated teller machines (“ATMs”) one each located at the Geneva and Cooperstown branch and one offsite at the Otesaga Resort Hotel in Cooperstown, NY. USNY also offers online and mobile banking, mobile deposits and e-statements which are available to individuals and small businesses.

Distribution of Branches within the Assessment Area							
County	N/A	Low	Moderate	Middle	Upper	Total	LMI
	#	#	#	#	#	#	%
Ontario	0	0	0	1	0	1	0
Wayne	0	0	0	0	0	0	0
Seneca	0	0	0	0	0	0	0
Otsego	0	0	0	2	0	2	0
Yates	0	0	0	0	0	0	0
Total	0	0	0	3	0	3	0%

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.
 - USNY encourages its officers and staff to actively participate in community organizations. Bank employees are volunteers, officers and or part of the board of directors in several non-profit organizations such as: Finger Lakes Economic Development Center-Yates County IDA, Geneva Area Chamber of Commerce, Geneva Local Development Corporation, and NYS Agricultural Experiment Station Advisory Council to mention a few.
 - USNY worked closely with Geneva City council manager and office of neighborhood initiatives.
 - Through proactive monitoring of trends, USNY also recognized an increase in the Amish community within their assessment area and has created alternative ways to make banking flexible and provide credit to them such as; going into the farms for deposit pick-up directly and using other systems for verification and or identification.
 - However, in 2015, the USNY participated in the Small Business Training Program organized by NYS Small Business Development Corporation which benefited small businesses within the assessment area.

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

- USNY advertises its lending programs through direct contact with present and potential customers.

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

As a small bank, USNY is not required to have community development activities. However, USNY helped to fund a congress authorized affordable housing program through its investments in Federal Home Loan Bank's Affordable Housing Program ("AHP"). The bank donated a total of \$36,753 to the program as follows: \$7,889 in 2013, \$11,174 in 2014 and \$17,690 in 2015.

GLOSSARY

Aggregate Penetration Rate

The number of loans originated and purchased by all reporting lenders in specified categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the assessment area.

Community Development

“Community development”:

1. Affordable housing (including multifamily housing) for low- or moderate-income (“LMI”) individuals;
2. Community services targeted to LMI individuals;
3. Activities that promote economic development by financing business or farms that meet the size eligibility standards of the United States Small Business Administration (“SBA”) Development Company or Small Business Investment Company programs, or have gross annual incomes of \$1 million or less;
4. Activities that revitalize or stabilize LMI geographies; and
5. Activities that seek to prevent defaults and/or foreclosures in loans included in (1) and (3) above.

Community Development Loan

A loan that has its *primary purpose* community development. This includes but is not limited to loans to:

- Borrowers for affordable housing rehabilitation and construction, including construction and permanent financing for multifamily rental property serving low or moderate income (“LMI”) persons;
- Nonprofit organizations serving primarily LMI or other community development needs;
- Borrowers to construct or rehabilitate community facilities that are located in LMI areas or that primarily serve LMI individuals;
- Financial intermediaries including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds or pools, micro-finance institutions, and low-income or community development credit unions that primarily lend or facilitate lending to promote community development;
- Local, state and tribal governments for community development activities; and
- Borrowers to finance environmental clean up or redevelopment of an industrial site as part of an effort to revitalize the LMI community in which the property is located.

Community Development Service

Service that has community development as its *primary purpose*, is related to the provision of financial services, and has not been considered in the evaluation of the banking institution's retail banking services. This includes but is not limited to:

- Providing technical assistance on financial matters to nonprofit, tribal or government organizations serving LMI housing or economic revitalization and development needs;
- Providing technical assistance on financial matters to small businesses or community development organizations;
- Lending employees to provide financial services for organizations facilitating affordable housing construction and rehabilitation or development of affordable housing;
- Providing credit counseling, home buyers and home maintenance counseling, financial planning or other financial services education to promote community development and affordable housing;
- Establishing school savings programs for LMI individuals;
- Providing seminars for LMI persons on banking and bank account record-keeping;
- Making ATM “Training Machines” available for extended periods at LMI community sites or at community facilities that serve LMI individuals; and
- Technical assistance activities to community development organizations such as:
 - ❖ Serving on a loan review committee;
 - ❖ Developing loan application and underwriting standards;
 - ❖ Developing loan processing systems;
 - ❖ Developing secondary market vehicles or programs;
 - ❖ Assisting in marketing financial services, including the development of advertising and promotions, publications, workshops and conferences;
 - ❖ Furnishing financial services training for staff and management;
 - ❖ Contributing accounting/bookkeeping services; and
 - ❖ Assisting in fund raising, including soliciting or arranging investments.

Geography

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

Home Mortgage Disclosure Act (“HMDA”)

The Home Mortgage Disclosure Act, enacted by Congress in 1975, and subsequently amended, requires institutions to annually report data about applications for residential (including multifamily) financing.

Income Level

The income level for borrowers is based on household or family income. A geography's income is categorized by median family income for the geography. In both cases, the income is compared to the MSA or statewide nonmetropolitan median income.

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

Small Business Loan

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

Low or Moderate Income ("LMI") Geographies

Those census tracts or block numbering areas where, according to the 2000 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 Metropolitan Statistical Area ("MSA") or Primary Metropolitan Statistical Area ("PMSA"), this would relate to the median family income for the MSA or PMSA in which the tracts are located. In the case of BNAs and tracted areas that are not part of a MSA or PMSA, the area median family income would be the statewide non-metropolitan median family income.

LMI Borrowers

Borrowers whose income, as reported on the loan application which the lender relied upon in making the credit decision, is less than 80% of the area median family income. In cases where the residential property is located in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure borrower income levels are updated annually by the U.S. Department of Housing and Urban Development ("HUD").

LMI Individuals/Persons

Individuals or persons whose income is less than 80% of the area median family income. In the case where the individual resides in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure individual income levels are updated annually by HUD.

LMI Penetration Rate

A number that represents the percentage of a bank's total loans (for a particular product) that was extended to LMI geographies or borrowers. For example, an LMI penetration rate of 20% would indicate that the bank made 20 out of a total of 100 loans in LMI geographies or to LMI borrowers.

Low-Income Housing Tax Credit (LIHTC)

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

New Markets Tax Credit (NMTC)

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

Qualified Investment

A lawful investment, deposit, membership share or grant that has community development as its *primary purpose*. This includes but is not limited to investments, deposits, membership shares or grants in or to:

- Financial intermediaries (including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds, micro-finance institutions and low-income or community development credit unions) that primarily lend or facilitate lending in LMI areas or to LMI individuals in order to promote community development;
- Organizations engaged in affordable housing rehabilitation and construction;
- Organizations, including, for example, small business investment corporations that promote economic development by financing small businesses;

- Facilities that promote community development in LMI areas or LMI individuals, such as youth programs, homeless centers, soup kitchens, health care facilities, battered women's centers, and alcohol and drug recovery centers;
- Projects eligible for low-income housing tax credits;
- State and municipal obligations, such as revenue bonds that specifically support affordable housing or other community development needs;
- Organizations serving LMI housing or other community development needs, such as counseling for credit, home ownership, home maintenance, and other financial services education; and
- Organizations supporting activities essential to the capacity of LMI individuals or geographies to utilize credit to sustain economic development, such as day care operations and job training programs that facilitate access to permanent jobs.

Small Business Loans

Loans to businesses with original amounts of <=\$1M