

PUBLIC DISCLOSURE

October 23, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Union County Savings Bank
Certificate Number: 12013

320 N Broad St
Elizabeth, New Jersey 07208

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
New York Regional Office

350 Fifth Avenue, Suite 1200
New York, New York 10118

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**.

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

PERFORMANCE LEVELS	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			X
High Satisfactory		X	
Low Satisfactory	X		
Needs to Improve			
Substantial Noncompliance			
<i>* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.</i>			

The Lending Test is rated **Low Satisfactory.**

- The bank's volume of lending reflects adequate responsiveness to the credit needs of the assessment area.
- The bank made a high percentage of loans in its assessment area.
- The geographic distribution of loans reflects excellent penetration throughout the assessment area.
- The distribution of borrowers reflects, given the product lines offered by the institution, adequate penetration among retail customers of different income levels.
- The institution makes limited use of innovative and/or flexible lending practices in order to serve assessment area credit needs.
- The institution made a relatively high level of community development loans.

The Investment Test is rated High Satisfactory.

- The institution has a significant level of qualified community development investments and grants, occasionally in a leadership position.
- The institution exhibits good responsiveness to credit and community development needs.
- The institution occasionally uses innovative and/or complex investments to support community development initiatives.

The Service Test is rated Outstanding.

- Delivery systems are reasonably accessible to essentially all portions of the institution's assessment area.
- To the extent changes have been made, the institution's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate income individuals. UCSB did not open or close any branches during the evaluation period.
- Services and business hours do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies or individuals.
- The bank is a leader in providing community development services.

DESCRIPTION OF INSTITUTION

Background

Union County Savings Bank (UCSB) is a full-service mutual savings bank headquartered in Elizabeth, New Jersey (NJ). The bank does not operate under a holding company and has no affiliates. The bank has one subsidiary, the UCSB Charitable Foundation, which supports community organizations throughout the assessment area. UCSB received a “Needs to Improve” rating from the Federal Deposit Insurance Corporation (FDIC) during its prior evaluation dated March 7, 2022, using Interagency Large Institution Examination Procedures.

Operations

UCSB operates four full-service branches in Union County, NJ. The institution’s main office and one branch are located in low-income census tracts, one branch is located in a middle-income census tract, and one branch is located in an upper-income census tract. UCSB did not open or close any branches during the evaluation period. In April 2023, UCSB opened an administrative office in a middle-income census tract in Union County. UCSB has not engaged in any merger or acquisition activity since the previous evaluation.

UCSB offers commercial, residential, construction, and consumer loan products, primarily focusing on home mortgage lending. Additionally, the institution provides a variety of deposit products including checking, savings, money market deposit accounts, certificates of deposit, and individual retirement accounts. Alternative banking services include internet and mobile banking. UCSB does not have proprietary automated teller machines (ATMs); however, in April 2023, the institution introduced business and consumer debit cards that can be used at 40,000 ATMs nationwide.

Ability and Capacity

As of September 30, 2023, UCSB’s assets totaled \$1.7 billion, including total loans of \$194.6 million and total securities of \$1.4 billion. Since the last evaluation, total assets decreased by 10.5 percent, total loans increased by 116.1 percent, total securities decreased by 8.5 percent, and total deposits decreased by 10.8 percent. Examiners did not identify any financial, legal, or other impediments that would limit the institution’s ability to meet the credit needs of its assessment area.

The following table displays the bank’s loan portfolio composition.

Loan Portfolio Distribution as of 09/30/2023		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	7,568	3.9
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	147,393	75.7
Secured by Multifamily (5 or more) Residential Properties	3,945	2.0
Secured by Nonfarm Nonresidential Properties	30,657	15.8
Total Real Estate Loans	189,563	97.4
Commercial and Industrial Loans	1,131	0.6
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	1,192	0.6
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	2,737	1.4
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	194,623	100.0
<i>Source Reports of Condition and Income</i>		

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which examiners will evaluate its CRA performance. UCSB designated one assessment area that includes the entirety of Union and Essex Counties in NJ. The assessment area expanded since the previous evaluation, at which time the assessment area included the entirety of Union County and portions of Essex County. This change added 88 census tracts to the assessment area. The current assessment area includes 331 census tracts within Metropolitan Division 35084 (Newark, NJ-PA), which is part of the larger Metropolitan Statistical Area 35620 (New York-Newark-Jersey City, NY-NJ-PA).

Economic and Demographic Data

The assessment areas 331 census tracts reflect the following income designations according to the 2020 American Community Survey (ACS) data:

- 104 low income,
- 84 moderate-income,
- 54 middle-income,
- 81 upper-income, and
- 8 tracts with no income designation.

There are eight municipalities within the assessment area that the NJ state government designated as Urban Enterprise Zones (UEZs). Enacted in 1983, the UEZ Program serves to revitalize deteriorating urban communities and stimulate growth by encouraging businesses to develop and

create private sector jobs through public and private investment. UEZ Program participating businesses benefit from reduced sales taxes and tax-free purchases on capital equipment. Additional benefits include an energy sales tax exemption for qualified manufacturing firms, financial assistance from the State Economic Development Authority, subsidized unemployment insurance, and certain tax credit options.

The following table highlights select demographic characteristics for the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	331	31.4	25.4	16.3	24.5	2.4
Population by Geography	1,439,073	28.3	24.7	17.0	28.5	1.5
Housing Units by Geography	521,208	28.3	25.1	17.7	27.9	1.1
Owner-Occupied Units by Geography	242,030	12.0	18.4	23.0	46.4	0.3
Occupied Rental Units by Geography	240,512	42.7	31.2	13.0	11.4	1.7
Vacant Units by Geography	38,666	40.7	29.4	13.4	14.8	1.8
Businesses by Geography	191,585	25.2	21.4	20.0	32.1	1.2
Farms by Geography	2,026	15.5	19.7	23.4	41.1	0.2
Family Distribution by Income Level	326,585	30.1	17.3	17.3	35.3	0.0
Household Distribution by Income Level	482,542	31.9	16.0	16.0	36.1	0.0
Median Family Income MSA - 35084 Newark, NJ-PA		\$107,333	Median Housing Value			\$366,857
			Median Gross Rent			\$1,272
			Families Below Poverty Level			10.0%
Source 2020 U.S. Census and 2022 D&B Data Due to rounding, totals may not equal 100.0% (*) The NA category consists of geographies that have not been assigned an income classification.						

The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. The assessment area contains 521,208 housing units. Of these, 46.4 percent are owner-occupied, 46.2 percent are occupied rental units, and 7.4 percent are vacant units. Owner-occupied housing units reflect the opportunity institutions have to originate residential mortgage loans. As shown in the previous table, only 12.0 percent of owner-occupied housing units are located in low-income geographies and 18.4 percent are located in moderate-income geographies. In contrast, 42.7 percent of occupied rental units are located in low-income geographies and 31.2 percent are located in moderate-income geographies. This data suggests there is greater opportunity for families to rent than to own housing in low- and moderate-income geographies. This limits opportunities for lenders to originate 1-4 family residential loans in these geographies.

The Borrower Profile criterion for home mortgage lending considers the percentage of assessment area low- and moderate-income families. The table above shows that 30.1 percent of assessment area families are low-income and 17.3 percent are moderate-income. Additionally, 10.0 percent have incomes below the poverty level. This data suggests that it would likely be difficult for these families to qualify for a home mortgage loan or support a monthly mortgage payment, especially given the area's median home value of \$366,857. This factor further limits opportunities for lenders to originate loans to low- or moderate-income borrowers.

Examiners used the Federal Financial Institutions Examination Council's (FFIEC) updated median family income data to analyze home mortgage lending under the Borrower Profile criterion. The following table presents median family income ranges in this assessment area.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Newark, NJ-PA Median Family Income (35084)				
2022 (\$116,900)	<\$58,450	\$58,450 to <\$93,520	\$93,520 to <\$140,280	≥\$140,280
2023 (\$116,900)	<\$58,450	\$58,450 to <\$93,520	\$93,520 to <\$140,280	≥\$140,280
<i>Source FFIEC</i>				

Data obtained from the U.S. Bureau of Labor Statistics shows that unemployment rates within the assessment area trended above the state and national averages during the evaluation period. Unemployment rates at the county, state, and national level increased during the review period. The following table presents 2022 and current unemployment rates for the assessment area counties, as well as the state and national levels.

Unemployment Rates		
Area	2022	August 2023
	%	%
Essex County	3.9	5.4
Union County	4.5	6.4
State	3.7	4.2
National Average	3.7	3.9

Competition

The assessment area is a highly competitive market for financial services. According to June 2023 FDIC Deposit Market Share data, 36 financial institutions operated 361 branches within the assessment area. Of these institutions, UCSB ranked 11th with a deposit market share of 2.6 percent.

UCSB is not required to report its home mortgage data, and has not elected to do so; therefore, the analysis of home mortgage loans does not include comparisons to aggregate lending data. The aggregate lending data, however, provides insight about the level of demand for home mortgage

loans. Aggregate lending data for 2022 shows that 507 lenders originated or purchased 29,811 home mortgage loans in the assessment area. The top five home mortgage lenders, Wells Fargo Bank, Rocket Mortgage, TD Bank, JP Morgan Chase Bank, and Guaranteed Rate, Inc. accounted for 19.3 percent of the market share by number of loans.

Community Contact

As part of the evaluation process, examiners contact or review third parties active in the assessment area to assist in identifying credit and community development needs. This information helps determine whether financial institutions are responsive to those needs, and shows what credit and community development opportunities area available.

Examiners reviewed a recent contact from a non-profit organization that provides affordable housing rentals to low- and moderate-income families in Essex County. The contact identified affordable housing as a primary need in the assessment area. The contact explained that, since 2020, housing and rental prices have increased significantly. The contact stated it has become difficult for a family earning wages in Essex County to live in Essex County. As such, residents are unable to break the poverty cycle. The contact also identified the need for financial education and affordable and flexible residential lending products.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that affordable housing represents the primary community development need in this assessment area, and affordable and flexible home mortgage products represents the primary credit need. Financial education for residents and area small businesses represent additional community development needs, supported by the assessment area's economic and demographic data.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated March 7, 2022, to the current evaluation dated October 23, 2023. Examiners used the Interagency Large Institution CRA Examination Procedures, consisting of the Lending, Investment, and Service Tests. Please refer to the Appendix for a complete description of the testing criteria.

Activities Reviewed

UCSB's major product line, considering the bank's strategic plan and number and dollar volume of loans originated and purchased during the evaluation period, is home mortgage loans. No other loan types, such as small business, small farm, or consumer loans represent a major product line or

provide material support for conclusions or ratings. Therefore, examiners did not review or present these products.

This evaluation considered all home mortgage loans that UCSB originated or purchased in 2022 and from January 1, 2023, through September 30, 2023. In 2022, UCSB originated or purchased 74 home mortgage loans totaling \$33.9 million. From January 1, 2023, through September 30, 2023, UCSB originated or purchased 89 home mortgage loans totaling \$37.7 million. Examiners reviewed 2020 ACS data for comparison purposes.

Examiners reviewed the number and dollar volume of home mortgage loans; however, examiners emphasized performance by number of loans since that is a better indicator of the number of individuals served.

The Lending Test also considered community development loans and loans originated under innovative and flexible lending programs since the prior evaluation.

The Investment Test includes qualified investments purchased prior to the last evaluation that remain outstanding, as well as qualified investments, donations, and grants made during the current evaluation period. Examiners also considered grants made by the UCSB Charitable Foundation.

The Service Test includes all community development services that the bank performed since the last evaluation. Additionally, examiners considered delivery systems for providing retail-banking services, including branches and alternative delivery systems, and the impact of branch changes during the evaluation period. In addition, the evaluation considered the bank's retail banking products and services that benefit low- and moderate-income individuals, including any tailored to meet specific needs in the assessment area.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

The Lending Test is rated "Low Satisfactory." The bank's adequate performance under the Lending Activity and Borrower Profile criterion, as well as its relatively high volume of community development loans, primarily support this conclusion. Although limited, the bank also makes use of innovative or flexible loan products, a credit need noted by the community contact. The following sections discuss the bank's performance under each of the Lending Test factors.

Lending Activity

UCSB's lending levels reflect adequate responsiveness to assessment area credit needs. This performance criterion considers UCSB's lending volume in relation to its financial condition and resources. Lending volume in the assessment area increased since the prior evaluation and demonstrates an upward trend.

Historically, UCSB’s business model focused on securities rather than loans. During the evaluation period, the Board and management shifted the focus to increase lending. As a result, the bank devoted a significant amount of resources into lending operations. For example, UCSB hired a Chief Lending Officer, Portfolio Manager, Assistant Vice President of Lending Operations, and a loan processor. This allocation of resources is noteworthy, given that the institution only operates four branches and employs just 53 individuals.

UCSB significantly improved its lending volume during this evaluation period. In 2022, UCSB originated or purchased 74 home mortgage loans, of which 59 were in the assessment area. In the first three quarters of 2023, UCSB originated or purchased 89 loans, of which 74 were in the assessment area. Loan volume within the assessment area during the first three quarters of 2023 increased by 25.4 percent when compared to lending in 2022 and 174.1 percent when compared to lending in 2021. Lending activity within the assessment area has shown an upward trend year-over-year despite decreases in total assets and deposits.

As mentioned previously, UCSB is not required to report its home mortgage data, and has not elected to do so; therefore, UCSB is not included within aggregate data. However, aggregate data shows the number of loans originated or purchased for each institution that reported at least one purchased or originated loan within the assessment area. In 2022, only 95 of 507 (18.7 percent) lenders who reported their lending activity within the assessment area made a greater number of loans than UCSB. Furthermore, the bank originated more home mortgage loans in its assessment area in 2022 than two larger, but similarly situated, banks.

Assessment Area Concentration

UCSB made a high percentage of home mortgage loans in its assessment area. Please refer to the following table.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollars Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2022	59	79.7	15	20.3	74	27,029	79.7	6,869	20.3	33,898
YTD 2023	74	83.1	15	16.9	89	31,531	83.5	6,210	16.5	37,741
Total	133	81.6	30	18.4	163	58,560	81.7	13,079	18.3	71,639
Source Bank Data YTD 2023 = January 1, 2023 - September 30, 2023										

Geographic Distribution

The geographic distribution of home mortgage loans reflects excellent penetration throughout the assessment area. In 2022, UCSB's home mortgage lending in low-income tracts greatly exceeded demographics. Performance increased in 2023 (partial year) to further exceed demographics. Lending in moderate-income tracts was consistent with demographics in 2022 and increased to exceed demographics in 2023.

The following table displays the distribution of home mortgage loans in the assessment area by tract income level and year.

Geographic Distribution of Home Mortgage Loans					
Tract Income Level	% of Owner-Occupied Housing Units	#	%	\$(000s)	%
Low					
2022	12.0	11	18.6	3,017	11.2
YTD 2023	12.0	15	20.3	4,680	14.8
Moderate					
2022	18.4	11	18.6	3,673	13.6
YTD 2023	18.4	16	21.6	4,601	14.6
Middle					
2022	23.0	13	22.0	5,220	19.3
YTD 2023	23.0	13	17.6	4,389	13.9
Upper					
2022	46.4	24	40.7	15,119	55.9
YTD 2023	46.4	30	40.5	17,861	56.6
Not Available					
2022	0.3	0	0.0	0	0.0
YTD 2023	0.3	0	0.0	0	0.0
Totals					
2022	100.0	59	100.0	27,029	100.0
YTD 2023	100.0	74	100.0	31,531	100.0
<i>Source 2020 U.S. Census; Bank Data Due to rounding, totals may not equal 100.0% YTD 2023 = January 1, 2023 - September 30, 2023</i>					

Borrower Profile

The distribution of borrowers reflects, given the product lines of the institution, adequate penetration among retail customers of different income levels. In 2022, UCSB's level of lending to low-income borrowers trailed demographics significantly, as the bank originated or purchased only two loans to low-income borrowers. However, in the first three quarters of 2023, the level of lending to low-income borrowers increased substantially to 17 loans, while only trailing demographics slightly. In 2022, UCSB's level of lending to moderate-income borrowers trailed demographics. However, the bank's performance more than doubled in the first three quarters of 2023 while still trailing demographics.

As previously noted, the bank faces challenges lending to low- and moderate-income families in the assessment area. Specifically, a low-income family with an income below \$58,450 would likely not qualify for a mortgage under conventional underwriting standards, especially considering the median housing value of \$366,857. Further, 10.0 percent of families are below the poverty line and are unlikely to be able to afford a home mortgage loan. Considering the sizeable volume of loans for which borrower income was not reported in 2022, the bank's improved performance in 2023, and the high cost of housing in relation to median incomes in the assessment area, performance under this criterion is adequate.

The following table reflects the distribution of home mortgage loans within the assessment area by borrower income level and year.

Distribution of Home Mortgage Loans by Borrower Income Level					
Borrower Income Level	% of Families	#	%	\$(000s)	%
Low					
2022	30.1	2	3.4	419	1.6
YTD 2023	30.1	17	23.0	4,930	15.6
Moderate					
2022	17.3	3	5.1	873	3.2
YTD 2023	17.3	8	10.8	1,358	4.3
Middle					
2022	17.3	2	3.4	1,030	3.8
YTD 2023	17.3	16	21.6	5,763	18.3
Upper					
2022	35.3	20	33.9	13,563	50.2
YTD 2023	35.3	26	35.1	16,329	51.8
Not Available					
2022	0.0	32	54.2	11,144	41.2
YTD 2023	0.0	7	9.5	3,151	10.0
Totals					
2022	100.0	59	100.0	27,029	100.0
YTD 2023	100.0	74	100.0	31,531	100.0
Source 2020 U.S. Census; Bank Data Due to rounding, totals may not equal 100.0% YTD 2023 = January 1, 2023 - September 30, 2023					

Innovative or Flexible Lending Practices

UCSB makes limited use of innovative and/or flexible lending practices in order to serve assessment area credit needs. In 2023, UCSB introduced three lending programs tailored to assist low- and moderate-income individuals or areas and small businesses. Flexible loan programs were credit needs noted by the community contact. Below are descriptions of UCSB's innovative or flexible lending programs.

- *DreamStar Mortgage Program* – In January 2023, UCSB began offering an affordable mortgage program for low- and moderate-income borrowers, as well as borrowers within low- and moderate-income areas in Essex and Union Counties. The product is available for home mortgages with a loan-to-value ratio up to 90.0 percent, and it offers an interest rate discount of 1.0 percent. The bank did not originate any loans under this program during the review period; however, the bank purchased three loans meeting the program's criteria.
- *First Time Home Buyer Program* – UCSB continues to offer first-time homebuyers a reduced application fee, as well as a rate discount of 0.25 percent. During the review period,

the bank originated one first time homebuyer loan totaling \$120,000 benefiting a moderate-income borrower. The bank also purchased one loan totaling \$220,000 that met the program's requirements and benefited a moderate-income borrower.

- *Star Small Business Loan Program* – In February 2023, UCSB introduced loans and lines of credit between \$10,000 and \$25,000 to local small businesses. These are unsecured loans and lines of credit requiring minimal closing documentation. UCSB offers this product with a quick turnaround time of two business days. UCSB opened one \$25,000 line of credit under this program during the review period.
- *Small Business Administration (SBA) Referral Program* – In July 2023, the bank established a relationship with a SBA preferred lender that will provide SBA 7a lending services to qualified Union County Savings Bank customers. There was no activity under this program during the review period.

Community Development Loans

UCSB made a relatively high level of community development loans.

The bank originated or purchased 15 community development loans totaling \$42.4 million during the evaluation period. This level of activity represents 21.8 percent of total loans and 2.5 percent of total assets. The bank's performance increased by 13 loans and \$41.6 million dollars when compared to the prior evaluation period, during which time examiners rated the bank's performance as "Needs to Improve" under this factor. Community development loans primarily supported efforts to revitalize and stabilize low- and moderate-income areas within the assessment area. In addition, the bank originated several loans that support affordable housing, a need expressed by the community contact.

The following table reflects the bank's community development loans by year and purpose.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2022	4	1,840	0	0	1	13,400	8	24,418	13	39,658
YTD 2023	1	700	0	0	0	0	1	2,000	2	2,700
Total	5	2,540	0	0	1	13,400	9	26,418	15	42,358
<i>Source Bank Data</i> <i>YTD 2023 = January 1, 2023 – October 23, 2023</i>										

Below are notable examples of the bank's community development loans.

- In 2022, the bank purchased a \$2.0 million participation in a \$4.0 million loan used to build a three-story multifamily building on a vacant lot. The lot is located in the Linden Airport Development Area Redevelopment Plan, a project that benefits the town and the city

residents. The loan proceeds helped to revitalize a moderate-income area targeted under a local government plan by helping to attract new residents to the local area.

- In 2022, the bank purchased a \$750,000 participation in a \$1.5 million construction loan. The project will develop a dormant property into 15 affordable housing condominium units... The project is financed with funding from the NJ Housing and Mortgage Finance Agency under the CHOICE subsidy program and will be marketed to LMI individuals. The CHOICE program features below-market interest rates to create affordable workforce housing in older urban neighborhoods, specifically in areas with high housing costs. The location of the housing is in a low-income census tract.
- In 2022, the bank purchased a \$2.0 million participation in a loan to renovate a vacant building in a low-income tract and UEZ in Union County. As previously mentioned, the UEZ program exists to foster an economic climate that revitalizes designated urban communities. The use of these proceeds will revitalize and stabilize the area by attracting businesses in this low-income census tract.
- In 2022, the bank purchased a \$1.6 million participation in a loan to rehabilitate a commercial property in a UEZ in Union County. The renovations improved existing and created new office and warehouse spaces for new and existing businesses. The use of these proceeds will revitalize and stabilize the area by attracting and retaining businesses in a moderate-income census tract.

INVESTMENT TEST

The Investment Test is rated “High Satisfactory.” UCSB’s excellent level of qualified community development investments and grants primarily support this rating. The following sections discuss the bank’s performance under each of the Investment Test criterion.

Investment and Grant Activity

UCSB has a significant level of qualified community development investments and grants, occasionally in a leadership position, in the assessment area. The bank’s \$23.1 million in qualified investments in the assessment area include 21 new investments totaling \$18.5 million, 22 prior period qualified investments with a current book value of \$4.4 million, and 25 grants and donations totaling \$190,500. Total qualified investments and grants represent 1.3 percent of average total assets and 1.7 percent of average total securities since the previous evaluation. The bank’s qualified investments and grants increased significantly when compared to the prior evaluation, during which time the bank made 50 investments and grants totaling \$13.3 million.

The following table shows the bank’s qualified investments and donations by year and purpose.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	19	2,620	3	1,733	0	0	0	0	22	4,353
2022	2	4,625	5	2,100	0	0	0	0	7	6,725
YTD 2023	3	3,244	7	3,223	1	2,538	3	2,780	14	11,785
Subtotal	24	10,489	15	7,056	1	2,538	3	2,780	43	22,863
Qualified Grants & Donations	2	30	18	100	5	61	0	0	25	191
Total	26	10,519	33	7,155	6	2,599	3	2,780	68	23,054
<i>Source Bank Data</i> <i>YTD 2023 = January 1, 2023 – October 23, 2023</i>										

Below are notable examples of UCSB's qualified investment activity.

- In 2023, UCSB purchased a municipal bond totaling \$760,000 to finance various capital improvements within Essex County. The county, primarily consisting of low- and moderate-income census tracts, will receive various improvements including highway and bridge rehabilitation, park and building improvements, and upgrades to Essex County College and the vocational school.
- During the review period, the bank made two donations totaling \$20,000 to a nonprofit organization in Elizabeth, New Jersey that provides community services to low-income individuals within Union County. The donations were allocated to expand the facility in order to continue operations and relaunch a program focused on job readiness and education programs.

Responsiveness to Credit and Community Development Needs

UCSB's qualified investments and donations exhibit good responsiveness to the credit and community development needs of the assessment area. Of the total dollar amount of qualified investments and donations, 45.6 percent benefitted efforts to create affordable housing. These investments demonstrate the bank's responsiveness to the area's affordable housing needs.

Community Development Initiatives

UCSB occasionally uses innovative or complex investments to support community development initiatives. UCSB investments support the creation and preservation of affordable housing throughout the assessment area. Additionally, the investments made during the evaluation period include some that are not routinely provided by private investors, including support of community development financial institutions (CDFIs) that offer innovative products to borrowers and businesses that would not typically be able to acquire funding through traditional financing methods.

SERVICE TEST

The Service Test is rated “Outstanding.” UCSB’s newly introduced alternative banking services and the high level of community development services primarily support this conclusion. The following sections discuss the bank’s performance under each of the Service Test factors.

Accessibility of Delivery Systems

UCSB’s delivery systems are reasonably accessible to essentially all portions of the assessment area. The bank operates four full-service branches throughout Union County. The main office is located in a low-income census tract in Elizabeth. The remaining three branches are located in a low-income census tract in Elizabeth, a middle-income census tract in Union, and an upper-income census tract in Cranford. The bank offers alternative banking services, which are described in the operations section above. During the review period, the bank improved accessibility and delivery systems by launching a website, mobile banking, and debit cards.

The following table presents census tracts, population, branches, and ATMs by tract and income level.

Branch and ATM Distribution by Geography Income Level								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	104	31.4	407,296	28.3	2	50.0	0	0.0
Moderate	84	25.4	355,430	24.7	0	0.0	0	0.0
Middle	54	16.3	244,737	17.0	1	25.0	0	0.0
Upper	81	24.5	410,465	28.5	1	25.0	0	0.0
NA	8	2.4	21,145	1.5	0	0.0	0	0.0
Totals	331	100.0	1,439,073	100.0	0	100.0	0	100.0
<i>Source 2020 U.S. Census & Bank Data Due to rounding, totals may not equal 100.0%</i>								

Changes in Branch Locations

To the extent changes have been made, the institution’s opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate income individuals. UCSB did not open or close any branches during the evaluation period.

Reasonableness of Business Hours and Services

Services and business hours do not vary in a way that inconveniences portions of the assessment area, particularly low- and moderate-income geographies or individuals. All branches are full-

service and offer the same loan and deposit products. Lobby and drive-up core hours are from 9:00 am to 5:00 pm Monday through Friday, and 9:00 am to 12:00 pm on Saturdays. All branches, except for the main office, have extended evening hours once per week.

Community Development Services

The institution is a leader in providing community development services. During the evaluation period, bank directors, officers, and employees provided 104 instances of financial expertise or technical assistance to 21 community organizations. The bank’s record of providing services significantly increased from the prior evaluation period, during which time the bank provided only nine services. Community development services primarily supported community service efforts.

The following table reflects the bank’s qualifying community development services by year and purpose.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2022	8	51	1	0	60
YTD 2023	1	37	5	1	44
Total	9	88	6	1	104
<i>Source Bank Data YTD 2023 = January 1, 2023 – October 23, 2023</i>					

Below are notable examples of the bank’s community development services.

- A Senior Vice President, Assistant Vice President, and employee provided one-on-one financial literacy education, in partnership with a local housing authority, to Union County residents receiving public housing assistance.
- An Assistant Vice President serves on the Board of an organization that serves the immediate needs of the homeless and near homeless. The organization provides aid in finding emergency shelter, transitional housing, and rent and utility assistance in Union County.
- A Senior Vice President uses their financial expertise while serving on the Board of an economic development organization.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of discriminatory or other illegal credit practices; therefore, this consideration did not affect the institution’s CRA rating.

APPENDICES

LARGE BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) through its lending activities by considering a bank's home mortgage, small business, small farm, and community development lending. If consumer lending constitutes a substantial majority of a bank's business, the FDIC will evaluate the bank's consumer lending in one or more of the following categories: motor vehicle, credit card, other secured, and other unsecured. The bank's lending performance is evaluated pursuant to the following criteria:

- 1) The number and amount of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, in the bank's assessment area;
- 2) The geographic distribution of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on the loan location, including:
 - i. The proportion of the bank's lending in the bank's assessment area(s);
 - ii. The dispersion of lending in the bank's assessment areas(s); and
 - iii. The number and amount of loans in low-, moderate-, middle- and upper-income geographies in the bank's assessment area(s);
- 3) The distribution, particularly in the bank's assessment area(s), of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on borrower characteristics, including the number and amount of:
 - i. Home mortgage loans low-, moderate-, middle- and upper-income individuals
 - ii. Small business and small farm loans to businesses and farms with gross annual revenues of \$1 million or less;
 - iii. Small business and small farm loans by loan amount at origination; and
 - iv. Consumer loans, if applicable, to low-, moderate-, middle- and upper-income individuals;
- 4) The bank's community development lending, including the number and amount of community development loans, and their complexity and innovativeness; and
- 5) The bank's use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low- and moderate-income individuals or geographies.

Investment Test

The Investment Test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through qualified investments that benefit its assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s). Activities considered under the Lending or Service Test may not be considered under the investment test. The bank's investment performance is evaluated pursuant to the following criteria:

- 1) The dollar amount of qualified investments;
- 2) The innovativeness or complexity of qualified investments;

- 3) The responsiveness of qualified investments to available opportunities; and
- 4) The degree to which qualified investments are not routinely provided by private investors.

Service Test

The Service Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of the bank's systems for delivering retail banking services and the extent and innovativeness of its community development services.

The bank's retail banking services are evaluated pursuant to the following criteria:

- 1) The current distribution of the bank's branches among low-, moderate-, middle-, and upper-income geographies;
- 2) In the context of its current distribution of the bank's branches, the bank's record of opening and closing branches, particularly branches located in low- or moderate-income geographies or primarily serving low- or moderate-income individuals;
- 3) The availability and effectiveness of alternative systems for delivering retail banking services (*e.g.*, RSFs, RSFs not owned or operated by or exclusively for the bank, banking by telephone or computer, loan production offices, and bank-at-work or bank-by-mail programs) in low- and moderate-income geographies and to low- and moderate-income individuals; and
- 4) The range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

The bank's community development services are evaluated pursuant to the following criteria:

- 1) The extent to which the bank provides community development services; and
- 2) The innovativeness and responsiveness of community development services.

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose bank:
 - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
 - (ii) Benefits the bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

Community Development Service: A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the bank's retail banking services under § 345.24(d).

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

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 statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (e.g., geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Micropolitan Statistical Area: CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as non-MSA): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area’s population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

Upper-Income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.