

# **PUBLIC DISCLOSURE**

November 14, 2023

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

United Savings Bank  
Certificate Number: 28836

1510 Packer Avenue  
Philadelphia, Pennsylvania 19145

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 **Needs to Improve**.

An institution in this group needs to improve its overall 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.

**The Lending Test is rated Needs to Improve.**

- The loan-to-deposit ratio is less than reasonable given the institution's size, financial condition, and assessment area credit needs.
- The bank made a majority of loans in its assessment area.
- The geographic distribution reflects of the assessment area reflects poor dispersion throughout the assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, poor penetration among individuals of different income levels and businesses of different sizes
- The bank received no CRA-related complaints since the previous performance evaluation; therefore, this factor did not affect the Lending Test rating.

**The Community Development Test is rated Needs to Improve.**

- The institution's community development performance demonstrates poor responsiveness to community development needs in its assessment area through community development loans, qualified investments, and community development services, considering the institution's capacity and need and availability of such opportunities for community development in the institution's assessment area.

## DESCRIPTION OF INSTITUTION

### **Background**

United Savings Bank (USB) is a mutual savings bank headquartered in Philadelphia, Pennsylvania (PA). USB does not maintain any subsidiary or affiliate relationships. The bank received a Satisfactory rating at its previous Federal Deposit Insurance Corporation (FDIC) Performance Evaluation, dated February 23, 2021 based on Interagency Intermediate Small Institution Examination Procedures.

### **Operations**

USB operates three full-service branches in Philadelphia County, PA and three full-service branches in Delaware County, PA. There were no branch openings or closures during the evaluation period. The bank did not engage in any merger activity since the previous evaluation. The bank offers mortgages, home equity loans, lines of credit, consumer loans, and commercial loans.

The bank also offers a variety of consumer and business deposit services, including checking accounts, certificates of deposit, savings accounts, money market accounts, commercial checking accounts, and Interest on Lawyers Trust Accounts. Alternative banking services include telephone banking; online banking; a mobile application with mobile deposit capabilities; and automated teller machines (ATMs), which are located at each branch.

### **Ability and Capacity**

USB reported approximately \$453.1 million in total assets as of September 30, 2023, including total loans of \$161.8 and total securities of \$189.3 million. Since the prior evaluation, the bank's total loans declined 5.9 percent, while total securities increased 177.0 percent. The following table illustrates the loan portfolio by type.

<b>Loan Portfolio Distribution as of September 30, 2023</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	0	0.0
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	105,637	65.3
Secured by Multifamily (5 or more) Residential Properties	7,613	4.7
Secured by Nonfarm Nonresidential Properties	48,656	30.1
<b>Total Real Estate Loans</b>	<b>161,906</b>	<b>100.1</b>
Commercial and Industrial Loans	339	0.2
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	46	0.0
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	0	0.0
Lease Financing Receivables	0	0.0
Less: Unearned Income	450	0.3
<b>Total Loans</b>	<b>161,841</b>	<b>100.0</b>
<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 its CRA performance will be evaluated. USB designates one assessment area that consists of Delaware and Philadelphia Counties in the Philadelphia, PA Metropolitan Division (MD) #37964, which is part of the Philadelphia-Camden-Wilmington, PA-NJ-DE-MD Metropolitan Statistical Area (MSA) #37980. The assessment area has not changed since the prior evaluation.

### **Economic and Demographic Data**

For 2021, the assessment area included 528 census tracts reflecting the following income designations according to the 2015 American Community Survey (ACS):

- 53 low-income tracts
- 153 moderate-income tracts
- 111 middle-income tracts
- 197 upper-income tracts
- 14 tracts with no income designation

The United States (U.S.) Census Bureau's 2020 Census updated demographic data, which went into effect in 2022. The 2020 Census data changed the number and income level of select tracts within the assessment area. For 2022, the same assessment area included 560 census tracts reflecting the following income designations according to the 2020 Census data:

- 52 low-income tracts
- 140 moderate-income tracts
- 119 middle-income tracts
- 215 upper-income tracts
- 34 tracts with no income designation

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	560	9.3	25.0	21.3	38.4	6.1
Population by Geography	2,180,627	9.9	27.2	23.8	37.1	1.9
Housing Units by Geography	913,867	10.0	26.8	24.0	37.6	1.6
Owner-Occupied Units by Geography	467,722	7.5	22.8	25.4	43.3	1.0
Occupied Rental Units by Geography	354,999	12.2	29.8	23.4	32.7	2.0
Vacant Units by Geography	91,146	14.8	35.6	19.3	27.6	2.6
Businesses by Geography	305,498	7.5	23.3	20.9	45.7	2.6
Farms by Geography	2,433	4.9	13.9	17.3	62.2	1.7
Family Distribution by Income Level	471,233	25.3	15.8	16.2	42.8	0.0
Household Distribution by Income Level	822,721	27.2	14.4	15.1	43.2	0.0
Median Family Income MSA - 37964 Philadelphia, PA		\$68,458	Median Housing Value			\$222,423
			Median Gross Rent			\$1,137
			Families Below Poverty Level			15.0%

*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.*

There are 913,867 housing units in the assessment area. Of these, 51.2 percent are owner-occupied housing units, 38.8 percent are occupied rental units, and 10.0 percent are vacant. The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. As shown above, 30.3 percent of the total owner-occupied housing units within the assessment area are located in low- and moderate-income (LMI) census tracts. This data reflects the opportunities lenders have to originate home mortgage loans within LMI geographies.

Additionally, 15.0 percent of families in the assessment area are below the poverty level. These individuals may have difficulty obtaining a home mortgage loan, considering the area's median housing value of \$222,423.

Examiners compared the distribution of the bank's home mortgage loans to the distribution of families by income level under the Borrower Profile criterion. The following table illustrates the low-, moderate-, middle-, and upper-income categories for the Philadelphia, PA MD for 2021 and 2022.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>Philadelphia, PA Median Family Income (37964)</b>				
2021 (\$67,500)	<\$33,750	\$33,750 to <\$54,000	\$54,000 to <\$81,000	≥\$81,000
2022 (\$75,000)	<\$37,500	\$37,500 to <\$60,000	\$60,000 to <\$90,000	≥\$90,000
<i>Source: FFIEC</i>				

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by gross annual revenue (GAR) level. According to the 2023 D&B data, there were 326,560 non-farm businesses in the assessment area. These businesses have the following GAR characteristics.

- 93.8 percent had GARs of \$1.0 million or less;
- 1.9 percent had GARs of more than \$1.0 million; and
- 5.3 percent had unreported revenues

Service industries represent the largest share of total businesses in the assessment area at 37.0 percent, followed by non-classifiable establishments (25.2 percent), finance, insurance, and real estate (11.9 percent), and retail trade (11.2 percent). Most businesses have four or fewer employees (63.8 percent) and operate at a single location (95.3 percent). This information reflects the potential demand for, and the opportunity to originate, small business loans in the assessment area.

### **Competition**

The bank's assessment area reflects a highly competitive market for financial services. According to the June 30, 2023 FDIC Deposit Market Share data, 45 financial institutions operated 380 full-service offices in the assessment area. Of these institutions, USB ranked 16<sup>th</sup> with a 0.4 percent deposit market share. The top three institutions based on deposit market share were PNC Bank, National Association (N.A.) (18.0 percent); Wells Fargo Bank, N.A. (17.5 percent); and Bank of America, N.A. (17.3 percent).

There is a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders in the assessment area. Based on 2022 peer mortgage data, 602 lenders originated 46,255 home mortgage loans in the assessment area. USB is not required to report its home mortgage loan data; therefore, the analysis of home mortgage loans under the Lending Test does not include aggregate data comparisons. The aggregate data, however, reflects the level of demand for home mortgage loans and is, therefore, included for performance context. The top three mortgage lenders in the assessment area included Community Bank, N.A. (6.5 percent); Police and Fire Federal Credit Union (5.7 percent); and Rocket Mortgage (5.2 percent).

USB is not required to report its small business loan data, and it has not elected to do so. Therefore, the analysis of small business loans under the Lending Test does not include aggregate data comparisons. The aggregate data, however, reflects the level of demand for small business loans and is therefore included for performance context. Aggregate data for 2021 shows that 181 CRA

reporters originated 50,793 small business loans in the assessment area, indicating a high level of competition for this product.

### **Community Contact**

As part of the evaluation process, examiners contact third parties active in the assessment area to identify credit and community development needs. This information helps determine whether local financial institutions are responsive to those needs, and what credit opportunities are available. It also demonstrates the availability of community development opportunities.

Examiners reviewed a recent contact with a representative from a community development organization in Philadelphia. This organization focuses on creating affordable housing opportunities and revitalizing commercial properties within struggling Philadelphia neighborhoods by partnering with fellow community development corporations (CDC) and non-profits. This organization assists CDCs and non-profits by enhancing their skills and advocating for greater resources. This contact stated there are more resources than ever to support affordable housing, specifically naming the City of Philadelphia's bond issuance program, which launched in the fourth quarter of 2021. The contact expressed many opportunities for corporations and investors to take part in this neighborhood preservation initiative. Additionally, many community development organizations struggle obtaining operational funding and grants to sustain themselves. There is a need for backroom operational guidance to run these organizations successfully.

For affordable housing, first-time homebuyers need greater assistance as interest rates have risen. The contact also noted a limited amount of low-income housing tax credits. Additionally, many low- and moderate-income individuals have trouble meeting underwriting requirements. Lastly, the contact stated they would like to see more financial institutions involved in Special Purpose Credit Programs targeting minority households.

Examiners also used a recent contact with a non-profit community development financial institution (CDFI) in the city of Philadelphia. The organization is focused on providing access to technical assistance, capital, and business support services to small and microenterprises in the region. The contact noted that the number of banks making investments in small businesses has been declining, due to decreasing COVID-19-related relief aid. Consequently, this has resulted in fewer loans being originated to businesses that do not meet traditional credit standards. Funding for small businesses is becoming restrictive, resulting in barriers for new entrepreneurs. The contact stated that it would be good to see more alternative credit arrangements made, such as low interest (2.0-3.0 percent) capital investments in small businesses.

### **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 programs, specifically first-time home buyer assistance programs, and affordable and obtainable small business loans are the primary credit needs in the assessment area.



## SCOPE OF EVALUATION

### **General Information**

The evaluation covers the period from the prior CRA evaluation dated February 23, 2021, to the current evaluation dated November 14, 2023. Examiners used the Federal Financial Institutions Examination Council (FFIEC) Intermediate Small Institution Examination Procedures to evaluate United Savings Bank's CRA Performance. These procedures include the Lending Test and the Community Development Test. Please refer to the Appendices for complete descriptions of these tests.

### **Activities Reviewed**

Examiners determined USB's major product lines are home mortgage and small business loans. This conclusion considered the bank's business strategy, as well as the number and dollar volume of loans originated during the evaluation period. While the number of small business loans was greater than the number of home mortgage loans in 2021, examiners gave greater weight to home mortgage lending when forming overall conclusions. Examiners drew this conclusion because the vast majority of small business loans originated in 2021 were Paycheck Protection Program (PPP) loans, which was a short-term loan product offered through, and forgiven by, the U.S. Small Business Administration (SBA) in response to the COVID-19 pandemic. The bank originated a low volume of farm and consumer loans during the evaluation period; therefore, this evaluation did not consider these loans.

USB is not required to collect or report its residential mortgages loans under the Home Mortgage Disclosure Act (HMDA). The Assessment Area Concentration criterion includes all home mortgage loans originated during the evaluation period. The bank originated 69 home mortgage loans totaling \$25.5 million in 2021 and 37 home mortgage loans totaling \$15.6 million in 2022. For the Geographic Distribution and Borrower Profile criteria, examiners analyzed a sample of home mortgage loans originated in 2021 and the full universe of home mortgage loans originated in 2022. Examiners compared USB's 2021 residential mortgage lending data to the 2015 American Community Survey (ACS) demographic and USB's 2022 residential mortgage lending data 2020 U.S. Census data as a standard of comparison.

Due to asset size, USB is not required to collect or report small business loans. However, the bank collected sufficient data for analysis, and examiners considered all data collected for small business loans originated or purchased in 2021 and 2022. The bank originated 85 small business loans totaling \$7.9 million in 2021 and 5 small business loans totaling \$2.6 million in 2022. For comparative purposes, the evaluation will present 2021 and 2022 D&B data.

Bank management provided information on community development loans, investments, and services since the prior CRA evaluation dated February 23, 2021. The bank elected to have nine PPP loans considered under the Community Development test. These loans were not analyzed under the Lending Test criteria and thus excluded from those tables.

## CONCLUSIONS ON PERFORMANCE CRITERIA

### LENDING TEST

USB demonstrated poor performance under the Lending Test. The bank's poor performance in the Geographic Distribution and Borrower Profile criterion primarily support this conclusion. The bank's average net loan-to-deposit (LTD) ratio, which is in part a measure of the bank's lending activity, is less than reasonable and negatively affects the bank's overall Lending Test rating. Lending levels reflect poor responsiveness to assessment area credit needs.

#### Loan-to-Deposit Ratio

USB's net loan-to-deposit (LTD) ratio is less than reasonable given the institution's size, financial condition, and assessment area credit needs. The bank's net LTD ratio, calculated from Call Report Data, averaged 49.3 percent over eleven calendar quarters from March 31, 2021, to September 30, 2023. During the evaluation period, the net LTD ratio ranged from a high of 55.2 percent as of March 31, 2021, to a low of 46.1 percent as of December 31, 2022. Overall, the LTD ratio exhibited a downward trend during the evaluation period. The bank's average net LTD ratio at the February 23, 2021 Performance Evaluation was 60.8, which is 12.8 percentage points greater than the net LTD ratio at the current evaluation.

Examiners primarily attribute the decline in the LTD ratio to the increase in the securities portfolio, coupled with a decrease in loans. As of September 30, 2023, loans and leases totaled \$161.8 million, which represents a 5.9 percent decline compared to the prior evaluation at which loans totaled \$172.0 million. Moreover, securities increased from \$68.3 million at the prior evaluation to \$189.3 million at the current evaluation, a 177.0 percent increase.

Examiners compared USB's average net LTD ratio to that of similarly situated institutions selected based on geographic location, lending focus, and asset size. There is a high level of competition for home mortgage and small business loans in the assessment area; nevertheless, this does not fully explain the bank's low lending volume. As shown in the table below, the bank's average net loan to deposit ratio is significantly lower than the similarly situated institutions.

<b>Loan-to-Deposit (LTD) Ratio Comparison</b>		
<b>Bank</b>	<b>Total Assets as of 9/30/2023 (\$000s)</b>	<b>Average Net LTD Ratio (%)</b>
<b>United Savings Bank</b>	<b>453,083</b>	<b>49.3</b>
Ambler Savings Bank	472,588	72.5
Hyperion Bank	399,770	105.3
Phoenixville Federal Bank	616,725	82.5
Sharon Bank	171,103	89.3

*Source: Reports of Condition and Income 3/31/2021 – 9/30/2023*

**Assessment Area Concentration**

A majority of loans are in the bank’s assessment area. The following table shows the assessment area concentration of home mortgage and small business loans by number and dollar volume.

<b>Lending Inside and Outside of the Assessment Area</b>										
<b>Loan Category</b>	<b>Number of Loans</b>				<b>Total #</b>	<b>Dollar Amount of Loans \$(000s)</b>				<b>Total \$(000s)</b>
	<b>Inside</b>		<b>Outside</b>			<b>Inside</b>		<b>Outside</b>		
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
Home Mortgage										
2021	45	65.2	24	34.8	69	12,792	50.2	12,692	49.8	25,484
2022	27	73.0	10	27.0	37	8,901	56.9	6,729	43.0	15,630
<b>Subtotal</b>	<b>72</b>	<b>67.9</b>	<b>34</b>	<b>32.1</b>	<b>106</b>	<b>21,693</b>	<b>52.8</b>	<b>19,421</b>	<b>47.2</b>	<b>41,114</b>
Small Business										
2021	77	90.6	8	9.4	85	7,522	95.1	384	4.9	7,906
2022	3	60.0	2	40.0	5	1,608	61.1	1,024	38.9	2,632
<b>Subtotal</b>	<b>80</b>	<b>88.9</b>	<b>10</b>	<b>11.1</b>	<b>90</b>	<b>9,130</b>	<b>86.6</b>	<b>1,408</b>	<b>13.4</b>	<b>10,538</b>
<b>Total</b>	<b>152</b>	<b>77.6</b>	<b>44</b>	<b>22.4</b>	<b>196</b>	<b>30,823</b>	<b>59.7</b>	<b>20,829</b>	<b>40.3</b>	<b>51,652</b>
<i>Source: Bank Data. Due to rounding, totals may not equal 100.0%</i>										

**Geographic Distribution**

The geographic distribution of loans reflects poor dispersion throughout the assessment area. Examiners focused on the number of loans in low- and moderate-income census tracts.

***Home Mortgage***

The geographic distribution of home mortgage loans reflects poor dispersion throughout the assessment area. In 2021, the bank originated one sampled loan in a low-income census tract, which trails the percentage of owner-occupied housing units in such geographies. In 2022, the bank originated two (7.4 percent) home mortgage loans in low-income tracts, which is similar to the demographic data. Considering the low volume of originations in low-income tracts, the bank’s overall volume of lending reflects poor dispersion. The bank’s percentage of sampled loans made within moderate-income tracts slightly trailed the percentage of owner-occupied housing units in these geographies during 2021. In 2022, the bank originated only six loans in moderate-income tracts. Though the percentage of loans originated in moderate-income tracts in 2022 is similar to demographics, the limited lending reflects poor performance.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level		% of Owner-Occupied Housing Units	#	%	\$(000s)	%
Low						
	2021	7.0	1	3.7	165	2.4
	2022	7.5	2	7.4	1,461	16.4
Moderate						
	2021	24.3	6	22.2	1,223	17.7
	2022	22.8	6	22.2	1,519	17.1
Middle						
	2021	23.5	3	11.1	745	10.8
	2022	25.4	11	40.7	3,701	41.6
Upper						
	2021	45.1	17	63.0	4,780	69.1
	2022	43.3	8	29.6	2,220	24.9
Not Available						
	2021	0.0	0	0.0	0	0.0
	2022	1.0	0	0.0	0	0.0
<b>Totals</b>						
	<b>2021</b>	<b>100.0</b>	<b>27</b>	<b>100.0</b>	<b>6,913</b>	<b>100.0</b>
	<b>2022</b>	<b>100.0</b>	<b>27</b>	<b>100.0</b>	<b>8,901</b>	<b>100.0</b>

*Source: 2020 U.S. Census; 2015 ACS; Bank Data, "--" data not available. Due to rounding, totals may not equal 100.0%.*

### ***Small Business***

The geographic distribution of small business loans reflects poor dispersion throughout the assessment area. The bank's poor performance is primarily a function of low lending volume. During the evaluation period, the bank did not originate any small business loans in low-income census tracts. Within moderate-income tracts, the bank originated three loans in 2021, representing 3.9 percent of originations and significantly trailing the percentage of businesses in such areas. In 2022, the bank did not make any small business loans in moderate-income tracts.

Geographic Distribution of Small Business Loans						
Tract Income Level		% of Businesses	#	%	\$(000s)	%
Low						
	2021	7.1	0	0.0	0	0.0
	2022	7.5	0	0.0	0	0.0
Moderate						
	2021	25.7	3	3.9	249	3.3
	2022	23.3	0	0.0	0	0.0
Middle						
	2021	19.5	18	23.4	1,625	21.6
	2022	20.9	0	0.0	0	0.0
Upper						
	2021	46.6	56	72.7	5,647	75.1
	2022	45.7	3	100.0	1,608	100.0
Not Available						
	2021	1.2	0	0.0	0	0.0
	2022	2.6	0	0.0	0	0.0
<b>Totals</b>						
	<b>2021</b>	<b>100.0</b>	<b>77</b>	<b>100.0</b>	<b>7,522</b>	<b>100.0</b>
	<b>2022</b>	<b>100.0</b>	<b>3</b>	<b>100.0</b>	<b>1,608</b>	<b>100.0</b>

*Source: 2021 and 2022 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%.*

## **Borrower Profile**

The distribution of borrowers reflects poor penetration among individuals of different income levels and businesses of different revenue sizes. Poor performance in home mortgage and small business lending supports this conclusion.

### ***Home Mortgage***

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is poor. As shown in the following table, none of the sampled 2021 loans were made to low-income borrowers. The bank made two loans to low-income borrowers in 2022, and the percentage significantly trails demographic data. In 2021, the bank originated one sampled loan to a moderate-income borrower. In 2022, the bank originated two loans to moderate-income borrowers. The percentage of originations to low- and moderate-income borrowers significantly trailed demographic data in 2021 and 2022. Further, bank's overall volume of lending during both years is limited and reflects poor performance in meeting the credit needs of low- and moderate-income census tracts.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>					
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low					
2021	25.2	0	0.0	0	0.0
2022	25.3	2	7.4	686	7.7
Moderate					
2021	15.9	1	3.7	140	2.0
2022	15.8	2	7.4	289	3.2
Middle					
2021	16.3	1	3.7	133	1.9
2022	16.2	0	0.0	0	0.0
Upper					
2021	42.7	15	55.6	3,839	55.5
2022	42.8	5	18.5	1,507	72.1
Not Available					
2021	0.0	10	37.0	2,801	40.5
2022	0.0	18	66.7	8,901	100.0
<b>Totals</b>					
<b>2021</b>	<b>100.0</b>	<b>27</b>	<b>100.0</b>	<b>6,913</b>	<b>100.0</b>
<b>2022</b>	<b>100.0</b>	<b>27</b>	<b>100.0</b>	<b>8,901</b>	<b>100.0</b>

*Source: 2020 Census; 2015 ACS; Bank Data, "--" data not available. Due to rounding, totals may not equal 100.0%.*

### ***Small Business***

The distribution of borrowers reflects poor penetration among individuals of different income levels and businesses of different sizes. As shown in the following table, the substantial majority of small business loans originated in 2021 had no reported GARs. This is due to the bank's origination of PPP loans, as the program did not require lenders to collect revenue information and the bank elected not to do so. The bank's lending activity during 2021 was not reflective of its typical loan origination activity during the entire evaluation period due to the PPP loans. Excluding PPP loans, the bank originated just 12 small business loans in its assessment area. Although the bank originated all of these loans to businesses with GARs of \$1.0 million or less, the low volume reflects poor penetration among small business. As previously mentioned, there are 326,560 non-farm businesses in the assessment area, and 93.8 percent are small businesses. The low volume of lending reflects the bank not meeting the credit needs of small businesses in the assessment area.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>&lt;=\$1,000,000</b>					
2021	92.1	9	11.7	3,258	43.3
2022	93.4	3	100.0	1,608	100.0
<b>&gt;\$1,000,000</b>					
2021	2.5	0	0.0	0	0.0
2022	2.0	0	0.0	0	0.0
<b>Revenue Not Available</b>					
2021	5.4	68	88.3	4,264	56.7
2022	4.6	0	0.0	0	0.0
<b>Totals</b>					
<b>2021</b>	<b>100.0</b>	<b>77</b>	<b>100.0</b>	<b>7,522</b>	<b>100.0</b>
<b>2022</b>	<b>100.0</b>	<b>3</b>	<b>100.0</b>	<b>1,608</b>	<b>100.0</b>

*Source: 2021 and 2022 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%.*

### **Response to Complaints**

The bank did not receive any CRA-related complaints during the review period; therefore, this criterion did not affect the Lending Test rating.

### **COMMUNITY DEVELOPMENT TEST**

The institution's community development performance demonstrates poor responsiveness to the community development needs in its assessment area through community development loans, qualified investments, and community development services. Examiners considered the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment area.

### **Community Development Loans**

USB made 16 community development loans totaling approximately \$3.1 million during the evaluation period. This level of activity represents 0.9 percent of average total assets and 2.5 percent of average total loans since the prior evaluation period. The bank's level of community development loans decreased significantly from the prior evaluation, during which the bank made 12 loans totaling \$6.2 million. At the prior evaluation, community development loans represented 1.7 percent of average total assets and 3.8 percent of average total loans.

In addition to the community development loans originated within its assessment area, the institution made two community development loans totaling approximately \$953,000 within the broader statewide or regional area. However, the institution has not been responsive to community

development needs and opportunities in its assessment area. Therefore, these activities were not considered under this test and are excluded from the tables below.

The following table illustrates the bank’s community development loans by year and purpose.

<b>Community Development Lending</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
2021	2	413	0	0	0	0	8	1,323	10	1,735
2022	5	1,162	0	0	0	0	0	0	5	1,162
1/1/2023 – 11/14/2023	1	245	0	0	0	0	0	0	1	245
<b>Total</b>	<b>8</b>	<b>1,820</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8</b>	<b>1,323</b>	<b>16</b>	<b>3,143</b>

*Source: Bank Data*

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

- In 2021, the bank originated 8 loans totaling \$1.3 million through the PPP to businesses in low- or moderate-income geographies. These loans supported the retention of jobs in low- and moderate-income geographies.
- In 2022, the bank refinanced an existing multi-family loan for \$352,000. The property consists of six affordable units. The activity supports affordable housing to low- and moderate-income individuals in the assessment area.

### **Qualified Investments**

USB made seven grants and donations totaling approximately \$17,000 to community service and affordable housing organizations. The bank did not make any qualified investments during the review period and has no prior period investments outstanding. USB’s level of activity represents less than 0.1 percent of both average total assets and average securities. The bank’s qualified investment activity is similar to the prior evaluation when it made six grants or donations totaling approximately \$17,000.



Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	0	0	0	0	0	0	0	0
2021	0	0	0	0	0	0	0	0	0	0
2022	0	0	0	0	0	0	0	0	0	0
1/1/2023 – 11/14/2023	0	0	0	0	0	0	0	0	0	0
<b>Subtotal</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Donations & Grants	1	5	6	12	0	0	0	0	7	17
<b>Total</b>	<b>1</b>	<b>5</b>	<b>6</b>	<b>12</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7</b>	<b>17</b>

Source: Bank Data

Below are examples of USB’s grant and donation activity.

- In 2022, the bank donated \$2,500 to a non-profit organization in the City of Chester. This organization restores lives and rebuilds communities through innovative programs that provide food, shelter, clothing, and training.
- In 2023, the bank donated \$1,000 to a scholarship fund that provides financial aid to low-income students in the assessment area. This donation supports community services in the assessment area.

### Community Development Services

The bank did not provide any community development services during the evaluation period.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2021	0	0	0	0	0
2022	0	0	0	0	0
1/1/2023 – 11/14/2023	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Source: Bank Data

## **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

### INTERMEDIATE SMALL 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) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

#### **Community Development Test**

The Community Development Test considers the following criteria:

- 1) The number and amount of community development loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the bank provides community development services; and
- 4) The bank's responsiveness through such activities to community development lending, investment, and service needs.

## 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. Institution CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Institution 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 institution:
  - (i) Has not been reported or collected by the institution or an affiliate for consideration in the institution'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 institution's assessment area(s) or a broader statewide or regional area including the institution'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 institution'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.

**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.