

PUBLIC DISCLOSURE

April 24, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Unity Bank
Certificate Number: 33503

64 Old Highway 22
Clinton, New Jersey 08809

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			
High Satisfactory			X
Low Satisfactory	X	X	
Needs to Improve			
Substantial Noncompliance			
* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.			

The Lending Test is rated Low Satisfactory.

- The bank’s volume of lending reflects adequate responsiveness to the credit needs of the assessment areas.
- The bank made a high percentage of loans in its assessment areas.
- The geographic distribution of loans reflects adequate penetration throughout the assessment areas.
- The distribution of borrowers reflects, given the product lines offered by the institution, good penetration among retail customers of different income levels and business customers of different sizes.
- The institution uses innovative and/or flexible lending practices in order to serve assessment area credit needs.
- The institution has made a low level of community development loans.

The Investment Test is rated Low Satisfactory.

- The institution has an adequate level of qualified community development investments and grants, although rarely in a leadership position, particularly those that are not routinely provided by private investors.
- The institution exhibits adequate responsiveness to credit and community development needs.
- The institution rarely uses innovative and/or complex investments to support community development initiatives.

The Service Test is rated High Satisfactory.

- Delivery systems are reasonably accessible to essentially all portions of the institution's assessment areas.
- To the extent changes have been made, the institution's record of opening and closing branches has improved the accessibility of its delivery systems, particularly in low- and moderate-income geographies and to low- and moderate-income individuals.
- Services and business hours do not vary in a way that inconveniences certain portions of the assessment areas, particularly low- and moderate-income geographies and/or individuals.
- The institution provided a relatively high level of community development services.

DESCRIPTION OF INSTITUTION

Background

Unity Bank (Unity) is state-chartered commercial bank headquartered in Clinton, New Jersey (NJ). Unity Bancorp, Inc., a single-bank holding company, wholly owns the bank. The bank maintains seven active subsidiaries that hold and administer portions of the bank's investment portfolio and "other real estate owned" properties. Unity received a Satisfactory rating at its previous FDIC Community Reinvestment Act (CRA) Performance Evaluation dated July 13, 2020, based on Interagency Large Institution Examination Procedures.

Operations

Unity operates 20 full-service branches in its assessment area, with 18 in NJ and 2 in eastern Pennsylvania (PA). During the evaluation period, Unity opened two new branches in Lakewood, NJ, and Fort Lee, NJ, and closed one branch in Ramsey, NJ. The Lakewood branch is located in a moderate-income census tract and the Fort Lee branch is located in an upper-income tract. The Ramsey branch was located in an upper-income tract. Unity has not engaged in any merger or acquisition activity since the previous evaluation.

Unity offers commercial, residential, construction, and consumer loan products, primarily focusing on commercial and home mortgage lending. The institution also provides a variety of deposit services including checking, savings, money market deposit accounts, certificates of deposit, and individual retirement accounts. Alternative banking services include internet banking, business and consumer mobile applications, electronic bill pay, and an automated teller machine (ATM) at each branch.

Ability and Capacity

As of December 31, 2022, Unity's assets totaled \$2.4 billion, including total loans of \$2.1 billion and total securities of \$129.2 million. Since the last evaluation, total assets grew by 40.3 percent, total loans increased 46.3 percent, total securities increased 129.6 percent, and total deposits increased 29.7 percent. A deposit surplus and the Paycheck Protection Program (PPP) administered by the Small Business Administration (SBA) in 2020 and 2021 supported loan growth, and excess deposits supported purchases of additional debt securities. The following table displays the bank's loan portfolio.

Loan Portfolio Distribution as of 12/31/2022		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	330,905	15.7
Secured by Farmland	80	<0.1
Secured by 1-4 Family Residential Properties	701,623	33.2
Secured by Multifamily (5 or more) Residential Properties	17,105	0.8
Secured by Nonfarm Nonresidential Properties	970,176	46.0
Total Real Estate Loans	2,019,889	95.7
Commercial and Industrial Loans	79,470	3.8
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	9,827	0.5
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	206	<0.1
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	2,109,392	100.0
<i>Source Reports of Condition and Income</i>		

Examiners did not identify any financial, legal, or other impediments that affected the bank's ability to meet assessment area credit needs.

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more assessment areas within which examiners will evaluate its CRA performance. Unity designated two assessment areas as described below. Coinciding with the Lakewood branch opening, management expanded the MSA 53620 assessment area to include all of Monmouth and Ocean Counties in NJ.

MSA 35620: This assessment area consists of the following nine contiguous New Jersey counties: Bergen, Essex, Hudson, Hunterdon, Middlesex, Monmouth, Ocean, Somerset, and Union. Bergen and Hudson Counties are part of Metropolitan Division (MD) 35614 (New York-Jersey City-White Plains, NY-NJ). Essex, Hunterdon, and Union Counties are part of MD 35084 (Newark, NJ-PA). Middlesex, Monmouth, Ocean, and Somerset Counties are part of MD 35154 (New Brunswick-Lakewood, NJ). The counties within these MDs are part of the larger Metropolitan Statistical Area (MSA) 35620 (New York-Newark-Jersey City, NY-NJ-PA).

MSA 10900: This assessment area consists of Warren County, NJ, and Northampton County, PA, which are part of the Multistate MSA 10900 (Allentown-Bethlehem-Easton, PA-NJ).

In 2020, the Office of Management and Budget MSA revisions added 87 census tracts to the assessment areas. The number of low-income tracts decreased by two, moderate-income tracts increased by 37, middle-income tracts decreased by nine, upper-income tracts increased by 52, and tracts with no income designations increased by nine.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated July 13, 2020, to the current evaluation dated April 24, 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.

For banks that maintain branches in more than one state, examiners present separate analyses and assign separate ratings of the bank's CRA performance overall, in each Multistate MSA, and each state in which the bank maintains branches.

Since the bank has branches in both the NJ and PA portions of the Allentown-Bethlehem-Easton, PA-NJ Multistate MSA, examiners assigned a rating for the Multistate MSA (MSA 10900). Examiners also assigned a separate rating the State of NJ, which reflects the bank's performance in the New York-Newark-Jersey City, NY-NJ-PA MSA (MSA 35620) assessment area. Examiners used full-scope procedures to assess the bank's performance in both assessment areas. The State of NJ rated area contributed more weight to overall ratings, as the majority of loans, deposits, and branches are located within the MSA 35620 assessment area.

Activities Reviewed

Unity's major product lines, considering the bank's strategic plan and the number and dollar volume of loans originated and purchased during the evaluation period, are home mortgage and small business loans. No other loan types, such as 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. Bank records indicated that the lending focus and product mix remained consistent throughout the evaluation period.

This evaluation presents the number and dollar volume of loans. Examiners emphasized performance by number of loans because it is a better indicator of the number of individuals and businesses served. In addition, the bank's record of originating home mortgage loans contributed more weight in arriving at overall conclusions due to a larger loan volume when compared to small business loans during the review period, when excluding the SBA PPP loans originated during the COVID-19 pandemic. Unity originated 1,225 PPP loans totaling \$143.0 million in 2020, and originated 954 PPP loans totaling \$100.6 million in 2021.

This evaluation considered all home mortgage loans that Unity reported on its 2020, 2021, and 2022 Home Mortgage Disclosure Act (HMDA) Loan Application Registers. Unity originated 1,118 home mortgage loans totaling \$442.3 million in 2020; 932 home mortgage loans totaling \$385.1 million in 2021; and 797 home mortgage loans totaling \$386.5 million in 2022. Examiners reviewed 2020 and 2021 aggregate data, the U.S. Census Bureau's 2015 American Community Survey (ACS) data, and 2020 U.S. Census data for comparison purposes. Aggregate data for 2022 is not yet available.

This evaluation also considered all small business loans that Unity reported on its 2020, 2021, and 2022 CRA Loan Registers. Unity reported 1,307 loans totaling \$143.6 million in 2020, 1,017 loans totaling \$135.5 million in 2021, and 131 loans totaling \$57.6 million in 2022. The significant increase in small business loan volume in 2020 and 2021 was due to the bank's participation in the SBA PPP during the COVID-19 pandemic. Examiners reviewed 2020 and 2021 aggregate data and D&B demographic data for comparison purposes. Aggregate data for 2022 is not yet available.

For the Lending Test, the Assessment Area Concentration criterion presents loan data for each of the three years analyzed; however, the other rating criteria only present loan data for 2021 and 2022, as the bank's performance throughout the evaluation period was generally consistent with the years presented. The Lending Test also considered community development loans and loans the bank originated under its 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.

The Service Test includes a review of delivery systems for providing retail banking services, including branches and alternative delivery systems, and the impact of any branch openings/closings during the evaluation period, as well as retail banking products and services targeted toward low- and moderate-income individuals or small businesses and/or tailored to meet specific needs within the assessment areas. The Service Test also includes community development services the bank performed since the previous evaluation.

Bank management provided data on community development loans, investments, and services since the prior CRA evaluation.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Unity demonstrates "Low Satisfactory" performance under the Lending Test. Unity's adequate performance under the Geographic Distribution and Borrower Profile criteria in the more heavily weighted State of NJ rated area primarily supports this rating. The bank's performance overall is consistent with both rated areas. This section of the evaluation presents the bank's overall performance under each of the Lending Test factors. Refer to the individual rated area sections for detailed discussions of the bank's Lending Test performance.

Lending Activity

Unity's lending levels reflect adequate responsiveness to the credit needs of its assessment areas. The bank's adequate responsiveness to home mortgage credit needs and the State of NJ rated area contributed the greatest weight to this conclusion. This performance criterion considered Unity's lending in relation to its financial condition and resources.

As of December 31, 2022, loans totaled \$2.1 billion and comprised 86.8 percent of total assets and 124.2 percent of total deposits, which slightly exceeded the concentration at the previous evaluation.

Lending inside the assessment areas increased significantly during the evaluation period. Since the previous evaluation, Unity originated 2,150 home mortgage loans totaling \$926.4 million in the assessment areas, which represents 66.7 and 104.0 percent increases by number and dollar volume, respectively. Unity also made 2,042 small business loans, including PPP loans, totaling \$271.0 million in the assessment areas, which represents 453.3 percent and 137.5 percent increases by number and dollar volume, respectively.

Refer to the Lending Activity comments in the Lending Test sections for each of the rated areas for details.

Assessment Area Concentration

Unity made a high percentage of home mortgage and small business loans in its assessment areas. Please refer to the following table.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total	Dollar Amount of Loans \$(000s)				
	Inside		Outside			Inside		Outside		Total
	#	%	#	%	#	\$	%	\$	%	\$(000s)
Home Mortgage										
2020	904	80.9	214	19.1	1,118	360,964	81.6	81,296	18.4	442,260
2021	720	77.3	212	22.7	932	306,010	79.5	79,110	20.5	385,120
2022	526	66.0	271	34.0	797	259,379	67.1	127,148	32.9	386,528
Subtotal	2,150	75.5	697	24.5	2,847	926,353	76.3	287,554	23.7	1,213,908
Small Business										
2020	1,113	85.2	194	14.8	1,307	120,021	83.6	23,614	16.4	143,635
2021	825	81.1	192	18.9	1,017	108,218	79.9	27,242	20.1	135,460
2022	104	79.4	27	20.6	131	42,725	74.1	14,898	25.9	57,623
Subtotal	2,042	83.2	413	16.8	2,455	270,964	80.5	65,754	19.5	336,718
Total	4,192	79.1	1,110	20.9	5,302	1,197,317	77.2	353,308	22.8	1,550,626
<i>Source Bank Data Due to rounding, totals may not equal 100.0%</i>										

Geographic Distribution

The geographic distribution of loans reflects adequate penetration throughout the assessment areas. Unity's adequate home mortgage and small business lending performance in the State of NJ rated area primarily supports this conclusion. Unity's excellent home mortgage and small business lending performance in the Multistate MSA rated area outperformed the State of NJ. Please refer to the individual rated area sections for details.

Borrower Profile

The distribution of borrowers reflects, given the product lines offered by the institution, good penetration among retail customers of different income levels and business customers of different sizes. Unity's good home mortgage and excellent small business lending performance in the State of NJ rated area primarily supports this conclusion. This outperformed the bank's adequate home mortgage and adequate small business lending performance in the Multistate MSA rated area. Please refer to the individual rated area sections for details.

Innovative or Flexible Lending Practices

Unity uses innovative and/or flexible lending practices in order to serve the credit needs of its assessment areas. During the evaluation period, the bank originated 2,276 loans totaling \$352.6 million through innovative and flexible loan programs. Of these, 2,179 loans totaling \$243.6 million were SBA PPP loans in response to the COVID-19 pandemic.

As Unity offers each of the products discussed below in both of its assessment areas, examiners rated and discussed the bank's performance under this criterion at the institution level only. The bank offers the following loan programs tailored to assist low- and moderate-income individuals or areas and small businesses.

- *Affordable Housing Mortgage Loan Program* – Unity offers an affordable housing loan program for low- and moderate-income borrowers. This portfolio mortgage product has no application fee, flexible underwriting requirements, and offers a rate discount of 0.5 percent. The program is available for home mortgages with a loan-to-value of up to 90.0 percent without requiring mortgage insurance. During the evaluation period, the bank originated seven loans totaling \$1.4 million through this program.
- *Small Dollar Loan Program* – Unity offers small dollar loans for low- and moderate-income applicants. This program provides loan amounts between \$500 and \$2,000, flexible repayment terms, and underwriting decisions within 24 hours. This program also offers a discounted interest rate, no application fee, and flexible underwriting criteria. During the evaluation period, the bank originated two loans totaling \$4,000 under this program.
- *Federal Housing Administration (FHA) Loan Program* – Unity is a HUD-approved FHA lender. FHA loans provide flexible underwriting standards compared to conventional mortgage loan products, including lower down payments and lower qualifying credit scores. The bank originated 17 loans totaling \$7.0 million through this program.
- *Small Business Administration (SBA) Loan Programs* – SBA-guaranteed loans provide small business financing through more flexible terms than traditional business loans. Unity participates in the following programs:
 - SBA 7(a) – The 7(a) Loan Guaranty helps qualified small businesses obtain financing they might not be eligible to obtain through other lending channels. Since the previous evaluation, the bank originated 57 loans totaling \$72.2 million under this program.

- SBA 504 – The 504 provides growing businesses with long-term, fixed-rate financing for major fixed assets, such as land and buildings. The bank originated 14 loans totaling \$28.4 million under this program.
- SBA PPP – The PPP was established by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), and was designed to help businesses retain workers and staff during the economic hardship resulting from the pandemic. Unity originated 1,225 PPP loans totaling \$143.0 million in 2020, and originated 954 PPP loans totaling \$100.6 million in 2021.

In addition to the innovative and/or flexible programs offered throughout the entire evaluation period, Unity offered a loan payment deferral program for commercial, residential, and consumer borrowers in response to the COVID-19 pandemic in 2020. Impacted borrowers had the ability to defer loan payments for up to 90 days. In 2020 and 2021, the bank approved deferred loan payments totaling \$3.3 million for 712 customers.

Community Development Loans

Unity made a low level of community development loans. Unity’s community development lending activity in the State of NJ rated area primarily supports this conclusion. The bank did not make any community development loans in the Multistate MSA rated area.

The bank originated eight community development loans totaling \$14.0 million during the evaluation period. This level of activity represents 0.7 percent of total loans and 0.6 percent of total assets. The bank’s performance decreased by two loans and \$16.5 million when compared to the prior evaluation period, during which time examiners rated the bank’s performance as “Low Satisfactory” under this factor. Unity’s community development loans primarily supported affordable housing for low- and moderate-income individuals in its assessment areas, as well as the broader NJ statewide area.

The following tables reflect the bank’s community development loans by year and purpose and by rated area.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2020 (Partial)	2	5,525	0	0	0	0	0	0	2	5,525
2021	2	825	1	2,000	0	0	0	0	3	2,825
2022	1	2,528	1	1,750	0	0	1	1,350	3	5,628
YTD 2023	0	0	0	0	0	0	0	0	0	0
Total	5	8,878	2	3,750	0	0	1	1,350	8	13,978
<i>Source Bank Data</i>										

Community Development Lending by Rated Area										
Rated Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
State of NJ	3	3,488	1	1,750	0	0	1	1,350	5	6,588
Multistate MSA	0	0	0	0	0	0	0	0	0	0
Statewide Activities	2	5,390	1	2,000	0	0	0	0	3	7,390
Total	5	8,878	2	3,750	0	0	1	1,350	8	13,978
<i>Source Bank Data</i>										

The individual rated area sections provide additional details of the bank’s community development loans.

INVESTMENT TEST

Unity demonstrates “Low Satisfactory” performance under the Investment Test. Unity’s adequate level and responsiveness of qualified community development investments and grants primarily supports this rating. The bank’s performance in the State of NJ rated area was consistent with its overall performance, and exceeded its performance in the Multistate MSA rated area. The State of NJ rated area carried the most weight in arriving at overall conclusions under each Investment Test criterion and in supporting the overall Investment Test rating. This section of the evaluation presents the bank’s overall performance under each of the Investment Test factors. Refer to the individual rated area sections for detailed discussions of the bank’s Investment Test performance.

Investment and Grant Activity

Unity has an adequate level of qualified community development investments and grants. The bank has 132 qualified investments totaling \$6.9 million. This total includes one new equity investment totaling \$1.0 million, five outstanding prior period investments with a current book value of \$5.6 million, and 126 qualified grants and donations totaling \$260,000. Total qualified investments and grants represent 0.3 of average total assets and 8.4 percent of average total securities since the previous evaluation. The bank’s qualified investments and grants slightly increased when compared to the prior evaluation period, during which time the bank had made 123 investments and grants totaling \$5.0 million.

The following tables illustrate qualified investments and donations by year and purpose and by rated area.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	5	5,613	0	0	0	0	0	0	5	5,613
2020 (Partial)	0	0	0	0	0	0	0	0	0	0
2021	0	0	0	0	0	0	0	0	0	0
2022	1	1,000	0	0	0	0	0	0	1	1,000
YTD 2023	0	0	0	0	0	0	0	0	0	0
Subtotal	6	6,613	0	0	0	0	0	0	6	6,613
Qualified Grants & Donations	12	21	104	218	9	16	1	5	126	260
Total	18	6,634	104	218	9	16	1	5	132	6,873
<i>Source Bank Data</i>										

Qualified Investments by Rated Area										
Rated Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
State of NJ	15	6,631	79	187	7	10	1	5	102	6,833
Multistate MSA	3	3	25	31	2	6	0	0	30	40
Total	18	6,634	104	218	9	16	1	5	132	6,873
<i>Source Bank Data</i>										

The individual assessment area sections provide additional details and notable examples of the bank’s qualified investments.

Responsiveness to Credit and Community Development Needs

Unity’s qualified investments and donations exhibit adequate responsiveness to the credit and community development needs of the overall assessment area. Of the total dollar amount of qualified investments and donations, 96.5 percent benefitted efforts to create affordable housing. These investments demonstrate the bank’s responsiveness to the areas’ affordable housing needs.

Community Development Initiatives

Unity does not use innovative or complex investments to support community development initiatives. While the bank’s qualified investments provided during the evaluation period were responsive to community development needs, they were not particularly innovative or complex.

SERVICE TEST

Unity demonstrates “High Satisfactory” performance under the Service Test. Unity’s relatively high level of community development services in the more heavily weighted State of NJ rated area

primarily supports this rating. The bank’s performance overall is consistent with performance in both rated areas. The following sections discuss the bank’s overall performance under each of the Service Test factors. Refer to the rated area sections for details.

Accessibility of Delivery Systems

Delivery systems are reasonably accessible to essentially all portions of the assessment areas. The bank operates 20 branches and 20 deposit-taking ATMs. While the bank does not operate any branches in low-income census tracts, four branches are located in proximity to and can reasonably serve low-income census tracts. Further, the distribution of branches in moderate-income tracts is comparable to the percentage of population and census tracts of this income level.

Unity offers alternative delivery services to meet the banking needs of its assessment areas. Services include free mobile and online banking, mobile deposits, bill pay, and telephone banking. Mobile, online, and telephone banking services are accessible 24 hours a day to both consumers and businesses.

The following table details census tracts, population, branches and relevant changes, and ATMs by tract income level.

Branch and ATM Distribution by Geography Income Level								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	158	11.2	652,023	10.6	0	0.0	0	0.0
Moderate	298	21.1	1,267,983	20.6	4	20.0	4	20.0
Middle	441	31.3	1,905,930	30.9	8	40.0	8	40.0
Upper	492	34.9	2,302,143	37.4	8	40.0	8	40.0
NA	21	1.5	32,477	0.5	0	0.0	0	0.0
Total	1,410	100.0	6,160,556	100.0	20	100.0	20	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 that changes have been made, the institution’s record of opening and closing branches has improved the accessibility of its delivery systems, particularly in low- and moderate-income geographies and to low- and moderate-income individuals. During the evaluation period, Unity opened one branch in a moderate-income census tract, opened one branch in an upper-income tract, and closed one branch in an upper-income tract located in the State of NJ rated area. The individual rated area sections provide additional details regarding changes in branch locations.

Reasonableness of Business Hours and Services

Services and business hours do not vary in a way that inconveniences certain portions of the assessment areas, particularly low- and moderate-income geographies and individuals. Loan offerings, deposit offering, lobby hours, and drive-up hours are the same with the exception of one

branch located in a moderate-income tract in Ocean County in the State of NJ rated area that offers longer hours. The days and hours of operation of Unity’s branches are comparable to those of other banks operating in the overall assessment area. The individual rated area sections provide additional details regarding business services and hours.

Community Development Services

Unity provided a relatively high level of community development services. During the evaluation period, bank directors, officers, and employees provided 84 instances of financial expertise or technical assistance to 17 community organizations in its assessment areas. The bank’s record of providing services increased from the prior evaluation period, during which time the bank provided 63 services. In addition, examiners recognize that the impacts of the COVID-19 pandemic limited opportunities for providing community development services during the majority of the review period. Bank employees serve in active and ongoing leadership roles within organizations that primarily support community services and economic development in the assessment areas.

The following tables reflect the bank’s qualifying community development services by year and purpose and by rated area.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2020 (Partial)	0	0	0	0	0
2021	2	26	6	1	35
2022	3	23	6	1	33
YTD 2023	2	7	6	1	16
Total	7	56	18	3	84
<i>Source Bank Data</i>					

Community Development Services by Rated Area					
Rated Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
State of NJ	3	47	9	0	59
Multistate MSA	4	6	9	3	22
Statewide Activities	0	3	0	0	3
Total	7	56	18	3	84
<i>Source Bank Data</i>					

The individual rated area sections provide additional details and notable examples of the bank’s community development services.

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.

STATE OF NEW JERSEY – FULL-SCOPE REVIEW

CRA RATING FOR STATE OF NEW JERSEY: SATISFACTORY

The Lending Test is rated: Low Satisfactory

The Investment Test is rated: Low Satisfactory

The Service Test is rated: High Satisfactory

DESCRIPTION OF INSTITUTION'S OPERATIONS IN STATE OF NEW JERSEY

This rated area reflects the bank's performance in the MSA 35620 assessment area, which consists of Bergen, Essex, Hudson, Hunterdon, Middlesex, Monmouth, Ocean, Somerset, and Union Counties in New Jersey. Unity's main office is located in an upper-income census tract in Hunterdon County. There are 15 additional branches located throughout this assessment area. Of these, four are located in moderate-income census tracts, seven are in middle-income census tracts, and four are in upper-income census tracts. Unity maintains one ATM per branch. This assessment area accounts for 92.9 percent of the bank's total in-assessment area loans, 80.0 percent of its branches, and 87.1 percent of its total deposits as of June 30, 2022.

Economic and Demographic Data

Due to 2020 U.S. Census changes and the addition of Monmouth and Ocean Counties to the assessment area, the number of census tracts increased by 381 since the previous evaluation. The assessment area's 1,313 census tracts reflect the following income designations according to 2020 U.S. Census data:

- 156 low-income,
- 277 moderate-income,
- 399 middle-income,
- 460 upper-income, and
- 21 with no income designation.

There are 21 municipalities within this assessment area designated by the NJ state government 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 selected demographic characteristics for this assessment area.

Demographic Information of the Assessment Area						
Assessment Are: MSA 35620						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	1,313	11.9	21.1	30.4	35.0	1.6
Population by Geography	5,737,973	11.2	20.8	30.1	37.3	0.6
Housing Units by Geography	2,191,904	10.4	20.9	32.2	35.9	0.6
Owner-Occupied Units by Geography	1,223,631	4.5	15.5	33.4	46.3	0.2
Occupied Rental Units by Geography	785,287	19.1	28.7	28.6	22.5	1.0
Vacant Units by Geography	182,986	12.5	23.0	39.7	23.5	1.3
Businesses by Geography	754,272	9.7	17.4	30.3	41.9	0.7
Farms by Geography	11,870	5.6	14.0	31.2	48.9	0.2
Family Distribution by Income Level	1,376,044	22.5	15.9	18.6	43.0	0.0
Household Distribution by Income Level	2,008,918	25.4	14.6	16.2	43.8	0.0
Median Family Income MSA - 35084 Newark, NJ-PA		\$107,333	Median Housing Value			\$413,144
Median Family Income MSA - 35154 New Brunswick-Lakewood, NJ		\$113,495	Median Gross Rent			\$1,474
Median Family Income MSA - 35614 New York-Jersey City-White Plains, NY-NJ		\$85,483	Families Below Poverty Level			6.9%

*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. This assessment area contains 2,191,904 housing units. Of these, 55.8 percent are owner-occupied, 35.8 percent are occupied rental units, and 8.3 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 4.5 percent of total owner-occupied housing units are located in low-income geographies and 15.5 percent are located in moderate-income geographies. In contrast, 19.1 of occupied rental units are located in low-income geographies and 28.7 percent are located in moderate-income geographies. This data suggests lenders may have limited opportunities to originate 1-4 family residential loans in the low- and moderate-income geographies.

The Geographic Distribution for small business loans considers the distribution of businesses by tract income level within this assessment area. According to 2022 D&B data, 9.7 percent of businesses are located in low-income census tracts, and 17.4 percent are located in moderate-

income census tracts. This suggests moderate opportunities for lenders to originate small business loans within low- and moderate-income census tracts.

The Borrower Profile criterion for home mortgage lending considers the percentage of assessment area low- and moderate-income families. As shown in the previous table, 22.5 percent of families are low-income and 15.9 percent are moderate-income. Additionally, 6.9 percent of families are below the poverty level. These families would face difficulties qualifying for a home mortgage or supporting a monthly mortgage payment, especially considering this assessment area’s median home value of \$413,144. This data supports the challenges lenders face in originating home mortgage loans to low- and moderate-income borrowers.

Examiners used the Federal Financial Institutions Examination Council’s (FFIEC)-updated median family income data to analyze home mortgage loans 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)				
2021 (\$105,600)	<\$52,800	\$52,800 to <\$84,480	\$84,480 to <\$126,720	≥\$126,720
2022 (\$116,900)	<\$58,450	\$58,450 to <\$93,520	\$93,520 to <\$140,280	≥\$140,280
New Brunswick-Lakewood, NJ Median Family Income (35154)				
2021 (\$113,400)	<\$56,700	\$56,700 to <\$90,720	\$90,720 to <\$136,080	≥\$136,080
2022 (\$128,300)	<\$64,150	\$64,150 to <\$102,640	\$102,640 to <\$153,960	≥\$153,960
New York-Jersey City-White Plains, NY-NJ Median Family Income (35614)				
2021 (\$85,500)	<\$42,750	\$42,750 to <\$68,400	\$68,400 to <\$102,600	≥\$102,600
2022 (\$99,000)	<\$49,500	\$49,500 to <\$79,200	\$79,200 to <\$118,800	≥\$118,800
<i>Source FFIEC</i>				

Under the Borrower Profile criterion, the analysis of small business loans compares the distribution of businesses by Gross Annual Revenue (GAR) level. According to the 2022 D&B data, there were 754,272 non-farm businesses operating in this assessment area. The following reflects the GARs for these businesses.

- 91.9 percent have GARs of \$1.0 million or less,
- 3.2 percent have GARs greater than \$1.0 million, and
- 4.9 percent have unknown revenues.

Service industries represent the largest portion of businesses (32.5 percent); followed by non-classifiable establishments (29.9 percent); retail trade (10.0 percent); finance, insurance, and real estate (7.8 percent); and construction (6.8 percent). In addition, 57.3 percent of assessment area businesses have four or fewer employees, and 94.3 percent operate from a single location. This information reflects the potential demand for, and the opportunity to originate, small business loans in this assessment area.

Data obtained from the U.S. Bureau of Labor Statistics shows that unemployment rates at the county, state, and national levels increased significantly after the COVID-19 pandemic began in March 2020, and subsequently decreased. The following table presents annual and current unemployment rates by assessment area counties, as well as the state and national levels since 2020.

Unemployment Rates				
Area	2020	2021	2022	February 2023
	%	%	%	%
Bergen County	9.2	6.3	3.4	3.4
Essex County	11.2	8.3	4.5	4.9
Hudson County	10.2	7.0	3.6	3.8
Hunterdon County	6.9	4.8	2.9	3.3
Middlesex County	8.5	6.0	3.3	3.5
Monmouth County	8.5	5.8	3.3	3.6
Ocean County	9.1	6.3	3.7	4.2
Somerset County	7.5	5.4	3.1	3.4
Union County	9.5	6.9	3.9	4.3
State of New Jersey	9.4	6.6	3.7	4.1
National Average	8.1	5.4	3.6	3.5

Source Bureau of Labor Statistics

Competition

This assessment area is a highly competitive market for financial services. According to 2022 FDIC Deposit Market Share data, 79 financial institutions operated 1,597 branches within this assessment area. Of these institutions, Unity ranked 27th with a 0.5 percent deposit market share.

There is a high level of competition for home mortgage loans in this assessment area. In 2021, 734 lenders originated or purchased 276,135 home mortgage loans. Unity ranked 81st with a 0.2 percent market share. The top five mortgage lenders, all large national banks or internet-based home mortgage lenders, accounted for 23.6 percent of the market share by number of loans.

There is also a high level of competition for small business loans in this assessment area. In 2021, 296 lenders originated or purchased 227,062 small business loans. Unity ranked 26th with a 0.3 percent market share. The top five small business lenders, all large national banks, accounted for 58.2 percent of the total market share.

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 are available.

Examiners reviewed a recent contact with a representative of a community development organization headquartered in central NJ. The organization provides various essential services targeting business attraction, retention, and expansion. The contact identified a general need for small business loans and grants as the primary credit and community development needs of the area. The contact stated that businesses, particularly very small businesses and women- and minority-owned businesses, have experienced difficulties meeting traditional credit requirements.

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 loans and small business loans represent the primary community development and credit needs in this assessment area. Economic and demographic data evidences the challenges that low- and moderate-income individuals face accessing affordable home mortgage loans. Innovative programs offering principal reduction, mortgage modifications, or down payment assistance would benefit low- and moderate-income individuals and families in this assessment area seeking mortgage loans. Business demographic data and information from the community contact support challenges small businesses with capital constraints experience accessing loans. Technical assistance programs and flexible underwriting standards would benefit small businesses.

SCOPE OF EVALUATION – STATE OF NEW JERSEY

Examiners used full-scope examination procedures to evaluate Unity’s performance in the MSA 35620 assessment area. The products, weighting, and evaluation described in the overall Scope of Evaluation section are applicable to this area-level analysis.

CONCLUSIONS ON PERFORMANCE CRITERIA IN STATE OF NEW JERSEY

LENDING TEST

Unity’s performance under the Lending Test in the State of NJ is “Low Satisfactory.” The bank’s adequate performance under the Geographic Distribution and Borrower Profile criteria primarily support this conclusion. The following sections discuss the bank’s performance under each of the Lending Test factors.

Lending Activity

Unity’s lending levels reflect adequate responsiveness to assessment area credit needs.

Unity reported 847 home mortgage loans within this assessment area for \$349.0 million in 2020, 661 home mortgage loans totaling \$294.1 million in 2021, and 490 home mortgage loans totaling \$252.3 million in 2022. In 2021, Unity ranked 81st in home mortgage lending by number among the 734

lenders that reported at least one home mortgage loan in this assessment area, with a 0.2 percent market share. As previously noted, the home mortgage market is highly competitive.

In 2020, Unity reported 1,025 small business loans totaling \$110.7 million within this assessment area. Unity reported 776 small business loans totaling \$103.3 million in 2021 and 96 small business loans totaling \$40.5 million in 2022. Unity originated a significant number of PPP loans in this assessment area during 2020 and 2021. In 2021, Unity ranked 26th in small business lending by number among 296 lenders that reported at least one small business loan in this assessment area, with a 0.3 percent market share.

Geographic Distribution

The geographic distribution reflects adequate penetration throughout the assessment area. The bank's adequate distribution of home mortgage and small business loans supports this conclusion.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects adequate penetration throughout this assessment area. In 2021, Unity's home mortgage lending in low- and moderate-income tracts trailed area demographics and aggregate data. In 2022, the bank's performance in low-income tracts significantly increased, exceeding area demographics. Unity's home mortgage lending performance increased in moderate-income geographies in 2022; however, the bank's performance continued trailing area demographics.

According to 2021 market share data, 509 lenders originated or purchased at least one loan in the area's moderate-income census tracts. Of these, 410 lenders (80.6 percent) made fewer than 64 loans in moderate-income geographies. The top ten lenders, all significantly larger national banks and internet-based lenders, captured 34.0 percent of the market. In addition, the top 100 lenders included seven similarly situated community banks. Four of these community banks, with assets slightly or significantly greater, ranked only slightly above Unity's ranking of 99th. Considering these comparisons, trends, and market share data, Unity's performance in low- and moderate-income geographies is adequate.

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

Geographic Distribution of Home Mortgage Loans Assessment Area: MSA 35620						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	4.2	4.7	9	1.4	4,185	1.4
2022	4.5	--	24	4.9	10,045	4.0
Moderate						
2021	14.7	14.3	64	9.7	23,242	7.9
2022	15.5	--	59	12.0	21,068	8.3
Middle						
2021	34.9	34.2	154	23.3	57,040	19.4
2022	33.4	--	162	33.1	76,376	30.3
Upper						
2021	46.2	46.7	434	65.7	209,599	71.3
2022	46.3	--	244	49.8	144,735	57.4
Not Available						
2021	0.0	0.0	0	0.0	0	0.0
2022	0.2	--	1	0.2	109	<0.1
Totals						
2021	100.0	100.0	661	100.0	294,066	100.0
2022	100.0	--	490	100.0	252,333	100.0
<i>Source 2015 ACS & 2020 U.S. Census; Bank Data, 2021 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Small Business Loans

The geographic distribution of small business loans reflects adequate penetration throughout this assessment area. Unity’s performance in low-income tracts trailed area demographics and aggregate data in 2021. In 2022, the bank’s performance of lending in low-income tracts improved by percentage, but continued to trail demographics. The bank’s performance in moderate-income census tracts was comparable to area demographics and aggregate data in 2021, and trailed area demographics in 2022.

According to 2021 market share data, 133 lenders originated or purchased at least one loan in the area’s low-income census tracts. Of these, 90 lenders (67.7 percent) made fewer than 32 loans in low-income geographies. Unity ranked third among similarly situated community banks. The top ten lenders, all significantly larger regional and national banks, accounted for 75.7 percent of total loans in low-income geographies.

Among moderate-income census tracts, 170 lenders made at least one loan in 2021. Unity ranked 26th with a 0.3 percent market share. This is consistent with Unity’s overall market rank (26th) and market share (0.3 percent) in this assessment area. Unity ranked second among similarly situated community banks. Additionally, the top ten lenders captured 73.9 percent of total loans in

moderate-income geographies. Considering these comparisons, trends, and market share data, Unity’s performance of lending in low- and moderate-income geographies is adequate.

The following table displays the distribution of small business loans within this assessment area by census tract income level.

Geographic Distribution of Small Business Loans						
Assessment Area: MSA 35620						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	9.5	8.2	32	4.1	5,463	5.3
2022	9.7	--	6	6.2	2,433	6.0
Moderate						
2021	15.9	15.6	118	15.2	20,622	20.0
2022	17.4	--	14	14.6	6,221	15.4
Middle						
2021	31.8	31.6	263	33.9	29,910	29.0
2022	30.3	--	30	31.2	13,072	32.3
Upper						
2021	42.6	44.4	363	46.8	47,260	45.8
2022	41.9	--	45	46.9	17,959	44.4
Not Available						
2021	0.1	0.1	0	0.0	0	0.0
2022	0.7	--	1	1.0	800	2.0
Totals						
2021	100.0	100.0	776	100.0	103,255	100.0
2022	100.0	--	96	100.0	40,485	100.0
<i>Source 2021 & 2022 D&B Data; Bank Data; 2021 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Borrower Profile

The distribution of borrowers reflects good penetration among individuals of different income levels and businesses of different sizes. Unity’s good distribution of home mortgage loans primarily supports this conclusion.

Home Mortgage Loans

The distribution of home mortgage loans reflects good penetration among individuals of different income levels, including low- and moderate-income borrowers. In 2021, Unity’s level of lending to low-income borrowers exceeded aggregate data. The bank’s level of lending to moderate-income borrowers trailed aggregate data. In 2022, the bank’s performance in lending to both low- and moderate-income borrowers increased.

As previously noted, the bank faces challenges lending to low-income families in this assessment area. Specifically, a low-income family with an income below \$64,150 would likely not qualify for a mortgage under conventional underwriting standards, especially considering the median housing value of \$413,144. Furthermore, 6.9 percent of families are below the poverty level and are unlikely to be able to afford a home mortgage loan. Limited demand and opportunity for home mortgage loans by low-income individuals helps explain the difference between the percentage of low-income families (22.5 percent) and the bank's level of lending to low-income borrowers (11.6 percent).

Market share data further supports the conclusion. According to 2021 market share data, 350 lenders made loans to low-income borrowers in the area. Unity ranked 63rd with a 0.4 percent market share. This exceeds Unity's overall market rank (81st) and market share (0.2 percent) in this assessment area. Unity ranked second among similarly situated community banks. Additionally, the top ten lenders accounted for 37.6 percent of total loans to low-income borrowers.

In addition, 457 lenders made loans to moderate-income borrowers in 2021. Of these, 361 lenders (79.0 percent) made fewer than 72 loans to moderate-income borrowers. Unity ranked fourth among similarly situated community banks. The top ten lenders captured 37.1 percent of total loans to moderate-income borrowers. Considering these comparisons, trends, and market share data, Unity's performance of lending to low- and moderate-income borrowers is good.

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

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: MSA 35620						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	20.8	4.1	41	6.2	13,505	4.6
2022	22.5	--	57	11.6	26,188	10.4
Moderate						
2021	14.4	14.0	72	10.9	20,853	7.1
2022	15.9	--	67	13.7	26,353	10.4
Middle						
2021	16.9	20.6	132	20.0	44,214	15.0
2022	18.6	--	83	16.9	34,148	13.5
Upper						
2021	47.9	45.4	400	60.5	203,303	69.1
2022	43.0	--	264	53.9	156,356	62.0
Not Available						
2021	0.0	15.8	16	2.4	12,192	4.1
2022	0.0	--	19	3.9	9,289	3.7
Totals						
2021	100.0	100.0	661	100.0	294,066	100.0
2022	100.0	--	490	100.0	252,333	100.0
<i>Source 2015 ACS & 2020 U.S. Census; Bank Data, 2021 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Small Business Loans

The distribution of borrowers reflects excellent penetration among businesses of different sizes. Both aggregate performance and Unity’s performance trailed demographic data throughout the period. In 2021, the bank’s lending to businesses with GARs of \$1.0 million or less was below aggregate lending data. This disparity was primarily due to the number of PPP loans the bank originated in 2021. Because the PPP did not require lenders to collect business revenue information, the bank did not report revenue information for a significant portion of their small business loans. When excluding loans without revenue data, the bank made 96 small business loans with reported revenue data in 2021. The bank originated 70 of those 96 loans, or 72.9 percent, to businesses with GARs of \$1.0 million or less. Performance increased in 2022 and was closer to demographics.

Market share data further supports the conclusion. According to 2021 market share data, 174 lenders made loans to businesses with GARs of \$1.0 million or less in the assessment area. Of these, 138 lenders (79.3 percent) made fewer than 70 loans to these businesses, and Unity ranked 36th. In addition, the top five lenders, all significantly larger national banks, captured 68.2 percent of total loans to businesses with GARs of \$1.0 million or less. Considering these comparisons,

trends, and market share data, Unity’s performance of lending to businesses with GARs of \$1.0 million or less is excellent.

The following table displays the distribution of small business loans by revenue category.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Assessment Area: MSA 35620						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2021	90.9	42.6	70	9.0	29,572	28.6
2022	91.8	--	74	77.1	29,026	71.7
>\$1,000,000						
2021	3.8	--	26	3.4	11,465	11.1
2022	3.2	--	22	22.9	11,459	28.3
Revenue Not Available						
2021	5.3	--	680	87.6	62,218	60.3
2022	4.9	--	0	0.0	0	0.0
Totals						
2021	100.0	100.0	776	100.0	103,255	100.0
2022	100.0	--	96	100.0	40,485	100.0
<i>Source 2021 & 2022 D&B Data; Bank Data; 2021 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Community Development Loans

Unity made a low level of community development loans in the assessment area. During the evaluation period, the bank made five community development loans totaling \$6.6 million in this assessment area. By number and dollar volume, this level represents 62.5 percent and 47.1 percent, respectively, of the bank’s total community development loans. In addition, Unity originated three community development loans totaling \$7.4 million that benefited the broader statewide area that includes this assessment area.

The bank’s community development loans primarily supported affordable housing, a critical community development need based on the area’s economic and demographic data.

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

Community Development Lending Assessment Area: MSA 35620										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2020 (Partial)	1	525	0	0	0	0	0	0	1	525
2021	1	435	0	0	0	0	0	0	1	435
2022	1	2,528	1	1,750	0	0	1	1,350	3	5,628
YTD 2023	0	0	0	0	0	0	0	0	0	0
Total	3	3,488	1	1,750	0	0	1	1,350	5	6,588
<i>Source Bank Data</i>										

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

- In 2022, the bank refinanced a \$1.8 million loan to a non-profit organization located in a low-income census tract in Essex County, NJ. The organization provides essential community services for low- and moderate-income children and families, including youth educational programs, summer camps, and 450 beds for temporary housing. Loan proceeds will improve the property’s fitness center and fund various youth development programs.
- In 2022, the bank made a \$1.4 million loan to an LLC for the purchase and renovation of an existing grocery store located in a low-income census tract and Urban Enterprise Zone (UEZ) in Ocean County, NJ. The UEZ program exists to foster an economic climate that revitalizes designated urban communities and stimulates their growth by encouraging businesses to develop and create private sector jobs through public and private investments. The use of these proceeds will revitalize and stabilize the area by creating and retaining permanent jobs for low- and moderate-income residents.

INVESTMENT TEST

The bank’s Investment Test performance in the State of NJ is “Low Satisfactory.” The adequate level of qualified community development investments and grants primarily supports this rating. The following sections discuss the bank’s performance under each of the Investment Test criterion.

Investment and Grant Activity

Unity has an adequate level of qualified community development investments and grants in the assessment area. The bank’s \$6.8 million in qualified investments in this assessment area include one new equity investment totaling \$1.0 million, five prior period qualified investments with a current book value of \$5.6 million, and 96 donations totaling \$220,000.

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

Qualified Investments										
Assessment Area: MSA 35620										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	5	5,613	0	0	0	0	0	0	5	5,613
2020 (Partial)	0	0	0	0	0	0	0	0	0	0
2021	0	0	0	0	0	0	0	0	0	0
2022	1	1,000	0	0	0	0	0	0	1	1,000
YTD 2023	0	0	0	0	0	0	0	0	0	0
Subtotal	6	6,613	0	0	0	0	0	0	6	6,613
Qualified Grants & Donations	9	18	79	187	7	10	1	5	96	220
Total	15	6,631	79	187	7	10	1	5	102	6,833
<i>Source Bank Data</i>										

The following are notable examples of Unity’s qualified investment activity.

- In 2021, the bank donated \$25,000 to a social services organization whose mission is to help address the problems of hunger and food insecurity affecting low-income families in Hunterdon County, NJ. The donation allowed the organization to continue providing essential services during the COVID-19 pandemic.
- During the evaluation period, the bank made two donations totaling \$3,000 to an organization that provides education and resources for entrepreneurs to advance the developmental needs of small businesses operating in northern NJ. The bank’s donations will support the organization’s small business technical assistance programs and promote economic development.
- During the evaluation period, the bank made three donations totaling \$5,200 to a non-profit organization that provides emergency food and shelter, transitional housing, and homeless prevention assistance for low-income families in Union County, NJ. The bank’s donations supported the organization’s food pantry operating in a moderate-income census tract in Plainfield, NJ.

Responsiveness to Credit and Community Development Needs

Unity’s qualified investments and donations exhibit adequate responsiveness to the credit and community development needs of the assessment area. Of the total dollar amount of qualified investments and donations, 96.8 percent benefitted efforts to create affordable housing. These investments demonstrate the bank’s responsiveness to the area’s affordable housing needs.

Community Development Initiatives

Unity does not use innovative or complex investments to support community development initiatives. All qualified investments consist of securities backed by mortgage loans to low- and

moderate-income individuals and investments in community development equity funds, which are routinely provided by private investors.

SERVICE TEST

Unity’s Service Test performance in the State of NJ is rated “High Satisfactory”. The bank’s improved branch distribution and 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

Delivery systems are reasonably accessible to essentially all portions of the assessment area. The bank operates 16 branches and 16 deposit-taking ATMs in this assessment area. As shown in the following table, the dispersion of branches and ATMs reflects a higher concentration in moderate-income census tracts than demographics in this assessment area. While Unity does not operate branches in low-income census tracts, the bank operates four branches located in moderate-income census tracts and three branches located in reasonable proximity to low-income census tracts. Alternative banking services are consistent with those discussed at the institution level.

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

Branch and ATM Distribution by Geography Income Level								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	156	11.9	642,653	11.2	0	0.0	0	0.0
Moderate	277	21.1	1,193,498	20.8	4	25.0	4	25.0
Middle	399	30.4	1,727,130	30.1	7	43.8	7	43.8
Upper	460	35.0	2,140,264	37.3	5	31.3	5	31.3
NA	21	1.6	34,428	0.6	0	0.0	0	0.0
Total	1,313	100.0	5,737,973	100.0	16	100.0	16	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 record of opening and closing branches has improved the accessibility of its delivery systems, particularly in low- and moderate-income geographies and to low- and moderate-income individuals. During the evaluation period, the bank opened the Lakewood branch in a moderate-income census tract located in Ocean County, NJ, and opened the Fort Lee branch in an upper-income census tract located in Bergen County. Unity also closed the Ramsey branch in an upper-income census tract located in Bergen County. This branch was not located near low- and moderate-income census tracts.

Reasonableness of Business Hours and Services

Services and business hours do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies and individuals. All branches offer the same loan and deposit products. Lobby and drive-up hours at branches begin at 9:00 A.M. and conclude at 4:00 P.M. on weekdays. Hours begin at 9:00 A.M. and conclude at 12:00 P.M. on Saturdays. The Lakewood branch, which is in a moderate-income census tract located in Ocean County, is the only branch that offers extended hours one day a week. The days and hours of operation of Unity’s branches are comparable to those of other banks operating in this assessment area.

Community Development Services

Unity provided a relatively high level of community development services throughout the assessment area. The bank provided 59 instances of community development services in this assessment area. In addition, the bank provided three instances of community development services to an organization that serves all of NJ, including this assessment area.

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

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2020 (Partial)	0	0	0	0	0
2021	1	23	3	0	27
2022	1	20	3	0	24
YTD 2023	1	4	3	0	8
Total	3	47	9	0	59
<i>Source Bank Data</i>					

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

- An Assistant Vice President serves on the Board of a housing organization that develops and renovates affordable housing for low- and moderate-income families in Somerset County, NJ.
- A First Vice President uses her financial expertise while serving on the Board for a community service organization headquartered in Hunterdon County, NJ. The organization delivers fresh produce to low- and moderate-income individuals and families throughout northern NJ.

MULTISTATE MSA – FULL SCOPE REVIEW

CRA RATING FOR MULTISTATE MSA: SATISFACTORY

The Lending Test is rated: Low Satisfactory

The Investment Test is rated: Needs to Improve

The Service Test is rated: High Satisfactory

DESCRIPTION OF INSTITUTION'S OPERATIONS IN MULTISTATE MSA

This Multistate MSA rated area reflects the bank's performance in the MSA 10900 assessment area, which consists of Warren County, NJ, and Northampton County, PA. The bank operates four branches in this assessment area. Of these, one is located in a middle-income census tract and three are located in upper-income census tracts. Unity maintains one ATM per branch. This assessment area accounts for 7.1 percent of the bank's total in-assessment area loans, 20.0 percent of its branches, and 12.9 percent of its total deposits as of June 30, 2022.

Economic and Demographic Data

Due to 2020 U.S. Census changes, the number of census tracts in Northampton County, PA, increased by six. This assessment area's 97 census tracts reflect the following income designations according to 2020 U.S. Census data:

- 2 low-income,
- 21 moderate-income,
- 42 middle-income, and
- 32 upper-income.

The Phillipsburg municipality within Warren County, NJ, is the only municipality in this assessment area designated by the NJ state government as a UEZ.

The following table highlights selected demographic characteristics for this assessment area.

Demographic Information of the Assessment Area						
Assessment Area: MSA 10900						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	97	2.1	21.6	43.3	33.0	0.0
Population by Geography	422,583	1.7	18.3	42.0	38.0	0.0
Housing Units by Geography	169,104	1.1	19.9	43.1	35.9	0.0
Owner-Occupied Units by Geography	112,914	0.4	12.4	44.5	42.8	0.0
Occupied Rental Units by Geography	44,708	3.2	35.2	41.3	20.2	0.0
Vacant Units by Geography	11,482	0.3	34.8	36.7	28.3	0.0
Businesses by Geography	45,343	1.0	19.4	39.2	40.4	0.0
Farms by Geography	1,577	0.1	7.7	46.4	45.8	0.0
Family Distribution by Income Level	106,699	17.1	17.3	21.3	44.3	0.0
Household Distribution by Income Level	157,622	21.4	15.2	18.0	45.4	0.0
Median Family Income MSA - 10900 Allentown-Bethlehem-Easton, PA-NJ MSA		\$84,676	Median Housing Value			\$227,610
			Median Gross Rent			\$1,112
			Families Below Poverty Level			5.5%

*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. This assessment area contains 169,104 housing units. Of these, 66.8 percent are owner-occupied units, 26.4 percent are occupied rental units, and 6.8 percent are vacant units. As shown above, only 0.4 percent of total owner-occupied housing units are located in low-income geographies and 12.4 percent are located in moderate-income geographies. This data suggests lenders may have limited opportunities to originate 1-4 family residential loans in these geographies.

The Geographic Distribution criterion for small business lending considers the distribution of businesses by income level within this assessment area. According to 2022 D&B data, 1.0 percent of businesses are located in low-income census tracts, and 19.9 percent are located in moderate-income census tracts. This suggests limited opportunities for lenders to originate small business loans in these tracts, particularly in low-income tracts.

The Borrower Profile criterion for home mortgage lending considers the percentage of assessment area low- and moderate-income families. Also shown above, 17.1 percent of assessment area families are low-income and 17.3 percent are moderate-income. Additionally, 5.5 percent of families have incomes below the poverty threshold. It would be difficult for low-income families, particularly those below the poverty level, to qualify for a home mortgage loan or support a monthly mortgage payment considering the area's median housing value of \$227,610. This data suggests lenders may face challenges originating loans to low- and moderate-income borrowers.

Examiners used the FFIEC-updated median family income data to analyze the bank’s home mortgage loans 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%
Allentown-Bethlehem-Easton, PA-NJ MSA Median Family Income (10900)				
2021 (\$84,900)	<\$42,450	\$42,450 to <\$67,920	\$67,920 to <\$101,880	≥\$101,880
2022 (\$94,300)	<\$47,150	\$47,150 to <\$75,440	\$75,440 to <\$113,160	≥\$113,160
<i>Source FFIEC</i>				

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by GAR level. According to the 2022 D&B data, 45,343 non-farm businesses operate in this assessment area. The following reflects the GARs for these businesses.

- 90.6 percent have GARs of \$1.0 million or less,
- 2.8 percent have GARs greater than \$1.0 million, and
- 6.6 percent have unknown revenues.

Service industries represent the largest portion of businesses (34.8 percent); followed by non-classifiable establishments (22.4 percent); retail trade (11.3 percent); finance, insurance, and real estate (8.9 percent); and construction (7.6 percent). Additionally, 63.7 percent of assessment area businesses have four or fewer employees, and 93.4 percent operate from a single location. This information reflects the potential demand for, and the opportunity to originate, small business loans in this assessment area.

Data from the U.S. Bureau of Labor Statistics shows that unemployment rates at the county, state, and national levels increased significantly when the COVID-19 pandemic began in March 2020, and subsequently declined. The following table presents annual unemployment rates for the assessment area counties as well as the state and national levels since 2020.

Unemployment Rates				
Area	2020	2021	2022	February 2023
	%	%	%	%
Northampton County, PA	8.8	5.7	4.2	4.6
Warren County, NJ	8.2	5.8	3.5	3.9
State of Pennsylvania	8.9	6.0	4.4	4.6
State of New Jersey	9.4	6.6	3.7	4.1
National Average	8.1	5.4	3.6	3.5
<i>Source Bureau of Labor Statistics</i>				

Competition

This assessment area is a moderately competitive market for financial services. According to 2022 FDIC Deposit Market Share data, 22 financial institutions operated 103 branches within this assessment area. Of these institutions, Unity ranked 13th with a 2.0 percent deposit market share.

There is a moderate level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. In 2021, 514 lenders reported 21,853 home mortgage loans in this assessment area. Unity ranked 72nd with a 0.3 percent market share. The top five mortgage lenders, all large national banks or internet-based home mortgage lenders, represented 23.9 percent of the market share by number of loans.

There is also a moderate level of competition for small business loans in this assessment area. In 2021, 132 lenders reported 11,140 small business loans in this assessment area. Unity ranked 31st with a 0.4 percent market share. The top five small business lenders, all large national banks, represented 44.2 percent of the total market share.

Community Contact

Examiners reviewed a recent contact with a representative of an affordable housing organization that oversees housing units in eastern Pennsylvania. The contact identified rental assistance programs and access to quality affordable housing stock as primary needs in this assessment area. The contact stated that low- and moderate-income renters are experiencing difficulties staying current on monthly payments given recent significant rent hikes. Additionally, the current housing stock is aging and requires substantial improvements.

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 is the primary community development need. Economic and demographic data supports challenges low- and moderate-income individuals experience accessing affordable rental units and home mortgage units. Innovative programs offering technical assistance and financial literacy, and support of organizations that rehabilitate aged housing stock, would benefit low- and moderate-income individuals and families in this assessment area.

SCOPE OF EVALUATION – MULTISTATE MSA

Examiners used full-scope procedures to evaluate Unity's performance in the MSA 10900 assessment area. The products and timeframes described in the overall Scope of Evaluation section apply to this assessment area analysis.

CONCLUSIONS ON PERFORMANCE CRITERIA IN MULTISTATE MSA

LENDING TEST

Unity's performance under the Lending Test in the Multistate MSA is "Low Satisfactory". The bank's adequate Borrower Profile performance, as well as the excellent Geographic Distribution and low level of community development lending primarily contributed to this conclusion. The following sections discuss the bank's performance under each of the Lending Test factors.

Lending Activity

Unity's lending levels reflect adequate responsiveness to assessment area credit needs.

Unity reported 57 home mortgage loans within this assessment area for \$12.0 million in 2020, 59 home mortgage loans totaling \$11.9 million in 2021, and 36 home mortgage loans totaling \$7.0 million in 2022. In 2021, Unity ranked 72nd in home mortgage lending by number among 514 lenders that reported at least one home mortgage loan in this assessment area, with a 0.3 percent market share.

In 2020, Unity reported 88 small business loans totaling \$9.3 million within this assessment area. Unity reported 49 small business loans totaling \$5.0 million in 2021, and 8 small business loans totaling \$2.2 million in 2022. Of note is that Unity originated a significant number of PPP loans in this assessment area during 2020 and 2021. In 2021, Unity ranked 31st in small business lending by number among 132 lenders that reported at least one small business loan in this assessment area, with a 0.4 percent market share.

Geographic Distribution

The geographic distribution of loans reflects excellent penetration throughout this assessment area. Unity's excellent distribution of home mortgage and small business loans support this conclusion.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects excellent penetration throughout this assessment area. Unity's lending in low-income tracts exceeded area demographics and aggregate data in 2021. The bank did not make any loans in low-income census tracts in 2022; however, limited lending opportunities presented challenges for the bank to make loans in the two low-income census tracts in this assessment area. Specifically, there are only 452 owner-occupied housing units located in low-income geographies, reflecting limited opportunity to originate home mortgage loans in these tracts. The bank's lending performance in moderate-income tracts exceeded area demographics and aggregate data in 2021. In 2022, the bank doubled its number of loans in moderate-income tracts, significantly exceeding demographics. These trends and comparisons reflect excellent performance.

The following table displays the distribution of the bank's home mortgage loans by census tract income level and year.

Geographic Distribution of Home Mortgage Loans							
Assessment Area: MSA 10900							
Tract Income Level		% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low							
	2021	1.5	1.5	2	3.4	177	1.5
	2022	0.4	--	0	0.0	0	0.0
Moderate							
	2021	12.4	13.1	8	13.6	1,326	11.1
	2022	12.4	--	16	44.4	2,008	28.5
Middle							
	2021	43.9	41.2	21	35.6	3,981	33.3
	2022	44.5	--	9	25.0	1,601	22.7
Upper							
	2021	42.2	44.2	28	47.5	6,461	54.1
	2022	42.8	--	11	30.6	3,437	48.8
Not Available							
	2021	0.0	0.0	0	0.0	0	0.0
	2022	0.0	--	0	0.0	0	0.0
Totals							
	2021	100.0	100.0	59	100.0	11,945	100.0
	2022	100.0	--	36	100.0	7,046	100.0
<i>Source 2015 ACS & 2020 U.S. Census; Bank Data, 2021 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>							

Small Business Loans

The geographic distribution of small business loans reflects excellent penetration throughout this assessment area. The bank's performance in low-income census tracts was below area demographics and slightly below aggregate data in 2021. The bank did not make any loans in low-income census tracts in 2022; however, limited lending opportunities presented challenges for the bank to make loans in the two low-income census tracts. Specifically, there are only 454 businesses operating in low-income geographies, reflecting limited opportunity to originate small business loans in these tracts. The bank's lending performance in moderate-income census tracts exceeded aggregate data and area demographics in 2021, and exceeded area demographics in 2022.

The following table displays the distribution of small business loans by census tract income level and year.

Geographic Distribution of Small Business Loans						
Assessment Area: MSA 10900						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	3.6	2.8	1	2.0	280	5.6
2022	1.0	--	0	0.0	0	0.0
Moderate						
2021	15.9	13.9	8	16.3	658	13.3
2022	19.4	--	3	37.5	1,050	46.9
Middle						
2021	40.3	41.1	22	44.9	3,183	64.1
2022	39.2	--	5	62.5	1,190	53.1
Upper						
2021	40.2	42.2	18	36.7	842	17.0
2022	40.4	--	0	0.0	0	0.0
Not Available						
2021	0.0	0.0	0	0.0	0	0.0
2022	0.0	--	0	0.0	0	0.0
Totals						
2021	100.0	100.0	49	100.0	4,963	100.0
2022	100.0	--	8	100.0	2,240	100.0
<i>Source 2021 & 2022 D&B Data; Bank Data; 2021 CRA Aggregate Data, "--" data not available.</i>						
<i>Due to rounding, totals may not equal 100.0%</i>						

Borrower Profile

The distribution of borrowers reflects adequate penetration among individuals of different income levels and businesses of different sizes. Unity's adequate distribution of home mortgage loans primarily supports this conclusion.

Home Mortgage Loans

The distribution of home mortgage loans reflects adequate penetration of loans to individuals of different income levels. The bank's lending performance among low-income borrowers exceeded aggregate data in 2021, and trailed area demographics in 2021 and 2022. The bank's lending performance among moderate-income borrowers trailed area demographics and aggregate data in 2021 and 2022 while showing a slight increase.

As previously noted, lenders face challenges lending to low-income families. Specifically, a low-income family with an income below \$47,150 would likely not qualify for a mortgage under conventional underwriting standards, especially considering the median housing value of \$227,610. Furthermore, 5.5 percent of families are below the poverty level and are unlikely to afford a home mortgage loan. Limited demand and opportunity for lending to low-income families helps explain

the difference between the percentages of low-income families (17.9 percent) and aggregate and bank performance.

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

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: MSA 10900						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	17.9	5.4	6	10.2	866	7.3
2022	17.1	--	2	5.6	260	3.7
Moderate						
2021	17.1	17.2	8	13.6	1,485	12.4
2022	17.3	--	5	13.9	889	12.6
Middle						
2021	20.9	23.3	26	44.1	5,200	43.5
2022	21.3	--	3	8.3	1,017	14.4
Upper						
2021	44.0	36.7	18	30.5	4,217	35.3
2022	44.3	--	25	69.4	4,631	65.7
Not Available						
2021	0.0	17.4	1	1.7	177	1.5
2022	0.0	--	1	2.8	250	3.5
Totals						
2021	100.0	100.0	59	100.0	11,945	100.0
2022	100.0	--	36	100.0	7,046	100.0
<i>Source 2015 ACS and U.S. 2020 Census; Bank Data, 2021 HMDA Aggregate Data, "--" data not available.</i>						
<i>Due to rounding, totals may not equal 100.0%</i>						

Small Business Loans

The distribution of small business loans reflects adequate penetration among businesses of different sizes. The bank’s performance trailed aggregate in 2021, and both aggregate and Unity’s performance trailed demographic data in 2021. This disparity was primarily due to the number of PPP loans the bank originated in 2021. The bank did not report revenue information for a significant portion of their small business loans because the PPP did not require lenders to collect business revenue information. When excluding loans without revenue data, the bank made 5 of 5 small business loans, or 100.0 percent, to business with GARs of \$1.0 million or less in 2021. Performance decreased in 2022.

Market share data further supports the conclusion. According to 2021 market share data, Unity ranked fourth in lending to small businesses among similarly situated community banks. In

addition, the top five lenders, all significantly large national banks, accounted for a combined 46.6 percent of total loans to businesses with GARs of \$1.0 million or less. Considering these comparisons, trends, and market share data, Unity’s performance of lending to businesses with GARs of \$1.0 million or less is adequate.

The following table displays the distribution of small business loans by revenue category and year.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Assessment Area: MSA 10900						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2021	89.3	51.0	5	10.2	1,875	37.8
2022	90.5	--	4	50.0	1,110	49.6
>\$1,000,000						
2021	3.4	--	0	0.0	0	0.0
2022	2.8	--	4	50.0	1,130	50.4
Revenue Not Available						
2021	7.3	--	44	89.8	3,088	62.2
2022	6.6	--	0	0.0	0	0.0
Totals						
2021	100.0	100.0	49	100.0	4,963	100.0
2022	100.0	--	8	100.0	2,240	100.0

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

Community Development Loans

Unity made a low level of community development loans in the MSA 10900 assessment area. While the bank did not originate any community development loans directly in this assessment area, Unity originated three community development loans totaling \$7.4 million in the greater NJ statewide area that includes this assessment area. These loans represent 37.4 percent and 52.9 percent of the bank’s total community development loans by number and dollar volume, respectively.

INVESTMENT TEST

The bank’s Investment Test performance in the Multistate MSA is rated “Needs to Improve.” The following sections discuss the bank’s performance under each of the Investment Test criterion.

Investment and Grant Activity

Unity has a poor level of qualified community development investments and grants in this assessment area. Although the bank did not make any qualified equity investments benefitting this

area, the bank made 30 donations totaling \$39,849. This activity accounts for 0.6 percent of the bank's total qualified investments by dollar volume.

By dollar volume, approximately 79.2 percent of the bank's donations in this assessment area supported community services for low- and moderate-income individuals. For example, the bank made three donations totaling \$5,200 to a non-profit organization committed to addressing the basic needs of those who experience poverty, hunger, and homelessness in Northampton County, PA. The organization offers a variety of essential community services including food and hygiene assistance, short-term housing, and employment training. The bank's donations supported the organization's Meal Center that provides a nutritious hot meal daily for up to 100 low-income residents in Bethlehem, PA.

Responsiveness to Credit and Community Development Needs

Unity's qualified investments and donations exhibit poor responsiveness to assessment area credit and community development needs. The lack of qualified investment activity in this area supports this conclusion.

Community Development Initiatives

Unity does not use innovative or complex investments to support community development initiatives in the assessment area.

SERVICE TEST

Unity's Service Test performance in the Multistate MSA is rated "High Satisfactory". The bank's 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

Delivery systems are reasonably accessible to essentially all portions of the assessment area. The bank operates four branches and four deposit-taking ATMs in this assessment area. Dispersion of branches and ATMs reflects a lower concentration in low- and moderate-income census tracts than demographics in this assessment area. While Unity does not operate branches in low- or moderate-income census tracts in this assessment area, the bank operates one branch located in reasonable proximity to a low-income census tract and one branch in reasonable proximity to a moderate-income census tract. Alternative banking services are consistent with those discussed at the institution level.

Changes in Branch Locations

Unity did not open or close any branches in this assessment area during the evaluation period; therefore, this criterion did not affect the Service Test rating.

Reasonableness of Business Hours and Services

Services and business hours do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies and individuals. All branches offer the same loan and deposit products. Lobby and drive-up hours at branches hours are the same as the branches located in the MSA 35620 assessment area. The days and hours of operation of Unity’s branches are comparable to those of other banks operating in this assessment area.

Community Development Services

Unity provided a relatively high level of community development services throughout the assessment area. During the evaluation period, the bank provided 22 instances of community development services in this assessment area. In addition, the bank provided three instances of community development services to an organization that serves all of NJ, including this assessment area.

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

Community Development Services Assessment Area: MSA 10900					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2020 (Partial)	0	0	0	0	0
2021	1	2	3	1	7
2022	2	2	3	1	8
YTD 2023	1	2	3	1	7
Total	4	6	9	3	22
<i>Source Bank Data</i>					

Bank employees serve in active and ongoing leadership roles with organizations that primarily support community services and economic development. For example, A First Vice President serves on the fundraising committee of a non-profit organization that provides life skills training, advocacy, and support for disadvantaged women and children in Northampton County, PA. The organization is located in a moderate-income census tract, and the majority of participants are low- or moderate-income. In this role, the First Vice President provides leadership skills and assists with fundraising event initiatives. In addition, a bank employee provided financial education to first-time homebuyers in conjunction with a local housing agency. The majority of participants in the seminar were low- or moderate-income individuals.

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.

SCOPE OF EVALUATION

Unity Bank	
Scope of Examination: Full scope reviews were performed on the following assessment areas: <ul style="list-style-type: none"> • State of New Jersey • MSA 10900 	
Time Period Reviewed:	7/13/20 to 4/24/23
Products Reviewed: Home Mortgage Loans: 1/1/20 – 12/31/22 Small Business Loans: 1/1/20 – 12/31/22 Community Development Activities: 7/13/20 – 4/24/23	

SUMMARY OF RATINGS FOR RATED AREAS

Rated Area	Lending Test	Investment Test	Service Test	Rating
State of New Jersey (MSA 35620)	Low Satisfactory	Low Satisfactory	High Satisfactory	Satisfactory
MSA 10900	Low Satisfactory	Needs to Improve	High Satisfactory	Satisfactory

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 (for example, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (for example, 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 (for example, 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.