



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

August 19, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Ellenville National Bank
Charter Number 14800**

**70 Canal Street
Ellenville, NY 12428**

**Comptroller of the Currency
New York Metro Field Office
830 Morris Turnpike Second Floor
Short Hills, NJ 07078**

NOTE: 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.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **Ellenville National Bank (ENB)** prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of **August 19, 2002**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

- The average loan-to-deposit ratio of 57% meets standards for satisfactory performance based on the bank's financial condition, and assessment area credit needs.
- ENB exceeds the standard for satisfactory performance for loans originated within the bank's assessment area.
- Lending performance meets the standards for satisfactory performance based on the distribution of credit to borrowers of different income levels.
- The bank meets the standard for satisfactory performance and exhibits a good record of lending to small business.

SCOPE OF THE EXAMINATION

This evaluation of Ellenville National Bank's (ENB) performance covers the period from January 1, 1999 through December 31, 2001. The evaluation includes an analysis of each of the two assessment areas, a Metropolitan Statistical Area (MSA) and two non-Metropolitan Statistical Area. The bank's primary product was identified as consumer and commercial loans inclusive of commercial real estate mortgages. The analysis is based on the bank's Home Mortgage Disclosure Act – Loan Activity Report (HMDA-LAR) and Loan Register and a judgmental sample of commercial loans. According to the regulation, the bank must exceed \$250 million in total assets for at least two fiscal years prior to the examination in order to be subject to the Large Bank CRA Procedures. Since the bank was less than \$250 million at December 31, 2000, we used the Small Bank CRA Procedures to complete this examination.

DESCRIPTION OF INSTITUTION

Ellenville National Bank is a community bank located in rural Ulster County, New York, 85 miles northwest of New York City at the edge of the Catskill Mountain region. It is wholly owned by the E.N.B. Holding Company, Inc., a one-bank holding company. As of June 30, 2002, total bank assets were \$297 million, total loans \$175 million, total investments \$93 million, and total deposits \$267 million. Loan portfolio mix: \$86 million (49%) commercial real estate loans; \$35 million (2%) residential mortgage loans; \$31 million (18%) commercial loans; \$22 million (13%) consumer loans; \$817 thousand (5%) agriculture loans. According to the Consolidated Report of Condition for June 30, 2002, commercial mortgages represent the largest segment of the bank's real estate secured loan portfolio or 49% of the total loan portfolio.

ENB operates nine banking offices from which it provides a full range of deposit and loan products. The bank opened one new branch office in April, 1999 in the town of Newburgh. ENB did not close any offices in this evaluation period. All of the offices have Automatic Teller Machines (ATM) except the Woodridge branch. Drive-up facilities are available at all locations except the Chester branch. The office hours vary by location and are based on customer traffic patterns. All offices are open later on Friday, and eight of the offices have Saturday morning hours.

ENB has grown significantly since the last CRA examination. The bank's assets increased 36% from December 1998 to December 2001. The largest area of growth has been in real estate loans, which grew by 76% within this period. Commercial loans grew by 37%, while consumer loans increased by 49%. ENB faces strong competition from large and regional banks, community banks, savings banks and credit unions.

ENB is not subject to any known legal, financial or regulatory restrictions, which would impede its ability to help meet the credit needs of its community.

ENB's last CRA assessment was performed as of March 31, 1998. The bank received a Satisfactory rating.

DESCRIPTION OF ASSESSMENT AREA

ENB's assessment areas meet the requirements of the CRA regulation and do not arbitrarily exclude low or moderate-income geographies.

The bank has three assessment areas, all located in the southeastern portion of New York State. The assessment areas, which are contiguous to one another, encompass portions of one MSA, the Orange MSA 5660, and two non-metropolitan areas.

Orange County MSA – The geographies within this MSA account for the majority of the geographies in the bank's combined assessment area. The assessment areas consist of fifty-six geographies. The MSA contains two low-income and twelve moderate-income geographies, which are located within the assessment area. This accounts for 21% of the total geographies in the area. The area also consists of twenty-six middle-income geographies, which account for 39% of total geographies, and sixteen upper-income geographies accounting for 24% of the geographies. The assessment area includes 2,529 low-income families. There are 10,716 moderate-income families. Owner-occupied units are 62% of total housing units, 30% of total housing units are rental occupied and 8% are vacant. The average housing cost in the assessment area is \$135 thousand.

The 1990 U.S. Census Median Family Income for the MSA is \$38,998. This figure is used to determine the income designation of the MSA's geographies. The 2001 Updated Median Family Income for this MSA is \$58,700. This figure is used to determine the income designation of individuals in this MSA. The Updated Median Family Income is based on information from the Department of Housing and Urban Development (HUD). The majority of the population, sixty-six percent or 259,646 of the combined assessment area's 390,814 population, reside in this MSA. The most recent unemployment rate for Orange County is 4.0%, below the New York rate of 5.7%.

The bank's two non-MSA assessment areas are Ulster and Sullivan Counties. The Ulster County assessment area consists of twenty-four geographies located in the southeastern portion of the Route 17 corridor. The Ulster assessment area, which accounts for 23% of the combined assessment area's 105 geographies, represents all middle and upper income geographies. There are no low or moderate-income geographies within Ulster County. The Sullivan County assessment area consists of fifteen geographies located in the northeastern portion of the county. This area accounts for 14% of the combined assessment area's 105 geographies and consists of all middle and upper income geographies. There are no low or moderate-income geographies within Sullivan County. The most recent unemployment rate for Ulster County is 4.1% and Sullivan County is 3.4%, both are below the New York State rate of 5.7%.

The 1990 U.S. Census Median Family Income for these non-metropolitan areas of New York State is \$32,607. The 2001 Updated Median Family Income is \$43,600. Thirty-four percent or 131,168 of the combined assessment area's population reside in the Ulster and Sullivan County assessment areas.

The main employers located within the assessment areas include local school districts, local municipal government, community colleges, and seasonal tourism.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

An evaluation of the bank's lending data and discussions with management showed ENB's primary product lines to be home improvement and commercial loans. Our analysis was based on all home improvement loans located in the MSA and reported on the HMDA-LAR. Loans made in the non-metropolitan area were not geocoded on the HMDA-LAR with their respective block numbering area (BNA). Therefore, a sample of twenty (20) was selected in the non-metropolitan area. Home improvement loans reviewed totaled \$2 million. We used a sample of 40 commercial loans totaling \$4.3 million that consisted of twenty (20) in the MSA and twenty (20) in the non-MSA. Our assessment of these products was used to determined the bank's lending performance.

Loan-to-Deposit Ratio

For the seventeen calendar quarters since the last CRA examination, ENB's average loan-to-deposit ratio was 57%. During the same period, the average for a group of similarly situated banks in southeastern New York State was 63%. This group was developed from discussions with management. ENB's ratio has not varied significantly over the four-year period. The ratio has been modestly increasing each quarter. The bank does not sell to or purchase loans from the secondary market.

Lending in Assessment Areas (AA)

ENB originated a substantial majority of loans within its assessment area, as indicated in the table below. Our sample disclosed that 98% and 100% of the home improvement loans and commercial loans were originated in the bank's MSA assessment area and non-MSA assessment area, respectively.

| Ratio of Loans Originated in AA - January 1, 1999 – December 31, 2001 | | | | |
|---|------------|------------|------------|------------|
| | In MSA | | In Non-MSA | |
| | # of Loans | % of Loans | # of Loans | % of Loans |
| Home Improvement (HI) Loans | 42 | 67% | 20 | 50% |
| Commercial Loans | 20 | 31% | 20 | 50% |
| Total in Assessment Areas | 62 | 98% | 40 | 100% |
| TOTAL ORIGINATIONS | 63 | | 40 | |

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

ENB's record of lending to borrowers of different incomes and to businesses of different sizes meets the standard for satisfactory performance. Please refer to the table below. While HMDA related lending to low-income borrowers is lower than the distribution of the families, this level of penetration is considered reasonable since a substantial portion of the households, 46%, are living below the poverty level. It is unlikely that those with incomes below the poverty level would be involved in mortgage financing. Also, a low-income borrower, with maximum income of \$19,281 would be likely to experience difficulty in qualifying for a mortgage based on the median housing value of \$123,458.

| Borrower Distribution of Home Improvement Loans in MSA | | | | | |
|---|--|-------------------|----------|--------------------------|----------|
| Borrower Income Level | Percentage of Families within each Tract Category | # of Loans | % | \$ (Amount) 000's | % |
| Upper | 39% | 31 | 74% | \$1,003 | 78% |
| Middle | 25% | 6 | 14% | 134 | 10% |
| Moderate | 18% | 3 | 7% | 115 | 9% |
| Low | 18% | 2 | 5% | 40 | 3% |
| Total | 100% | 42 | 100% | \$1,292 | 100% |

Borrower Distribution of Home Improvement Loans in Non-MSA

ENB's lending to businesses of different sizes exceeds satisfactory performance. Based on our sample of the 40 commercial loans originated in the bank's AA, 100% of these credits were small business loans. Nearly all, except for one, 99% of the small business loans originated by the bank during the examination period were made to small size businesses with revenues of \$1 million or less.

Geographic Distribution of Loans

The geographic distribution of lending is reasonable given the demographics of the Orange County MSA assessment area. Within the bank's assessment area, there are two (2) low-income tracts, 1% of the units are owner occupied and 11% of the twelve (11) moderate-income tracts are owner occupied units. During the evaluation period, no home improvement loans were originated in the low-income tracts and four (4) loans (10%) were originated in the moderate-income tracts. An evaluation of the geographic distribution of loans in the non-metropolitan area is not meaningful data as there are no low or moderate income geographies in those areas.

The geographic distribution of small business loans is also reasonable in relation to the distribution of small businesses and geographies in the MSA assessment area. Based on our sample of commercial

| Borrower Income Level | Percentage of Families within each Tract Category | # of Loans | % | \$ (Amount) 000's | % |
|-----------------------|---|------------|------|----------------------|------|
| Upper | 50% | 9 | 45% | \$ 281 | 41% |
| Middle | 22% | 7 | 35% | 260 | 37% |
| Moderate | 15% | 4 | 20% | 154 | 22% |
| Low | 13% | 0 | | | |
| Total | 100% | 20 | 100% | \$ 695 | 100% |

loans (20) originated in the MSA assessment area, one loan (5%) originated in a low-income tract and seven loans (35%) were made in moderate income geography.

Responses to Complaints

ENB has not received any CRA related consumer complaints with respect to the bank's lending performance since the last CRA examination.

Fair Lending Review

An analysis of 2001 public comments and consumer complaint information was performed according to the OCC's risk-based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in March 30, 1998.