



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

October 18, 2010

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Greater Hudson Bank, N.A.  
Charter Number: 24177

643 Route 211 East  
Town of Walkkill, NY 10941

Office of the Comptroller of the Currency  
New York Metro West Field Office  
343 Thornall Street, Suite 610  
Edison, NJ 08837

**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.

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

Major factors supporting the institution's rating include:

- Greater Hudson Bank's (GHB) average net loan-to-deposit ratio over the last 20 quarters is reasonable at 70 percent, meeting the standards for satisfactory performance.
- A substantial majority of loans were originated within the assessment area (AA) equating to outstanding performance, as 95 percent of the number and 99 percent of the dollar volume of loans were extended inside the bank's AA.
- The bank's record of lending to businesses of different sizes is reasonable and meets the standards for satisfactory performance.
- The geographic distribution of lending to businesses by census tract income level is also reasonable, meeting the standards for satisfactory performance.
- The bank has not received any CRA-related complaints since the previous evaluation. As such, the bank's responsiveness to CRA-related complaints was not evaluated.

## **SCOPE OF EXAMINATION**

This Performance Evaluation assesses the bank's record of meeting the credit needs of the communities in which it operates. GHB was evaluated under the five performance criteria of the Small Bank Lending Test, which included the loan-to-deposit ratio, lending within the bank's designated AA, lending to borrowers of different incomes and businesses of different sizes, geographic distribution of loans, and responses to CRA-related complaints.

The evaluation period under the Lending Test covers the bank's performance from January 1, 2008 through September 30, 2010. Conclusions regarding the bank's lending performance were based on an evaluation of lending activities to businesses within its AA. GHB's primary loan products are commercial real estate and commercial loans, based on the number and dollar amounts of loans originated during the evaluation period.

The bank is not required by regulation to maintain or report any loan information due to its asset size. All analyses performed were completed through a numerical statistical sampling of the primary lending products, with a precision level of 10 percent and a reliability level of 95 percent for small business lending. We did not sample any consumer loan products since the results of such analyses would not be meaningful. We reviewed a total of 42 business loans.

## **DESCRIPTION OF INSTITUTION**

GHB, formerly Community Bank of Orange (CBO), was granted its national charter in October 2002. In October 2008, CBO was acquired by GHB and its two existing offices, located in the Township of Wallkill and Warwick, were merged with and into GHB. The bank currently operates four branches: the two acquired branches in Orange County, a Rockland County branch which opened in November 2008, and its newest branch in Westchester County, which opened June 2010. Services offered at each branch include a full range of deposit and lending

products, all tailored to meet the needs of businesses, professionals and local community residents. These include personal and business checking, savings, money market, certificates of deposits, on-line banking, telephone banking, remote deposit capture, home equity and consumer loans, and commercial loans. ATM services are available at all branch locations, and drive-up services are available only at the Walkkill, Bardonia, and White Plains branch locations. GHB received a satisfactory rating as of the last examination date, October 17, 2005.

As of September 30, 2010, GHB reported total assets of \$251 million, supported by \$120 million in gross loans and \$108 million in investments. Significant growth has occurred in the lending portfolio since the last evaluation when the bank operated as a single branch of CBO. GHB's business strategy is to grow the commercial real estate portfolio. Loan growth over the last 11 quarters has averaged 44 percent compared to peer's loan growth average of three percent over the same period. The bank's loan portfolio is currently heavily concentrated in real estate lending (84 percent), followed by commercial lending (16 percent). Of the \$100 million in real estate loans reported at September 30, 2010, 18 percent (\$21 million) are construction loans, four percent (\$5 million) are 1-4 family residential loans, and 59 percent (\$70 million) are commercial real estate loans. See Table 1 for distribution of loan portfolio by loan type.

<b>Table 1 – Loan Distribution as of September 30, 2010</b>		
<b>Loan Type</b>	<b>Dollar Amount (000s)</b>	<b>Percent of Total Loans (%)</b>
Construction and Land Development	20,897	18
1-4 Family Residential Properties Closed-end First Lien	1,150	1
1-4 Family Residential Properties Closed-end Junior Lien	82	0
1-4 Family Residential Properties Open-end	3,512	3
Multifamily Residential	3,831	3
Owner Occupied Non-Farm Non-Residential Properties	33,643	28
Other Non-Farm Non-Residential Properties	36,623	31
<b>Total Real Estate Loans</b>	<b>99,738</b>	<b>84</b>
Commercial and Industrial	19,688	16
Lease Financing Receivables	0	0
Consumer Open-end	0	0
All Other	123	0
<b>Total Loans</b>	<b>119,549</b>	<b>100</b>

Source: September 30, 2010 Consolidated Report of Income and Condition.

There are no regulatory or legal constraints preventing GHB from helping meet the credit needs of its community.

## **DESCRIPTION OF ASSESSMENT AREA**

Since 2005, GHB has expanded its AA from its single branch location in Orange County to include Rockland and Westchester Counties. All three counties are contiguous in nature and complies with the regulatory AA delineation requirements of 12 CFR §25.41. The bank's AA spans across Poughkeepsie-Newburgh-Middletown, NY Metropolitan Statistical Area (MSA), 39100, and New York-White Plains-Wayne NY-NJ Metropolitan Division (MD), 35644. Since the demographic information in these two areas is distinctly unique, we segregated the overall AA into two separate AAs for analytical purposes: Orange County and Rockland/Westchester Counties.

Orange County falls under the Poughkeepsie-Newburgh-Middletown, NY MSA and consists of 67 census tracts. Based on 2000 US Census information, there are 126,411 housing units in Orange County, of which 61 percent are owner-occupied units, 30 percent are rental units, three percent are mobile homes, and six percent are vacant. Total persons living in the Orange County area total 341,367, with 22 percent of the population being minority in origin. There are a total of 114,809 households in the area. The majority of the households, 81 percent, receive salaried incomes. Twenty five percent of the total households are living on social security, 19 percent on retirement income, and three percent on public assistance. Nine percent of the households are living below the poverty level. The county consists of 19 census tracts that are in the low- and moderate-income geographies, and 23 percent of the number of households resides in these geographies. The weighted average HUD updated MSA median family income is \$81,800.

Based on 2010 Business Demographic Data, there are a total of 25,553 established businesses and farms in Orange County. Approximately 79 percent of these businesses / farms fall under the \$1 million revenue category. This revenue category, when further segregated into less than \$500,000 and \$500,001 to \$1 million, reflect that a significant portion of the revenues (74 percent) were earned by businesses in the less than \$500,000 category. Businesses exceeding the \$1 million threshold accounted for four percent of the businesses, and over 17 percent of the businesses did not report annual revenues.

Businesses located in Orange County tend to be micro-small businesses in nature. Nearly 72 percent of the businesses have an employee base of 1-4 persons. Local businesses are primarily service oriented in its mission and are single location entities.

Rockland and Westchester counties fall under the New York-White Plains-Wayne NY-NJ MD. Rockland County consists of 58 census tracts and Westchester County consists of 221 tracts, for a combined total of 279 census tracts. Collectively, there are 445,838 housing units, with 60 percent of the units being owner occupied and 36 percent rental occupied units. Vacant units total a little over three percent of all units. There are a total of 1.2 million persons living in the two counties with 34 percent of the population being minority in origin. There are 430,230 households in the combined counties, with 80 percent of the households receiving salaried incomes, 26 percent receiving social security benefits, 17 percent receiving retirement income and three percent receiving public assistance. Eight percent of the households are living below the poverty level. Rockland and Westchester consists primarily of middle- and upper-income census tracts. Low- and moderate-income census tracts account for 10 percent of the entire area. The weighted average HUD updated MSA median family income is \$64,800.

There are a total of 99,575 established businesses in the area, with 80 percent of the businesses making less than \$1 million in annual revenues. This revenue category, when further segregated into less than \$500,000 and \$500,001 to \$1 million, reflect that a significant portion of the revenues (74 percent) were earned by businesses in the less than \$500,000 category. Businesses exceeding the \$1 million threshold accounted for five percent of the businesses, and 16 percent of the businesses did not report annual revenues.

Like Orange County, businesses in the Rockland and Westchester areas tend to be micro-small businesses. Seventy-two percent of the businesses have a small employee base of 1-4 persons. Likewise, nearly half of all established businesses are service oriented, and 93 percent of the businesses are single location entities.

GHB operates in a market area that is highly competitive in terms of banking services and

products. Within their AA, there are numerous community banks, thrift institutions, and banking offices of several large regional and multi-national financial institutions. In Orange County, there are 21 established institutions all competing for the same customer base and potential funding opportunities. KeyBank, NA, leads the market at 17 percent, operating 12 offices in the surrounding area. JPMorgan Chase Bank, NA, Provident Bank and TD Bank, NA, each hold the market at 11 percent with 20, 14, and 12 branch locations, respectively. GHB, with two branches in Orange County, owns two percent of the market and ranks 14 out of the 21 established institutions in the area.

In Rockland and Westchester Counties, there are 41 institutions serving the same customer base. JPMorgan Chase Bank, NA, holds the largest share of the market at 21 percent and 136 branch locations. Emigrant Bank holds a 15 percent market share with three offices. Citibank, NA and Wells Fargo round out the top four institutions at 13 and 12 percent market share with 26 and 39 branch locations, respectively. GHB owns only a fraction of the market at 0.21 percent and ranks 31 out of the 41 institutions in the area.

Current economic conditions remain poor. High taxes are a concern for many businesses struggling to maintain profitability. This has made the area unattractive for new businesses, and in some cases, given existing businesses reasons to leave the area. Businesses that remain are faced with uncertainties about their futures, leaving business owners discouraged and hesitant to apply for credit.

Credit needs in the AA were determined by reviewing recent housing and demographic information and through an interview with a local community group. Identified needs for the local communities are small business lending.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

### **Loan-to-Deposit Ratio**

- GHB's loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and identified credit needs within its AA.

The average LTD ratio was calculated using quarterly information derived from the bank's Report of Condition from December 31, 2005 through September 30, 2010. Since our last evaluation, the bank's overall quarterly average LTD ratio increased from 55 percent to 70 percent, reflecting satisfactory performance. Quarterly ratios fluctuated from a high of 91 percent at June 30, 2008 to a recent low of 55 percent at September 30, 2010. The decline in performance was primarily attributed to deposit growth outpacing loan growth on an annual basis. At year-end 2008, GHB's overall deposit growth was 35 percent, while loan growth was 12 percent. By year-end 2009, with the addition of the Rockland Branch, the bank recognized a healthy deposit growth of 94 percent compared to loan growth of 83 percent. Although the growth rates were significantly higher in 2009, the gap between the deposit growth and loan growth ratios has narrowed.

While competition for loans and deposits has certainly impacted the LTD ratio, a more pronounced factor affecting the ratio in recent years was the tightening of the credit market and the impact of market conditions on the livelihood of existing businesses. Although both external factors have compressed lending opportunities overall, GHB has demonstrated the ability and willingness to lend, most notably within its AA. The bank's LTD ratio indicates an adequate responsiveness to community credit needs and meets the standards for satisfactory

performance.

**Lending in Assessment Area**

- A substantial majority of the bank’s loans were made inside its AA.

The bank’s level of lending reflects an outstanding responsiveness to identified credit needs within its AA based on the asset size of the bank, its financial condition, and local competition. From our sample population of 42 loans, we selected an initial 20 loans for use in calculating the in / out ratio. As illustrated in Table 2, 95 percent of the number of loans and 99 percent of the dollar amount of loans were made within their AA. The bank has demonstrated outstanding performance in meeting the credit needs of its communities, given the market in which the bank operates and the competition it faces.

<b>Table 2 – Lending in Orange, Rockland and Westchester Counties, NY</b>										
Loan Type	Number of Loans					Dollars of Loans (000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial RE	9	45	1	5	10	8,016	59	130	1	8,146
Commercial	10	50	0	0	10	5,587	41	0	0	5,587
<b>Totals</b>	<b>19</b>	<b>95</b>	<b>1</b>	<b>5</b>	<b>20</b>	<b>13,603</b>	<b>99</b>	<b>130</b>	<b>1</b>	<b>13,733</b>

Source: Statistical sampling of 20 commercial loans originations funded over the evaluation period.

**Lending to Businesses of Different Sizes**

- Distribution of lending among borrowers reflects a reasonable penetration of loans to small businesses.

*Orange County*

There are a total of 25,553 established businesses and farms in Orange County. Of this figure, 97 percent (or 24,736) are categorized as non-farm businesses. As reflected in Table 3, 79 percent of the total number of businesses reported annual revenues of less than \$1 million. The chart also shows that the bank has made reasonable penetration of loans to businesses in its AA as 81 percent by number and 78 percent by dollar amount were made to small businesses.

<b>Table 3 - Borrower Distribution of Loans to Businesses in Orange County, NY</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	79	4	17	100
% of Bank Loans in AA by #	81	14	5	100
% of Bank Loans in AA by \$	78	14	8	100

Source: 2010 Business Geo-demographic Data and sample of 21 loans made in Orange County.

Table 3A provides a further breakdown of GHB’s small business lending by loan size. As noted in the table, a major portion of business loans that were originated in Orange County were in amounts ranging from \$500,001 and \$1,000,000. A smaller percentage of the loans were smaller business loans of less than \$100,000. Overall distribution by loan size is reasonable given the current credit market, economy, and uncertainty of businesses’ futures.

<b>Table 3A - Borrower Distribution of Loans to Businesses by Loan Size in Orange County, NY</b>				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	2	10	73,000	1
\$100,001 - \$250,000	3	14	635,000	5
\$250,001 - \$500,000	6	29	2,350,000	18
\$500,001 - \$1,000,000	7	33	4,883,600	38
Over \$1,000,000	3	14	4,861,688	38
<b>Total</b>	<b>21</b>	<b>100</b>	<b>12,803,288</b>	<b>100</b>

Source: Sample of 21 loans originated in Orange County.

*Rockland and Westchester Counties*

In Rockland and Westchester Counties combined, there are 99,575 established businesses and farms in the area and, of this amount, 98 percent (or 97,673) are non-farm businesses. Table 4, which shows the borrower distribution of loans in the area, reflects that 79 percent of the businesses in the AA are small businesses reporting annual revenues of less than \$1 million. The chart also shows that penetration of loans in the area, while falling short of the percentage of businesses in the AA, is reasonable, particularly in light of the recent opening of the White Plains branch in June 2010. Sixty-five percent of the number of loans and 72 percent by dollar amount were made to small businesses.

<b>Table 4 – Borrower Distribution of Loans to Businesses in Rockland / Westchester Counties, NY</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	79	5	16	100
% of Bank Loans in AA by #	65	15	20	100
% of Bank Loans in AA by \$	72	8	20	100

Source: 2010 Business Geo-demographic Data and sample of 20 loans made in Rockland and Westchester Counties.

Table 4A breaks down GHB's small business lending in the Rockland and Westchester Counties by loan size. The table shows that a major portion of the business loans originated were in amounts ranging from \$500,001 and \$1,000,000. Fifteen percent of the loans made were smaller business loans of less than \$100,000. Overall distribution by loan size in the counties is reasonable given the recent addition of the White Plains branch, current credit environment, economy, and uncertainty of businesses' futures.

<b>Table 4A - Borrower Distribution of Loans to Businesses by Loan Size in Rockland / Westchester Counties, NY</b>				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	3	15	250,000	2
\$100,001 - \$250,000	3	15	650,000	5
\$250,001 - \$500,000	4	20	1,485,000	12
\$500,001 - \$1,000,000	6	30	4,573,000	35
Over \$1,000,000	4	20	5,967,000	46
<b>Total</b>	<b>20</b>	<b>100</b>	<b>12,925,000</b>	<b>100</b>

Source: Sample of 20 loans originated in Rockland and Westchester Counties.

**Geographic Distribution of Loans**

- Distribution of lending among borrowers reflects a reasonable dispersion of loans to small businesses.

*Orange County*

Orange County consists of 67 census tracts, with more than half of which are designated middle-income tracts (52 percent or 35 tracts). Moderate-income tracts account for 21 percent with 14 tracts, followed by upper-income tracts at 19 percent, or 13 tracts. Eight percent of the tracts (5 tracts) are low-income tracts.

Table 5 provides a percentage breakdown of non-farm businesses in each of the income tracts. Eight percent of the business population, or 2,005, are located in low-income tracts. Another 15 percent (3,594) are located in moderate-income tracts. Fifty-eight percent of the businesses (14,360) are located in middle-income tract, and 19 percent (4,777) of the businesses are in upper-income tracts.

Over the evaluation period, GHB made two loans to businesses located in moderate-income tracts and no loans were made to businesses in the low-income tracts. While lending efforts to businesses located in low- and moderate-income tracts fell short of their respective thresholds, dispersion of lending is considered reasonable in light of current market conditions, difficulties in obtaining credit, and local competition.

<b>Table 5 - Geographic Distribution of Loans to Businesses in Orange County, NY</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Commercial	8	0	15	10	58	66	19	24

Source: 2010 Business Geo-demographic Data and loan sample.

*Rockland and Westchester Counties*

Rockland and Westchester Counties together consist of 279 census tracts. Nearly 71 percent



of the combined counties are designated upper-income tracts (198 tracts), followed by 17 percent middle-income tracts (48 tracts). About eight percent of the tracts are moderate-income tracts (23 tracts), and two percent are low-income tracts (6 tracts). The remaining two percent (4 tracts) were listed as Not Applicable.

Table 5A provides a percentage breakdown of non-farm businesses in each of the income tracts in Rockland and Westchester Counties. Seventy-six percent of the businesses are located in the upper-income tracts, with another 15 percent of businesses in middle-income tracts. Eight percent of the businesses are in moderate-income tracts, and the remaining one percent of businesses are located in low-income tracts.

In the Rockland and Westchester Counties, GHB made three loans to businesses located in moderate-income tracts and no loans were made to businesses in the low-income tracts. Based on lending efforts to businesses located in moderate-income tracts, the bank has exceeded the performance threshold at 15 percent. However, the bank fell short of the threshold in lending to businesses in low-income tracts. When overall performance is considered in conjunction with the recent opening of the White Plains branch, current market conditions, credit environment, and local competition, overall dispersion of lending is considered reasonable.

Table 5A - Geographic Distribution of Loans to Businesses in Rockland / Westchester Counties, NY								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Commercial	1	0	8	15	15	0	76	85

Source: 2010 Business Geo-demographic Data and loan sample.

**Responses to Complaints**

A review of OCC’s Customer Assistant Group, as well as the bank’s Public CRA File, did not reveal any CRA-related complaints filed since the last evaluation.

**Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.