



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

June 25, 2001

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First NB of Jeffersonville
Charter Number 10456**

**300 Main St
Jeffersonville, NY 12748**

**Comptroller of the Currency
New York Metro-community/midsize Banks
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.

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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 **First National Bank of Jeffersonville (FNBJ)** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **June 25, 2001**. 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 of the 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 primary factors supporting the overall rating are:

- The average loan-to-deposit ratio since the last examination is satisfactory and is at the higher range of peer banks within the assessment area.
- A substantial majority of all loans originated are within the bank's assessment area.
- The distribution of mortgage home purchase loans among borrowers of different income levels meets standards.
- A majority of commercial loan originations are to small businesses.
- A satisfactory level of community development lending.

DESCRIPTION OF INSTITUTION

The First National Bank of Jeffersonville, Jeffersonville, New York ("FNBj") is a \$271 million community bank with its main office located in Jeffersonville, Sullivan County, New York. FNBj is the only subsidiary of Jeffersonville Bancorp a one-bank holding company. FNBj is an intrastate bank with its main office in Jeffersonville and nine other branch offices all located in Sullivan County, which is the bank's only assessment area. Since the last examination the bank opened two full-service branches in supermarkets located in Monticello and Wurstboro, New York. All offices offer ATM facilities and five offices have Saturday banking hours and nine of the offices are open to six o' clock at least one evening a week. A bank web site also provides information on branch locations, hours of service and bank products. There has been no merger or acquisition activity since the last evaluation. At December 31, 2000, FNBj had \$145 million in net loans (54% of total assets) and \$223 million in deposits. The primary loan products are residential mortgage home purchase loans and commercial loans. As of December 31, 2000, residential real estate loans totaled \$67 million, or 46% of the loan portfolio and commercial loans totaled \$48 million, or 33% of the loan portfolio. Tier 1 Capital for the same period was \$23 million or 8% of total assets.

FNBj is one of three independent community banks headquartered within the assessment area and is reasonably positioned to help meet the credit needs of the community. The bank has no legal or financial impediments that would hinder its ability to help meet the credit needs of the community.

Competition stems from branches of larger banks, which include multinational and regional institutions, area community banks and non-bank mortgage companies.

We last evaluated FNBj's performance under the CRA as of May 22, 1997, which resulted in a "Satisfactory" rating. The previous report used lending data through March 1997. The time period for this public evaluation spans from April 1, 1997 through May 31, 2001.

DESCRIPTION OF THE ASSESSMENT AREA

The assessment area meets all regulatory guidelines with no low or moderate-income areas being arbitrarily excluded. FNBj has defined one assessment area (AA) that is not located within a Metropolitan Statistical Area (MSA) and consists of all 25 block- numbering areas (BNAs) within Sullivan County, New York. The BNAs are designated as follows: zero (0%) low-income, zero (0%) moderate-income, twenty (80%) middle-income, and five (20%) upper-income. There are no low- or moderate-income BNAs in the assessment area.

Sullivan County is located in southeastern New York State bordering on the Delaware River on the west and Ulster and Orange counties on the west and south. The county is primarily rural with population centered in the eastern section of the county in the communities of Monticello, the county seat, Liberty, Fallsburgh and Wurtsboro. Populated areas are within close proximity to Route 17 a major north south highway. The total population of the assessment area is 69 thousand as reported in the US Census Bureau 1990 data. Approximately 8% of the population

are in group quarters primarily in the two correctional facilities. Fifteen percent of the population is over the age of sixty-five and 31% of the 24 thousand households have a member receiving social security benefits. The AA's population is comprised of 17 thousand families with the following family income distribution: 17% low-income, 17% moderate-income, 23% middle-income, and 43% upper-income. The 1990 U. S. Census median family income, used to determine the distribution of geographies, is \$33,884. The Housing and Urban Development (HUD) updated non-MSA statewide median family income for 2001, used to determine borrower income distribution, is \$40,300. Twelve percent of the 24,588 households are below the US Census Bureau designated poverty level. Owner-occupied units are 41% of total housing units, 21% of total housing units are rental occupied and 42% are vacant. The high vacancy rate is a result of seasonal occupancy of rental and owner-occupied housing units. The average housing cost in the AA is \$93 thousand.

The principal economic activity in the AA is tourism, primarily in warm weather months, and agriculture. The eastern portion of the county had been a center for large hotels offering full resort service amenities. However, that business has diminished and attempts are being made to redevelop the properties for other uses including time-shares and condominiums. The county has and continues to be a summer tourist area with bungalow colonies and summer camps attracting visitors from the metropolitan New York City area that is approximately ninety miles to the southeast. The western section of the county attracts water sports and fishing enthusiasts in addition to tourists renting properties on lakes and rivers. Agriculture is represented by dairy farming, row and forage crops. Major employers in the AA are Sullivan County, state and county correctional facilities, two medical centers, and an insurance company. According to the Bureau of Labor Statistics the seasonally unadjusted unemployment rate in the AA as of May 2001 is 4.1% compared to the New York State average of 4.0%.

During the examination a contact was made with a local economic development organization and an executive of a village housing authority. Contacts indicated that the county would benefit in terms of economic and employment growth by attracting businesses to relocate to Sullivan County industrial and office parks. Funding for construction of affordable multi, single and rehabilitated dwellings for LMI residents continues as a need.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Our examination focused on loans originated between June 1, 1997 and May 31, 2001. An evaluation of the bank's lending data and discussions with management showed FNBJ's primary product lines to be residential real estate mortgage home purchase and commercial loans. We used a sample of 20 residential mortgage home purchase loans totaling \$1.2 million and a sample of 22 commercial loans totaling \$466 thousand to determine the bank's lending performance.

Loan to Deposit Ratio

FNBJ's loan-to-deposit ratio exceeds the standard for satisfactory performance. FNBJ's average loan-to-deposit ratio for the prior 13 quarters is 66%. FNBJ's loan to deposit ratio exceeds the average quarterly ratios of similarly situated banks whose average ratios range from 52% to

54%. The low and high within the range of loan to deposit ratios are 42% to 62% for the two peer banks. Similarly situated banks include two banks considered as peers due to their location within the assessment area and/or asset size.

Lending in the Assessment Area

FNBJ exceeds the standard for satisfactory performance for lending in the assessment area (AA). Our sample disclosed 100% of the residential mortgage home purchase loans and 100 % of commercial loans were originated in the AA.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

FNBJ's record of lending to borrowers of different incomes and to businesses of different sizes meets the standard for satisfactory performance. A sample of mortgage originations used to purchase residential properties indicates that the bank has a satisfactory record of lending to borrowers of different incomes. Please refer to the following table. Loans to purchase residential real estate by low income residents represents 20% of our sample in terms of number of loans made compared to the 17% percent of low income families residing in the assessment area per the US Census of 1990. Lending to moderate- income borrowers is at 15% versus the 17% of families in the assessment area identified as moderate income. The median housing price of \$93 thousand in the assessment area is a factor contributing to the inability for low and moderate income individuals to find suitable affordable housing.

Borrower Distribution of Sampled Mortgage Loans for Purchase of Residential Property

Income Level	# of Loans	% of Loans	\$ of Loans	% of Loans	Income Level of Families in AA
Low	4	20%	120,000	10%	17%
Moderate	3	15%	144,600	12%	17%
Middle	3	15%	160,000	13%	22%
Upper	10	50%	789,625	65%	44%
Total	20	100%	1,738,700	100%	100%

FNBJ's lending to businesses of different sizes is good. Based on our sample of the 22 commercial loans originated in the bank's AA, 20, or 90% of the number of commercial loans originated, and \$381 thousand, or 82% of the dollar amount are to businesses with revenues of \$1 million or less. Dun and Bradstreet business demographic information indicates 86% of the businesses within the AA have revenues of \$1 million or less. Of the sample of 22 loans, eleven or 50% were to businesses with revenues of \$100 thousand or less. Also, all of the loans in the sample were for amounts of less than \$100 thousand.

Geographic Distribution of Loans

A geographic distribution analysis was not conducted, as the assessment area does not contain any low or moderate income Block Numbering Areas. However, an analysis was conducted of

originations for home purchase mortgages and business loans to determine if all of the block numbering areas within the AA were being served. We determined from bank records that all 25 of the block numbering areas within the assessment area had loan originations during the evaluation period.

Community Development Lending

FNB's level of community development lending is satisfactory when considering the opportunities available within the assessment area. The bank originated nine Community Development Loans totaling approximately \$228 thousand dollars during the evaluation period. Eight of the community development loans were to a statewide mortgage and affordable housing development organization that serves low and moderate - income individuals. One loan was made to a local countywide childcare organization that provides childcare to low and moderate individuals. The majority of the participants are individuals that meet the definitions of low and moderate income.

Response to Complaints

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

Results of the Fair Lending Examination

An analysis of public comments in the CRA Public File and consumer complaint information was performed according to the OCC's risk-based fair lending approach. Based on the 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 last comprehensive fair lending examination was performed in 1996.