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Comptroller of the Currency  
Administrator of National Banks

**Small Bank**

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Northeastern District  
1114 Avenue of the Americas, Suite 3900  
New York, New York 10036

## **Public Disclosure**

February 17, 1999

### **Community Reinvestment Act Performance Evaluation**

**The Putnam County National Bank  
Charter Number 976**

**P.O. Box 10  
Carmel, New York 10512-0010**

**Office of the Comptroller of the Currency  
New York Metro Field Office  
Community/Midsize Banks  
830 Morris Turnpike, 2nd Floor  
Short Hills, New Jersey 07078**

**Note: 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 **Putnam County National Bank** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **February 17, 1999**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

**Institution's CRA Rating:** This institution is rated satisfactory.

- C The average loan-to-deposit ratio since the prior evaluation is 51%.
- C A majority of all loans originated are within the bank's assessment area.
- C The distribution of real estate mortgages among borrowers of different income levels is reasonable, given the volume of loans.
- C A majority of commercial loan originations are to small businesses.

The following table indicates the performance level of **Putnam County National Bank** with respect to each of the five performance criteria.

Small Institution Assessment Criteria	Putnam County National Bank Performance Levels		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Loan-to-deposit ratio		X	
Lending in assessment area		X	
Lending to borrowers of different incomes and to businesses of different sizes		X	
Geographic distribution of loans	Analysis	Not	Meaningful
Response to complaints	No Since	Complaints the Prior	Received Examination

## DESCRIPTION OF INSTITUTION

The Putnam County National Bank (PCNB) is a \$137 million family owned and managed bank located in southeastern New York State, approximately 60 miles north of New York City. At December 31, 1998, the bank had \$57 million in loans, \$46 million in investments, and \$106 million in deposits. Table 1 portrays the principal loan mix of the bank.

**Table 1**  
**Types of Loans Outstanding**  
**December 31, 1998, \$ (millions)**

Type	Amount	%
Residential Real Estate	22	39
Commercial Real Estate	19	33
Commercial	14	25
Consumer	2	3

<b>Total</b>	57	100
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PCNB's main office and two branches are located in Carmel, New York. The bank has two additional branches in Putnam County and one branch in Westchester County. All branches provide a full range of banking services and extended hours. Within the assessment area, competition is strong and is evidenced by many money center and regional banks, savings banks, credit unions, and other financial intermediaries. Credit needs within the assessment area determined by a community contact include residential mortgages and consumer credit.

PCNB is not subject to any legal or regulatory restrictions or any other impediments which would preclude the bank from helping to meet the credit needs of its assessment area.

### **DESCRIPTION OF THE ASSESSMENT AREA**

The bank's assessment area is comprised of 20 geographies including all 19 census tracts in Putnam County and one census tract in Westchester County. All of the geographies are located in the New York Metropolitan Statistical Area (MSA) 5600 and are designated upper-income. The assessment area complies with the requirements of the regulation and does not arbitrarily exclude low- or moderate-income areas.

The 1990 census median family income, which is used to categorize the income level of the geographies in the MSA is \$37,515. The 1998 updated median family income, which is used to categorize the income level of individual borrowers residing in the MSA is \$49,800. The updated median family income is based on information from the Department of Housing and Urban Development. Within the assessment area, 6% of the families are considered low-income, 7% are moderate-income, 18% are middle-income, and 69% are upper-income.

The population of the assessment area is 89,000 persons. The median housing value in the AA is \$201,012 and the median age of housing stock is 37 years. Total occupied housing units is 88%, with owner-occupied housing at 73% and rental occupied housing at 15%. Vacant housing units in the AA is 12%. The high cost of housing in the assessment makes it difficult for many low- and moderate-income families to own their own homes.

### **Conclusions with Respect to Performance Criteria**

#### **Loan to Deposit Analysis**

PCNB's average loan-to-deposit ratio for the period since the prior evaluation in 1996 is reasonable. Since the prior CRA evaluation, the average loan-to-deposit ratio is 51%. The average loan-to-deposit ratio for the bank's national peer group is 70%. The ratio for four other local community banks for the same time period ranged from 54% to 78%. During this period, the bank has exhibited moderate loan growth, especially in the commercial loan area. In 1996, the loan-to-deposit ratio was

46%. At December 31, 1998, the bank's actual loan-to-deposit ratio was 53%.

### **Lending in the Assessment Area**

Using management prepared internal reports, examiners determined that a majority of all loan originations are within the bank's assessment area. From January 1, 1997 to December 31, 1998, the bank originated 53 Home Mortgage Disclosure Act (HMDA) reportable loans totaling \$5.5 million and 141 commercial loans totaling \$16.5 million. Of these totals, 62 % of the number and 32% of the dollar amount were located within the assessment area. Table 2 reflects the ratios for each category:

**Table 2**  
**Loan Originations-January 1, 1997- December 31, 1998 (\$ '000s)**

	<b># / \$ Originated</b>	<b># / \$ Originated in AA</b>	<b>% # / % \$ Originated in AA</b>
HMDA reportable	53 / \$5,500	36 / \$3,206	68 / 58
Commercial	141 / \$16,520	84 / \$3,852	60 / 23
Total	194 / \$22,020	120 / \$7,058	62 / 32

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

The distribution of loans reflects reasonable penetration among borrowers of different income levels and business of different sizes. Table 3 reflects the distribution based on HMDA reportable information:

**Table 3**  
**Lending Distribution by Family Income Characteristics**  
**HMDA Reportable Lending -January 1, 1997-December 31, 1998 (\$ '000s)**

<b>Income Level</b>	<b>% of Families</b>	<b># of Loans Originated / %</b>	<b>\$ of Loans Originated / %</b>
Low	6	2 / 6	139 / 6
Moderate	7	6 / 16	250 / 8
Middle	18	9 / 25	816 / 26
Upper	69	18 / 50	1,901 / 59
Income not Obtained	--	1 / 3	100 / 3
Total	100	18 / 100	3,206 / 100

PCNB also lends to businesses of various sizes. Based on a sample of 21 commercial loan originations, 81% were to small businesses (businesses with revenue less than or equal to \$1 million). Additionally, 85% of the commercial loans originated were for \$100 thousand or less, 14% were

between \$100 thousand and \$250 thousand, and 1% were greater than \$250 thousand.

### **Geographic Distribution of Loans**

An analysis of the geographic distribution of loans is not meaningful as there are no low- or moderate-income geographies in the assessment area.

During the concurrent fair lending examination, no violations of fair lending laws and regulations were noted.