



## **INTERMEDIATE SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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### **PUBLIC DISCLOSURE**

**November 27, 2006**

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

**The First National Bank of Jeffersonville  
Charter Number 10456**

**4866 State Route 52  
Jeffersonville, NY 12748**

**Comptroller of the Currency  
New York Metro 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.**

## 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 Community Reinvestment Act (CRA) performance of **The First National Bank of Jeffersonville** as prepared by **The Office of the Comptroller of the Currency ("OCC")**, the institution's supervisory agency, as of **November 27, 2006**. 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.**

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

The primary factors supporting the overall rating are:

- The average loan-to-deposit ratio exceeds the standards for satisfactory performance.
- The bank exceeds the standard for satisfactory performance for lending in their assessment area.
- The distribution of CRA reportable loans among borrowers of different income levels meets the standards for satisfactory performance.
- The geographic distribution of CRA reportable loans meets the standards for satisfactory performance.
- The level of community development loans, services, and investments meets the standards for satisfactory performance.

## SCOPE OF EXAMINATION

The assessment period for The First National Bank of Jeffersonville's (FNBJ) community development (CD) activities is January 1, 2002 to November 27, 2006. Loan data from January 1, 2003 to December 31, 2005 was used to determine the bank's lending performance. An analysis of small business and small farm loans was not within the scope of the exam since they are not considered primary products of the bank. Demographic information for Sullivan County was generated from the 2000 census.

Our examination included discussions with an economic development agency located in Sullivan County. This agency is committed to attracting both large and small businesses to Sullivan County. The primary credit needs of Sullivan County are home mortgage and small business loans. The representative from the agency indicated that the community would benefit from attracting new businesses to Sullivan County. Funding for residential and commercial construction is necessary to help support economic growth.

## DESCRIPTION OF INSTITUTION

FNBJ is a \$397 million community bank with its main office located in Jeffersonville, New York. FNBJ is the only subsidiary of Jeffersonville Bancorp, a one-bank holding company. FNBJ is an intrastate bank with nine branch offices located in Sullivan County, which is the bank's only assessment area. All offices offer ATM facilities and have Saturday banking hours. The bank's website offers internet banking and bill pay services. In addition, the website provides information on branch locations, hours of operation, and bank products. There have been no mergers or acquisitions since the last evaluation. As of September 30, 2006, FNBJ had \$245 million in net loans and \$325 million in deposits. The primary loan products are residential real estate and commercial mortgages. As of September 30, 2006, residential real estate loans totaled \$211 million, or 86% of the loan portfolio, and commercial loans totaled \$27 million, or 11% of the loan portfolio.

FNBJ offers a variety of credit and deposit products to meet consumer and commercial banking needs. The table below details the products currently offered by the bank:

### Types of Deposit Accounts Available

Regular Demand Deposit Account	Business Select
Super Now Account	Individual Retirement Account
Money Market Account	Coverdell Education Savings Account
Platinum Account	Time Deposit Account
Statement Savings Account	Escalator Savings Certificate
New York State Savers Account	Golden Account Club
Vacation Club	The Smart Account
Holiday Club	

### Types of Credit Available

Residential Mortgages	Home Improvement Loans
Commercial Mortgages	Home Equity Lines of Credit (HELOC)
Consumer Loans	Educational Loans
Automobile Loans	Commercial Loans
Mobile Home Loans	Checkloan Plus
Farm Loans	

FNBJ is one of two independent community banks headquartered within the assessment area and is reasonably positioned 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.

FNBJ was assigned a “Satisfactory” rating at the previous CRA examination, dated June 25, 2001. The bank has no legal or financial impediments that would hinder its ability to help meet the credit needs of the community.

## DESCRIPTION OF SULLIVAN COUNTY, NEW YORK

The assessment area meets all regulatory guidelines with no low or moderate-income areas being arbitrarily excluded. FNBJ has defined Sullivan County, New York as their assessment area. There are no Metropolitan Statistical Areas (MSAs) in the assessment area. Sullivan County consists of no low-income census tracts, 2 moderate-income tracts (8.33%), 19 middle-income tracts (75%), and 3 upper-income tracts (16.67%).

Based on the 2000 census data, the total population of the assessment area is 73,966 with 18,446 families. The Housing and Urban Development Agency (HUD) 2005 adjusted median family income is \$48,550.

The table below details the assessment area demographics based on the 2000 census and 2005 HUD data:

2005 Assessment Area Demographic Information					
Demographic Characteristics	Number	Low % of Number	Moderate % of Number	Middle % of Number	Upper % of Number
Geographies (Census Tracts/BNAs)	24	0.00%	8.33%	75.00%	16.67%
Population by Geography	73,966	0.00%	5.97%	71.66%	22.37%
Owner-Occupied Housing by Geography	18,845	0.00%	4.83%	68.51%	26.65%
Businesses by Geography	5,176	0.00%	7.48%	74.19%	18.33%
Farms by Geography	182	0.00%	1.65%	82.97%	15.38%
Family Distribution by Income Level	18,446	20.44%	16.58%	20.32%	42.65%
Distribution of Low and Moderate Income Families throughout AA Geographies	6,829	0.00%	7.86%	74.21%	17.92%
Median Family Income	\$41,761	Median Housing Value		\$91,012	
HUD Adjusted Median Family Income for 2005	\$48,550	Unemployment Rate (2000 Census)		5.30%	
Households Below Poverty Line	14.00%				

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

The bank’s average loan-to-deposit (LTD) ratio exceeds the standards for satisfactory performance. FNBJ’s average LTD for the 20 quarters between September 1, 2001 and June 1, 2006 is 71.04%, which exceeds the peer average of 59.47%. Local, similarly situated banks were chosen for peer comparison.

## Lending in Assessment Area

FNBJ exceeds the standards for satisfactory performance for lending in their assessment area.

The majority of the bank's loans were originated in their assessment area. We reviewed the distribution of the bank's primary loan products from January 1, 2003 to December 31, 2005. In 2003, approximately 94% of the bank's loans originated in their assessment area. Additionally, 100% of the bank's loans which originated between 2004 and 2005 were made in their assessment area.

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

An analysis of the bank's commercial lending is not meaningful since small business and small farm loans are not a primary product of the bank. However, an analysis of the bank's lending to borrowers of different income levels is warranted due to the bank's significant level of residential real estate lending.

The distribution of loans among borrowers of different income levels meets the standards for satisfactory performance.

During the assessment period, 140 loans or 13.71% of the total number of CRA reportable loans originated were to low-income borrowers and 183 loans or 17.92% were to moderate-income borrowers. Thus, on aggregate, 323 loans or 31.64% of the total loans originated were to low and moderate-income individuals. These percentages compare favorably with the percentages of low and moderate-income families in the assessment area, 20.44% and 16.58% respectively.

The table below details the borrower distribution of loans for the assessment period:

2003-2005 Borrower Distribution of Loans														
	Total Loans		Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers		
	Number	% of Total	% Families	% Bank Loans	# of Bank Loans	% Families	% Bank Loans	# of Bank Loans	% Families	% Bank Loans	# of Bank Loans	% Families	% Bank Loans	# of Bank Loans
Home Purchase Loans	236	100.00%	20.44%	14.41%	34	16.58%	14.41%	34	20.32%	20.34%	48	42.65%	47.46%	112
Home Improvement Loans	287	100.00%	20.44%	17.39%	50	16.58%	19.50%	56	20.32%	25.96%	75	42.65%	35.06%	101
Home Mortgage Refinance	498	100.00%	20.44%	11.29%	56	16.58%	18.76%	93	20.32%	20.78%	104	42.65%	46.96%	234

## Geographic Distribution of Loans

The geographic distribution of CRA reportable loans meets the standards for satisfactory performance.

Overall, the bank's lending to individuals in moderate-income census tracts is satisfactory. Lending in low-income geographies is not applicable as the bank's assessment area contains no

low-income census tracts. During the assessment period, 21 loans or 2.06% of the total number of loans originated were located in moderate-income census tracts. Although below the percentage of owner occupied units in moderate-income tracts, we determined this level of lending to be reasonable due to the low percentage of moderate-income census tracts in the assessment area. The majority of the bank's lending, approximately 87%, was to individuals in middle-income census tracts. This is reasonable considering that 75% of the census tracts in the assessment area are middle-income.

The table below details the geographic distribution of loans for the assessment period:

2003-2005 Geographic Distribution of Loans														
	Total Loans		Low-Income Geographies			Moderate-Income Geographies			Middle-Income Geographies			Upper-Income Geographies		
	Number	% of Total	% Owner Occupied Units	% Bank Loans	# of Bank Loans	% Owner Occupied Units	% Bank Loans	# of Bank Loans	% Owner Occupied Units	% Bank Loans	# of Bank Loans	% Owner Occupied Units	% Bank Loans	# of Bank Loans
Home Purchase Loans	236	100.00%	0.00%	0.00%	0	4.83%	1.27%	3	68.51%	91.95%	217	26.65%	6.78%	16
Home Improvement Loans	287	100.00%	0.00%	0.00%	0	4.83%	2.79%	8	68.51%	83.28%	239	26.65%	13.94%	40
Home Mortgage Refinance	498	100.00%	0.00%	0.00%	0	4.83%	2.01%	10	68.51%	86.75%	432	26.65%	11.25%	56

### Responses to Complaints

The bank has not received any CRA related consumer complaints, with respect to their lending performance, since their last CRA examination.

### Community Development Loans, Qualified Investments, and Community Development Services

FNBJ's level of community development loans, services, and investments meets the standards for satisfactory performance

The bank's level of Community Development (CD) lending is satisfactory when considering the opportunities available within their assessment area. The bank originated 49 CD loans totaling approximately \$8.4 million during the evaluation period. All loans were made within low and moderate-income geographies of the bank's assessment area. The CD loans contributed in revitalizing and stabilizing the low and-moderate income census tracts in the bank's assessment area. The loans reviewed comply with the CD definition and were responsive to the needs of the local community.

FNBJ has made five qualified investments totaling approximately \$4.3 million. All of the investments made between January 1, 2002 and November 27, 2006 benefit the bank's assessment area and provide opportunities for low and moderate-income families. The investments have not been considered under the lending and services test or claimed by another institution.

The bank is involved in 17 services that qualify under the definition of CD services. All services reviewed benefit the bank's assessment area and were not claimed by another institution. The community development services provided opportunities for low and moderate-income individuals in the bank's assessment area.

The retail banking services offered by FNBj are satisfactory. All 10 branches provide similar hours of operation and are located in the bank's assessment area. FNBj provides a wide range of services with consideration given to low and moderate-income individuals. The institution's service delivery systems are also satisfactory.

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

We found no evidence of illegal discrimination or other illegal credit practices.