



## **PUBLIC DISCLOSURE**

October 29, 2018

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

First Federal Savings of Middletown  
Charter Number 702201

22 James Street  
Middletown, NY 10940

Office of the Comptroller of the Currency

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, and should not 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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## Overall CRA Rating

**The Lending Test is rated: Satisfactory**

The major factors supporting this rating include:

- A substantial majority of the bank's consumer loans were originated within the bank's assessment area (AA) during the evaluation period;
- Based on the data in the Tables and applicable performance context discussed in this evaluation, the overall borrower distribution of loans is excellent; and
- The bank did not receive any CRA-related complaints during the evaluation period.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area (MA)/AA.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community Development:** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

**Community Reinvestment Act (CRA):** the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder' and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Full Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn, loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

**Home Mortgage Loans:** Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/AA.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Area (MA):** Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the Central County or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

**Small Loan(s) to Farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Tier One Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

## Description of Institution

First Federal Savings of Middletown (“First Federal” or “the bank”) is a single-state bank headquartered in Middletown, New York. The bank primarily serves Orange County, New York and operates solely at the institution’s main office in Middletown, NY. The branch is located in a moderate-income geography. There were no branch openings or closings during the evaluation period.

First Federal Savings of Middletown offers a traditional range of loan and deposit products distributed throughout its AA. The institution’s primary lending product during the evaluation period was Home Equity Lines of Credit (HELOCs). Additional product offerings include 1-4 family residential loans, commercial real estate, and small business loans. The bank offers the following deposit products: checking, money market, simplified employee pension plans, tax escrow accounts, certificates of deposit, and individual retirement accounts. Additionally, the bank provides direct deposit, bank-by-mail, and night depository services. Additional information on products and services can be found in the bank’s Public File, which is available by request at the branch location.

As of December 31, 2017, First Federal Savings of Middletown had total assets of \$150.65 million and Tier One Capital was \$53.70 million. Total outstanding net loans and leases were \$23.53 million and represented 15.49 percent of assets. Total deposits were \$89.85 million. The bank’s loan portfolio mix consisted of multifamily (34.59 percent), open-ended residential real estate (30.66 percent), non-farm non-residential property loans (29.76 percent), and closed-end residential real estate (4.99 percent).

According to the Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report dated June 30, 2017, First Federal Savings of Middletown has deposits of \$90.6 million, which represents 1.22 percent of deposit market share among depository institutions in the rating area.

The Board of Directors made a significant business strategy decision in the prior evaluation period to limit their lending due to the low interest rate environment and focus on investing First Federal’s assets in interest bearing bank balances and investments. The institution originated some commercial loans in 2013, but did not start originating commercial loans again until 2016 after the Board made the decision to hire additional staff to promote commercial lending once more. HELOCs have remained the institution’s primary loan product during the evaluation period, despite additional commercial lending that occurred late in the evaluation period. First Federal does not market their product offerings beyond their website, and does not significantly compete with other institutions to originate HELOCs in their market.

There were no legal or financial factors impeding the institution’s ability during the evaluation period to help meet credit needs in its assessment areas. First Federal Savings of Middletown’s CRA performance was rated “Satisfactory” in the last public evaluation dated June 24, 2013.

## **Scope of the Evaluation**

### **Evaluation Period/Products Evaluated**

The evaluation period for this CRA assessment is June 24, 2013 through December 31, 2017. The institution's performance under the lending test covers the time period January 1, 2013 through December 31, 2017. The institution's lending test performance for the years 2014, 2015, and 2016 were evaluated on a combined basis. Due to changes in census data effective in 2014 and 2017, the 2013 and 2017 lending performance was evaluated separately. The bank's primary loan category during this evaluation period was Home Equity Lines of Credit (HELOCs).

Outreach with several community development organizations serving the New York-Newark-Jersey City, NY-NJ-PA Metropolitan Division (MD)/(Orange County AA) indicate a need for financial institution involvement in area economic development, small business loans and start-up business loans, affordable housing construction loans, and loans to allow physical improvements to infrastructure and public facilities throughout the county.

### **Selection of Areas for Full-Scope Review**

The New York-Newark-Jersey City, NY-NJ-PA MD (Orange County AA) was evaluated as a full-scope review.

### **Ratings**

The bank's overall rating is based primarily on those areas that received a full-scope review.

## **Discriminatory or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. §25.28(c) or §195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that First Federal Savings of Middletown has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

# Conclusions with Respect to Performance Tests

## LENDING TEST

Based on the data in the following tables and the following performance context considerations, we concluded lending activity is good. The institution originated an adequate volume of loans in the AA relative to its capacity based on deposits, competition, and market presence.

- The proportion of bank loans is comparable to the proportion of bank deposits in the AA;
- The bank's market share and rank in loans is comparable to the bank's share and rank in deposits. The bank's performance in the AA is driven by the fact that this represents a significant market with a limited branch presence and limited marketing of products; and
- The bank has a limited presence in the market relative to the largest depository and lending institutions. JPMorgan Chase Bank, National Association, KeyBank National Association, and TD Bank, National Association held the top three market shares and are the dominant competitors in the bank's AA, comprising the vast majority of loans and deposits in the AA. The concentration of deposits and loans amongst a few competitors creates constraints for the bank, considering its branch presence, in achieving high volumes of deposits and loans.

## Loan-to-Deposit Ratio

First Federal Savings of Middletown's average loan-to-deposit ratio is less than reasonable. The bank's quarterly average net loan-to-deposit ratio during the evaluation period was 18.22 percent. During this period, the bank's ratio performance ranged from a low of 15.51 percent on December 31, 2016 to a high of 25.99 percent on December 31, 2017.

First Federal Savings of Middletown's average loan-to-deposit ratio is not comparable to six peer institutions of similar size, location, and product offerings. First Federal ranks sixth among five other similarly situated banks. The aggregate average net loan-to-deposit ratio for the five peer institutions over the same time period is 89.97 percent, ranging from a low of 74.61 percent to a high of 105.28 percent.

## Lending in Assessment Area

First Federal Savings of Middletown's record of lending within the designated AA is strong. First Federal originated a substantial majority of consumer loans inside its AA throughout the evaluation period. According to the table below, First Federal originated 38 HELOCs totaling \$3.18 million during the evaluation period. HELOCs within the institution's AA account for 86.84 percent of loans by numerical volume and 83.19 percent of loans by dollar volume.

Table 1 - Lending in Orange County AA (HELOCs)										
Year	Number of Loans					Dollars of Loans (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
2013	8	88.89%	1	11.11%	9	780	93.98%	50	6.02%	830
2014	6	100.00%	0	0.00%	6	407	100.00%	0	0.00%	407
2015	5	71.43%	2	28.57%	7	329	86.81%	50	13.19%	379
2016	6	85.71%	1	14.29%	7	511	93.59%	35	6.41%	546
2017	8	88.89%	1	11.11%	9	620	60.78%	400	39.22%	1,020
<b>Totals</b>	<b>33</b>	<b>86.84%</b>	<b>5</b>	<b>13.16%</b>	<b>38</b>	<b>\$ 2,647</b>	<b>83.19%</b>	<b>\$ 535</b>	<b>16.81%</b>	<b>3,182</b>

Source: Loan sample.

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

Based on the data in table below, the bank's overall distribution of consumer loan originations by borrower income in the Orange County AA for this evaluation period is excellent.

- For 2013 combined, the proportion of consumer loans to moderate-income borrowers was significantly stronger than the percentage of households in the AA. The bank did not make any consumer loans to low-income borrowers in 2013;
- For 2014, 2015, and 2016 combined, the proportion of consumer loans to low-income borrowers was weaker than the percentage of households in the AA; and originations to moderate-income borrowers was significantly greater than the percentage of households in the AA; and
- For 2017 combined, the proportion of consumer loans to moderate-income borrowers was significantly stronger than the percentage of households in the AA.

Orange County Assessment Area Distribution of Consumer Loans by Income Category of the Borrower

2013-2017

	Total Consumer Loans			Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Not Available-Income Borrowers	
	#	\$	% of Total	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans
2013	7	694	21.88%	24.30%	0.00%	19.50%	28.57%	18.70%	28.57%	41.60%	42.86%	0.00%	0.00%
2014-2016	17	1247	53.13%	19.50%	5.88%	13.10%	17.65%	17.10%	41.18%	50.30%	35.29%	0.00%	0.00%
2017	8	620	25.00%	22.00%	0.00%	13.30%	25.00%	16.20%	50.00%	48.50%	25.00%	0.00%	0.00%
<b>Total</b>	<b>32</b>	<b>2561</b>	<b>100.00%</b>										

Source: 2010 U.S. Census; 2015 ACS Census; and 01/01/2013 - 12/31/2017 Bank Data.

## Geographic Distribution of Loans

Based on the data in table below, the bank's overall geographic distribution of consumer loan originations in the Orange County AA for this evaluation period is poor.

- For 2013 combined, the proportion of consumer loans in moderate-income geographies was significantly stronger than the percentage of households in those geographies. The bank did not make any loans to low-income tracts in 2013;
- For 2014, 2015, and 2016 combined, the proportion of consumer loans in low-income and moderate-income geographies was significantly weaker than the percentage of households in those geographies; and
- For 2017 combined, the proportion of consumer loans in moderate-income geographies was stronger than the percentage of households in those geographies. The bank did not make any loans to low-income geographies in 2017.

Assessment Area:	Total Consumer Loans			Low-Income Tracts		Moderate-Income Tracts		Middle-Income Tracts		Upper-Income Tracts	
	#	\$	% of Total	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans
2013	8	780	24.24%	6.40%	0.00%	15.9	37.50%	52.6	37.50%	25.1	25.00%
2014-2016	17	1247	51.52%	4.60%	0.00%	12.4	0.00%	24.1	35.29%	64.71	33.33%
2017	8	620	24.24%	4.40%	0.00%	10.9	12.50%	21.8	25.00%	62.8	62.50%
<b>Total</b>	<b>33</b>	<b>2647</b>	<b>100.00%</b>								

*Source: 2010 U.S Census; 2015 ACS Census; 01/01/2013 - 12/31/2017 Bank Data.*

## Lending Gap Analysis

We performed a lending gap analysis that included a review of reports and maps showing the distribution of branches, applications, and loans. We did not identify any unexplained conspicuous gaps in the bank's AA.

## Responses to Complaints

First Federal Savings of Middletown did not receive any CRA-related complaints during the evaluation period.

## Appendix A: Scope of Examination

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The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>	Lending Test (excludes CD loans): (01/01/2013 to 12/31/2017)	
<b>Financial Institution</b>		<b>Products Reviewed</b>
First Federal Savings of Middletown Middletown, NY		HELOCs (Consumer Loans)
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
<i>None</i>	N/A	
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
New York-Newark-Jersey City, NY-NJ-PA MD # 35614	Full Scope	

## Appendix B: Community Profiles for Full-Scope Areas

### Orange County within the New York-Newark-Jersey City, NY-NJ-PA Metropolitan Division (MD)

Table A – Demographic Information of the Assessment Area						
Assessment Area: 2017 - Middletown AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	79	6.3	13.9	24.1	55.7	0.0
Population by Geography	375,384	6.8	12.5	22.1	58.6	0.0
Housing Units by Geography	139,103	5.0	13.0	23.9	58.1	0.0
Owner-Occupied Units by Geography	86,184	1.7	7.8	22.9	67.5	0.0
Occupied Rental Units by Geography	39,086	10.9	22.6	26.8	39.8	0.0
Vacant Units by Geography	13,833	9.2	17.7	21.5	51.6	0.0
Businesses by Geography	22,936	7.0	12.4	23.5	57.1	0.0
Farms by Geography	860	0.3	4.3	18.8	76.5	0.0
Family Distribution by Income Level	88,788	18.3	13.6	18.5	49.6	0.0
Household Distribution by Income Level	125,270	22.0	13.3	16.2	48.5	0.0
Median Family Income MD - 35614 New York-Jersey City-White Plains, NY-NJ MD		\$72,047	Median Housing Value			\$255,603
			Median Gross Rent			\$1,198
			Families Below Poverty Level			9.3%
<i>Source: 2015 ACS Census and 2017 D&amp;B Data</i> <i>Due to rounding, totals may not equal 100.0</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

First Federal Savings of Middletown’s one assessment area (Orange County AA) consists of seventy-nine census tracts within Orange County, New York. Orange County is located within the New York-Newark-Jersey City, NY-NJ-PA MD. It is in the state’s Mid-Hudson Region of the Hudson Valley. First Federal Savings of Middletown’s assessment area meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

The AA census tracts are spread among 6.3 percent low-income, 13.9 percent moderate-income, 24.1 percent middle-income, 55.7 percent upper-income and 0.0 percent listed as “unknown” by the 2015 ACS U.S. Census Bureau. First Federal Savings of Middletown operates with one branch within the AA and has no ATMs. The branch is located within the AA in a moderate-income geography.

The 2015 American Community Survey U.S. Census data re-assigned the income census tracts for Orange County, NY, which took effect January 1, 2017. For 2017, the Orange County AA consisted of five low-income tracts, eleven moderate-income tracts, nineteen middle-income tracts, forty-four upper-income tracts, and no designated distressed/underserved or NA (unknown) income tracts in this AA.

For years 2014, 2015, and 2016, the Orange County AA consisted of five low-income tracts, ten moderate-income tracts, seventeen middle-income tracts, and forty-seven upper-income and no designated distressed/underserved or NA (unknown) income tracts.

For the year 2013, the Orange County AA consisted of seven low-income tracts, fourteen moderate-income tracts, forty middle-income tracts, and eighteen upper-income and no designated distressed/underserved or NA (unknown) income tracts.

The 2015 ACS Census Data reports a total population of 375,384 for the AA. The AA contains 125,270 households and 88,788 households that are families. Approximately 18.3 percent of the families are categorized as low-income, 13.6 percent as moderate-income, 18.5 percent as middle-income, and 49.6 percent as upper-income. Approximately 9.3 percent of households are below the poverty level. The FFIEC 2017 estimated median family income (MFI) for Orange County AA was \$72,047.

As of June 30, 2017, First Federal Savings of Middletown had a deposit market share in Orange County of 1.22 percent, which ranked 13<sup>th</sup> out of 25 financial institutions gathering deposits in the county. JPMorgan Chase Bank, National Association, KeyBank National Association, and TD Bank, National Association held the top three market shares, which together constituted nearly 51 percent of the deposit market in the county.

Based on data from the US Bureau of Labor Statistics, the 2017 annual unemployment rate for Orange County was 4.6 percent, compared to the national rate of 4.4 percent. The primary industry sectors in the New York-Newark-Jersey City, NY-NJ-PA MD include educational services, healthcare services, professional services, business services, and government. New York-Newark-Jersey City, NY-NJ-PA MD top employers included Montefiore Health System, Mount Sinai Health System, JPMorgan Chase and Company, Bank of America, New York-Presbyterian Healthcare System, and NYU Langone Medical Center.

The MD is starting to show signs of decline. Job growth is meaningfully below the national pace for the first time in over a decade, and the unemployment rate is leveling off. Wage growth remains muted and the labor force is contracting. Recent softness has been concentrated in construction as building has slowed following a multiyear condo boom; retail and public sector payrolls have slumped as well. Despite these foreboding signs, the bottom is hardly falling out. Tourism along with education and healthcare are solid contributors, and purchasing managers remain confident, according to the monthly Institute for Supply Management (ISM-New York survey).

Although the MD is not in immediate danger, it is anticipated the MD will start showing weaker economic performance in the future. Job and income growth is expected to decline relative to the national average in the northeastern part of the country. The housing market is anticipated to decline, and cost pressures may repel some firms and residents.

Based on Moody's Analytics, the MD has major projects in progress to improve quality of life, growth in tech spurs additional high-wage job creation, driving income growth and increasing demand for office space. However, among the area's weaknesses are the new federal tax laws and overbuilding causing property values to plummet and broad stock market correction weighs on the pivotal financial service industry.