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Comptroller of the Currency  
Administrator of National Banks

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**SMALL BANK**

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

## **PUBLIC DISCLOSURE**

March 30, 1998

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

**Ellenville National Bank  
14800**

**70 Canal Street  
Ellenville, New York 12428**

**Office of the Comptroller of the Currency**

**New York Metro Field Office  
Community/Mid-Size Banks  
830 Morris Turnpike  
Second 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 Community Reinvestment Act (CRA) performance of **The Ellenville National Bank** prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, as of March 30, 1998. 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 bank's rating is supported by the following facts:

- The average loan-to-deposit ratio of 56% is adequate in comparison to its peer group average.
- Eighty-four percent of the loans originated since our last examination were within the bank's assessment area.
- Lending activity is reasonable among individuals of different income levels and businesses of different sizes within the bank's assessment area.
- The geographic distribution of loans is reasonable.
- There have been no CRA related complaints since our last examination.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>ELLENVILLE NATIONAL BANK</u> 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		X	
Response to Complaints	No complaints have been received since our prior examination.		

## **DESCRIPTION OF INSTITUTION**

Ellenville National Bank is located in rural Ulster County, New York, 85 miles northwest of New York City at the edge of the Catskill Mountain region. As of December 31, 1997, total assets were \$182 million and primarily consisted of total loans \$89 million, and total investments \$77 million. The loan portfolio mix was 38% commercial real estate loans; 26% residential mortgage loans; 21% commercial loans; 14% consumer loans; and 1% agricultural loans. Total deposits were \$164 million.

The bank is wholly owned by the E.N.B. Holding Company, Inc., a one bank holding company. The bank's offices are located within three counties: Ulster, Orange, and Sullivan. The bank serves its community through its main office and seven branches. The main office is located in Ellenville, New York, with branches in the towns/townships of Kerhonkson, Woodridge, South Fallsburg, Pine Bush, Middletown, Chester, and Blooming Grove. All locations offer a full range of banking services and extended banking hours. Additionally, all locations, except the Woodridge branch, have automated teller machine (ATM) access.

Competition within the bank's assessment area consists of branch offices of large regional financial institutions as well as community banks, savings and loan associations, and credit unions. The bank is not subject to any legal or regulatory restrictions or any other impediments which would preclude it from helping to meet the credit needs of its assessment area.

## **DESCRIPTION OF ASSESSMENT AREA**

The bank's assessment area is defined as the southern portion of Ulster County, the eastern portion of Sullivan County, and a substantial majority of Orange County. The townships that encompass southern Ulster County are Gardiner, Hurley, Kingston, Marbletown, New Paltz, Rochester, Rosendale, Shawangunk, and Wawarsing. These townships consist of thirty-two block numbering areas (BNAs). The townships that encompass the eastern portion of Sullivan County are Fallsburg, Forestburg, Liberty, Mamakating, Neversink, and Thompson. These townships consist of fourteen BNAs. Orange County is located within the Metropolitan Statistical Area (MSA) 5660. The bank's assessment area consists of fifty-six census tracts. The total population within the assessment area is 374,880. The bank's assessment area complies with regulatory requirements and does not arbitrarily exclude low or moderate income areas.

Of the forty-six BNAs and fifty-six census tracts within the assessment area, two census tracts are low income, representing 2% of the total tracts; twelve are moderate income, representing 12%; fifty-six are middle income, representing 55%; and thirty-two are upper income, representing 31%. The median family income of MSA 5660 is \$51,700 and the statewide nonmetropolitan median family income is \$37,100. Home ownership represents approximately 50% of the total number of housing units. Discussion with a community contact indicated that the primary credit need in the assessment area is real estate mortgages.

**DESCRIPTION OF ASSESSMENT AREA:** (continued)

The bank's assessment area is rural and the economic conditions are stable. The economy is largely driven by government, tourism, service, and retail. Based on information from the Labor Department dated November 1997, unemployment was reported to be 4.7% in Ulster County, 6.0% in Sullivan County, and 3.7% in Orange County. Management reported that the population is primarily employed with the State Department of Correction, community colleges, and seasonal tourism. Self employment is essentially retail shops, electricians, and plumbers.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

**Loan to Deposit Analysis**

For the nine quarters since the last CRA examination dated September 30, 1995, the bank's average loan-to-deposit ratio is 56%. For this same period, the average is 57% for a local group of peer banks. This group was developed from discussions with management who cited the peer banks as their direct competitors. The bank's average loan to deposit ratio is reasonable in light of the willingness to lend within the community. The bank does not sell to or purchase loans from the secondary market.

**Credit Extended Inside the Assessment Area**

A substantial majority of the bank's lending activity is within its assessment area. Examiners reviewed the institution's credit extension reports subsequent to the last CRA examination date. The review disclosed loan originations in the following categories: consumer real estate mortgages, consumer instalment loans, and business. As indicated below, \$68 million or 84 percent of loans originated since the last CRA examination were in the bank's assessment area.

<i>Loan Originations *</i>				
Type	Inside Assessment Area		Outside Assessment Area	
	# of Loans	\$ Amt of Loans (000's)	# of Loans	\$ Amt of Loans (000's)
HMDA	118	\$ 5,571	5	\$ 500
Business	1,165	43,175	221	8,256
Consumer	2,296	19,419	452	4,514
TOTAL	3,579	\$ 68,165	678	\$ 13,270

\* Period covered: October 1, 1995 to December 31, 1997

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA: (continued)

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

The bank's lending activity is reasonable among individuals of different income levels and businesses of different sizes, given the demographics of the assessment area.

The following chart illustrates mortgage related lending to borrowers of different income levels within the bank's assessment area. Chart data is derived from Home Mortgage Disclosure Act - Loan Application Reports for 1996 and 1997.

<i>DISTRIBUTION OF LOANS TO BORROWERS OF DIFFERENT INCOME LEVELS</i>									
		1997				1996			
Borrower Income Level	Percentage of Families within each Tract Category	# Lns	%	\$ Amount (000s)	%	# Lns	%	\$ Amount (000s)	%
Upper	42%	33	52%	1,263	53%	20	56%	1,191	62%
Middle	24%	18	28%	657	28%	10	28%	480	25%
Moderate	17%	8	12%	279	12%	6	16%	238	13%
Low	17%	5	8%	177	7%	0	0%	0	0%
TOTAL	100%	64	100%	2,376	100%	36	100%	1,909	100%

The chart shows that mortgage related lending has taken place at all income levels. It also indicates that low income lending is modest but the level increased in 1997 due to reduced rates for home mortgage products. The modest lending level is primarily the result of high fair market rents in the bank's assessment area; this makes it more difficult to save for a mortgage downpayment. Management is considering the implementation of a private mortgage insurance program to allow for more affordable mortgages through lower downpayments. Management compiled data which shows low income lending is far greater for all other types of consumer loans. Consumer loan originations, to low income borrowers, were 35% in 1997 and 42% in 1996 .

The bank's June 30, 1997 Call Report shows that significant portions of commercial and agricultural loan portfolios were originated with small businesses and small farms. The commercial portfolio has 744 small business loans representing 97% of the amount outstanding for the portfolio. The agricultural portfolio has 9 small farm loans representing all of the amount outstanding for the portfolio.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA: (continued)**

### **Geographic Distribution of Loans**

All lending appears to be reasonably disbursed throughout the assessment area. All income tracts are represented in the assessment area and 55% of the census tracts and BNAs are middle income. A review of a random sample of consumer mortgages originated during 1997 and 1996 indicated that 47% were in a middle income census tract or BNA. Based on a review of internal reports, there is lending to all income tracts.

A Fair Lending examination was conducted concurrently with this CRA performance evaluation. The examination revealed compliance with all substantive provisions of anti-discrimination laws and regulations.