



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

New York Metro Field Office
Community/Mid-Size Banks
830 Morris Turnpike, 2nd Floor
Short Hills, New Jersey 07078

Public Disclosure

March 8, 1999

Community Reinvestment Act Performance Evaluation

**The National Bank of Florida
Charter #13825
7 Edward J. Lempka Drive
Florida, New York 10921**

**Comptroller of the Currency
New Jersey Field Office
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 CRA performance of **The National Bank of Florida** prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **March 1, 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 Needs to Improve.

The factors contributing to the bank's rating are:

- ! The bank's average loan to deposit ratio for the eleven quarters since our prior examination in April 1996 is 18%. This is less than reasonable in relation to the capacity and capability of the bank and in comparison to peers. However, loan volume has increased and the loan-to-deposit ratio was 20% as of December 31, 1998.
- ! The volume of lending is low. However, a substantial majority of consumer and business loans are within the assessment area and the bank has a good record of lending to individuals and businesses of different income levels.

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

Small Institution Assessment Criteria	(Name of Financial Institution) 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	NA	NA	NA
Response to complaints	No Since	Complaints the Prior	Received Examination

Description of Institution

The National Bank of Florida (NBF) is located in and serves southwestern Orange County, New York. As of year end 1998, total assets were \$75 million, with \$12 million in loans, \$56 million in investments (including federal funds sold) and deposits of \$62 million. The loan portfolio represents 16% of total assets as of year end 1998. The portfolio contains 47% real estate loans, 28% commercial and industrial loans, 14% agriculture related loans, and 11% consumer loan. Net loans have increased approximately \$3 million since December 1995.

NBF has its main office in Florida, New York and a branch office in Slate Hill, New York. The bank has a full range of deposit products and offers personal, home improvement, and commercial and farm related loans. The bank hired a commercial lending officer in 1998 to increase loan penetration.

The bank offers a mortgage loan product that it closes in its own name. In November 1998, NBF entered into a referral agreement with another residential mortgage lender. The third party lender offers a wide range of mortgage loans with competitive rates and terms. In December 1998, NBF began to offer credit card applications to its customers. Credit cards and loans extended under the program are provided by a third party lender. NBF does not process or have any liability for the product. The bank does not have any community development loans and has not participated in any government-sponsored loan programs.

The prior CRA performance rating issued in April 1996 was a "Needs to Improve" and was a result of the low lending volume and loan to deposit ratio. The evaluation period for this CRA examination is from May 1996 to December 1998. The lending evaluation period is for the years 1997 and 1998.

NBF is not subject to any legal, financial or other factors that impede the bank's ability to meet the credit needs in its assessment area.

Description of the Assessment Area

The bank's assessment area (AA) consists of twelve census tracts (geographies) in Metropolitan Statistical Area (MSA) 5660, Newburgh, New York. There are four middle and eight upper income geographies in the AA. No low or moderate income geographies are within the AA. The AA has a population of 67,000 which represents 22% of Orange County's 308,000 population. The 1998 updated median family income (MFI) for the MSA is \$52,500. Twelve percent of families are low income, less than 50% of the MFI; 15% is moderate income, 51% - 80% of MFI; 24% is middle income, 81% - 119% of MFI; and 49% are upper income, greater than 119% of the MFI. Seventy percent of the housing units are owner occupied and the median housing value is \$154,000. Communities comprising the AA include Florida, Chester, Greenville, Goshen, Greenwood Lake, Minisink, Slate Hill,

Warwick, and Wawayanda. The AA is configured on entire political subdivisions where the bank has deposit and lending activity and within reasonable driving distances from the bank's offices. The AA meets the requirements of the CRA regulation and does not arbitrarily exclude low or moderate income geographies.

The AA is primarily rural with recent new construction of single family housing in Chester and areas surrounding Goshen. Eastern Orange County has experienced strong housing growth in the current two years including portions of the AA. The major employers in the immediate area are a wire and cable manufacturer, health insurance offices, medical service providers, a food distribution center and county and local governments. Agriculture employment is seasonal and is primarily provided by migrant workers.

NBF competes with branches of three large regional banks, two local thrift institutions and a local commercial bank headquartered in Middletown.

Information from two community contacts indicates that affordable housing needs in the AA are not a major pressing need. Housing for senior citizens and migrant worker is an ongoing need. Commercial lending to small businesses and farms is available with the exception of loans to start up ventures.

Conclusions with Respect to Performance Criteria

Loan-to-Deposit Ratio

NBF's loan-to-deposit ratio (LTD) is less than reasonable when compared to the National peer average and to local financial institutions. The LTD at the prior examination in April 1996 was 18%. The average ratio for the eleven financial quarters since the April 1996 examination is 18%. As of December 31, 1998, the ratio was 20%. The national peer average for similar size institutions is 68%. Three institutions considered as NBF's peers have an average LTD range of 51 - 71% for a comparable period. The outstanding loan amount increased during the evaluation period by \$2.7 million, but has been out paced by deposit growth. A limited inventory of loan products, competition in the AA, and strategies focused on investments have contributed to the present LTD ratio. The bank has the capacity and ability to increase it lending as is evidenced by portfolio growth within the prior two years.

Lending in Assessment Area

A substantial majority of loans originated during the evaluation period were in the bank's assessment area. Seventy-nine percent, 79% of all HMDA, small business, and small farm originations and 83% of the loan dollars were in the AA. Fifty-six of 59, 95%, Home Mortgage Disclosure Act (HMDA) reportable loans in the evaluation period were in the assessment area. The dollar amount of HMDA loans for the period totaled \$2.4 million, of which \$2.2 million or 92% were in AA.

A six month review of commercial and farm loan originations covering the period January through June 1998 indicated that the majority of loans were in the AA. One hundred eighteen loans totaling \$2.9 million were originated during the period sampled. Eighty-three or 70% of these loans which totaled \$2.2 million were originated in the AA. Lending within the assessment area is dispersed with higher volumes of lending in the more populated areas that are in close proximity to the two offices.

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

The bank has a reasonable record of lending to borrowers of different income levels and businesses of different sizes. An analysis of 1997 HMDA aggregate data for all lenders in the assessment area was conducted to compare the bank's performance to that of all lenders in the AA. The 1997 HMDA aggregate data is the latest information available. A comparison was also made of HMDA lending by NBF to the distribution of family income within the AA.

Table 1 illustrates that the bank has a reasonable distribution of HMDA loans to different income borrowers in the AA and exceeds the distribution of moderate income families. The bank's performance in 1997 exceeds the distribution of other lenders in the AA for low and moderate income categories.

<p align="center">Table 1 Borrower Distribution of 1997* HMDA Loans Originations Average Lender Distribution Compared to NBF</p>			
Income Level of Families	% of Families by Income Level	Average% Distribution by All Lenders /NBF	NBF % Distribution 1998`
Low	12	3/11	11
Moderate	15	13/31	26
Middle	24	29/10	26
Upper	49	51/31	22
NA	0	4/17	15
Total	100	100	100

*1997 data used due to unavailability of 1998 data for all lenders.

Total HMDA reportable loan originations by income of borrower for NBF in 1997 in the assessment area were three loans totaling \$95 thousand to low income borrowers; seven to moderate income borrowers totaling \$55 thousand; three to middle income borrowers totaling \$101 thousand, and nine loans to upper income borrowers totaling \$674 thousand. An additional five loans totaling \$128 thousand were to borrowers with no reported income. Total HMDA loan originations in the AA totaled twenty-seven loans in the amount of \$1.0 million (rounded to nearest million).

In 1998, HMDA originations in the AA totaled twenty-eight loans totaling \$1.2 million. The distribution was three loans to low income borrowers totaling \$200 thousand; six loans to moderate income borrowers totaling \$211 thousand; eight loans to middle income borrowers totaling \$321 thousand; seven loans to upper income individuals totaling \$243 thousand and four loans where no income was recorded totaling \$213 thousand. The majority of HMDA loans in both reporting periods were home improvement loans.

The bank, based on our review of the size of loan originations, is serving the smaller businesses and farms. Lending to small businesses and farms, defined as businesses and farms having annual revenues of \$1 million or less, were determined by conducting a sample of loan sizes. In many cases loan originations for less than \$100 thousand are to small businesses and farms with annual revenues of \$1 million or less. A review of loan originations for the six month period of January thru 1998 indicated that for the 91 loans to businesses totaling \$2.1 million, all but one was less than \$100 thousand. In the same period, twenty seven-farm loans were originated totaling \$834 thousand. With the exception of three loans, all were for amounts of less than \$100 thousand. Two of the loans were in amounts between \$100 thousand and \$250 thousand and one was between \$250 thousand and \$500 thousand.

Responses to Complaints

NBF has not received any complaints during this evaluation period.

Record of Compliance with Antidiscrimination Laws

A fair lending examination was conducted concurrently with the performance evaluation of the Community Reinvestment Act. The examination consisted of a review of rates and terms for consumer loans to determine that female applicants and non-married applicants received similar rates and terms as other borrowers. The bank is in compliance with fair lending regulations. No discrimination or disparate treatment or impact on protected classes was present in the lending process. Additionally, no violations of the substantive provisions of Antidiscrimination laws and regulations were discovered during the examination.