



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

October 26, 2009

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Jeffersonville  
Charter Number: 10456

4866 State Route 52  
Jeffersonville, NY 12748

Office of the Comptroller of the Currency

New York Metro East Field Office  
343 Thornall St., 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.

## **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 rating include:

- The loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and assessment area (AA) credit needs;
- A substantial majority of loans are in the bank's AA;
- The distribution of borrowers reflects reasonable penetration among individuals of different income levels;
- The geographic distribution of loans reflects reasonable dispersion throughout the AA; and
- The bank's level of community development (CD) activities demonstrates adequate responsiveness given its size and capacity, and the community needs and opportunities of the AA.

### **Scope of Examination**

An assessment of The First National Bank of Jeffersonville (FNBj) was performed under the lending and community development (CD) tests. The evaluation period for the Lending Test is from January 1, 2007 to June 30, 2009. We sampled 31 mortgage loans upon which we based the bank's performance. Home mortgage lending was reviewed as this was considered the bank's primary lending product. The evaluation period for CD activities, including CD loans, qualified investments, and CD services, is from November 28, 2006, to October 26, 2009.

### **Description of Institution**

FNBj, originally founded in 1913, is an intrastate community bank with its main office headquartered in Jeffersonville, New York (NY). All of FNBj's operations take place in Sullivan County, NY, which is the bank's only AA. As of June 30, 2009, FNBj had total assets of \$415 million. FNBj is a wholly owned subsidiary of Jeffersonville Bancorp, a one-bank holding company, which is also headquartered in Jeffersonville, NY.

FNBj has ten branch offices, which includes the branch located in the main office. All branches have ATM facilities and Saturday banking hours. The bank also offers internet banking, telephone banking, and bill pay services. In addition, the website provides information on branch locations, hours of operation, and bank products. There

have not been any significant changes to FNBj's corporate structure, including merger or acquisition activities, since the prior CRA examination. There have also been no branch openings or closings since the prior CRA examination.

As of June 30, 2009, FNBj had \$263 million in net loans, which represented 65% of its average assets. The loan mix consists of 86.89% mortgage loans, 9.65% business loans, 3.04% consumer loans, 0.30% farm loans, and 0.12% other loans. Residential real estate loans and commercial loans represented a vast majority of loans in FNBj's loan portfolio. Tier-one capital totaled \$43.7 million, for a tier-one leverage capital ratio of 10.70%. For the same time period, FNBj had \$331 million in deposits, which represents 28% of the market share of Sullivan County and ranks FNBj 1<sup>st</sup> in deposit market share of Sullivan County relative to competitors. Catskill Hudson Bank and Bank of America, NA rank 2<sup>nd</sup> and 3<sup>rd</sup> in market share of Sullivan County at 16% and 15%, respectively.

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	

*Source: FNBj's website.*

The bank has no legal or financial impediments that would hinder its ability to help meet the credit needs of the AA. FNBj was assigned a "Satisfactory" rating at the previous CRA examination, dated November 27, 2006.

**Description of Sullivan County, New York**

The bank's primary market is in Sullivan County, NY. The AA meets all regulatory guidelines with no low- or moderate-income areas being arbitrarily excluded. There are no Metropolitan Statistic Areas (MSAs) in the assessment area. The Sullivan County AA consists of no low-income census tracts, 2 moderate-income tracts (8.33%), 18 middle-income tracts (75%), and 4 upper-income tracts (16.67%).

The top five major employers in the county are The Center for Discovery, Sullivan County Government Center, Catskill Regional Medical Center, Monticello School District, and the Sullivan Correctional Facility-NYS. The unemployment rate in the area is low compared to the October 2009 national unemployment rate of 10.2%. However, the unemployment rate is high for the area, with major causes for the increase being the closing of the main hotels, the bankruptcy of a major insurance company in the area, and the merger of a major cable company several years ago. The county is still suffering from these events and, as of 2008, only 16.7% of the population over 25 years of age had bachelor degrees, which is lower than the national average of 27.4%. Agriculture and tourism are the main activities in the area, though the closing of many of the hotels in the area within a short period of time has impacted the tourism industry.

Based on the 2000 census data, the total population of the AA is 73,966 with 18,446 families. The Housing and Urban Development Agency (HUD) 2008 adjusted median family income is \$52,700. Housing costs in the AA are lower than the national average. The table below details the AA demographics based on the 2000 census and 2008 HUD data:

2008 Assessment Area Demographic Information					
	Number	% Low	%Moderate	%Middle	% Upper
Geographies (Census Tracts)	24	0%	8.33%	75.00%	16.67%
Population by Geography	73,966	0%	5.97%	71.66%	22.37%
Owner-Occupied Housing by Geography	18,845	0%	4.83%	68.51%	26.66%
Businesses by Geography	6,544	0%	7.21%	72.40%	20.39%
Farms by Geography	205	0%	0.88%	72.20%	22.92%
Distribution of Families by Income Level	18,446	20.42%	16.58%	20.32%	42.68%
Distribution of Low- and Moderate-Income Families by Income Level of Tract	6,829	0%	7.86%	74.21%	17.93
Census Median Family Income (MFI)		\$43,760	Median Housing Value		\$91,012
HUD - Adjusted MFI: 2008		\$52,700	Households Below Poverty Level		13.68%
HUD - Adjusted MFI: 2007		\$50,900	Unemployment Rate		4.14%
HUD - Adjusted MFI: 2006		\$49,600			

Source: 2000 Census data; 2008 HUD data.

FNBj is one of two independent community banks headquartered within the AA 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, community banks, and non-bank mortgage companies.

We interviewed one community contact during this examination. The contact was from a local not-for-profit company that provides economic development for Sullivan County. Their mission is to attract new companies into Sullivan County, increase the tax base, help existing companies expand, and retain companies in Sullivan County. Discussions were held about the economic issues in the county, including the history of the county, “urban” area problems, major employers, and major changes which will have an impact on the county. Some of the major concerns in the area include creating a major industry in the county, attracting a red meat facility in the area, and bringing more hotels next to the newly built major arts center to attract more visitors to the area.

## Conclusions with Respect to Performance Tests

### LENDING TEST

The bank’s performance under the Lending Test is “Satisfactory”.

#### Loan-to-Deposit Ratio

FNBJ’s net loan-to-deposit ratio is more than reasonable given the bank’s size, financial condition, and the AA’s credit needs. The bank’s net loan-to-deposit ratio averaged 81.18% over the last 12 quarters, which exceeds the peer average of 62.90%. FNBJ ranks first among three banks of similar size, location and product offerings. The average net loan-to-deposit ratios for the other two banks over the same 12 quarters were 55.03% and 70.78%.

#### Lending in Assessment Area

A substantial majority of FNBJ’s loans are inside the AA. Based on our sample of loans originated during the evaluation period, 83% of the loans were inside the AA.

#### Lending to Borrowers of Different Incomes

FNBJ shows reasonable penetration of home mortgage loans among borrowers of different income levels. Compared to the percentage of AA families at each income level, the bank was significantly lower in the low-income ratio, but near to the moderate-income ratio in the AA. As previously noted in the demographic chart, 13.68% of households fall below the national poverty level, and the unemployment rate is 4.14%. These factors limit the bank’s ability to lend to low-income borrowers and mitigate the bank’s performance.

Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home mortgages	20.42%	6.45%	16.58%	16.13%	20.32%	16.13%	42.68%	61.29%

*Source: Loan sample; 2000 U.S. Census Data.*

#### Geographic Distribution of Loans

FNBJ shows reasonable dispersion of residential real estate loans among moderate-income borrowers. There are no low-income areas in Sullivan County. Compared to the percentage of AA’s owner-occupied housing located in moderate-income level part of the AA, the bank is near to the ratio.

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans in Sullivan County</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home mortgages	0%	0.00%	4.83%	3.23%	68.51%	70.97%	26.65%	25.81%

Source: Loan sample; 2000 U.S. Census Data.

### Responses to Complaints

There were no CRA related complaints about the bank’s performance in meeting AA credit needs during the evaluation period.

### COMMUNITY DEVELOPMENT TEST

The Community Development (CD) Test for the bank is rated “Satisfactory”. The bank demonstrates adequate responsiveness to CD needs of its AA through CD lending, investments, and services. Qualified loans and investments totaled approximately \$4 million or 9% of tier-one capital.

### Community Development Loans

The bank originated 51 loans which amounted to \$990 thousand during the evaluation period. The CD loans were made to various low- and moderate-income individuals (LMI), community service programs, and economic development programs. Examples of CD loans include:

- 38 loans totaling \$162 thousand to LMI individuals as part of a program to provide funding to purchase an affordable vehicle to go to work in order to help these individuals keep their jobs.
- 10 loans totaling approximately \$462 thousand to a private, non-profit organization that assists banks in providing community development financing.

### Qualified Investments

A total of four qualified investments amounting to \$3.02 million were made during the evaluation period that benefited Sullivan County. The majority of the contributions were made to a program that provides crime prevention for senior citizens. Other investments were made to an economic development program.

### Community Development Services

FNBJ operates ten full service branches, none of which are located in the two moderate-income census tracts within its AA. However, all branches are easily accessible throughout Sullivan County, operate under uniform business hours, and

provide a wide range of products and services to individuals of different income levels in the AA. Internet, telephone, and bank-by-mail services are available to all banking customers, increasing access to financial services to geographies and individuals of different income levels.

During the evaluation period, a total of 13 qualifying organizations were served by officers of the bank. Examples of programs provided by such organizations include agricultural development programs and industrial development agency (IDA) programs designed to attract new businesses and retain existing ones while promoting the economic development of Sullivan County. In addition, the services assisted in providing low- and moderate-income families with affordable childcare and afterschool programs. A bank officer also serves on the finance committee of a local organization that builds affordable housing for low- and moderate-income individuals in the AA.

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

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.