

PUBLIC DISCLOSURE

December 2, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Name of Depository Institution: Orange County Trust Company
Institution's Identification Number: 02-36-4400

Address: 75 North Street
Middletown, New York 10940

FEDERAL RESERVE BANK OF NEW YORK
33 Liberty Street
New York, New York 10045-0001

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 **Orange County Trust Company (“OCTC”)** prepared by the **Federal Reserve Bank of New York** on behalf of the Board of Governors of the Federal Reserve System, the institution's supervisory agency, as of December 2, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.*

INSTITUTION'S CRA RATING: This institution is rated “Outstanding.”

Over the examination period of November 1, 1995 through December 2, 1996, OCTC’s performance with regard to the CRA is rated “Outstanding.” This determination is based on the following: 1) a substantial majority of loans originated in the assessment area; 2) an excellent distribution of loans to individuals of different income levels and to small businesses; 3) an excellent geographic distribution of loans within the bank’s assessment area; and 4) a reasonable loan-to-deposit ratio.

The following table indicates the performance level of Orange County Trust Company with respect

to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	ORANGE COUNTY TRUST COMPANY 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 were received since the prior examination.		

DESCRIPTION OF INSTITUTION

Orange County Trust Company (“OCTC”) is a full-service, retail-oriented bank headquartered in Middletown, New York. On September 30, 1996, OCTC had total deposits of \$134 million, total assets of \$161 million, and total loans of \$70 million. Real estate loans represented 69 percent of the loan portfolio. The remainder consisted of business loans (20 percent) and consumer loans (11 percent.) The bank originates a wide variety of consumer and business loans, including home purchase and refinance mortgages, home equity loans, overdraft lines of credit, consumer installment loans, and credit card facilities. OCTC also originates loans guaranteed by the Small Business Administration (“SBA”) and Team Hudson Valley, a regional nonprofit organization that works to provide credit to small businesses.

OCTC operates five branch offices. Three branch offices that includes the main office are located in Middletown while the remaining branches are located in Wallkill and Montgomery. In November 1996, the bank opened the third Middletown branch in the Redner’s Warehouse Market, a moderate-income census tract location. Automated teller machines (“ATMs”) are available at two Middletown branches as well as the Montgomery branch. OCTC’s branch closing policy is adequate and conforms to the guidelines provided in the Interagency Policy Statement Regarding Branch Closings.

There are no financial impediments preventing the bank from helping to meet the credit needs of its assessment area.

DESCRIPTION OF OCTC’S ASSESSMENT AREA

The following demographic and economic information was obtained from publicly available sources that include: The United States Department of Commerce’s Bureau of the Census, the United States Department of Labor, and the Department of Housing and Urban Development.

OCTC’s assessment area is located in central Orange County, New York and is part of Metropolitan Statistical Area (“MSA”) 5660 (Newburgh, NY-PA.) The assessment area includes: the townships of Greenville, Hamptonburg, Minisink, Montgomery, Mount Hope, Wallkill, (which contains the City of Middletown) and Wawayanda. The assessment area’s population is 87,185 and represents approximately 26 percent of the entire MSA’s population. According to the 1990 Census, the MSA’s median family income is \$42,859.

There are 19 census tracts in the assessment area, 13 census tracts (69 percent) are middle-income, 5 census tracts (26 percent) are moderate-income, and 1 census tract (5 percent) is upper- income. There are no census tracts classified as low-income. All five moderate-income census tracts are located in the City of Middletown where approximately 20 percent (or 17,238) of the assessment area’s population resides. Unlike the assessment area as a whole, the majority of housing units in the moderate-income census tracts of Middletown are not owner-occupied. Of the 6,584 units in moderate-income tracts, only 39 percent (or 2,580) are owner-occupied.

Seventy-six percent (or 66,039) of the assessment area's population live in middle-income tracts. There are 23,621 housing units located in middle-income tracts, of which 67 percent (or 15,794) are owner-occupied.

The single upper-income census tract has a population of 3,908 individuals representing 4 percent of the total assessment area population. There are 1,269 housing units in this census tract of which 79 percent (or 999) are owner-occupied.

Based on the 1990 Census, 4,159 families (or 19 percent) living in the assessment area are low-income, 4,458 families (or 20 percent) are moderate-income, 5,827 families (or 26 percent) are middle-income, and 7,722 families (or 35 percent) are upper-income.

According to 1993 County Business Patterns data compiled by the United States Census Bureau, 7,041 business establishments with annual revenues of \$1 million or less are located in Orange County. Of these establishments, 6,741 (or 96 percent) have less than 50 employees.

Economic conditions in the assessment area are diverse. The City of Middletown is an urban center in the process of economic revitalization. Communities surrounding the City are suburban and rural in nature with the population in these surrounding communities growing at an approximate rate of 20 percent every ten years. Furthermore, vacancies in the downtown central business district are due to the migration of businesses away from the City to major highways throughout the suburban portions of the assessment area. Despite these factors, the bank has done an excellent job of lending in the City. The City of Middletown contains 37 percent (7 of 19) of the assessment area's census tracts and the only moderate-income census tracts in the assessment area. Some 28 percent (24,105 of 87,185) of the assessment area population resides in the City of Middletown.

The primary employment sectors for Orange County are trade, retail, and services. Major employers include: Orange County Community College, Horton Hospital, the Middletown Psychiatric Center, and a New York State correctional facility. As of November 1996, Orange County's unemployment rate was 3.5 percent, which is lower than the 4.3 percent rate of November 1995. Based on community contacts conducted during this examination, the primary credit needs in the assessment area are financing for small businesses, affordable housing, and commercial property renovation. In addition, credit counseling and home ownership training are services that would benefit consumer borrowers.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

OCTC's CRA examination covered the period November 1, 1995 through December 2, 1996. The "Outstanding" rating is based on the favorable assessment of the bank's core performance criteria during that period.

For the lending, income and geographic distribution performance criteria, examiners analyzed 87 home mortgage loan originations, as reported under the Home Mortgage Disclosure Act ("HMDA"), and a sample of 143 consumer and 120 small business loans originated during the examination period. Both SBA and Team Hudson Valley loans are included in the business loans analyzed for this examination.

Loan-to-Deposit Ratio

Given the bank's size, financial condition and the lending opportunities in the assessment area, OCTC's loan-to-deposit ratio is reasonable. Based on Consolidated Report of Condition and Income information for the four most recent quarters ending September 30, 1996, the bank's average loan-to-deposit ratio is 53 percent and exceeds the 48 percent average for similarly situated local banks during the same period. However, OCTC's loan-to-deposit ratio lags significantly behind the national peer group average of 70 percent.

Lending in the Assessment Area

During the examination period, OCTC originated a substantial majority of its loans within its assessment area. Of total loans sampled, 78 percent (273 of 350) were within the bank's assessment area. Of mortgage, consumer and small business loans, 74 percent (64 of 87), 81 percent (116 of 143) and 78 percent (93 of 120), respectively, were made within the bank's assessment area.

Lending to Borrowers of Different Income Levels and to Businesses of Different Sizes

OCTC's record of lending to borrowers of different income levels, including low- and moderate-income individuals, and businesses of different sizes is excellent, given the assessment area demographics. A loan distribution analysis by income level is shown in Tables A and B.

TABLE A

**Distribution of Loans Within Assessment Area By Income Level of Borrower
 November 1995 through October 1996**

	Mortgage	Consumer	TOTAL
LOW INCOME: <i>Less Than 50% of Median Income</i>			
Number	9	33	42
Percentage	14%	28%	23%
Amount(\$)	\$127,000	\$208,300	\$335,300
Percentage	8%	28%	13%
MODERATE INCOME: <i>At least 50% and less than 80% of Median Income</i>			
Number	15	33	48
Percentage	23%	28%	27%
Amount(\$)	\$376,000	\$191,300	\$567,300
Percentage	20%	25%	22%
MIDDLE INCOME: <i>At least 80% and less than 120% of Median Income</i>			
Number	17	30	47
Percentage	27%	26%	26%
Amount(\$)	\$316,000	\$147,000	\$463,000
Percentage	17%	19%	18%
UPPER INCOME: <i>120% or more of Median Income</i>			
Number	23	20	43
Percentage	36%	18%	24%
Amount(\$)	\$1,018,000	\$215,600	\$1,233,600
Percentage	55%	28%	47%

TABLE B

**Distribution of Loans Within Assessment Area To Small Businesses
 November 1995 through October 1996**

Small Business Lending Summary					
Number of loans to businesses	Number of loans to small businesses*	% of loans to small businesses	\$ amount of loans to businesses	\$ amount of loans to small businesses*	% of \$ amount to small businesses
93	63	68%	\$6,370,255	\$3,196,478	50%

* Businesses with gross annual revenues of \$1 million or less.

Mortgage Lending

Mortgage lending to borrowers of different income levels is excellent. As shown in Table A, mortgage loans to low- and moderate-income borrowers represent 37 percent of mortgage loans sampled. This compares favorably to the demographics which show that 39 percent of the families in the assessment area are of low- and moderate-income.

Consumer Lending

Consumer lending to borrowers of different income levels is excellent. Table A shows that the bank originated more consumer loans to low- and moderate-income borrowers than to middle- and upper-income borrowers. Of the consumer loans (66 of 116) sampled, approximately 57 percent were to low- and moderate-income borrowers. This also compares favorably to the assessment area's demographics which show that 39 percent of the families are of low- and moderate-incomes.

Small Business Lending

Lending to small businesses with revenues of \$1 million or less is reasonable. Table B shows that 68 percent (63 of 93) of the sampled business loans originated within the assessment area were made to small businesses.

Geographic Distribution of Loans

The geographic distribution of loans among the moderate-, middle- and upper-income census tracts shows an excellent dispersion within the assessment area. As previously noted, there are no low-income census tracts in the bank's assessment area.

Mortgage Lending

The geographic distribution of mortgage loans, including penetration in moderate-income areas, is excellent. Eleven mortgage loans were approved in moderate-income areas and 53 mortgage loans were approved in middle- and upper-income areas. When mortgage lending in the assessment area is adjusted to reflect the number of owner-occupied units, the demand-adjusted level of mortgage lending is 1.3 times greater in the moderate-income census tracts than in the non-moderate-income census tracts. There are 19,373 owner-occupied housing units in the assessment area, of which, 13 percent (or 2,580) are located in moderate-income census tracts.

Consumer Lending

Geocoding analysis of the consumer loan sample shows an excellent dispersion of loans throughout the assessment area, including moderate-income census tracts. During the examination period, 19 percent (22 of 116) of the consumer loans sampled were originated in moderate-income tracts while 20 percent of the 87,185 residents within the assessment area are located in moderate-income tracts.

Small Business Lending

Small business loan geocoding analysis shows a reasonable loan dispersion in the assessment area. The percentage of loans originated in moderate- and middle-income census tracts were 34 percent (32 of 93) and 66 percent (61 of 93), respectively. No small business loans were originated in the upper-income tract, which is predominately residential.

Response to Complaints

No complaints relating to OCTC's CRA performance were received by OCTC or this Reserve Bank since the last examination.

OCTC is in compliance with the substantive provisions of the antidiscrimination laws and regulations, including the Equal Credit Opportunity Act (Regulation B), the Fair Housing Act, and any agency regulations pertaining to nondiscriminatory treatment of credit applications. Management has developed adequate policies, procedures, and training programs supporting nondiscrimination in lending and credit practices.