

# **PUBLIC DISCLOSURE**

August 4, 1997

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Bank of Millbrook  
02-36-4430**

**Millbrook, New York**

**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 **Bank of Millbrook** 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 August 4, 1997. 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 review period of October 1, 1995 through June 30, 1997, Bank of Millbrook's (The Bank) performance with regard to the CRA is rated "Outstanding." This determination is based on the following performance criteria: 1) a reasonable loan-to-deposit ratio of 56 percent; 2) a substantial majority of loans in its assessment area; 3) an excellent distribution of loans to borrowers of different income levels (including low- and moderate-income individuals) and businesses and farms of different sizes; and, 4) an excellent geographic distribution of loans within the bank's assessment area.

## **DESCRIPTION OF INSTITUTION**

The Bank of Millbrook was established in 1891 and operates out of one office located in the Village of Millbrook, within the Town of Washington, located in Dutchess County. Dutchess County is situated in the Mid-Hudson Valley Region of the State of New York, approximately two hours north of New York City. The bank is not part of a holding company and is not affiliated with any other institutions. As of March 31, 1997, the bank had total assets of \$83.5 million with total loans of \$39.4 million. There are no financial or legal impediments preventing the bank from meeting the credit needs of its assessment area.

The bank offers a variety of commercial and consumer loan products. These products include secured and unsecured consumer installment loans, auto loans, credit cards, home equity lines of credit, home improvement loans, residential mortgage loans, commercial loans, equipment loans, and commercial lines of credit. Loans secured by 1-4 family residential properties represent the majority (54.2%) of the total loan portfolio. In addition, loans to individuals and commercial and industrial loans represent 20.3% and 9.7% of the total loan portfolio, respectively.

## **DESCRIPTION OF BANK OF MILLBROOK'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, 1990, the United States Department of Labor, and the Department of Housing and Urban Development (AHUD@).

The bank's assessment area is largely rural and includes the following Dutchess County townships: Washington; Stanford; Clinton; Pleasant Valley; Union Vale; Dover; Amenia and the eastern half of LaGrange. Dutchess County encompasses the entire Metropolitan Statistical Area (MSA) 2281 (Dutchess County). The assessment area comprises 12 census tracts, of which three are low-to moderate-income (LMI). However, two of the three LMI census tracts comprise only state institutions and are not considered significant in this analysis. Specifically, one LMI census tract (6200) represents the Harlem Valley State Psychiatric Center and another LMI census tract (6500) represents the Wassaic State Park and Development Center. With the exclusion of these two tracts, one or ten percent of the remaining census tracts in the assessment area is a moderate income tract.

According to the 1990 census, the total population of the assessment area is 39,817 or 15.3% of the total MSA's population. The number of families within the assessment is 10,367. The percentage and number of families with low, moderate, middle, and upper incomes consist of the following: 16.6% or 1,722 low-income families; 20.5% or 2,130 moderate-income families; 29.9% or 3,103 middle-income families; 32.9% or 3,412 upper-income families. Of the total low- and moderate-income families, 34.4% are located in middle-income census tracts. As of 1990, the median family income of MSA 2281 is \$49,305 while the median family income of New York State is \$39,741. The 1997 HUD-adjusted median family income of MSA 2281 is \$56,100 while the median family income of the State of New York is 37,100.

Housing units in the assessment area total 15,725, of which 10,125 or 64.4% are owner-occupied and 22.6% are rental units. Similar percentages of owner-occupied and rental units are found in the moderate-income census tract. In the moderate-income census tract, housing units totaled 1,724, of which 58.6% or 1,011 are owner-occupied and 25.1% or 32 are rental units. The majority (71.8%) of the housing stock in the assessment area is single family. In 1990, the median value of a house in the assessment area was \$155,855 which was slightly higher than the \$149,176 median value of a house in the entire MSA 2281.

In 1996, the primary types of employers in Dutchess County were the following: services (33.1%); government (22.8%); retail and wholesale trade (18.3%) and manufacturing (17.5%). Between 1992 and 1996, the manufacturing jobs declined 26 percent while service industry jobs increased 12 percent. According to the United States Bureau of Labor Statistics, the May 1997 unemployment rate for Dutchess County was 3.9%, a decline from 4.3% in May 1996. The unemployment rate in Dutchess County is significantly below the 6.2 percent employment rate for New York State. The reduction in Dutchess County's unemployment rate reflects improved economic conditions from the early nineties when significant job losses were incurred from the major employers, especially IBM.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

This CRA examination of Bank of Millbrook covered the period of October 1, 1995, through June 30, 1997. During this time period the bank originated 687 consumer loans, 156 small business loans and 74 mortgage-related loans. For the lending, income, and geographic distribution performance levels, the following number of loans were reviewed: 74 mortgage-related loans reported under the Home Mortgage Disclosure Act (HMDA); 176 consumer loans; and 96 small business loans. The CRA performance of the bank is "Outstanding" and is based on the favorable assessment of the bank's core performance criteria.

### **Loan to Deposit Ratio**

The bank's loan-to-deposit ratio is satisfactory given the bank's size, financial condition, and the credit needs of its assessment area. The bank's loan-to-deposit ratio was 55.71% based on information contained in its Consolidated Report of Condition and Income for the four most recent quarters ending March 31, 1996. This ratio is below the national peer group average of 69.24%, reported in the March 31, 1997 Uniform Bank Performance Report. However, the bank's loan to deposit ratio approximates the four quarter averages of 59.23% achieved by a peer group of institutions with a similar size and location in New York State.

### **Lending in Assessment Area**

The Bank originated a substantial majority of its loans within its assessment area during the review period. Of the total loans sampled, 85.8% percent (or 297 out of 346) were originated in the bank's assessment area. Specifically, of the mortgage, consumer, and small business loans sampled, 97.3% percent (72 out of 74), 81.8% percent (144 out of 176), and 84.4% percent (81 out of 96), respectively, were originated in the bank's assessment area.

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

The bank's overall record of lending to borrowers of different income levels (including low- and moderate-income individuals) and businesses and farms of different sizes is excellent given the demographics of its assessment area. In particular, consumer loans represent a large majority of the bank's loan originations during the review period, and a significant percentage of these loans are made to low- and moderate-income individuals. Loans to small businesses also represent a substantial majority of the total business loan originations. An analysis of the distribution of loans across income levels for each loan category is as follows:

**TABLE A**  
**Distribution of Loans Within Assessment Area By Income Level of Borrower**  
**October 1995 through June 1997**

	Housing-Related Loans	Consumer Loans	TOTAL
<b>LOW INCOME:</b> <i>Less Than 50% of Median Income</i>			
Number	08	49	57
Percentage	11%	34%	26%
Amount(\$)	\$510,000	\$340,572	\$850,572
Percentage	09%	22%	12%
<b>MODERATE INCOME:</b> <i>At least 50% and less than 80% of Median Income</i>			
Number	14	32	46
Percentage	19%	22%	21%
Amount(\$)	\$899,000	\$279,092	\$1,178,092
Percentage	16%	18%	16%
<b>MIDDLE INCOME:</b> <i>At least 80% and less than 120% of Median Income</i>			
Number	29	31	60
Percentage	40%	22%	28%
Amount(\$)	\$2,134,000	\$267,506	\$2,401,506
Percentage	37%	17%	33%
<b>UPPER INCOME:</b> <i>120% or more of Median Income</i>			
Number	21	32	53
Percentage	29%	22%	25%
Amount(\$)	\$2,178,000	\$642,350	\$2,820,350
Percentage	38%	42%	39%

**TABLE B**

**Distribution of Loans Within Assessment Area By Size of Business and Farm  
 October 1995 through June 1997**

<b>Small Business and Farm Lending Summary</b>					
Number of loans to businesses and farms	Number of loans to small businesses and farms*	% of loans to small businesses and farms	\$ amount of loans to businesses and farms	\$ amount of loans to small businesses and farms*	% of \$ amount to small businesses and farms
81	64	79%	\$2,909,401	\$1,066,671	37%

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

Housing Related

The bank's housing-related lending to borrowers of different income levels is reasonable. The level of loans to moderate-income borrowers represented 19 percent (Table A) of the mortgage loans sampled. This ratio is reflective of the assessment area demographics where 21 percent of the families are moderate-income. In addition, Table A shows that loans to low-income borrowers comprised 11 percent of the mortgage loans sampled. This ratio is adequate in comparison to the demographics of the assessment area where 17 percent of the families are low-income.

Consumer

The bank's consumer lending to borrowers of different income levels is excellent. Loans to low-income and moderate-income borrowers comprised 34 percent and 22 percent (Table A) of the loans sampled, respectively. These ratios compare very favorably to the demographics of the assessment area where 17 percent of the families are low-income and 21 percent are moderate-income.

Small Business and Farm

The bank's lending to small businesses and farms with revenues of \$1 million or less is excellent. Table B shows that a substantial majority, 79 percent of the loans sampled, were made to such businesses and farms.

## **Geographic Distribution of Loans**

The bank's geographic distribution of loans given the bank's assessment area is excellent. Overall, the bank is lending in the majority of the census tracts in its assessment area, including the moderate-income census tract. The majority of all loan types are originated in the census tract where the bank is situated.

Excellent penetration in the moderate-income census tract is noted in the consumer and small business loan originations. An analysis of the dispersion of lending for each loan category is as follows:

### Housing-Related

An analysis of the sample of mortgage-related loans shows the bank is lending in most of its assessment area, including the moderate-income census tract. Seven of the ten census tracts considered in the analysis have lending activity. The census tract where the bank is situated has 76 percent of the loan originations.

Of the remaining census tracts with lending, no census tract has more than five loans or seven percent of the total loan originations in the assessment area. The moderate-income census tract has two loans or three percent of the total originations in the assessment area.

### Consumer

An analysis of the sample of consumer loans shows the bank is lending in most of its assessment area, including the moderate-income census tract. Nine of the ten census tracts have lending activity. The census tract where the bank is situated has 79 loans or 55 percent of the loan originations. Of the remaining census tracts with lending, no census tract has more than 15 loans or 10 percent of the total loan originations in the assessment area. The moderate-income census tract has the second largest volume of lending with 15 loans or 10 percent of the total originations in the assessment area.

### Small Business and Farm

An analysis of the sample of small business loans shows the bank is lending in most of its assessment area, including the moderate-income census tract. Nine of the ten census tracts have lending activity. The census tract where the bank is situated has 46 loans or 57 percent of the loan originations. Of the remaining census tracts with lending, no census tract has more than 17 loans or 21 percent of the total loan originations in the assessment area. The moderate-income census tract has the second largest volume of lending with 17 loans or 21 percent of the total originations in the assessment area.

### **Response to Complaints**

No complaints relating to the bank's CRA performance were received by the bank and none have been filed with the Federal Reserve Bank of New York since the last examination.

No discriminatory or illegal practices were identified during this examination that are inconsistent with the substantive provision of antidiscrimination laws and regulations including the Equal Credit Opportunity (Regulation B) and the Fair Housing Act. However, technical violations of Regulation B were noted. Management has initiated corrective action.