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Comptroller of the Currency  
Administrator of National Banks

**SMALL BANK**

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## **PUBLIC DISCLOSURE**

**August 2, 2004**

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

**The Putnam County National Bank  
Charter Number 976**

**43 Gleneida Avenue  
Carmel, New York 10512**

**Comptroller of the Currency  
Metro East Field Office  
830 Morris Turnpike, 2<sup>nd</sup> Floor  
Short Hills, NJ 07078**

**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.**

## 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 Putnam County National Bank, Carmel, New York ("PCNB")** as prepared by **The Office of the Comptroller of the Currency ("OCC")**, the institution's supervisory agency, as of **August 2, 2004**. 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 primary factors supporting the overall rating are:

- Putnam County National Bank's average loan-to-deposit (LTD) ratio for the evaluation period meets the standard for satisfactory performance.
- A majority of all loans originated are within the bank's assessment area.
- PCNB's record of lending to borrowers of different incomes and to businesses of different sizes meets the standard for satisfactory performance.

## DESCRIPTION OF INSTITUTION

Putnam County National Bank (PCNB) is a \$175 million family owned community bank headquartered in Carmel, Putnam County, New York. PCNB is an independently owned bank and has no affiliates or subsidiary entities. The bank conducts its banking operations from six locations within its AA, each offering a full range of financial services and extended hours to its customers. PCNB's main office and the Putnam Plaza branch are located in Carmel, New York. Additionally, the bank has three branches in Putnam County, (Lake Carmel, Patterson, and Putnam Lake) and one branch in Westchester County, (Croton Falls, New York).

PCNB's primary business focus is commercial real estate lending, with secondary lines of business in residential real estate and commercial lending. As of June 30, 2004, the bank reported total assets of \$175 million, consisting of \$107 million in loans, \$43 million in investments, and \$138 in deposits. Net tier one capital totaled \$37 million.

The bank's loan portfolio mix, based on the June 30, 2004 Call Report information is distributed

as follow:

<b>Table 1 - Loan Portfolio Composition – June 30, 2004</b>		
	<b>\$ Amount (000)</b>	<b>%</b>
Commercial Real Estate Loans	45,934	43
Commercial Loans	31,867	30
Residential Real Estate	25,589	24
Home Equity Products	1,642	1
Consumer Loans	1,928	2
<b>TOTAL LOANS</b>	<b>106,960</b>	<b>100</b>

The bank's CRA performance was rated "Satisfactory" at its last evaluation on February 17, 1999.

Competition within PCNB's AA is aggressive as numerous branches of national, regional and statewide banks all compete for the same local customer base. Local savings banks and credit unions are also among PCNB's competitors in its community. As of June 30, 2003, FDIC Summary of Deposit data shows Wachovia dominating the market share at 61% in the Putnam County AA. PCNB holds 4% of the market share.

PCNB is not subject to any legal or regulatory restrictions or any impediments, which would preclude the bank from helping to meet the credit needs of its assessment area.

## **DESCRIPTION OF THE ASSESSMENT AREA (AA)**

The bank's assessment area consists of all of Putnam County and one census tract in Westchester County. The AA is comprised of upper-income tracts. All of the geographies fall within the New York Metropolitan Statistical Area (MSA) 5600. The AA meets the requirements of the regulation and does not arbitrarily exclude low-or moderate-income areas.

Putnam County is primarily rural in nature and situated in southeastern New York State, 60 miles north of New York City. The total population of the assessment area is 89,000 as reported in the US Census Bureau 1990 data. The population consists of 9% over the age of sixty-five and 21% of the 30,000 households receive social security benefits. Four percent are below the US Census Bureau designated poverty level. Of the housing units, 72% are owner occupied, 92% are 1-4 family and 16% are rental occupied. The vacancy rate is 12%. The median housing value of owner occupied units is \$201,012 and the median age of the homes is typically 29 years.

The breakdown of families by income within the AA is as follows: 6% low-income, 7% moderate-income, 18% middle-income, 69% upper-income, and 2% below poverty level. The 1990 census median family income, which is used to categorize the income level of the census tracts in the MSA, is \$37,515. The HUD updated median family income is \$56,200.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

### Scope of Examination

The CRA evaluation of Putnam County National Bank covers the period from January 1, 1999 to December 31, 2002. Our review covered the commercial/commercial real estate loans and the mortgages loan products as reported on the Home Mortgage Disclosure Act – Loan Application Report (HMDA-LAR). The commercial loan data was derived from management reports and a limited verification of the data was performed during this review. Our review detected minor errors in the data reported but did not affect the information for analysis purposes.

### Loan-to-Deposit Ratio

PCNB's loan to deposit (LTD) ratio meets the standard for satisfactory performance. The average LTD ratio is reasonable given the bank's size, financial condition and the credit needs in its assessment area. In the 20 quarters since our February 17, 1999 CRA examination, the bank has averaged an LTD ratio of 67%, ranging from an actual high of 76% on June 30, 2002 to a low of 53% on September 30, 1999. When compared to their customized peer group of well-established institutions (consisting of three banks identified by similar asset size and within its assessment area), PCNB performed slightly below the customized peer average of 74%.

### Lending in Assessment Area

PCNB meets the standard for satisfactory performance for lending within the assessment area. The following table is an analysis of the distribution of lending activity:

	Number of Loans			Dollars of Loans		
	Inside #	Outside #	Total #	Inside \$(000)	Outside \$(000)	Total \$(000)
HMDA Reportable Loans	60	57	117	8,858	12,573	21,431
Commercial / Commercial RE Loans	139	82	221	16,060	18,293	34,353
<b>Totals</b>	<b>199</b>	<b>139</b>	<b>338</b>	<b>24,918</b>	<b>30,866</b>	<b>55,784</b>
<b>Percentage</b>	<b>59%</b>	<b>41%</b>	<b>100%</b>	<b>45%</b>	<b>55%</b>	<b>100%</b>

Source: Internal bank records

As depicted in the table above, the majority of the loans were originated in the bank's AA. During the review period, PCNB originated 117 HMDA reportable loans. Within this category of loans, 51% were originated within the AA. Additionally, PCNB originated a total of 221 commercial/commercial real estate loans with an aggregate dollar volume of \$34 million. Within this category of loans, 63% were made within the bank's AA. In terms of dollar amount, the bank lends more dollars outside its assessment area. This is primarily due to specialized aircraft lending, which is generally of a higher dollar amount.

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

PCNB's record of lending to borrowers of different incomes and to businesses of different sizes meets the standard for satisfactory performance.

Please refer to the following table:

Borrower Income Level	# Of Loans Originated in AA	%	\$ Amount (000's)	%	% Of Families at Income Level in AA
Low	0	0	0	0	6%
Moderate	7	12%	567	6	7%
Middle	16	27%	1,134	13	18%
Upper	37	61%	7,157	81	69%
<b>Total</b>	<b>60</b>	<b>100%</b>	<b>8,858</b>	<b>100</b>	<b>100%</b>

*Source: Internal bank records and 1990 US Census*

As Table 4 shows, the bank's lending record to borrowers of moderate and middle-income levels is good compared with their percentage population. The number of loans made to moderate-income borrowers exceeds the percentage of (7%) moderate-income families within the AA as the bank made 12% of their mortgage loans to moderate-income borrowers. Per the 1990 US Census, the median housing price in the AA is \$201,012. The HUD updated median family income is \$56,200. The income level for low-income families would be approximately \$28,000. This barrier limits the opportunity for low-income borrowers.

PCNB's lending to businesses of different sizes exceeds standards for satisfactory performance. A small business is defined as having gross annual revenues of \$1 million or less. Over the evaluation period, the bank has originated 139 commercial loans to businesses with revenues of \$1 million or less, representing 99% of all commercial loans made within the bank's AA. This total loan number equates to a dollar volume of \$16 million, and represents 98% of all commercial loans within the AA. To further support our assessment, the overall distribution of commercial loans to various business sizes is good.

### Geographic Distribution of Loans

An analysis of the geographic distribution is not meaningful as there are no low- or moderate-income census tracts in the bank's assessment area.

## **Community Contact**

During this evaluation, we held a discussion with a local community group to help us determine the community credit and development needs in the bank's AA. This group is primarily dedicated in assisting its community with housing needs. Our contact indicated that the availability of affordable housing and funding home loans are the primary credit needs of the community.

## **Responses to Complaints**

The bank has not received any CRA related consumer complaints with respect to its lending performance since the last CRA evaluation.

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

We found no evidence of illegal discrimination or other illegal credit practices.

## DEFINITIONS AND COMMON ABBREVIATIONS

The following terms and abbreviations are used throughout this Performance Evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate** - Any company that controls, is controlled by, or is under common control by another company. A company is under common control with another company if both companies are directly or indirectly controlled by the same company. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Assessment Area (AA)** – A geographic area that consists generally of one or more MAs (using the MA boundaries that were in effect as of January 1 of the calendar year in which the delineation is made) or one or more contiguous political subdivisions, such as counties, cities, or towns, in which the bank has its main office, branches, and deposit-taking ATMs.

**Block Numbering Area (BNA)** - Statistical subdivisions of counties in which census tracts have not been established. BNAs have been established by the United States Census Bureau in conjunction with state agencies.

**Census Tract (CT)** - Small, locally defined statistical areas within metropolitan statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per ten-year census and an average population of 4,000.

**Community Development (CD)** - Affordable housing for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

**Community Reinvestment Act (CRA)** - The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Geography** - A census tract or a block numbering area delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA)** - The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, and the disposition of the application (e.g., approved, denied, withdrawn).

**Home Mortgage Loans** - Such loans include home purchase and home improvement loans, as

defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwellings loans, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

**Low-Income** - Income levels that are less than 50% of the median family income.

**Median Family Income (MFI)** - The median income determined by the United States Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Statistical Area (MSA)** - Area defined by the Director of the United States Office of Management and Budget. MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

**Middle-Income** - Income levels that are at least 80% and less than 120% of the MFI.

**Moderate-Income** - Income levels that are at least 50% and less than 80% of the MFI.

**Small Business Loans** - Loans with original amounts of \$1 million or less that are: (1) secured by nonfarm nonresidential properties; or (2) commercial and industrial loans to U.S. addresses.

**Small Farm Loans** - Loans with original amounts of \$500 thousand or less that are: (1) secured by farmland; or (2) to finance agricultural production and other loans to farmers.

**Tier 1 Capital** - The total of common shareholders' equity, perpetual preferred shareholders equity with noncumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income** - Income levels that are 120% or more of the MFI.