



Comptroller of the Currency
Administrator of National Banks

Northeastern District
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PUBLIC DISCLOSURE

March 17, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The National Union Bank of Kinderhook
929**

**One Hudson Street
Kinderhook, New York 12106**

Office of the Comptroller of the Currency

**New Jersey Duty Station
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 Community Reinvestment Act (CRA) performance of **The National Union Bank of Kinderhook** prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, as of March 17, 1997. 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 bank's rating is supported by the following facts:

- The bank's average loan-to-deposit ratio is 48% and increased to 53% at December 31, 1996.
- In total, 95% of the number and 94% of the dollar amount of new loans were originated within the bank's assessment area for the period under review.
- Lending activity reflects reasonable distribution to borrowers of different income levels within the assessment area.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	THE NATIONAL UNION BANK OF KINDERHOOK 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	Not meaningful		
Response to Complaints	No since	complaints prior	received examination

DESCRIPTION OF INSTITUTION

The National Union Bank of Kinderhook is located in rural Columbia County, New York. As of December 31, 1996, total assets were \$60 million, total loans \$28 million, total investments \$26 million and total deposits \$53 million. Real estate loan portfolio is comprised of 62% real estate related loans, 25% commercial and industrial loans and 13% consumer loans. There are no known impediments, legal or otherwise, which hinder management in helping to meet the credit needs of its assessment area. A full range of credit products is made available to the general public.

Strong competition within The National Union Bank of Kinderhook's assessment area consists of branch offices of large regional financial institutions. The National Union Bank of Kinderhook serves its present community through its main office and one (1) branch office located in Columbia County. Both locations offer a full range of banking services. The branch office offers extended banking hours. There is no automated teller machines at either of the branch locations.

The National Union Bank of Kinderhook is not subject to any legal or regulatory restrictions or any other impediments which would preclude the bank from helping to meet the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area is defined as the northern part of Columbia County and the southern portion of Rensselaer County. The townships that encompass northern Columbia County are Kinderhook, Stuyvesant, Chatham, Stockport, Ghent, New Lebanon, Canaan and Austerlitz. These townships consist of eight block numbering areas (BNA's). The townships that encompass the southern portion of Rensselaer County are Castleton, East Greenbush and Schodock Landing as well as the Town of Schodock and the Village of Nassau. Rensselaer County is located within the Metropolitan Statistical Area (MSA) 0160 and consist of seven census tracts. The total population in the assessment area is 55,307. National Union Bank of Kinderhook's assessment area complies with regulatory requirements and does not arbitrarily exclude low or moderate income area.

Of the eight BNA's and seven census tracts within the assessment area, nine are middle income and six are upper income. There are no low or moderate income BNA's/census tracts. Of the 8,719 total families within the middle income BNA/tract, 1,058 or 12% are low income families; 1,472 or 17% moderate; 2,312 or 27% middle and 3,875 or 44% upper income families. Of the 6,517 total families within the upper income BNA/tract, 539 or 8% are low income families; 857 or 13% moderate; 1,435 or 22% middle and 3,685 or 56% upper income families. The median family income is \$40,127. Housing is primarily owner occupied. Credit needs include real estate mortgages, consumer credit, home improvement loans, home equity and small business loans.

DESCRIPTION OF ASSESSMENT AREA : (continued)

The bank's assessment area is rural and the economic conditions are stable. Management estimates that unemployment is approximately 4.1% in Columbia County and 5.0% in Rensselaer. Management reported that approximately two-thirds of the population is employed in the City of Albany, the states' capital. The balance of the population is employed within Columbia County and/or self employed. Self employed businesses consist of farming, contracting, small home building construction and electricians. Major employers in the area are Columbia Corporation, a paperboard mill and recycler, Crellin Incorporated and Charter Supply Co., both involved in the manufacturer and distribution of rubber and plastic products and W.B. McGuire, Inc, makers of dock loading equipment and industrial traffic doors.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan to Deposit Analysis

The National Union Bank of Kinderhook's average loan-to-deposit ratio for the eight quarters ending December 31, 1996 is 48%. The custom peer group average for the same period of time is 58%. This institution's average ratio is indicative of historically low loan volume due to emphasis placed on investment securities for pledging requirements based on the bank's high volume of public funds. Loan activity has increased significantly over the last year resulting in a loan-to-deposit ratio of 53% as of December 31, 1996.

Credit Extended Inside the Assessment Area

A substantial majority of The National Union Bank of Kinderhook's lending activity is within its assessment area. The bank's lending activities are concentrated in the real estate loan portfolio. Mortgage related loan originations were 21 and 64 for 1995 and 1996, respectively. Our sample of mortgage related loans (residential mortgages, home improvements, home equity loans (1st liens) and mobile home) for 1996 represented 31% of the portfolio.

The entire commercial loan portfolio and a random sample of consumer loans originated in 1996 were reviewed. Consumer loans represented approximately 4% of the portfolio. All lending appears to be reasonably dispersed throughout the assessment area based on the sample reviewed. The following chart illustrates the level of the bank's lending activity within its assessment area by loan type.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA : (continued)

LOAN ORIGINATIONS - 1996								
Loan Type	INSIDE ASSESSMENT AREA				OUTSIDE ASSESSMENT AREA			
	# Lns	%	\$ Amount (000s)	%	# Lns	%	\$ Amount (000s)	%
Real estate related loans sampled	19	95%	997	94%	1	5%	65	6%
Commercial loans *	72	91%	3,694	84%	7	9%	697	16%
Consumer loans sampled	7	100%	75	100%	0	%	0	%
TOTAL	98	92%	4,766	86%	8	8%	762	14%

*represents all commercial loans originated in 1996.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The National Union Bank of Kinderhook's lending activity is reasonable among individuals of different income levels and businesses of different sizes, given the demographics of the assessment area. The bank's assessment area is comprised of middle and upper income BNA's/census tracts.

Our analysis of lending to borrowers of different incomes is based on mortgage related loans and consumer lending. We reviewed a random sample of both loan types originated in 1996. Of the 64 mortgage related loans and 186 consumer loans originated in 1996, our sampled encompassed twenty mortgage loans and seven consumer loans. All mortgage related loans sampled, with the exception of one credit, were located within the assessment area. The following chart illustrates lending to borrowers of different income levels within the assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA : (continued)

DISTRIBUTION OF LOANS TO BORROWERS OF DIFFERENT INCOME LEVELS								
Borrower Income Level	MORTGAGE RELATED LOANS				CONSUMER LOANS			
	# Lns	%	\$ Amount (000s)	%	# Lns	%	\$ Amount (000s)	%
Upper	5	25%	514	46%	3	43%	33	44%
Middle	5	25%	281	25%	1	14%	16	21%
Moderate	8	40%	290	26%	0	%	0	%
Low	2	10%	42	4%	3	43%	26	35%
TOTAL	20	100%	1,127	100%	7	100%	75	100%

Commercial lending activity for 1995 and 1996 resulted in the origination of 29 and 79 loans respectively. The table below illustrates the results of our analysis based on a review of 100% of the bank's commercial loan originations for 1996. Small business lending, defined as businesses with gross annual revenues below \$1 million, accounts for majority of commercial loans made in 1996. The percentage of lending to businesses with revenues under \$1 million based on our loan sample indicates the bank's attention to small business credit needs within the community as reflected in the table below.

COMMERCIAL LOANS TO SMALL BUSINESSES			
Business Size	# of Loans	\$ Amount of Loans (000s)	% of Loans
Revenue < \$1 million			
Inside Assessment Area	67	3,366	85%
Outside Assessment Area	5	330	6%
Revenue > \$1 million			
Inside Assessment Area	5	328	6%
Outside Assessment Area	2	367	3%
TOTAL	79	4,391	100%

As stated earlier, there are no low or moderate income BNA/census tracts within the bank's assessment area. Therefore, an analysis of the geographic distribution of loans is not meaningful.

A Fair Lending examination was conducted concurrently with this performance evaluation of the Community Reinvestment Act. No violations of Fair Lending laws or regulations were detected.