

# **PUBLIC DISCLOSURE**

April 3, 2012

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Orange County Trust Company  
RSSD No. 176101**

**212 Dolson Avenue  
Middletown, NY 10940**

**FEDERAL RESERVE BANK OF NEW YORK**

**33 LIBERTY STREET  
NEW YORK, NY 10045**

**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.

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**INSTITUTION'S CRA RATING:** Orange County Trust Company (“OCTC”) is rated “Satisfactory.”

The following table indicates the performance level of the institution with respect to the lending and community development tests.

PERFORMANCE LEVELS	PERFORMANCE TESTS	
	Lending Test	Community Development Test
Outstanding		X
Satisfactory	X	
Needs to Improve		
Substantial Noncompliance		

The satisfactory performance of OCTC with regard to the Community Reinvestment Act (“CRA”) is based on the following performance criteria:

- A substantial majority of loans were made in the assessment area.
- The distribution of loans to borrowers of different income levels and businesses of different sizes reflects reasonable penetration.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- OCTC’s loan-to-deposit ratio was reasonable.
- OCTC’s community development performance demonstrates excellent responsiveness to community development needs of its assessment area through community development loans, qualified investments and community development services, as appropriate, considering the bank’s capacity and the need and availability of such opportunities for community development in OCTC’s assessment area.

## DESCRIPTION OF INSTITUTION

OCTC is a New York State-chartered bank headquartered in Middletown, New York. It is a full-service retail bank, with eight branches located in Orange County and one branch in Dutchess County. OCTC's newest branch opened in April 2011, located in the town of Fishkill in Dutchess County.

While OCTC offers a range of consumer and commercial financial services, OCTC specializes in small business commercial banking. As of December 31, 2010, OCTC had total assets of \$566 million, net loans and leases of \$277 million and total domestic deposits of \$385 million. Commercial mortgage and commercial and industrial lending represent 64 percent (\$176 million) of OCTC's loan portfolio. Loans secured by one- to four-family residential properties comprised only 27 percent or \$75 million of the OCTC's loan portfolio.

OCTC's market is highly competitive with branches of numerous local, regional and national banks, mortgage companies and other financial institutions operating in its assessment area. OCTC's primary local bank competitors include Provident Bank, Rhinebeck Savings Bank, Berkshire Bank and Mahopac National Bank.

Based on deposits reported to the Federal Deposit Insurance Corporation ("FDIC") on June 30, 2011, OCTC has the tenth largest deposit market share (4.6 percent) in the Poughkeepsie-Newburgh-Middletown Metropolitan Statistical Area ("MSA"), the assessment area where OCTC conducts a majority of its business.

OCTC's previous CRA examination was conducted as of February 22, 2010, using the Federal Financial Institution Examination Council ("FFIEC") Intermediate Small Bank Examination Procedures. The prior examination resulted in an overall rating of "Satisfactory". There are no financial or legal factors preventing OCTC from serving the credit needs in its assessment area.

## DESCRIPTION OF ASSESSMENT AREA

OCTC's assessment area consists of all of Orange County, NY, and a portion of Dutchess County, NY, both located in New York MSA 39100 (Poughkeepsie-Newburgh-Middletown). Since the prior CRA examination, the assessment area was expanded into Dutchess County in April 2011 as a result of the opening of a new branch in Fishkill, NY. The assessment area also includes one tract of Sullivan County, NY, located in a non-MSA area, consisting of a portion of the town of Mamakating, NY. The assessment area has 77 census tracts, of which 67 tracts are in Orange County, nine tracts are in Dutchess County, and one tract in Sullivan County. Since the non-MSA portion of Sullivan County does not extend substantially beyond the boundaries of MSA 39100, the areas were combined into one assessment area for analysis, in accordance with FFIEC CRA examination procedures.

With the addition of nine census tracts in Dutchess County, the assessment area now contains 5 low-income tracts, 15 moderate-income tracts, and 57 middle-income and upper-income tracts.

OCTC's assessment area is in compliance with the requirements of Section 228.41 of Regulation BB and does not arbitrarily exclude low- and moderate-income ("LMI") geographies. See Appendix B for a map illustrating OCTC's assessment area.

## SCOPE OF EXAMINATION

### Procedures

OCTC was examined using the Federal Financial Institutions Examination Council's ("FFIEC") Intermediate Small Institution Examination Procedures, which consist of a lending test and a community development test.

### Products

The universe of HMDA-related loans (home purchase and refinance loans) and a sample of small business loans were analyzed. Loan samples were selected using the Federal Reserve Board of Governors' sampling procedures. Small business data and the 2009 and 2010 HMDA-related loans were verified during an on-site verification review.

Home improvement and multi-family loans were not analyzed during this examination because OCTC's retail product strategies resulted in low volumes that would not affect the overall conclusions if these products were included.

### Examination Period

HMDA-related and small business loans were evaluated from January 1, 2009 through December 31, 2010. Community development activity was evaluated from January 1, 2009 through December 31, 2011, in accordance with FFIEC examination procedures.

### Lending Distribution Analysis

The analysis of geographic and borrower distribution considered only loans made in OCTC's assessment area. OCTC's performance in 2009 and 2010 was compared to the 2009 and 2010 loan data of the aggregate for all HMDA and small business reporting lenders.

As part of the geographic distribution analysis of HMDA-related lending, the proportion of OCTC's loan originations was compared to the proportion of owner-occupied housing units located in low- and moderate-income ("LMI") geographies. For small business loans, the analysis compared the proportion of OCTC's loan originations to the proportion of businesses located in LMI geographies.

As part of the borrower characteristics analysis of HMDA-related loans, the proportion of OCTC's originations to LMI borrowers was compared with the proportion of LMI families residing in the assessment area. Income estimates from the U.S. Department of Housing and Urban Development ("HUD") were used to categorize borrower income. For small business loans, OCTC's percentage of loans to businesses with gross annual revenues ("GAR") of \$1 million or less was compared to the percentage of all such businesses in the assessment area.

The size of the small business loan was also used as a proxy to identify lending to businesses with GAR of \$1 million or less.

OCTC's overall CRA lending performance evaluation is primarily driven by its small business lending activity within its assessment area, since this product represents 74 percent by number and 79 percent by dollar amount of the bank's overall loan portfolio.

### Community Contacts

Examiners conducted interviews with two community development organizations in order to gain an understanding of local credit needs.

## PERFORMANCE CONTEXT

The following demographic and economic information was obtained from publicly available sources that include the U.S. Department of Commerce's Bureau of Census (2000 Census), the U.S. Department of Labor, the U.S. Department of Housing and Urban Development ("HUD"), the New York State Department of Labor, and the New York State Association of Realtors ("NYSAR").

### Demographic Characteristics

According to the 2000 Census, the assessment area for OCTC contains 77 census tracts, including 5 low-income tracts and 15 moderate-income tracts. The low- and moderate-income ("LMI") tracts are concentrated in the cities of Newburgh, Middletown, and Port Jervis. The low-income tracts contain 8 percent of the population and 6 percent of the businesses. The moderate-income tracts contain 15 percent of the population and 15 percent of businesses. Exhibit 1 provides a summary of demographic information related to OCTC's assessment area.

### Income Characteristics

The HUD-adjusted estimated median family income for the MSA was \$81,800 in 2009 and \$83,400 in 2010. Based on the 2000 Census, of the 77 census tracts included in the analysis, 20 census tracts or 26 percent are LMI. Within low-income census tracts, 20 percent of all the families are low-income, and 18 percent are moderate-income. Seven percent of all families reside below the poverty level.

### Housing Characteristics

The assessment area contains 141,885 housing units, of which 62 percent are owner-occupied. A total 2 percent of the owner-occupied units are located in low-income census tracts, while 10 percent are located in moderate-income census tracts. The remaining housing in the assessment area consists of rental housing (32 percent) and vacant properties (6 percent). Given the percentage of LMI families in the area, community groups have stated that there is a strong need for the development of more affordable housing.



Median Sale Price		
County	2009	2010
Dutchess County	\$ 275,000	\$ 270,000
Orange County	\$ 260,000	\$ 255,000

Source: NY Association of Realtors

As shown in the table at left, the median sales price of existing single-family homes in Orange County was \$260,000 as of December 2009, and decreased to \$255,000 as of December 2010. Price depreciation was reflective of continued stress in the economic environment

during this time period. In 2010, the median sales price of homes in Orange County was 6 times the median family income of a low-income individual and 4 times the median family income of a moderate-income individual. Housing is, therefore, not affordable for low-income individuals without some form of subsidy, and affordability may also be difficult for moderate-income individuals.

Labor, Employment and Economic Characteristics

Unemployment rates increased slightly during the examination period. The trend in the unemployment rate reflected the weakening economic climate. The economy was still in decline during the evaluation period. Manufacturers and other firms reported widespread declines in business activity and rising unemployment levels which resulted in lower lending demands. Dun and Bradstreet reports that the area has 19,066 businesses, of which 90 percent have Gross Annual Revenue (“GAR”) of \$1 million or less, indicating a need for small business lending.

Average Annual Unemployment Rates		
MSA	2009	2010
NY MSA 39100	7.9	8.0

Source: NYS Department of Labor

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS**

**LENDING TEST**

OCTC’s record of meeting the credit needs of its assessment area through its lending performance is rated satisfactory. OCTC originated a substantial majority of its loans within its assessment area and its loan-to-deposit ratio was reasonable. The overall distribution of its loans among borrowers of different income levels including LMI borrowers and businesses of different sizes was reasonable. The overall geographic distribution of loans also reflected reasonable penetration throughout OCTC’s assessment area.

Loan-to-Deposit Ratio

OCTC’s loan-to-deposit ratio was reasonable given OCTC’s size, financial condition, and the credit needs of its assessment area. OCTC’s average loan-to-deposit ratio for the eight quarters between January 1, 2009 and December 31, 2010 was 73 percent, based on information contained in its Consolidated Report of Condition and Income. This ratio was somewhat below the national peer average of 83 percent for similarly-sized banks, but above an average of 71 percent for three similarly-situated banks located in OCTC’s assessment area during the evaluation period.

### *Lending in Assessment Area*

OCTC originated a substantial majority of its loans in its assessment area. Overall, 94 percent of the loans evaluated for this CRA examination were originated in the assessment area. OCTC originated 89 percent of its HMDA-related loans to individuals residing in its assessment area, and 96 percent of the small business loans sampled were extended to small businesses located in the OCTC's assessment area.

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

The overall distribution of HMDA-related and small business loans reflected reasonable penetration among individuals of different income levels, including LMI borrowers, and businesses of different sizes. OCTC specializes in commercial lending and the number of small business loans originated exceeds the number of HMDA loans originated by OCTC by nearly 3 times. The lending performance analysis takes this weighting into consideration. The number of lenders competing in OCTC's assessment area as well as the high cost of housing also makes it challenging for OCTC to make HMDA-related loans to LMI borrowers.

### *Home Purchase Loans*

The overall distribution of home purchase loans to LMI borrowers was reasonable. This conclusion was based on reasonable performance to moderate-income borrowers, and poor performance to low-income borrowers. The home purchase lending opportunities to LMI borrowers are limited due to the high cost of housing in relation to the percentage (20 percent) of families designated as low-income in the assessment area and large bank competition.

In 2010, OCTC originated no home purchase loans to low-income borrowers. In comparison, the aggregate originated 5 percent or 159 of its home purchase loans to low-income borrowers. The aggregate represented 68 financial institutions reporting home purchase lending activity. The bulk of the home purchase originations (57 percent) were originated by ten of the largest lenders in the aggregate, including large banks and credit unions.

The percentage of OCTC home purchase loans extended to moderate-income borrowers during 2010, at 5 percent or 1 loan, was below both the aggregate lending level of 23 percent or 701 loans and the percentage of families designated as moderate-income in the assessment area, at 18 percent. Again, larger institutions represented a significant portion of the aggregate lending to moderate-income borrowers.

OCTC's performance in 2009 was consistent with its performance in 2010.

### *Refinance Loans*

The overall distribution of refinance loans to borrowers of all income levels, including LMI borrowers, was reasonable based on reasonable performance to both low- and moderate-income borrowers. In 2010, OCTC originated no refinance loans to low-income borrowers. In comparison, the aggregate originated only 4 percent or 135 of its loans to low-income borrowers. Twenty percent of families are designated low-income in the assessment area.



OCTC originated no refinance loans to moderate-income borrowers during 2010. In comparison, the aggregate originated 15 percent or 553 loans to moderate-income borrowers. The percentage of families designated as moderate-income was 18 percent of the assessment area.

OCTC's refinance lending to LMI borrowers in 2009 exceeded performance in 2010.

#### *Lending to Businesses of Different Sizes*

The overall distribution of loans to businesses of different sizes was reasonable. In 2010, OCTC's made 53 percent (63 loans) of its loans to businesses with GAR of \$1 million or less, compared to 90 percent of such businesses located in the assessment area. OCTC's performance exceeded the performance of the aggregate, which reported only 24 percent of its loans to such businesses. A total of 49 percent or 59 of OCTC's 2010 small business loans were in amounts of \$100,000 or less, while the aggregate made 96 percent of its loans in amounts of \$100,000 or less. The average small business loan size was \$218 thousand, an amount that would typically meet the credit needs of smaller businesses.

OCTC's performance in 2009 was similar to its performance in 2010.

#### *Geographic Distribution of Loans*

OCTC's overall geographic distribution of loans reflected reasonable dispersion throughout all of OCTC's assessment area, including LMI census tracts, with consideration given to performance context issues relating to the area's demographics. There are 88,329 owner-occupied housing units in the assessment area, of which only 1,919, or 2 percent, are located in low-income geographies. In addition, there are 19,066 small businesses operating within the assessment area, of which only 1,199, or 6 percent, are located in low-income geographies. The opportunities for HMDA and small business lending in low-income geographies are limited in OCTC's assessment area due to the low number of businesses and owner-occupied housing units, and the competition with large bank lenders in the assessment area. An analysis of the lending distribution in each loan category follows.

#### *Home Purchase Loans*

The overall distribution of home purchase loans in LMI geographies was reasonable based on excellent lending in moderate-income geographies and poor lending in low-income geographies. In 2010, the bank made 16 percent or 3 of its home purchase loans in moderate-income geographies, while 10 percent of the owner-occupied housing units are located within moderate-income geographies. In comparison, the aggregate made only 14 percent or 434 of its home purchase loans in moderate-income geographies.

In 2010, OCTC originated no home purchase loans in low-income geographies. In comparison, the aggregate made only 3 percent or 104 of its home purchase loans in low-income geographies. Only 2 percent of the owner-occupied housing units are located within low-income geographies, limiting lending opportunities for the bank. The aggregate represented 51 financial institutions reporting home purchase lending activity indicating a very competitive environment for OCTC.

The lending activity includes mortgages originated with a significant portion (62 percent) reported by six of the largest institutions in the aggregate, which includes large banks.

OCTC's home purchase lending performance to LMI geographies in 2009 exceeded 2010.

### Refinance Loans

The overall distribution of refinance loans in LMI geographies was reasonable based on reasonable lending in moderate-income geographies and poor lending in low-income geographies. In 2010, OCTC made 29 percent or 2 of its refinance loans in moderate-income geographies. In comparison, the aggregate originated only 6 percent or 221 of its refinance loans in moderate-income geographies. Only 10 percent of the owner-occupied housing units are located within moderate-income geographies.

OCTC originated no refinance loans in low-income geographies. In comparison, the aggregate originated only 2 percent or 59 of its refinance loans in low-income geographies. Only 2 percent of the owner-occupied housing units are located within low-income geographies.

OCTC's refinance lending performance in 2010 exceeded performance in 2009.

### Small Business Loans

The overall distribution of small business loans in LMI geographies was reasonable based on excellent performance in moderate-income geographies and poor performance in low-income geographies. In 2010, OCTC originated 20 percent or 24 of its small business loans in moderate-income geographies. In comparison, the aggregate originated only 9 percent of its small business loans in moderate-income geographies, while 15 percent of small businesses operating within the assessment area are located in moderate-income geographies.

In 2010, OCTC originated no small business loans in low-income geographies. In comparison, the aggregate originated 8 percent or 402 of its small business loans in low-income geographies, while 6 percent of the small businesses operating within the assessment area are located in low-income geographies.

OCTC's performance in 2009 was consistent with its 2010 performance.

### Response to Complaints

No complaints were received by OCTC relating to the OCTC's CRA performance, and no CRA-related complaints have been filed with the Federal Reserve Bank of New York during the examination period.

Exhibit 1

Assessment Area Demographics

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	5	6.5	5,837	6	2,526	43.3	19,303	19.9
Moderate-income	15	19.5	13,481	13.9	1,806	13.4	17,542	18.1
Middle-income	43	55.8	58,318	60.2	2,212	3.8	23,600	24.4
Upper-income	14	18.2	19,235	19.9	538	2.8	36,426	37.6
Unknown-income	0	0	0	0	0	0	0	0
<b>Total Assessment Area</b>	<b>77</b>	<b>100.0</b>	<b>96,871</b>	<b>100.0</b>	<b>7,082</b>	<b>7.3</b>	<b>96,871</b>	<b>100.0</b>
	<b>Housing Units by Tract</b>	<b>Housing Types by Tract</b>						
		<b>Owner-Occupied</b>		<b>Rental</b>		<b>Vacant</b>		
		#	%	%	#	%	#	%
Low-income	8,936	1,919	2.2	21.5	5,925	66.3	1,092	12.2
Moderate-income	22,472	9,041	10.2	40.2	11,896	52.9	1,535	6.8
Middle-income	84,571	57,182	64.7	67.6	23,146	27.4	4,243	5
Upper-income	25,906	20,187	22.9	77.9	3,671	14.2	2,048	7.9
Unknown-income	0	0	0	0	0	0	0	0
<b>Total Assessment Area</b>	<b>141,885</b>	<b>88,329</b>	<b>100.0</b>	<b>62.3</b>	<b>44,638</b>	<b>31.5</b>	<b>8,918</b>	<b>6.3</b>
	<b>Total Businesses by Tract</b>	<b>Businesses by Tract &amp; Revenue Size</b>						
		<b>Less Than or = \$1 Million</b>		<b>Over \$1 Million</b>		<b>Revenue Not Reported</b>		
	#	%	#	%	#	%	#	%
Low-income	1,199	6.3	1,055	6.2	71	7.1	73	8
Moderate-income	2,863	15	2,519	14.7	167	16.6	177	19.5
Middle-income	11,455	60.1	10,295	60	619	61.6	541	59.5
Upper-income	3,549	18.6	3,283	19.1	148	14.7	118	13
Unknown-income	0	0	0	0	0	0	0	0
<b>Total Assessment Area</b>	<b>19,066</b>	<b>100.0</b>	<b>17,152</b>	<b>100.0</b>	<b>1,005</b>	<b>100.0</b>	<b>909</b>	<b>100.0</b>
	<b>Percentage of Total Businesses:</b>			<b>90.0</b>		<b>5.3</b>		<b>4.8</b>

Based on 2000 Census information.  
Business data based on 2010 D&B information.

Exhibit 2

2010 Aggregate Comparison Loan Distribution Table

Assessment Area – 2010

Income Categories	HMDA									
	By Tract Income					By Borrower Income				
	Bank		Aggregate			Bank		Aggregate		
	#	%	% \$(000s)	%	% \$(000s)	#	%	% \$(000s)	%	% \$(000s)
<b>Home Purchase</b>										
Low	0	0.00%	0.00%	3.40%	2.90%	0	0.00%	0.00%	5.20%	2.70%
Moderate	3	15.80%	4.60%	14.30%	11.70%	1	5.30%	2.60%	23.10%	16.80%
Middle	14	73.70%	81.50%	57.10%	55.10%	3	15.80%	14.50%	33.20%	33.00%
Upper	2	10.50%	13.90%	25.10%	30.30%	7	36.80%	60.40%	31.60%	40.60%
Unknown	0	0.00%	0.00%	0.00%	0.00%	8	42.10%	22.50%	6.80%	6.80%
<b>Total</b>	<b>19</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>19</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>
<b>Refinance</b>										
Low	0	0.00%	0.00%	1.60%	1.50%	0	0.00%	0.00%	3.60%	2.10%
Moderate	2	28.60%	26.70%	5.80%	4.10%	0	0.00%	0.00%	14.50%	10.60%
Middle	4	57.10%	57.70%	61.20%	58.90%	1	14.30%	1.90%	26.90%	25.10%
Upper	1	14.30%	15.50%	31.50%	35.60%	3	42.90%	58.60%	44.90%	51.50%
Unknown	0	0.00%	0.00%	0.00%	0.00%	3	42.90%	39.40%	10.10%	10.70%
<b>Total</b>	<b>7</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>7</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>
<b>Home Improvement</b>										
Low	0	0.00%	0.00%	1.30%	0.90%	0	0.00%	0.00%	7.50%	3.70%
Moderate	1	50.00%	81.20%	8.80%	6.30%	0	0.00%	0.00%	17.60%	11.30%
Middle	1	50.00%	18.80%	60.40%	56.20%	1	50.00%	81.20%	25.10%	22.70%
Upper	0	0.00%	0.00%	29.50%	36.70%	0	0.00%	0.00%	46.30%	56.80%
Unknown	0	0.00%	0.00%	0.00%	0.00%	1	50.00%	18.80%	3.50%	5.40%
<b>Total</b>	<b>2</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>2</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>
<b>Multi-Family</b>										
Low	0	0.00%	0.00%	0.00%	0.00%	0	0.00%	0.00%	0.00%	0.00%
Moderate	0	0.00%	0.00%	27.30%	10.50%	0	0.00%	0.00%	0.00%	0.00%
Middle	0	0.00%	0.00%	63.60%	88.40%	0	0.00%	0.00%	0.00%	0.00%
Upper	0	0.00%	0.00%	9.10%	1.10%	0	0.00%	0.00%	0.00%	0.00%
Unknown	0	0.00%	0.00%	0.00%	0.00%	0	0.00%	0.00%	100.00%	100.00%
<b>Total</b>	<b>0</b>	<b>0.00%</b>	<b>0.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>0</b>	<b>0.00%</b>	<b>0.00%</b>	<b>100.00%</b>	<b>100.00%</b>
<b>HMDA Totals</b>										
Low	0	0.00%	0.00%	2.30%	2.10%	0	0.00%	0.00%	4.40%	2.40%
Moderate	6	21.40%	14.60%	9.60%	7.60%	1	3.60%	1.70%	18.30%	13.40%
Middle	19	67.90%	71.60%	59.40%	57.30%	5	17.90%	13.50%	29.50%	28.50%
Upper	3	10.70%	13.80%	28.70%	33.00%	10	35.70%	57.30%	39.20%	46.30%
Unknown	0	0.00%	0.00%	0.00%	0.00%	12	42.90%	27.60%	8.60%	9.40%
<b>Total</b>	<b>28</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>28</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>
<b>SMALL BUSINESS</b>										
	<b>Bank</b>		<b>By Tract Income</b>			<b>Aggregate</b>				
	<b>#</b>	<b>%</b>	<b>% \$(000s)</b>		<b>%</b>	<b>% \$(000s)</b>				
Low	0	0.00%	0.00%		8.20%	6.50%				
Moderate	24	20.00%	14.80%		9.40%	10.80%				
Middle	77	64.20%	73.00%		51.60%	54.00%				
Upper	19	15.80%	12.20%		26.20%	26.30%				
Unknown	0	0.00%	0.00%		0.00%	0.00%				
Tract Unknown	0	0.00%	0.00%		4.60%	2.40%				
<b>Total</b>	<b>120</b>	<b>100.00%</b>	<b>100.00%</b>		<b>100.00%</b>	<b>100.00%</b>				
	<b>By Revenue</b>		<b>By Loan Size</b>							
\$1 Million or Less	63	52.50%	40.60%		23.50%	31.80%				
\$100,000 or less	59	49.20%	11.80%		95.60%	42.60%				
\$100,001-\$250,000	25	20.80%	17.00%		2.60%	17.80%				
\$250,001-\$1 Million	36	30.00%	71.20%		1.80%	39.60%				
<b>Total</b>	<b>120</b>	<b>100.00%</b>	<b>100.00%</b>		<b>100.00%</b>	<b>100.00%</b>				

Originations and Purchases

Exhibit 3

2009 Aggregate Comparison Loan Distribution Table  
Assessment Area – 2009

Income Categories	HMDA									
	By Tract Income					By Borrower Income				
	#	%	% \$(000s)	%	% \$(000s)	#	%	% \$(000s)	%	% \$(000s)
	<b>Home Purchase</b>									
Low	0	0.0%	0.0%	5.3%	5.3%	1	3.1%	1.6%	4.9%	3.0%
Moderate	10	31.3%	17.0%	12.8%	10.4%	2	6.3%	4.2%	20.9%	15.9%
Middle	16	50.0%	45.4%	58.0%	55.9%	1	3.1%	3.1%	29.8%	29.6%
Upper	6	18.8%	37.6%	23.6%	28.5%	15	46.9%	68.2%	34.5%	42.9%
Unknown	0	0.0%	0.0%	0.0%	0.0%	13	40.6%	23.0%	9.9%	8.6%
<b>Total</b>	<b>32</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>32</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
	<b>Refinance</b>									
Low	0	0.0%	0.0%	1.7%	1.6%	2	9.1%	5.1%	4.6%	2.8%
Moderate	2	9.1%	4.5%	8.2%	6.7%	4	18.2%	9.8%	16.4%	12.3%
Middle	14	63.6%	67.1%	61.3%	58.2%	2	9.1%	7.8%	29.0%	27.2%
Upper	6	27.3%	28.3%	28.8%	33.6%	14	63.6%	77.3%	36.3%	41.9%
Unknown	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	13.7%	15.8%
<b>Total</b>	<b>22</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>22</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
	<b>Home Improvement</b>									
Low	0	0.0%	0.0%	2.2%	1.5%	0	0.0%	0.0%	6.5%	2.9%
Moderate	0	0.0%	0.0%	8.5%	6.1%	0	0.0%	0.0%	18.1%	12.1%
Middle	2	66.7%	77.8%	62.1%	59.8%	1	33.3%	3.7%	32.1%	34.0%
Upper	1	33.3%	22.2%	27.3%	32.6%	2	66.7%	96.3%	41.1%	48.3%
Unknown	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	2.2%	2.6%
<b>Total</b>	<b>3</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>3</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
	<b>Multi-Family</b>									
Low	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.0%
Moderate	1	50.0%	18.4%	20.0%	17.6%	0	0.0%	0.0%	0.0%	0.0%
Middle	1	50.0%	81.6%	70.0%	79.2%	0	0.0%	0.0%	0.0%	0.0%
Upper	0	0.0%	0.0%	10.0%	3.2%	0	0.0%	0.0%	0.0%	0.0%
Unknown	0	0.0%	0.0%	0.0%	0.0%	2	100.0%	100.0%	100.0%	100.0%
<b>Total</b>	<b>2</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>2</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
	<b>HMDA Totals</b>									
Low	0	0.0%	0.0%	3.2%	3.1%	3	5.1%	2.4%	4.8%	2.9%
Moderate	13	22.0%	12.3%	10.1%	8.3%	6	10.2%	5.1%	18.2%	13.8%
Middle	33	55.9%	60.3%	60.0%	57.4%	4	6.8%	4.1%	29.5%	28.2%
Upper	13	22.0%	27.4%	26.7%	31.2%	31	52.5%	61.0%	35.8%	42.2%
Unknown	0	0.0%	0.0%	0.0%	0.0%	15	25.4%	27.5%	11.8%	13.0%
<b>Total</b>	<b>59</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>59</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
	<b>SMALL BUSINESS</b>									
	<b>By Tract Income</b>									
	#	Bank		Aggregate						
		%	% \$(000s)	%	% \$(000s)					
Low	1	0.8%	0.1%	7.2%	6.9%					
Moderate	34	27.2%	30.5%	10.4%	13.8%					
Middle	73	58.4%	56.3%	55.1%	55.5%					
Upper	17	13.6%	13.1%	24.0%	21.8%					
Unknown	0	0.0%	0.0%	0.0%	0.0%					
Tract Unknown	0	0.0%	0.0%	3.4%	2.0%					
<b>Total</b>	<b>125</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>					
	<b>By Revenue</b>									
\$1 Million or Less	71	56.8%		51.1%		16.5%		32.9%		
	<b>By Loan Size</b>									
\$100,000 or less	48	38.4%		6.8%		96.7%		47.4%		
\$100,001-\$250,000	29	23.2%		16.0%		1.9%		17.3%		
\$250,001-\$1 Million	48	38.4%		77.2%		1.3%		35.4%		
<b>Total</b>	<b>125</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>		<b>100.0%</b>		

Originations and Purchases



**COMMUNITY DEVELOPMENT TEST**

OCTC’s community development performance is rated outstanding. OCTC demonstrated excellent responsiveness to the community development needs of its assessment area through the provision of community development loans, qualified investments, and community development services, taking into consideration the bank’s capacity and the need and availability of community development opportunities in OCTC’s assessment area.

During the examination period, community development loans and qualified investments totaled \$42.5 million, consisting of \$40.5 million in community development loans and \$2 million in qualified investments. OCTC had a 98 percent increase in annualized community development loan and investment volumes since the previous evaluation. The majority of OCTC’s community development activity, \$25 million or 59 percent in terms of dollar amount, was made within its assessment area, and an additional \$17 million in community development loans were made outside OCTC’s assessment area, but in the larger statewide area. OCTC is able to get credit for community development loans made outside of its assessment area, but in the larger regional or statewide area, under the Interagency Intermediate Small Bank CRA procedures because OCTC has adequately addressed community development needs within its assessment area.

Community development efforts consisted nearly entirely of new obligations approved since the prior CRA examination. Community development lending and investments were primarily directed at community services and affordable housing initiatives as noted on the following chart.

Community Development Activity										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize and Stabilize		Totals	
	#	\$000s	#	\$000s	#	\$000s	#	\$000s	#	\$000s
Lending	5	7,882	21	12,741	0	0	5	2,620	31	23,243
Lending Outside AA	5	17,285	0	0	0	0	0	0	5	17,285
Investments	4	1,835	12	12	8	110	0	0	24	1,957
<b>Total</b>	<b>14</b>	<b>27,002</b>	<b>33</b>	<b>12,753</b>	<b>8</b>	<b>110</b>	<b>5</b>	<b>2,620</b>	<b>60</b>	<b>42,485</b>
<b>Percentage</b>	<b>23%</b>	<b>64%</b>	<b>55%</b>	<b>30%</b>	<b>13%</b>	<b>0%</b>	<b>8%</b>	<b>6%</b>	<b>100%</b>	<b>100%</b>

OCTC’s annualized community development lending and investment levels compared favorably to four similarly-situated banks operating in OCTC’s assessment area.

**Community Development Loans**

Community development loans totaled \$40.5 million, compared to the \$13 million in community development loans noted at the prior evaluation. OCTC’s community development loan volumes increased 111 percent on an annualized basis, compared to volumes noted at the previous evaluation.

Community development lending focused on affordable housing development through loans to local and statewide housing organizations. Examples of community development loans include:

- \$1 million revolving line of credit to support the acquisition and financing of foreclosed properties for the purpose of providing affordable housing.
- \$5 million construction loan targeted to the creation of affordable housing targeted to low-income senior citizens.
- \$3 million participation in a construction loan with an affordable housing organization to an organization that provides managed health care services to low- and moderate-income individuals.
- \$200 thousand line of credit to an organization that assists individuals overcome homelessness and addictions located in a moderate-income census tract.

### **Qualified Investments**

Qualified investments and donations totaled \$2 million compared to \$1.5 million in qualified investments and donations noted at the prior evaluation. Annualized, OCTC's qualified investments totaled \$652 thousand, compared to \$743 thousand in the prior evaluation, representing a 12 percent decrease.

Qualified investments focused on affordable housing development through investments to statewide housing organizations. In addition, OCTC made \$58 thousand in qualified donations to various organizations within Orange and Dutchess Counties, NY that provided community services to LMI individuals and families. Examples of qualified investments include:

- A \$700 thousand investment in an affordable housing organization's collateral trust note to provide funds for LMI mortgage pools.
- A \$40 thousand investment with a Business Development Corporation working in partnership with banks to provide term loans to small businesses, which do not meet the financial requirements for traditional financing.

### **Community Development Services**

OCTC also provided community development services in its assessment area. Bank officers and employees provided professional services to organizations that provide technical assistance, economic development, affordable housing, credit counseling, and youth and scholarship programs to LMI individuals in the assessment area. Additionally, some OCTC personnel have made financial education presentations including housing and small business lending seminars to various groups in the assessment area. Twenty-three OCTC officers or employees serve on the boards and committees of local community development organizations.

Examples of community development services include:

- The President serves on the board of trustees of a medical center foundation and the board of directors of an educational foundation serving low- and moderate-income families.
- An OCTC officer serves as a director of a community foundation dedicated to assisting non-profit organizations in the region.
- The CRA officer serves as a director of an organization that promotes economic development and job growth in Orange County.
- Two OCTC employees presented an educational seminar on money management topics to members of a non-profit organization that provides adult and family shelter housing.

In addition, OCTC offers special products that are responsive to community development needs in the assessment area. OCTC has a checking account available only to non-profit organizations with a reduced daily balance minimum and no monthly service fee associated with the account. OCTC also offers a revolving line of credit targeted to small businesses with limited documentation requirements and no annual renewal fee.

OCTC's overall branch distribution provides adequate accessibility to the LMI population and geographies within the assessment area. One of the nine branches (11 percent) is located in a moderate-income census tract.

#### **FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

OCTC is in compliance with the substantive provisions of the anti-discrimination laws and regulations. No credit practices were identified as being inconsistent with helping to meet the credit needs of the assessment area.

## CRA APPENDIX A GLOSSARY

**Census tract:** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community development:** All agencies have adopted the following language. Affordable housing (including multifamily rental 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; or loans, investments or services that (i) Support, enable or facilitate projects or activities that meet eligible uses" criteria described in Section 2301c of the Housing and Economic Recovery Act of 2008 ("HERA"), Public Law 110-289, 122 Stat. 2654, as amended, and are conducted in designated target areas identified in plans approved by the United States Department of Urban and Development in accordance with the Neighborhood Stabilization program ("NSP"); (ii) Are provided no later than two years after the last date funds appropriated for the NSP are required to be spent by the grantees; (iii) Benefit low-, moderate- and middle-income individuals and geographies in the bank's assessment area(s) or geographies outside the bank's assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

**Community Development Financial Institution ("CDFI"):** A CDFI is an organization that has been certified by the U.S. Treasury as a provider of loans and services that assist specially funded institutions that revitalize LMI areas and assist LMI persons.

**Consumer loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** A family is a group of two people or more related by birth, marriage, or adoption and residing together; all such people (including related subfamily members) are considered as members of one family.

**Geography:** A census tract 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



income of applicants, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn).

**Home mortgage loans:** Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes, and refinancing of home improvement and home purchase loans.

**Household:** A household consists of all persons who occupy a housing unit. Persons not living in households are classified as living in group quarters.

**Low-income:** Individual income that is less than 50% of the area median income, or a median family income that is less than 50%, in the case of a geography.

**Metropolitan Area (“MA”):** A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

**Middle-income:** Individual income that is at least 80% and less than 120% of the area median income, or a median family income that is at least 80% and less than 120%, in the case of a geography.

**Moderate-income:** Individual income that is at least 50% and less than 80% of the area median income, or a median family income that is at least 50% and less than 80%, in the case of a geography.

**Owner-occupied units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

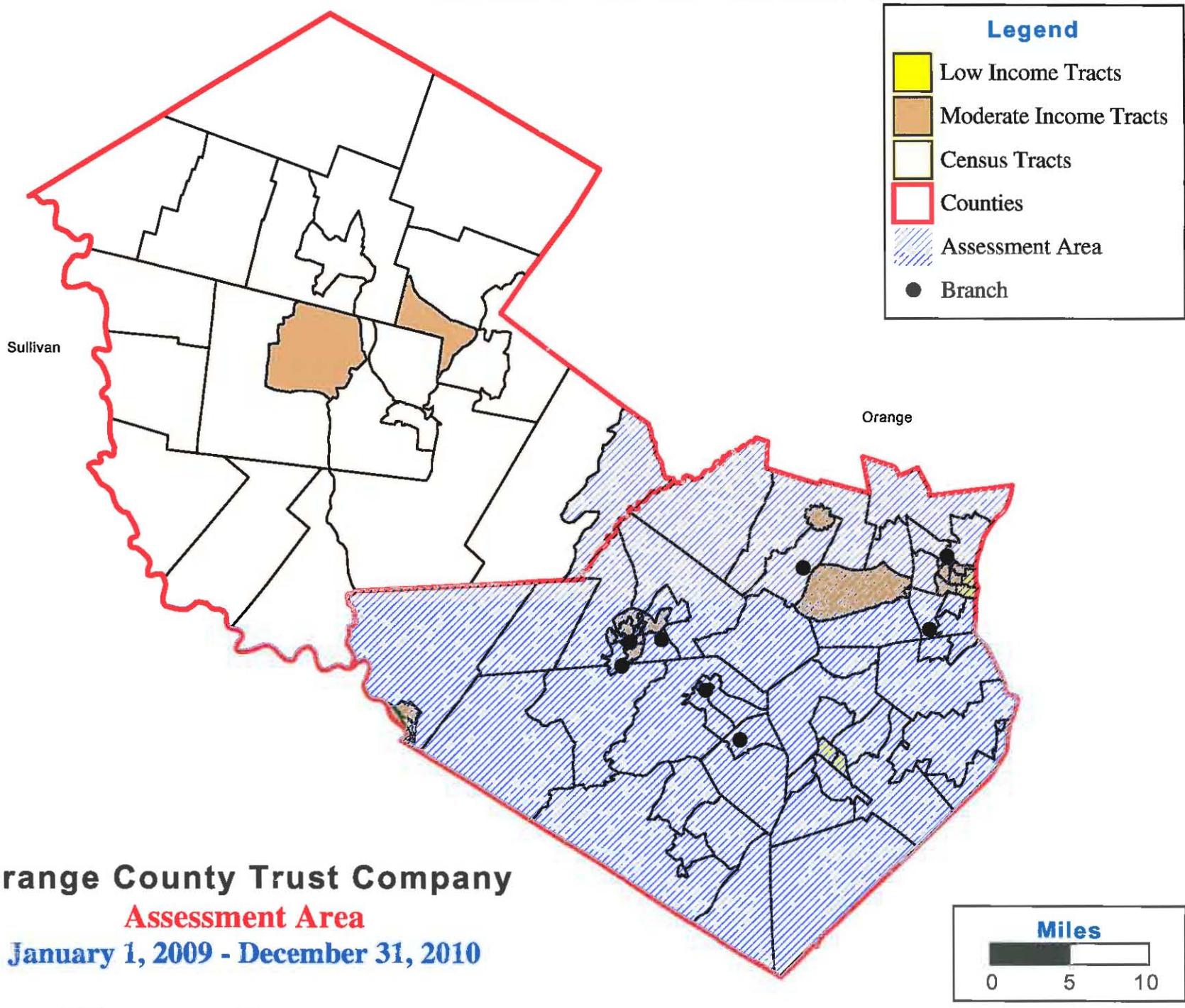
**Qualified investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Small loan(s) to business (es):** A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (“Call Report”) and the Thrift Financial Reporting (“TFR”) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as “small business loans” if the loans are reported on the TFR as nonmortgage, commercial loans.

**Upper-income:** Individual income that is more than 120% of the area median income, or a median family income that is more than 120%, in the case of a geography.



BB17



**Orange County Trust Company**  
**Assessment Area**  
**January 1, 2009 - December 31, 2010**

