



NEW YORK STATE BANKING DEPARTMENT
Consumer Services Division
One State Street Plaza
New York, NY 10004

PUBLIC SUMMARY

COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION

Evaluation Date: December 31, 2006

Institution: Orange County Trust Company
212 Dolson Avenue
Middletown, NY 10940

Note: This evaluation is not an assessment of the financial condition of this institution. The rating assigned does not represent an analysis, conclusion or opinion of the New York State Banking Department concerning the safety and soundness of this financial institution.

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GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of Orange County Trust Company (“OCTC”) prepared by the New York State Banking Department. The evaluation represents the Banking Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of December 31, 2006.

Section 28-b of the New York State Banking Law, as amended, requires that when evaluating certain applications, the Superintendent of Banks shall assess a banking institution’s record of helping to meet the credit needs of its entire community, including low- and moderate-income (“LMI”) areas, consistent with safe and sound operations.

Part 76 of the General Regulations of the Banking Board implements Section 28-b and further requires that the Banking Department assess the CRA performance records of regulated financial institutions. Part 76 establishes the framework and criteria by which the Department will evaluate the performance. Section 76.5 further provides that the Banking Department will prepare a written report summarizing the results of such assessment and will assign to each institution a numerical CRA rating based on a 1 to 4 scoring system. The numerical scores represent an assessment of CRA performance as follows:

- (1) outstanding record of meeting community credit needs;
- (2) satisfactory record of meeting community credit needs;
- (3) needs to improve record of meeting community credit needs; and
- (4) substantial noncompliance in meeting community credit needs.

Section 76.5 further requires that the CRA rating and the written summary be made available to the public (“Evaluation”). Evaluations of small banking institutions are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Section 76.12. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York State Banking Law.

For an explanation of technical terms used in this report, please consult the **GLOSSARY** at the back of this document.

OVERVIEW OF INSTITUTION'S PERFORMANCE

OCTC is rated "2," indicating a satisfactory record of helping to meet community credit needs. This rating is based on the following factors:

I. Lending Test: "Satisfactory"

- ***Loan-to-Deposit ("LTD") Ratio and Other Lending-Related Activities:*** OCTC's LTD ratio is considered reasonable in light of its size, financial condition and the credit needs of its assessment area.
- ***Assessment Area Concentration:*** OCTC extended a substantial majority of its loans in the assessment area.
- ***Geographic Distribution of Loans:*** OCTC's geographic distribution of loans reflects a reasonable dispersion among census tracts of different income levels.
- ***Distribution by Borrower Characteristics:*** OCTC's lending distribution in the assessment area reflects a reasonable penetration among individuals of different income levels and businesses of different revenue sizes.
- Neither the OCTC nor the New York State Banking Department received any complaints with respect to its CRA performance during the evaluation period.

II. Community Development Test: "Satisfactory"

- OCTC's community development performance demonstrates an adequate responsiveness to the community development needs of its assessment area. As of the evaluation date, OCTC's community development loans totaled \$3.0 million, of which, \$2.4 million (80.0%) represents new money. Qualified investments including grants totaled \$8.7 thousand. Additionally, OCTC provided an adequate level of community development services.

This evaluation was conducted based on a review of the 12 assessment factors set forth in Section 28-b of the New York State Banking Law and Part 76 of the General Regulations of the Banking Board.

PERFORMANCE CONTEXT

Institution's Profile:

Chartered in 1892, OCTC is a full service commercial bank with trust powers. OCTC is headquartered in Middletown, New York and operates five full service branches all located in Orange County. Each branch, with the exception of the North Street, Middletown office, has a 24-hour automated teller machine ("ATM"). No branch was opened or closed during the evaluation period.

As per the Federal Deposit Insurance Corporation's ("FDIC") Consolidated Report of Condition ("Call Report") as of December 31, 2006, OCTC reported total assets of \$450.2 million, of which \$209.0 million were net loans and lease finance receivables. It also reported total deposits of \$261.5 million, resulting in a loan-to-deposit ratio of 79.9%. According to the latest available comparative deposit data dated June 30, 2006, OCTC obtained a market share of 4.4%, or \$264.7 million out of \$6.0 billion inside its market, ranking it 10th among 23 other deposit-taking institutions in the assessment area.

The following is a summary of OCTC's lending portfolio, based on Schedule RC-C of its December 31, 2004, December 31, 2005 and December 31, 2006 Call Reports:

TOTAL GROSS LOANS OUTSTANDING						
LOAN TYPE	12/31/2004		12/31/2005		12/31/2006	
	\$000	%	\$000	%	\$000	%
1-4 Residential Mortgage Loans	56,690	35.2	62,007	32.3	63,292	29.9
Commercial & Industrial Loans	43,136	26.8	48,998	25.5	51,557	24.4
Commercial Mortgage Loans	52,856	32.9	66,829	34.8	83,659	39.5
Multifamily Mortgages	1,456	0.9	3,919	2.0	3,797	1.8
Consumer Loans	2,140	1.3	2,232	1.2	1,531	0.7
Loans secured by farmland	1,397	0.9	1,281	0.7	1,296	0.6
Construction Loans	3,123	1.9	6,449	3.4	5,774	2.7
Other Loans	96	0.1	158	0.1	819	0.4
Total Gross Loans	160,894	100.0	191,873	100.0	211,725	100.0

As illustrated in the table above, lending to businesses is OCTC's primary focus, with commercial mortgage loans and commercial and industrial loans combined comprising 63.9% of the loan portfolio as of December 31, 2006. OCTC also generates a significant volume of HMDA-reportable loans. As of year end 2006, the balance of 1-4 residential mortgage loans accounted for almost 30.0% of the loan portfolio.

OCTC received a rating of "2," reflecting a satisfactory record of helping to meet community credit needs at its prior Performance Evaluation conducted by the New York State Banking Department as of December 31, 2004.

There are no known financial or legal impediments that adversely impacted OCTC's ability to meet the credit needs of its community.

Assessment Area:

OCTC's assessment area has changed since the previous evaluation. In addition to the villages of Wurtsboro and Bloomingburg in Sullivan County, it has expanded to include all of Orange County. In the previous evaluation, the assessment area included only portions of Orange County and the aforementioned villages in Sullivan County.

There are 68 census tracts in the assessment area, of which five are low-income, 14 are moderate-income, 35 are middle-income, and 14 are upper-income.

The following table summarizes the distribution of census tracts across OCTC's assessment area by county and by tract income level.

Distribution of Assessment Area Census Tracts by Income Level						
County	Low	Moderate	Middle	Upper	Total	LMI %
Orange	5	14	35	13	67	28.4
Sullivan				1	1	n/a
Total	5	14	35	14	68	27.9

The assessment area appears reasonable based upon the location of OCTC's offices and its lending patterns. There is no evidence that LMI areas have been arbitrarily excluded.

Details of Assessment Area:

Population and Income Characteristics: According to the 2000 U.S. Census data, the assessment area has a population of 348.3 thousand, including 35.9 thousand (10.3%) people over the age of 65 and 90.5 thousand (26.0%) under the age of 16. The median family income is \$61.1 thousand while the U.S. Department of Housing and Urban Development (HUD) updated MSA median family income (MFI) is \$73.1 thousand. Although the portion of Sullivan County that is included in the assessment is in an upper-income geography, 27.2% of all families in this upper-income tract are considered LMI. Additionally, the families in this census tract have a median income of only \$52.6 thousand, which is well below the MFI of \$61.1 thousand for the assessment area as indicated above.

Housing Characteristics: There are 125.6 thousand housing units in the assessment area, of which 88.1% are 1-4 family and 11.9% are multifamily units. Owner-occupied units total 78.9 thousand, of which 12.7% are located in LMI geographies.

Unemployment Rates: According to the New York State Department of Labor, the average unemployment rate for New York State was 5.0% in 2005 and 4.5% in 2006. In 2005, both counties in OCTC's assessment area had average unemployment rates lower than that of New York State. In 2006, the average unemployment rate was lower for Orange County and higher for Sullivan County compared to New York State's.

The following table summarizes the 2005 and 2006 average unemployment rates (not seasonally adjusted) for the four counties in OCTC's assessment area:

Unemployment Percentages by Geographic Area			
Year	N.Y. State	Orange	Sullivan
2005	5.0	4.3	4.8
2006	4.5	4.2	4.9

Business Demographic Data: According to the 2006 Business Geodemographic Data, there were 27.4 thousand businesses in OCTC's assessment area, of which 26.5 thousand were non-farm businesses. Of the total number of non-farm businesses, 67.0% had annual revenue of \$1 million or under, 4.5% had annual revenue over \$1 million, and 28.5% had unreported revenue. Service providers were the largest industry, consisting of 9.8 thousand (35.6%) businesses, followed by the retail trade industry with 4.4 thousand (16.2%) businesses, and construction with 2.9 thousand (10.5%) businesses.

Chart #1: Shows population and income.

Chart #2: Shows housing demographics.

Chart #3: Shows business demographics.

Chart #4: Industry Breakdown

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CHART # 1

ASSESSMENT AREA POPULATION AND INCOME CHARACTERISTICS BY COUNTY																					
COUNTY	Total Population	Persons over 65		Persons under 16		Median Family Income(MFI)	HUD MSA MFI	# of Households	# of HH below poverty level		Total Families	Low income		Moderate income		Middle income		Upper income		LMI families in LMI tracts	
		#	%	#	%				#	%		#	%	#	%	#	%	#	%	#	%
ORANGE	341,367	35,185	10.3	88,699	26.0	\$61,313	\$73,400	114,809	10,461	9.1	85,028	17,610	20.7	15,465	18.2	20,475	24.1	31,478	37.0	11,861	35.9
SULLIVAN (P)	6,972	692	9.9	1,751	25.1	\$52,608	\$49,600	2,561	287	11.2	1,859	220	11.8	286	15.4	357	19.2	996	53.6	n.a	n.a
TOTAL A/A*	348,339	35,877	10.3	90,450	26.0	\$61,126	\$73,050	117,370	10,748	9.2	86,887	17,830	20.5	15,751	18.1	20,832	24.0	32,474	37.4	11,861	35.3

* Assessment Area

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CHART # 2

ASSESSMENT AREA HOUSING CHARACTERISTICS BY COUNTY																			
COUNTY	Total	1-4 family		Multifamily		Owner-Occupied		O-O Units in		O-O Units in		O-O Units in		O-O Units in		Rental		Vacant/	
	Housing Units	Units		Units		Units (O-O)		Low-income Tracts	Mod-income Tracts	Mid-income Tracts	Upp-income Tracts	Units		Boarded-up Units					
		#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%
ORANGE	122,754	107,886	87.9	14,868	12.1	76,948	62.7	1,916	2.5	8,087	10.5	48,754	63.4	18,191	23.6	40,353	32.9	7,966	6.5
SULLIVAN (P)	2,892	2,811	97.2	81	2.8	1,996	69.0	0	0.0	0	0.0	0	0.0	1,996	100.0	651	22.5	329	11.4
TOTAL A/A*	125,646	110,697	88.1	14,949	11.9	78,944	62.8	1,918	2.4	8,084	10.2	48,748	61.8	20,186	25.6	41,004	32.6	8,295	6.6

* Assessment Area

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CHART # 3

<i>BUSINESS DEMOGRAPHICS BY COUNTY</i>											
COUNTY AND ASSESSMENT AREA(A/A)	Number of Businesses (Non-Farm Only)	Businesses with Rev. of \$1 million or less		Businesses with Rev. of more than \$1 million		Bussinesses with no revenues reported		Businesses with less than 50 employees		Operating from a single location	
		#	%*	#	%*	#	%*	#**	%**	#**	%**
ORANGE	26,129	17,495	67.0	1,191	4.5	7,443	28.5	20,892	77.4	24,216	89.7
SULLIVAN (P)	395	276	69.9	5	1.3	114	28.8	306	75.2	385	94.6
Total A/A	26,524	17,771	67.0	1,196	4.5	7,557	28.5	21,198	77.4	24,601	89.8

* Calculated based on total number of non-farm businesses

** Number may include farms. As such, percentages were calculated based on total number of businesses

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CHART # 4

ASSESSMENT AREA STANDARD INDUSTRY CLASSIFICATION* BY COUNTY																			
COUNTY	Establishment Total	Service Providers		Retail Trade		Finance, Insurance & Real Estate		Wholesale Trade		Construction		Manufacturing		Transportation & Communication		Non-Classifiable Establishments		Other Establishments	
		#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%
ORANGE	26,988	9,642	35.7	4,397	16.3	2,147	8.0	1,042	3.9	2,806	10.4	854	3.2	1,009	3.7	3,857	14.3	1,234	4.6
SULLIVAN (P)	407	116	28.5	52	12.8	30	7.4	11	2.7	63	15.5	13	3.2	18	4.4	85	20.9	19	4.7
TOTAL A/A**	27,395	9,758	35.6	4,449	16.2	2,177	7.9	1,053	3.8	2,869	10.5	867	3.2	1,027	3.7	3,942	14.4	1,253	4.6

*The Standard Industry Classification codes are set by the Occupational Safety & Health Administration of the U.S. Department of Labor

**Assessment Area

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

OCTC's performance was evaluated according to the intermediate small bank's performance criteria. The Banking Department assesses an intermediate small bank's CRA performance under the Lending and Community Development test. The lending test is evaluated according to the following criteria: (1) Loan-to-Deposit Ratio and Other Lending-Related Activities; (2) Assessment Area Concentration; (3) Geographic Distribution of Loans; (4) Distribution by Borrower Characteristics; and (5) Action Taken in Response to Written Complaints Regarding CRA. The Community Development Test is evaluated according to the following criteria: (1) Community Development Loans; (2) Qualified Investments; and (3) Community Development Services. These two tests are pursuant to Part 76.11 and 76.12 of the General Regulations of the Banking Board.

The assessment period included calendar years 2005 and 2006. Examiners considered OCTC's small business and HMDA-reportable loans in evaluating factors (2), (3) and (4) of the lending test noted above. The evaluation of OCTC's lending performance was based on a sample of 137 small business loans and 77 HMDA-reportable loans, resulting in a confidence level of 90%. Because commercial lending accounts for the largest portion of the loan portfolio, greater emphasis was placed on OCTC's small business loans in evaluating OCTC's overall performance.

Statistics employed in this evaluation were derived from various sources. In addition to bank-specific loan information submitted by OCTC, aggregate data for HMDA-reportable and small business loans were obtained from the Federal Financial Institutions Examination Council ("FFIEC") and PCi Corporation's CRA Wiz[®] software. Demographic information within the evaluation reflects data from the 2000 U.S. Census, supplemented by median family income estimates for 2005 and 2006 from the U.S. Department of Housing and Urban Development ("HUD").

I. Lending Test: "Satisfactory"

OCTC's small business and HMDA-reportable lending activities are reasonable in light of the assessment area's credit needs.

- **Loan-to-Deposit Ratio Analysis and other Lending-Related Activities:**
"Satisfactory"

OCTC's LTD ratio is reasonable considering its size, financial condition and the credit needs of the assessment area.

OCTC's average LTD ratio for the prior eight quarters ending December 31, 2006, was 72.4%, which is below the peer group's average of 86.2%. The peer group is comprised of all FDIC insured commercial banks having assets between \$300 million and \$1.0 billion. These ratios were calculated from information shown in the bank's Uniform Bank Performance Report ("UBPR") prepared by the FDIC.

As illustrated in the chart below, although OCTC's average LTD ratio is below that of its peer group, its LTD ratios during the evaluation period have improved steadily, increasing to 79.9% as of December 31, 2006 from 62.8% as of December 31, 2004. Additionally, the bank's average LTD ratio for this evaluation period represents a significant improvement from the prior evaluation period wherein the average was only 62.8%.

Loan-to-Deposit Ratios									
	2005 (Q1)	2005 (Q2)	2005 (Q3)	2005 (Q4)	2006 (Q1)	2006 (Q2)	2006 (Q3)	2006 (Q4)	Average
Bank	65.20	65.79	68.32	73.31	74.31	74.76	77.84	79.94	72.43
Peer	84.87	86.00	85.89	85.43	85.54	87.00	87.60	86.83	86.15

- **Assessment Area Concentration: "Outstanding"**

OCTC originated a substantial majority of its loans within the assessment area. Based on number of loans, 99.3% of the small business and 97.4% of the HMDA-reportable loans sampled were originated by OCTC within its assessment area during the evaluation period.

Small Business Loans

The concentration of OCTC's small business loans in its assessment area is excellent. Based on the sample of loans reviewed at this performance evaluation, 98.6% by number and 96.3% by dollar value of its small business loans were originated in the assessment area in 2005. All of the small business loans sampled in 2006 were originated in the assessment area.

HMDA-Reportable Loans

OCTC originated a substantial majority of its HMDA-reportable loans in its assessment area. In 2005, 94.9% by number and 93.3% by dollar value of the HMDA-reportable loans sampled were originated within the assessment area. In 2006, all of the HMDA-reportable loans sampled were originated by OCTC in its assessment area.

The following table shows the percentages of OCTC's small business and HMDA-reportable loans originated inside and outside of the assessment area.

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Loans in Dollars				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$000	%	\$000	%	
Small Business										
2005	70	98.6	1	1.4	71	12,953	96.3	500	3.7	13,453
2006	66	100.0	0	0.0	66	14,207	100.0	0	0.0	14,207
Subtotal	136	99.3	1	0.7	137	27,160	98.2	500	1.8	27,660
HMDA										
2005	37	94.9	2	5.1	39	3,985	93.3	285	6.7	4,270
2006	38	100.0	0	0.0	38	3,829	100.0	0	0.0	3,829
Subtotal	75	97.4	2	2.6	77	7,814	96.5	285	3.5	8,099
Total	211	98.6	3	1.4	214	34,974	97.8	785	2.2	35,759

- **Geographic Distribution of Loans: “Satisfactory”**

The geographic distribution of OCTC’s loans reflects a reasonable dispersion among census tracts of different income levels.

Small Business

The geographic distribution of small business loans reflects a reasonable dispersion among census tracts of different income levels.

In 2005, OCTC originated 42.8% of its small business loans in LMI geographies. This level of performance compares favorably to the demographics of the assessment area, which shows that 23.3% of all businesses were located in LMI geographies. In 2006, OCTC’s LMI penetration rate in small business lending declined slightly to 37.9%, but remained substantially higher than the 22.7% of businesses that were in LMI census tracts in 2006. However, OCTC did not extend any small business loans in low-income census tracts in 2006, while 7% of the businesses in its assessment area were located in low-income census tracts.

The following chart provides a summary of OCTC’s small business lending distribution during the evaluation period:

Distribution of Small Business Loans by Geographic Income Level*						
Geography Income Level	Bank				Number of Businesses	
	#	%	\$000	%	#	%
Low	1	1.4	142	1.1	1,571	6.3
Moderate	29	41.4	5,153	39.8	4,196	17.0
Middle	31	44.3	6,462	49.9	13,985	56.5
Upper	9	12.9	1,196	9.2	4,995	20.2
Total	70	100.0	12,953	100.0	24,747	100.0
Geography Income Level	Bank				Number of Businesses	
	#	%	\$000	%	#	%
Low	0	0.0	0	0.0	1,865	7.0
Moderate	25	37.9	6,352	44.7	4,166	15.7
Middle	36	54.5	6,904	48.6	15,082	56.9
Upper	5	7.6	951	6.7	5,411	20.4
Total	66	100.0	14,207	100.0	26,524	100.0

*Geography income level is based upon 2000 Census data on median family income figure for the MSA of the mortgaged property. Low-income is defined as <50% of the MSA median, moderate-income is 50% to <80% of the MSA median income, middle-income is 80% to <120%, and upper-income is at least 120%.

HMDA-Reportable Loans

OCTC's geographic distribution of HMDA-reportable loans reflects a marginally reasonable dispersion among census tracts of different income levels.

In 2005, OCTC originated 18.9% of its HMDA-reportable loans in LMI geographies. This level of performance is comparable to the aggregate's LMI penetration rate of 19.3%. Based on dollar value, OCTC outperformed the aggregate, achieving an LMI penetration rate of 21.1% as compared to 14.9% for the aggregate. However, OCTC's performance declined significantly to 5.3% in 2006, while the aggregate's LMI penetration rate for 2006 remained at the 2005 level.

The following chart provides a summary of OCTC's HMDA-reportable lending distribution during the evaluation period:

Distribution of HMDA-reportable Loans by Geographic Income Level*								
Geography Income Level	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
Low	1	2.7	30	0.8	861	4.9	131,945	4.0
Moderate	6	16.2	807	20.3	2,540	14.4	361,921	10.9
Middle	26	70.3	2,558	64.2	10,405	59.1	1,924,397	58.2
Upper	4	10.8	590	14.8	3,804	21.6	888,151	26.9
N/A	0	0.0	0	0.0	6	0.0	882	0.0
Total	37	100.0	3,985	100.0	17,616	100.0	3,307,296	100.0

Geography Income Level	Bank				Aggregate			
	#	%	\$0	%	#	%	\$0	%
Low	0	0.0	0	0.0	762	4.9	131,905	4.6
Moderate	2	5.3	165	4.3	2,188	14.1	319,191	11.1
Middle	29	76.3	3,121	81.5	9,276	59.7	1,671,607	58.3
Upper	7	18.4	543	14.2	3,322	21.4	746,718	26.0
N/A	0	0.0	0	0.0	1	0.0	270	0.0
Total	38	100.0	3,829	100.0	15,549	100.0	2,869,691	100.0

*Geography income level is based upon 2000 Census data on median family income figure for the MSA of the mortgaged property. Low-income is defined as <50% of the MSA median, moderate-income is 50% to <80% of the MSA median income, middle-income is 80% to <120%, and upper-income is at least 120%.

- **Distribution by Borrower Characteristics: “Satisfactory”**

The distribution of OCTC’s loans based on borrower characteristics reflects a reasonable penetration among individuals of different income levels and businesses of different sizes.

Small Business Loans

OCTC’s small business lending distribution based on revenue size reflects a marginally reasonable dispersion among businesses of different revenue sizes.

In 2005, OCTC extended 50.0% of its small business loans to businesses with revenues of \$1 million or under. In 2006, OCTC’s lending to similar-sized businesses increased slightly to 54.5%. In comparison, the demographic data shows that at least 65.9% of all businesses in the assessment area were smaller-sized businesses with annual revenue of \$1 million or less.

The following chart provides a summary of OCTC’s small business lending distribution based on revenue size during the evaluation period:

Distribution of Small Business Loans by Business Revenue Size						
Revenue Size	Bank				Number of Businesses	
	#	%	\$000	%	#	%
\$1million or less	35	50.0	3,739	28.9	16,296	65.9
Over \$1 million	34	48.6	9,164	70.7	1,160	4.7
No Revenue Info	1	1.4	50	0.4	7,291	29.5
Total	70	100.0	12,953	100.0	24,747	100.0
Revenue Size	Bank				Number of Businesses	
	#	%	\$000	%	#	%
\$1million or less	36	54.5	6,127	43.1	17,771	67.0
Over \$1 million	26	39.4	6,865	48.3	1,196	4.5
No Revenue Info	4	6.1	1,215	8.6	7,557	28.5
Total	66	100.0	14,207	100.0	26,524	100.0

HMDA-Reportable Loans

OCTC's HMDA-reportable lending distribution based on borrower characteristics reflects a reasonable penetration among individuals of different income levels.

In 2005, OCTC extended 24.3%, by number, and 23.0%, by dollar value of its HMDA-reportable loans to LMI borrowers as compared to the aggregate's LMI penetration rates of 21.0% and 14.6%, respectively. In 2006, based on number of loans, the percentage of OCTC's lending to LMI borrowers declined to 15.8%, which is slightly below the aggregate's rate of 17.6%. However, based on dollar value, OCTC continued to outperform the aggregate, extending 23.7% of its HMDA-reportable loans to LMI borrowers as compared to 11.8% for the aggregate.

The following chart provides a summary of OCTC's HMDA-reportable lending distribution based on borrower income during the evaluation period:

Distribution of HMDA-reportable Loans by Borrower Income Level*								
Borrower Income Level	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
Low	3	8.1	150	3.8	640	3.6	61,800	1.9
Moderate	6	16.2	766	19.2	3,071	17.4	420,951	12.7
Middle	11	29.7	1,351	33.9	5,628	31.9	957,859	29.0
Upper	15	40.5	1,360	34.1	7,518	42.7	1,711,984	51.8
N/A	2	5.4	358	9.0	759	4.3	154,702	4.7
Total	37	100.0	3,985	100.0	17,616	100.0	3,307,296	100.0

Borrower Income Level	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
Low	1	2.6	100	2.6	501	3.2	45,015	1.6
Moderate	5	13.2	808	21.1	2,243	14.4	293,959	10.2
Middle	9	23.7	466	12.2	4,726	30.4	766,485	26.7
Upper	23	60.5	2,455	64.1	7,443	47.9	1,630,148	56.8
N/A	0	0.0	0	0.0	636	4.1	134,084	4.7
Total	38	100.0	3,829	100.0	15,549	100.0	2,869,691	100.0

* Borrower income level is based upon the Department of Housing and Urban Development's annual estimate of median family income ("MFI") figure for the MSA of the mortgaged property. Low-income is defined as <50% of the MSA MFI, moderate-income is 50% to <80%, middle-income is 80% to <120%, and upper-income is at least 120%.

II. Community Development Test: "Satisfactory"

OCTC's community development performance demonstrates an adequate responsiveness to the community development needs of its assessment area.

Community Development Loans

OCTC has a satisfactory level of community development loans and commitments totaling \$3.0 million, of which \$2.4 million represents new money. The majority of these commitments were extended to various non-profit organizations, which provide community services to LMI individuals in the assessment area. Several of these loan commitments were used for working capital by entities involved in programs that promote economic development.

The following is a brief description of some of OCTC's community development loans during the evaluation period:

- In 2005, OCTC extended to a non-profit corporation a \$1.5 million line of credit for use in the purchase and renovation of group homes and a \$250 thousand line of credit for use as working capital, which was renewed both in 2005 and 2006. The corporation is a provider of independent living facilities for people with disabilities in the assessment area and derives substantially all of its revenue from government agencies, primarily the

New York State Office of Mental Retardation and Developmental Disabilities (“OMRDD”), Medicaid and HUD.

- In 2005 and 2006, OCTC renewed its \$200 thousand commitment to Recap, Inc. a non-profit corporation whose mission is to combat poverty and promote self-sufficiency by providing financial assistance and training to low-income individuals in the community. This credit facility is used by the corporation for its working capital.
- In 2006, OCTC extended a \$60 thousand line of credit for working capital to Downtown Middletown District Management, a business development organization, which was established for the purpose of improving the downtown business climate in the City of Middletown.
- OCTC has an outstanding commitment for \$40 thousand to the New York Business Development Corporation (“NYBDC”). NYBDC, a privately-owned entity created by New York State statute and funded by commercial and savings banks through lines of credit, provide a broad range of financing to small and mid-sized businesses located in New York State.

Qualified Investments

During the evaluation period, OCTC provided grants and donations totaling \$8.7 thousand to various community development organizations in the assessment area. Some of these organizations include: United Way of Orange County, Habitat for Humanity of Greater Middletown and the Hudson Valley Council.

Community Development Services

During the evaluation period, a number of OCTC’s officers provided financial expertise to community development organizations operating in the assessment area. A brief description of their involvement with these organizations is as follows:

- One of OCTC’s senior executives serves as the vice chairman of the Orange County Industrial Development Corporation. He is also a member of the Finance Committee of a retirement home that provides low cost housing to senior citizens.
- An officer of OCTC serves as vice president for Progress Development Corporation, whose mission is to foster economic growth and development.
- Another officer of OCTC is the treasurer of the Middletown Day Nursery Association, Inc., which provides day care to children from low-income families.
- An officer of OCTC serves on the finance committee of the Hospice of Orange and Sullivan Counties while another officer is a member of the fund raising committee of the United Way of Orange County.

- **Action Taken In Response to Written Complaints With Respect to CRA**

Since the latest CRA evaluation as of December 31, 2004, neither OCTC nor the New York State Banking Department has received any written complaints regarding OCTC's CRA performance.

- **Discrimination and other Illegal Practices**

Any practices intended to discourage applications for types of credit set forth in the banking institution's CRA Public File.

Examiners noted no practices that were intended to discourage applications for the types of credit offered by the institution.

Evidence of prohibited discriminatory or other illegal credit practices.

The most recent regulatory compliance and fair lending examinations conducted concurrently with this evaluation indicate satisfactory adherence to anti-discrimination and other applicable laws and regulations. No evidence of prohibited discriminatory or other illegal credit practices was noted.

- **Process Factors**

Activities conducted by the banking institution to ascertain the credit needs of its community, including the extent of the banking institution's efforts to communicate with members of its community regarding the credit services being provided by the banking institution.

OCTC ascertains the credit needs of its local community primarily through its personnel and board of directors' involvement with various community organizations, committees, and non-profit organizations, on a regular basis. A number of OCTC's management staff and employees hold executive positions in various community organizations such as: Orange County Industrial Development Corporation, and United Way of Orange County. Additionally, an officer of OCTC attended a meeting with local town officials to discuss strategies for creating affordable housing. Two other officers attended an economic development meeting the purpose for which was to ensure that Orange County small businesses were aware of the Small Business Administration loan programs available to them through local financial institutions and community groups.

The extent of the banking institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the

banking institution.

In addition to the ongoing active involvement of its officers and employees with the community, OCTC regularly advertises in local cable and newspaper.

The extent of participation by the banking institution's board of directors/trustees in formulating the banking institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.

The board of directors takes an active role in formulating OCTC's CRA policy. Annually, the board reviews and approves the CRA policy and CRA self-assessment of OCTC's performance and effectiveness in meeting the credit needs of its assessment area.

- **Other Factors**

Other factors that in the judgment of the Superintendent and Banking Board bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community.

None.

GLOSSARY

Aggregate

The cumulative lending by all HMDA-reporting lenders in the same geographic area under evaluation.

Community Development

The term “community development” is defined to mean:

1. Affordable housing (including multifamily housing) for low- or moderate-income (“LMI”) individuals;
2. Community services targeted to LMI individuals;
3. Activities that promote economic development by financing business or farms that meet the size eligibility standards of the United States Small Business Administration (“SBA”) Development Company or Small Business Investment Company programs, or have gross annual incomes of \$1 million or less;
4. Activities that revitalize or stabilize LMI geographies; and
5. Activities that seek to prevent defaults and/or foreclosures in loans included in (1) and (3), above.

A “community development loan” is defined as a loan that has as its *primary purpose* community development. This includes but is not limited to loans to:

- Borrowers for affordable housing rehabilitation and construction, including construction and permanent financing for multifamily rental property serving low or moderate income (“LMI”) persons;
- Nonprofit organizations serving primarily LMI or other community development needs;
- Borrowers to construct or rehabilitate community facilities that are located in LMI areas or that primarily serve LMI individuals;
- Financial intermediaries including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds or pools, micro-finance institutions, and low-income or community development credit unions that primarily lend or facilitate lending to promote community development;
- Local, state and tribal governments for community development activities; and
- Borrowers to finance environmental clean up or redevelopment of an industrial site as part of an effort to revitalize the LMI community in which the property is located.

A “qualified investment” is defined as a lawful investment, deposit, membership share or grant that has as its *primary purpose* community development. This includes but is not limited to investments, deposits, membership shares or grants in or to:

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- Financial intermediaries (including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds, micro-finance institutions and low-income or community development credit unions) that primarily lend or facilitate lending in LMI areas or to LMI individuals in order to promote community development;
 - Organizations engaged in affordable housing rehabilitation and construction;
 - Organizations, including, for example, small business investment corporations that promote economic development by financing small businesses;
 - Facilities that promote community development in LMI areas or LMI individuals, such as youth programs, homeless centers, soup kitchens, health care facilities, battered women's centers, and alcohol and drug recovery centers;
 - Projects eligible for low-income housing tax credits;
 - State and municipal obligations, such as revenue bonds that specifically support affordable housing or other community development needs;
 - Organizations serving LMI housing or other community development needs, such as counseling for credit, home ownership, home maintenance, and other financial services education; and
 - Organizations supporting activities essential to the capacity of LMI individuals or geographies to utilize credit to sustain economic development, such as day care operations and job training programs that facilitate access to permanent jobs.

A "community development service" is defined as a service that has as its *primary purpose* community development, is related to the provision of financial services, and has not been considered in the evaluation of the banking institution's retail banking services. This includes but is not limited to:

- Providing technical assistance on financial matters to nonprofit, tribal or government organizations serving LMI housing or economic revitalization and development needs;
- Providing technical assistance on financial matters to small businesses or community development organizations;
- Lending employees to provide financial services for organizations facilitating affordable housing construction and rehabilitation or development of affordable housing;
- Providing credit counseling, home buyers and home maintenance counseling, financial planning or other financial services education to promote community development and affordable housing;
- Establishing school savings programs for LMI individuals;
- Providing seminars for LMI persons on banking and bank account record-keeping;
- Making ATM "Training Machines" available for extended periods at LMI community sites or at community facilities that serve LMI individuals; and
- Technical assistance activities to community development organizations such as:
 - ❖ Serving on a loan review committee;
 - ❖ Developing loan application and underwriting standards;
 - ❖ Developing loan processing systems;

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- ❖ Developing secondary market vehicles or programs;
 - ❖ Assisting in marketing financial services, including the development of advertising and promotions, publications, workshops and conferences;
 - ❖ Furnishing financial services training for staff and management;
 - ❖ Contributing accounting/bookkeeping services; and
 - ❖ Assisting in fund raising, including soliciting or arranging investments.

Home Mortgage Disclosure Act (“HMDA”)

The Home Mortgage Disclosure Act, enacted by Congress in 1975, and subsequently amended, requires institutions to annually report data about applications for residential (including multifamily) financing.

Loans to Small Businesses

Small business loans to businesses with gross annual revenues of \$1 million or less.

Low or Moderate Income (“LMI”) Geographies

Those census tracts or block numbering areas (“BNAs”), where according to the 2000 US Census, the median family income is less than 80% of the area median family income. In the case of tracted areas that are part of a Metropolitan Statistical Area (“MSA”) or Primary Metropolitan Statistical Area (“PMSA”), this would relate to the median family income for the MSA or PMSA in which the tracts are located. In the case of BNAs and tracted areas that are not part of a MSA or PMSA, the area median family income would be the statewide non-metropolitan median family income.

LMI Borrowers

Borrowers whose income, as reported on the loan application which the lender relied upon in making the credit decision, is less than 80% of the area median family income. In the case where the residential property is located in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure borrower income levels are updated annually by the U.S. Department of Housing and Urban Development (“HUD”).

LMI Individuals/Persons

Those individuals, whose income is less than 80% of the area median family income. In the case where the individual resides in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all

instances, the area median family incomes used to measure individual income levels are updated annually by HUD.

LMI Penetration Rate

A number that depicts the percentage of a bank's total loans (for a particular product) that was extended to LMI geographies or borrowers. For example, an LMI penetration rate of 20% would indicate that the bank made 20 out of a total of 100 loans to LMI geographies or borrowers.

Small Business Loans

Loans to businesses with original amounts of \$1 million or less.