



**NEW YORK STATE
DEPARTMENT OF FINANCIAL SERVICES
FINANCIAL FRAUDS AND CONSUMER PROTECTION DIVISION**

One State Street
New York, NY 10004

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: June 30, 2015

Institution: Jeff Bank
4864 Route 52
Jeffersonville, NY 12748

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 Department of Financial Services 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 Jeff Bank (“JB”) prepared by the New York State Department of Financial Services (“DFS” or the “Department”). This evaluation represents the Department’s first assessment of the institution’s CRA performance based on evaluation conducted as of June 30, 2015.

Section 28-b of the New York Banking Law, as amended, requires that when evaluating certain applications, the Superintendent of Financial Services 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 Superintendent implements Section 28-b and further requires that the 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 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 in 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 (“Evaluation”) be made available to the public. Evaluations of banking institutions are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Sections 76.8 through 76.13. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York 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

DFS evaluated Jeff Bank ("JB") according to the intermediate small bank performance criteria pursuant to Part 76.7 and Part 76.12 of the General Regulations of the Superintendent ("GRS"). The assessment period included calendar years 2010 through 2014 for HMDA-reportable and small business lending and September 1, 2009 to June 30, 2015 for community development activities. JB is rated "2," indicating a "Satisfactory" record of helping to meet community credit needs.

The rating is based on the following factors:

Lending Test: "Satisfactory"

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

JB's average loan-to-deposit ("LTD") ratio was reasonable considering its size, business strategy, financial condition and peer group activity. During the evaluation period, JB's average LTD ratio was 72.5%, which was slightly below its peer group's ratio of 77.0%. JB's LTD ratios ranged from high of 79.9% for the third quarter of 2009 and low of 67.6%% for the second quarter of 2013.

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

During the evaluation period, JB originated 88.1% by number and 81.9% by dollar value within the assessment area. This substantial majority of lending inside JB's assessment area was an excellent concentration of lending.

- **Distribution by Borrower Characteristics:** "Satisfactory"

JB's 1-4 family HMDA and small business loans demonstrated a reasonable distribution of loans among individuals of different income levels and businesses of different revenue sizes.

JB's HMDA-reportable rate of lending to LMI borrowers was 17.3% by number and 7.1% by dollar value of loans, while the aggregate's rate of lending was 13.9% and 8.4%, respectively. Furthermore, JB exceeded its aggregate's rate of lending to low-income borrowers every year of the evaluation period. JB's small business rate of lending was 70.8% by number and 59.1% by dollar value of loans, significantly exceeding the aggregate's rate of 41.4% and 38.2%, respectively.

- **Geographic Distribution of Loans:** "Satisfactory"

JB's HMDA-reportable and small business loans originated in census tracts of varying income levels demonstrated a reasonable distribution of lending.

During the evaluation period, JB's rates of lending in moderate-income census tracts of 5.9% by number and 4.6% by dollar value of HMDA-reportable loans trailed the aggregate's rates of 7.1% and 5.9%, respectively.

JB's rate of lending of 12.4% by number and 11.0% by dollar value of small business loans in moderate-income census tracts was well below the aggregate's rate of 18.8% and 16.3%, respectively. Furthermore, while the aggregate's rate of lending was comparable to the business demographics of 25.0% (2012, 2013 and 2014), JB's rate of lending in moderate-income census tracts never exceeded 18.3% (2013).

- **Action Taken in Response to Written Complaints with Respect to CRA:**

Neither DFS nor JB received any CRA-related complaints during the evaluation period.

Community Development Test (Loans, Investments, Services): "Satisfactory"

JB's community development performance demonstrated adequate responsiveness to the community development needs of its assessment area through community development loans, investments and services, considering JB's capacity and the need and availability of such opportunities for community development in its assessment area.

- **Community Development Loans:** "Satisfactory"

During the evaluation period, JB originated \$2.8 million in new community development loans. This demonstrated an adequate level of community development lending over the course of the evaluation period.

- **Community Development Qualified Investments:** "Satisfactory"

During the evaluation period, JB made \$1.9 million in new community development investments and \$72,992 in community development grants. This demonstrated a satisfactory level of community development investments and grants.

- **Community Development Services:** "Satisfactory"

JB demonstrated an adequate level of community development services over the course of the evaluation period.

- **Innovativeness of Community Development Investments:**

JB did not use innovative investments to support community development.

- **Responsiveness to Credit and Community Development Needs:**

JB demonstrated a reasonable level of responsiveness to credit and community development needs.

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

PERFORMANCE CONTEXT

Institution Profile

JB is a community bank headquartered in Sullivan County, New York. Formerly known as The First National Bank of Jeffersonville and chartered in 1913. JB converted to a New York State charter in 2012. JB is the only community bank headquartered in Sullivan County and is a wholly owned subsidiary of Jeffersonville Bancorp, Inc., a publicly traded one bank holding company.

JB offers a variety of deposit, credit and financial products as well as online banking with bill-payment option and debit cards. Deposit products include personal and business accounts, money market accounts, certificate of deposits and individual retirement accounts. Loan products include 1-4 family residential mortgages, home equity lines of credit, commercial mortgages, and commercial and industrial loans.

Per the Consolidated Report of Condition (the "Call Report") as of June 30, 2015, filed with the Federal Deposit Insurance Corporation ("FDIC"), JB reported total assets of \$467.2 million, of which \$268.2 million were net loans and lease finance receivables. It also reported total deposits of \$409.7 million, resulting in an LTD ratio of 65.5%. According to the latest available comparative deposit data as of June 30, 2015, JB obtained a market share of 34.1%, or \$409.7 million in a market of \$1.2 billion, ranking it 1st among 11 deposit-taking institutions in Sullivan County.

The following is a summary of JB's loan portfolio, based on Schedule RC-C of the bank's December 31, 2010, 2011, 2012, 2013, 2014, and June 30, 2015 Call Reports:

TOTAL GROSS LOANS OUTSTANDING												
Loan Type	2010		2011		2012		2013		2014		6/30/2015	
	\$000's	%	\$000's	%	\$000's	%	\$000's	%	\$000's	%	\$000's	%
1-4 Family Res. Mtge.	142,899	50.6	143,413	51.8	138,881	51.6	132,393	48.4	127,857	46.0	122,549	45.0
Commercial & Industrial	25,864	9.2	22,871	8.3	24,124	9.0	27,888	10.2	33,617	12.1	31,031	11.4
Commercial Mortgage	84,245	29.9	69,750	25.2	66,332	24.6	76,855	28.1	80,314	28.9	82,695	30.4
Multifamily Mortgages	8,214	2.9	8,492	3.1	8,151	3.0	7,963	2.9	8,521	3.1	8,747	3.2
Consumer Loans	7,338	2.6	6,216	2.2	5,187	1.9	4,435	1.6	4,197	1.5	3,997	1.5
Agricultural Loans	5,429	1.9	8,142	2.9	8,081	2.9	7,705	2.8	7,389	2.7	7,128	2.6
Construction Loans	7,737	2.7	15,520	5.6	16,074	6.0	14,031	5.1	12,936	4.7	12,063	4.4
Other Loans	420	0.1	2,234	0.8	2,433	0.9	2,532	0.9	2,860	1.0	3,948	1.5
Total Gross Loans	282,146	100.0	276,638	100.0	269,263	100.0	273,802	100.0	277,691	100.0	272,158	100.0

As illustrated in the above table, JB is primarily a residential real estate lender, as 1-4 family residential mortgage loans made up 45.0% of its gross loan portfolio as of June 30, 2015. Still, JB's 1-4 family residential lending steadily declined during the

evaluation period. However, in terms of new originations for the products that were the focus of this CRA evaluation, JB's total HMDA-reportable loans inside the assessment area totaled 337 in number of loans and \$51.9 million in dollar value, while small business loans totaled 607 and \$48.4 million, respectively.

JB operates 12 banking offices all located in in Sullivan County. Supplementing the banking offices is an automated teller machine ("ATM") network consisting of 12 deposit-taking ATMs, one at each office. All ATMs are available 24 hours a day.

Examiners did not find evidence of financial or legal impediments that had an adverse impact on JB's ability to meet the credit needs of its community.

Assessment Area

JB's assessment area is comprised of Sullivan County in its entirety. During the evaluation period, there were changes to the designation of census tracts within JB's assessment area. While the number of census tracts (24) in the assessment area did not change during the evaluation period, the designation of some census tracts changed due to a change from using 2000 U.S. Census data to 2010 U.S. Census data.

The census tract designations in the immediately following table is based on 2010 U.S. Census data, which examiners used to analyze JB's performance in 2012, 2013 and 2014, while the designations in the next table are based on 2000 U.S. Census data, which examiners used to analyze JB's performance in 2010 and 2011.

Assessment Area Census Tracts by Income Level (2010 US Census Data)						
County	Low	Mod	Middle	Upper	Total	LMI %
Sullivan	0	4	12	8	24	16.7
Total	0	4	12	8	24	16.7

Assessment Area Census Tracts by Income Level (2000 US Census Data)						
County	Low	Mod	Middle	Upper	Total	LMI %
Sullivan	0	2	18	4	24	8.3
Total	0	2	18	4	24	8.3

The impact of the change in census tract designations, specifically the increase in moderate-income census tracts from two to four is reflected in the tables for geographic distribution of HMDA-reportable and small business loans found in section 4 (Performance Standards and Assessment Factors) of this report. In the table for HMDA-reportable loans the percent of owner-occupied housing units (column OO HUs) in moderate-income tracts increased from 4.8% for 2010 and 2011 to 12.5% for

2012, 2013 and 2014. In the table for small business loans the percent of small businesses (column business demographics) in moderate-income tracts increased from 5.7% to 25.4% for the same time periods. DFS used the housing and business demographics in the evaluation to compare JB's performance in the geographic distribution of loans criteria.

In addition, Sullivan County is only one of five counties in the nation designated by United States Department of Agriculture ("USDA") as a Rural Economic Area Partnership Program ("REAP") Zone. USDA designated these counties because of their many rural areas that have geographic and economic challenges, including geographic isolation of communities separated by long distances. The REAP Initiative was established to address critical issues related to constraints in economic activity and growth, low density settlement patterns, stagnant or declining employment, and isolation that has led to disconnection from markets, suppliers, and centers of information and finance which is characteristic of Sullivan County.

The changes in census tract income level, the high level of vacant housing, the high percentage of LMI individuals, the high percentage of households living in poverty and the acknowledgement by USDA that Sullivan County is one of five REAP Zones in the nation together meant that JB faced a challenging lending environment in its assessment area.

Demographic (based on 2010 U.S. Census Data) & Economic Data

The assessment area had a population of 77,547 during the examination period. About 14.3% of the population were over the age of 65, and 19.6% were under the age of sixteen.

Of the 19,797 families in the assessment area 21.5% were low-income, 16.7% were moderate-income, 18.4% were middle-income and 43.4% were upper-income families. There were 29,722 households in the assessment area, of which 14.1% had income below the poverty level and 2.5% were on public assistance.

The weighted average median family income in the assessment area was \$58,669.

There were 48,675 housing units within the assessment area, of which 81.5% were one-to-four family units, and 7.5% were multifamily units. A majority (41.2%) of the area's housing units were owner-occupied, while 19.8% were rental units and 38.9% of the housing units were vacant. Of the 20,073 owner-occupied housing units, 12.5% were in low- and moderate-income census tracts, while 87.5% were in middle- and upper-income census tracts. The median age of the housing stock was 46 years, and the median home value in the assessment area was \$184,849.

There were 4,445 non-farm businesses in the assessment area. Of these, 73.0% were businesses with reported revenues of less than or equal to \$1.0 million, 4.1% reported

revenues of more than \$1.0 million and 22.9% did not report their revenues. Of all the businesses in the assessment area, 82.4% were businesses with less than fifty employees, and 90.2% operated from a single location. The largest industries in the area were services (40.9%), followed by retail trade (14.1%) and construction (10.6%), while 9.4% of businesses in the assessment area were not classified.

According to the New York State Department of Labor, the average unemployment rate for New York State during the examination period was 7.9%. As shown in the table below, the unemployment rate of Sullivan County was higher than the New York State unemployment rate every year of the examination period. Sullivan County's unemployment rate peaked in 2012 at 9.1% and declined to 6.7% for 2014 but continued to remain above the State's rate of 6.3%.

Assessment Area Unemployment Rate		
	New York State	Sullivan
2010	8.6%	8.9%
2011	8.3%	8.9%
2012	8.5%	9.1%
2013	7.7%	8.2%
2014	6.3%	6.7%
Average	7.9%	8.4%

Community Information

Examiners interviewed the CEO/president of a local chamber of commerce that assists and supports members of the local business community and promotes economic development in Sullivan County. Examiners also interviewed a county government official whose division looks for the orderly development of the physical infrastructure in Sullivan County, giving consideration to environmental issues and land use policies.

Both interviewees noted a general improvement in economic conditions since the recession of 2007; however, they also noted that Sullivan County has struggled with high unemployment and poverty rates, drug problems, a high percentage of vacant housing units and seasonal surges in population. One interviewee noted that Sullivan County is one of only five counties in the country designated as a REAP Zone and thus is eligible for federal funding from the USDA (discussed further in Section 4 of this report). The other interviewee noted problems associated with land speculation by developers and the reluctance of new start-up businesses to put up seed money to begin operations. Both interviewees referred to a new development project, which includes an 18-story casino, a high-end hotel and an entertainment complex. They noted the need for ancillary housing and businesses to support the construction effort. These challenges and opportunities highlight the credit and financing needs of the

community which together emphasize economic development and revitalization and stabilization.

JB received positive feedback from both interviewees as to its role in helping to meet the credit needs of the communities in Sullivan County. They noted that JB's management actively participates in community discussions and provides lending and financing to local businesses and individuals. Furthermore, bank management provides financial expertise to various community and civic organizations, serving as members on their boards and committees.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

DFS evaluated JB under the intermediate small bank performance standards in accordance with Parts 76.7 and 76.12 of the General Regulations of the Superintendent, which consist of the lending test and the community development test.

The lending test includes:

- 1. Loan-to-deposit ratio and other lending-related activities;*
- 2. Assessment area concentration;*
- 3. Distribution by borrower characteristics;*
- 4. Geographic distribution of loans; and*
- 5. Action taken in response to written complaints regarding CRA*

The community development test includes:

- 1. Community development lending;*
- 2. Community development investments;*
- 3. Community development services; and*
- 4. Responsiveness to community development needs*

DFS also considered the following factors in assessing the bank's record of performance:

- 1. The extent of participation by the board of directors or board of trustees in formulating CRA policies and reviewing CRA performance;*
- 2. Any practices intended to discourage credit applications;*
- 3. Evidence of prohibited discriminatory or other illegal credit practices;*
- 4. Record of opening and closing offices and providing services at offices; and*
- 5. Process factors, such as activities to ascertain credit needs and the extent of marketing and special credit related programs*

DFS derived statistics employed in this evaluation from various sources. JB submitted bank-specific information both as part of the examination process and on its Call Report submitted to the FDIC. Aggregate lending data were obtained from the Federal Financial Institutions Examination Council ("FFIEC") and deposit data were obtained from the FDIC. DFS calculated loan-to-deposit ("LTD") ratios from information shown in the Bank's Uniform Bank Performance Report as submitted to the FDIC.

DFS sourced the demographic data from the 2000 and 2010 U.S. Census and the FFIEC. DFS based business data on Dun & Bradstreet ("DB") reports, which DB updates annually. DFS obtained unemployment data from the New York State Department of Labor.

The evaluation period for HMDA-reportable and small business lending data included calendar years 2010, 2011, 2012, 2013, and 2014. The evaluation period for community development activities encompassed the period from September 1, 2009 to June 30, 2015.

Examiners considered JB's small business and HMDA-reportable data in evaluating factors (2), (3) and (4) of the lending test noted above.

JB's total HMDA-reportable lending in terms of dollar volume was slightly higher (51.7%) than small business lending (48.3%) during the evaluation; however, in terms of number of loans, JB's small business lending totaled 64.2% compared to 35.9% for total HMDA-reportable lending.

JB formerly a nationally chartered bank was evaluated for CRA performance by the Office of the Comptroller of the Currency. JB converted to a New York State charter in 2012; as a result, this is DFS's first CRA evaluation of the bank.

Current CRA Rating: "Satisfactory"

Lending Test: "Satisfactory"

JB's HMDA-reportable and small business lending activities were reasonable considering aggregate and peer group activity and the demographic characteristics of its assessment area.

Examiners also considered the following factors in their evaluation: changes in census tracts income designation, changes in the demographic data; the high level of vacant housing, the high percentage of LMI individuals; the high percentage of households living in poverty, the rural nature of the area, and the USDA's designation of the assessment area as one of five REAP Zones in the nation. These factors created a challenging lending environment for JB in its assessment area.

While the economic and lending environment were challenging, JB if it were a reporting institution¹ would have ranked second in the Peer Mortgage Institutional Market Share report every year of the evaluation period, and second in the Peer Small Business Institutional Market Share report for years 2010, 2012, and 2013 (third in 2011 and 2014) for Sullivan County (the assessment area). These levels of lending provide support that JB met the credit needs of its assessment area during the evaluation period.

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

JB's average LTD ratio was reasonable considering its size, business strategy, financial condition and peer group activity. JB's average LTD ratio during the evaluation period of 72.5% was below its peer group's average of 77.0%. JB and its peer group recorded their highest quarterly LTD ratio of 79.9% and 84.8%, respectively, for the first quarter of the evaluation period. JB recorded its lowest quarterly LTD ratio of 67.6% for the second quarter of 2013 while its peer group's lowest quarterly LTD ratio of 73.2% was recorded for the first quarter of 2013.

¹ JB does not have any branch or main office located in a metropolitan statistical area ("MSA"), therefore, is exempt from reporting its HMDA-reportable lending data; JB collects its lending data for monitoring and for CRA purposes.

The tables below show JB's LTD ratios in comparison with its peer group's ratios for the 22 quarters since the prior evaluation.

Loan-to-Deposit Ratios										
	2009 Q3	2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Q4
Bank	79.9%	78.2%	72.4%	75.1%	74.1%	79.2%	73.1%	73.0%	73.4%	75.6%
Peer	84.8%	82.6%	80.9%	80.4%	79.7%	78.8%	76.5%	76.6%	75.9%	75.1%

Loan-to-Deposit Ratios													
	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2014 Q1	2014 Q2	2014 Q3	2014 Q4	Avg.
Bank	70.0%	68.5%	71.3%	73.6%	69.3%	67.6%	69.6%	72.1%	68.0%	68.8%	70.1%	72.2%	72.5%
Peer	73.3%	74.3%	74.5%	73.9%	73.2%	74.8%	75.1%	75.8%	74.8%	77.0%	77.6%	78.3%	77.0%

Assessment Area Concentration: "Outstanding"

During the evaluation period, JB originated 88.1% by number and 81.9% by dollar value of HMDA-reportable and small business loans within the assessment area. This substantial majority of lending inside of its assessment area reflected an excellent concentration of lending within the assessment area.

HMDA-Reportable Loans:

During the evaluation period, for HMDA-reportable lending, JB originated 86.0% by number and 86.5% by dollar value of its loans within the assessment area. This substantial majority reflected an excellent concentration of lending by JB within the assessment area.

Small Business Loans:

JB originated 89.4% by number and 77.6% by dollar value of its loans within the assessment area. This majority of lending inside of JB's assessment area reflected a reasonable concentration of small business lending.

The following table shows the percentages of the JB's HMDA-reportable and small business 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 (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
HMDA-Reportable										
2010	78	91.8%	7	8.2%	85	10,329	90.1%	1,138	9.9%	11,467
2011	68	81.0%	16	19.0%	84	11,015	81.3%	2,541	18.7%	13,556
2012	61	89.7%	7	10.3%	68	10,358	88.6%	1,331	11.4%	11,689
2013	61	87.1%	9	12.9%	70	11,572	88.4%	1,522	11.6%	13,094
2014	69	81.2%	16	18.8%	85	8,617	84.4%	1,587	15.6%	10,204
Subtotal	337	86.0%	55	14.0%	392	51,891	86.5%	8,119	13.5%	60,010
Small Business										
2010	148	90.8%	15	9.2%	163	12,075	86.3%	1,913	13.7%	13,988
2011	111	92.5%	9	7.5%	120	9,910	91.1%	972	8.9%	10,882
2012	115	87.8%	16	12.2%	131	6,922	70.6%	2,885	29.4%	9,808
2013	109	87.2%	16	12.8%	125	8,714	77.7%	2,508	22.3%	11,222
2014	124	88.6%	16	11.4%	140	10,801	65.4%	5,708	34.6%	16,509
Subtotal	607	89.4%	72	10.6%	679	48,422	77.6%	13,986	22.4%	62,409
Grand Total	944	88.1%	127	11.9%	1,071	100,313	81.9%	22,105	18.1%	122,419

Distribution by Borrower Characteristics: "Satisfactory"

JB's 1-4 family HMDA and small business loans demonstrated a reasonable distribution of loans among individuals of different income levels and businesses of different revenue sizes.

HMDA-Reportable Loans:

JB's 1-4 family HMDA lending demonstrated a reasonable distribution of loans among borrowers of different income levels.

During the evaluation period, JB's average rate of lending to LMI borrowers was 17.3% by number and 7.1% by dollar value of loans, while the aggregate's average rate was 13.9% and 8.4% respectively. While JB lagged the aggregate's rate of lending to moderate-income borrowers for four out of the six years of the evaluation period, its rate of lending to low-income borrowers exceeded the aggregate's rate every year of the evaluation period.

The following table provides a summary of the distribution of JB's 1-4 family HMDA loans by borrower income.

Distribution of 1-4 Family Loans by Borrower Income									
2010									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	2	3.0%	70	0.7%	12	1.7%	659	0.6%	20.4%
Moderate	11	16.7%	809	8.5%	85	11.8%	8,585	7.8%	16.6%
LMI	13	19.7%	879	9.2%	97	13.5%	9,244	8.4%	37.0%
Middle	17	25.8%	1,474	15.4%	149	20.7%	18,269	16.6%	20.3%
Upper	36	54.5%	7,209	75.4%	458	63.5%	80,191	73.0%	42.7%
Unknown	0	0.0%	0	0.0%	17	2.4%	2,139	1.9%	0.0%
Total	66		9,562		721		109,843		
2011									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	4	6.8%	206	2.0%	21	3.1%	1,276	1.3%	20.4%
Moderate	2	3.4%	110	1.1%	88	13.0%	8,065	7.9%	16.6%
LMI	6	10.2%	316	3.0%	109	16.1%	9,341	9.2%	37.0%
Middle	12	20.3%	1,398	13.4%	143	21.1%	18,354	18.1%	20.3%
Upper	41	69.5%	8,748	83.6%	401	59.1%	69,732	68.7%	42.7%
Unknown	0	0.0%	0	0.0%	26	3.8%	4,105	4.0%	0.0%
Total	59		10,462		679		101,532		
2012									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	3	5.1%	180	1.8%	20	2.7%	1,374	1.2%	21.5%
Moderate	9	15.3%	698	6.8%	81	10.8%	8,179	7.2%	16.7%
LMI	12	20.3%	878	8.5%	101	13.4%	9,553	8.4%	38.1%
Middle	7	11.9%	556	5.4%	164	21.8%	20,049	17.6%	18.4%
Upper	40	67.8%	8,840	86.0%	454	60.5%	78,454	69.0%	43.5%
Unknown	0	0.0%	0	0.0%	32	4.3%	5,594	4.9%	0.0%
Total	59		10,274		751		113,650		
2013									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	6	10.7%	475	4.2%	27	3.2%	2,033	1.6%	21.5%
Moderate	5	8.9%	472	4.2%	89	10.6%	8,107	6.2%	16.7%
LMI	11	19.6%	947	8.4%	116	13.8%	10,140	7.7%	38.1%
Middle	12	21.4%	1,162	10.3%	187	22.2%	22,892	17.5%	18.4%
Upper	33	58.9%	9,134	81.2%	504	59.9%	91,321	69.7%	43.5%
Unknown	0	0.0%	0	0.0%	35	4.2%	6,631	5.1%	0.0%
Total	56		11,243		842		130,984		
2014									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	4	7.4%	212	2.8%	13	2.3%	1,117	1.4%	21.5%
Moderate	5	9.3%	253	3.3%	58	10.5%	5,921	7.3%	16.7%
LMI	9	16.7%	465	6.1%	71	12.8%	7,038	8.7%	38.2%
Middle	13	24.1%	1,051	13.7%	127	22.9%	14,819	18.2%	18.4%
Upper	31	57.4%	5,859	76.3%	340	61.3%	56,960	70.0%	43.4%
Unknown	1	1.9%	300	3.9%	17	3.1%	2,545	3.1%	0.0%
Total	54		7,675		555		81,362		
GRAND TOTAL									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	19	6.5%	1,143	2.3%		2.6%		1.2%	
Moderate	32	10.9%	2,342	4.8%		11.3%		7.2%	
LMI	51	17.3%	3,485	7.1%		13.9%		8.4%	
Middle	61	20.7%	5,641	11.5%		21.7%		17.6%	
Upper	181	61.6%	39,790	80.8%		60.8%		70.1%	
Unknown	1	0.3%	300	0.6%		3.6%		3.9%	
Total	294		49,216		3,548		537,371		

Small Business Loans:

JB's small business lending demonstrated an excellent distribution of loans among businesses of different revenue sizes.

JB's rate of lending to businesses with gross annual revenue of \$1.0 million or less significantly exceeded the aggregate's rate of lending every year of the evaluation period. JB's average rates of lending were 70.8% by number and 59.1% by dollar value of loans while the aggregate's rates were 41.4% and 38.2%, respectively. JB's highest rates of lending of 77.5% by number and 67.9% by dollar value of loans, which it achieved in 2011, compared favorably to the business demographics of 68% (the percentage of businesses in the assessment area with revenues of \$1 million or less) for the assessment area.

The following table provides a summary of the distribution of JB's small business loans by revenue size of the business.

Distribution of Small Business Lending by Revenue Size of Business									
2010									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	106	72.1%	6,525	54.1%	230	32.5%	7,527	46.2%	75.3%
Rev. > \$1MM	14	9.5%	3,874	32.1%					3.9%
Rev. Unknown	27	18.4%	1,653	13.7%					20.8%
Total	147	100%	12,052	100%	708		16,309		100.0%
2011									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	86	77.5%	6,726	67.9%	307	39.0%	6,093	37.7%	68.0%
Rev. > \$1MM	15	13.5%	2,761	27.9%					2.9%
Rev. Unknown	10	9.0%	424	4.3%					29.1%
Total	111	100%	9,911	100%	788		16,178		100.0%
2012									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	82	71.3%	4,520	65.3%	367	42.5%	6,725	40.2%	72.6%
Rev. > \$1MM	19	16.5%	1,756	25.4%					3.5%
Rev. Unknown	14	12.2%	646	9.3%					23.9%
Total	115	100%	6,922	100%	863		16,711		100.0%
2013									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	81	74.3%	5,320	61.0%	403	48.7%	5,614	42.2%	73.3%
Rev. > \$1MM	15	13.8%	2,718	31.2%					3.7%
Rev. Unknown	13	11.9%	679	7.8%					23.0%
Total	109	100%	8,717	100%	827		13,288		100.0%
2014									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	74	59.7%	5,508	51.0%	393	42.7%	4,812	26.7%	71.4%
Rev. > \$1MM	35	28.2%	4,639	42.9%					6.0%
Rev. Unknown	15	12.1%	654	6.1%					22.6%
Total	124		10,801		920		18,049		100.0%
GRAND TOTAL									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	429	70.8%	28,599	59.1%	1,700	41.4%	30,771	38.2%	
Rev. > \$1MM	98	16.2%	15,748	32.5%					
Rev. Unknown	79	13.0%	4,056	8.4%					
Total	606		48,403		4,106		80,535		

Geographic Distribution of Loans: "Satisfactory"

JB's HMDA-reportable and small business loans originated in census tracts of varying income levels demonstrated a reasonable distribution of lending.

JB's assessment area contained no low-income census tracts during the evaluation period. The number of moderate-income census tracts changed from two to four due to the transition from 2000 Census data (for 2010 and 2011) to 2010 Census data (for 2012 to 2014). These changed from middle-income census tracts to moderate-income tracts. Thus, the percent of owner occupied housing units located in moderate-income census tracts increased from 4.8% before the change to 12.5% after the change, and this is reflected in the geographic distribution of HMDA-reportable loans table below. In addition, the percent of small businesses located in moderate-income census tracts increased from

approximately 6% to 25% from 2011 to 2012, and this is reflected in the distribution of small business loans table below.

HMDA-Reportable Loans:

JB's distribution of HMDA-reportable loans by income level of the geography was reasonable.

JB's rate of lending in moderate-income census tracts of 5.9% by number and 4.6% by dollar value of loans during the evaluation period trailed the aggregate's rate of 7.1% and 5.9%, respectively. JB's rates of lending in moderate-income tracts fluctuated more than the aggregate's rates during the evaluation period. The aggregate's rates of lending in moderate-income census tracts increased simultaneous with the increase in moderate-income census tracts in the assessment area in 2012, while JB's rate of lending improved more slowly. By the last year of the evaluation period (2014) JB's rate of lending was comparable to the aggregate's rate.

JB's rate of lending by number of loans ranged from a low of 2.6% to a high of 8.8%, while the aggregate's rate ranged between 4.0% to 8.7%, respectively. JB's rate of lending by dollar value fluctuated even more as it ranged from a low of 1.3% to a high of 8.7%, while the aggregate's rates ranged from 3.1% to 8.9%.

The following table provides a summary of the distribution of JB's HMDA-reportable lending by the income level of the geography.

Distribution of HMDA-Reportable Lending by Geographic Income of the Census Tract									
2010									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	2	2.6%	137	1.3%	31	4.1%	5,380	4.8%	4.8%
LMI	2	2.6%	137	1.3%	31	4.1%	5,380	4.8%	4.8%
Middle	70	89.7%	9,305	90.1%	474	63.0%	66,078	59.1%	68.5%
Upper	6	7.7%	887	8.6%	247	32.8%	40,297	36.1%	26.7%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	78		10,329		752		111,755		
2011									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	6	8.8%	765	6.9%	28	4.0%	3,173	3.1%	4.8%
LMI	6	8.8%	765	6.9%	28	4.0%	3,173	3.1%	4.8%
Middle	47	69.1%	7,053	64.0%	473	67.7%	67,796	66.0%	68.5%
Upper	15	22.1%	3,197	29.0%	198	28.3%	31,707	30.9%	26.7%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	68		11,015		699		102,676		
2012									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	3	4.9%	466	4.5%	74	9.5%	7,456	6.4%	12.5%
LMI	3	4.9%	466	4.5%	74	9.5%	7,456	6.4%	12.5%
Middle	36	59.0%	6,087	58.8%	403	52.0%	61,463	52.8%	50.7%
Upper	22	36.1%	3,805	36.7%	298	38.5%	47,478	40.8%	36.9%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	61		10,358		775		116,397		
2013									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	4	6.6%	278	2.4%	83	9.6%	12,402	8.9%	12.5%
LMI	4	6.6%	278	2.4%	83	9.6%	12,402	8.9%	12.5%
Middle	36	59.0%	6,864	59.3%	462	53.6%	77,172	55.2%	50.7%
Upper	21	34.4%	4,430	38.3%	317	36.8%	50,223	35.9%	36.9%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	61		11,572		862		139,797		
2014									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	5	7.2%	749	8.7%	44	7.7%	4,278	5.2%	12.5%
LMI	5	7.2%	749	8.7%	44	7.7%	4,278	5.2%	12.5%
Middle	42	60.9%	5,353	62.1%	328	57.1%	50,016	60.2%	50.7%
Upper	22	31.9%	2,515	29.2%	202	35.2%	28,768	34.6%	36.9%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	69		8,617		574		83,062		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	20	5.9%	2,395	4.6%	71	7.1%	7,456	5.9%	12.5%
LMI	20	5.9%	2,395	4.6%	71	7.1%	7,456	5.9%	12.5%
Middle	231	68.5%	34,662	66.8%	1,403	58.4%	167,796	58.3%	50.7%
Upper	86	25.5%	14,834	28.6%	1,015	34.5%	147,478	35.8%	36.9%
Unknown	0	0.0%	-	0.0%	0	0.0%	0	0.0%	0.0%
Total	337		51,891		3,662		553,687		

Geographic Distribution of Small Business Loans:

JB's distribution of small business loans by the income level of the geography where the business was located was poor.

JB's rate of lending of 12.4% by number and 11.0% by dollar value in moderate-income census tracts was well below the aggregate's rate of 18.8% and 16.3%, respectively. While JB's rate of lending exceeded the aggregate's rate in 2010 and was comparable in 2011, starting in 2012 when the number of moderate-income census tracts increased from two to four, the aggregate's rate of lending in moderate-income census tracts significantly outperformed JB's rate of lending. Furthermore, while the aggregate's rate of lending was comparable to the business demographics of 25.0% (2012, 2013 and 2014) JB's rate of lending in moderate-income census tracts never exceeded 18.3% (2013).

The following table provides a summary of JB's small business lending distribution based on the income level of the geography.

Distribution of Small Business Lending by Geographic Income of the Census Tract									
2010									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	11	7.4%	1,258	10.4%	30	4.2%	372	2.3%	6.1%
LMI	11	7.4%	1,258	10.4%	30	4.2%	372	2.3%	6.1%
Middle	107	72.3%	9,429	78.1%	480	67.8%	13,557	83.1%	73.0%
Upper	30	20.3%	1,388	11.5%	198	28.0%	2,380	14.6%	20.9%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	148		12,075		708		16,309		
2011									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	9	8.1%	608	6.1%	37	4.7%	1,517	9.4%	5.7%
LMI	9	8.1%	608	6.1%	37	4.7%	1,517	9.4%	5.7%
Middle	78	70.3%	7,571	76.4%	546	69.3%	12,392	76.6%	72.5%
Upper	24	21.6%	1,731	17.5%	205	26.0%	2,269	14.0%	21.8%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	111		9,910		788		16,178		
2012									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	19	16.5%	1,044	15.1%	212	24.6%	4,346	26.0%	25.4%
LMI	19	16.5%	1,044	15.1%	212	24.6%	4,346	26.0%	25.4%
Middle	69	60.0%	3,187	46.0%	387	44.8%	8,917	53.4%	47.2%
Upper	27	23.5%	2,692	38.9%	264	30.6%	3,448	20.6%	27.4%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	115		6,922		863		16,711		
2013									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	20	18.3%	1,335	15.3%	216	26.1%	3,270	24.6%	25.4%
LMI	20	18.3%	1,335	15.3%	216	26.1%	3,270	24.6%	25.4%
Middle	52	47.7%	3,864	44.3%	388	46.9%	5,579	42.0%	47.3%
Upper	37	33.9%	3,515	40.3%	223	27.0%	4,439	33.4%	27.3%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	109		8,714		827		13,288		
2014									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	16	12.9%	1,061	9.8%	277	30.1%	3,595	19.9%	25.0%
LMI	16	12.9%	1,061	9.8%	277	30.1%	3,595	19.9%	25.0%
Middle	73	58.9%	5,140	47.6%	408	44.3%	10,514	58.3%	47.7%
Upper	35	28.2%	4,600	42.6%	235	25.5%	3,940	21.8%	27.3%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	124		10,801		920		18,049		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	75	12.4%	5,306	11.0%	772	18.8%	13,100	16.3%	
LMI	75	12.4%	5,306	11.0%		18.8%		16.3%	
Middle	379	62.4%	29,191	60.3%	2,209	53.8%	50,959	63.3%	
Upper	153	25.2%	13,926	28.8%	1,125	27.4%	16,476	20.5%	
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
Total	607		48,422		4,106		80,535		

Action Taken in Response to Written Complaints with Respect to CRA: “Satisfactory”

Neither DFS nor JB received any CRA related complaints during the evaluation period.

Community Development Test: “Satisfactory”

JB’s community development performance demonstrated adequate responsiveness to the community development needs of its assessment area through community development loans, investments and services, considering JB’s capacity, and the need for and availability of opportunities for community development in its assessment area.

During the evaluation period, JB originated \$2.8 million in new community development loans. Also, during the evaluation period, JB made \$1.9 million in new community development investments and made \$72,992 in community development grants.

Community Development Lending: “Satisfactory”

JB originated \$2.8 million in new community development loans during the evaluation period. This demonstrated an adequate level of community development lending. Most of community development loans originated by JB were for community services (87.5%), while the remaining loans were for economic development (12.5%). The table below shows the distribution by number and dollar value of JB’s community development loans by activity.

Community Development Loans		
Purpose	# of Loans	\$000
Community Services	48	2,491
Economic Development	5	355
Total	53	2,846

Below are highlights of JB’s community development loans:

- JB extended 19 low-interest loans totaling \$117,949 to low-income working individuals as a part of the “Wheels for Work” program. The program assists low-income individuals with the purchase of a vehicle, the cost of repairs for their car or with the cost of car insurance. This enables low-income individuals to transition from welfare to work and self-sufficiency. The program is administered through the Sullivan County government and is federally funded.
- JB made three loans totaling \$1.5 million to a nonprofit organization located in a moderate-income census tract in Sullivan County, NY. The proceeds of the loans were used to purchase specially designed vehicles, several wheel chair conversion

kits and other equipment for people with mental or physical developmental and other disabilities. The organization provides services that include a sheltered workshop (a supervised workplace for physically or mentally handicapped adults), day treatment, transportation, family support and supportive housing. The organization receives revenues (primarily Medicaid) for providing these services to qualified individuals. The organization also provides Medicaid service coordination assistance to individuals and families who have no other support. The agency also has a job program that trains people with disabilities to be productive and to be self-sufficient. In 2014, it employed 80 people at 26 locations throughout Sullivan County.

- JB extended 25 loans totaling \$355,115 to a local transportation company to fund the purchase of vehicles. The company provides non-emergency medical transportation services, and a substantial majority of its clients that utilize this service are Medicaid recipients.

In addition to the community development loan activity above, JB also extended the following qualified community development loans benefiting the region and neighboring counties during the evaluation period:

- JB originated six loans totaling \$383,493 to a Health Center that has a group of medical facilities located in Rockland and Sullivan counties. The health center also has mobile units that serves Sullivan, Ulster, Orange and Rockland counties. A substantial majority of the health center patients are Medicaid recipients.

Community Development Investments: "Satisfactory"

During the evaluation period, JB made \$1.9 million in new community development investments and \$72,992 in community development grants. This demonstrated an adequate level of community development investments over the course of the evaluation period.

Due to limited opportunities in Sullivan County, all of JB's community development investments were in municipal bonds. The bonds were issued by a local village and a local town both located in moderate-income census tracts within the assessment area. The funds were used for various municipal projects with primary community development purpose of revitalization and stabilization of moderate-income census tracts. In addition, JB made 61 grants to nonprofit organizations, of which the majority were for community service.

Community Development Investments and Grants		
This Evaluation Period		
CD Investments	# of Inv.	\$000
Revitalize and Stabilize	6	\$ 1,941
Total	6	\$ 1,941
CD Grants	# of Grants	\$000
Affordable Housing	2	\$ 0.2
Economic Development	8	\$ 5
Community Services	51	\$ 68
Revitalize and Stabilize		
Total	61	\$ 73

Below are highlights of JB's community development investments:

- JB invested in four bonds totaling \$1.3 million. The bonds were issued by a local village in the assessment area. According to the U.S. Census Bureau, the village's poverty rate in 2014 was 38.0%, while its tract median family income was 70.2% of the non-MSA/MD median family income. The funds were used to improve the village's water and sewer system.
- JB invested a total of \$650,000 in two bonds issued by a town located in a moderate-income census tract in the assessment area. The tract median family income was 78.9% of the non-MSA/MD median family income in JB's assessment area. The bonds supported improvements to the town's highway and water system.

In addition to the community development investment activity above, JB also made the following qualified community development investments benefiting the region and neighboring counties during the evaluation period:

- JB made eight investments totaling \$993,356. Four of the investments were made in a city in Orange County outside of JB's assessment. The proceeds were used for essential public needs and safety. The other four investments were made to a community preservation corporation with a mission to provide affordable housing throughout the region and transform underserved neighborhoods into thriving vibrant communities.

Below are highlights of JB's community development grants:

- JB donated a total of \$46,750 to a nonprofit organization whose mission is to provide safe and secure living environments to elderly low- and moderate-income individuals.
- JB donated \$1,250 to a nonprofit organization that operates the only soup kitchen

in Sullivan County. The soup kitchen provides breakfast and lunch five days a week to local residents. In 2013, the soup kitchen served 38,000 hot meals and another 44,000 take-home meals through its breakfast and lunch programs. It also operates a food pantry that is open twice a month offering canned food, cereal, juice, pasta and other food items.

- JB made four grants totaling \$3,430 to a county-wide partnership whose mission is to promote and coordinate economic development within the county. The partnership utilizes a variety of conventional and specialty financing mechanisms, including a small business loan program and an incubator loan program that provide financing and technical assistance to new and expanding businesses.

Community Development Services: "Satisfactory"

JB demonstrated an adequate level of community development services over the course of the evaluation period.

During the evaluation period, 15 bank officers, members of senior and executive management and five members of the board lent their financial expertise by serving on the board and committees of nonprofit organizations, local government agencies, and local business groups in the assessment area. These organizations provide community services and focus on economic development through job creation, financial literacy, and agricultural protection benefiting small businesses, LMI individuals and moderate-income census tract geographies.

Below are highlights of JB's community development services.

- A JB board member is vice chairman of a local industrial development agency that promotes economic welfare and economic development, including working to fight unemployment and economic deterioration in Sullivan County.
- A director of JB is the chairman of the board and the president of JB is a committee member of an economic development partnership in Sullivan County. The partnership's mission is to coordinate and promote economic development by private businesses in the county.
- JB's CRA officer and chief lending officer is a member of the county government's agricultural revolving fund and a member of REAP. She is also involved in various other agriculture and farming organizations. As treasurer, committee and/or board member of these organization she provides financial expertise. The agricultural revolving funds provide seed capital and early stage loans with below-market rates and special consideration given to businesses owned and operated by low- and moderate-income individuals.

Innovativeness of Community Development Investments:

JB did not use innovative investments to support community development.

Responsiveness to Community Development Needs:

JB demonstrated an adequate level of responsiveness to credit and community development needs. JB adequately addressed the community development investment opportunities in the assessment area through investments in local town and village municipal bonds that supported capital improvements and infrastructures in moderate-income census tracts. In addition, JB participated in county government initiatives, like the low-interest automobile loans for low-income individuals. Additionally, JB's community development services covered diverse organizations to meet the needs of the assessment area from supporting, promoting, assisting and funding small businesses to LMI literacy programs at nursing homes to funding agricultural and farmland LMI owners in the county.

Additional Factors

The extent of participation by the banking institution's Board of Directors or Board of Trustees in formulating the banking institution's policies and reviewing its performance with respect to the purposes of the CRA.

JB's CRA committee comprised of the president, chief financial officer, chief lending officer (CRA officer), compliance officer, loan support officer and marketing director meets quarterly to discuss and review CRA activities. The committee provides periodic reports to the board of directors. The board of directors annually reviews and approves JB's CRA policy.

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.*

DFS examiners did not note any practices that were intended to discourage applications for the types of credit JB offered.

- *Evidence of prohibited discriminatory or other illegal credit practices.*

DFS examiners did not note evidence of prohibited discriminatory or other illegal practices.

Record of opening and closing offices and providing services at offices

JB operates 12 branches throughout Sullivan County. Two of JB's branches are in moderate-income census tracts, both located in the Village of Monticello which is the county seat of Sullivan County. In 2010, JB opened two branches, the Bloomingburg branch located in an upper-income census tract and the White Lake branch located in a middle-income census tract.

Of the 12 branches, six are located in rural communities providing full banking services where banking and financial services are essential. The nearest other banks are miles away or as for two of these communities the nearest bank is in the neighboring State of Pennsylvania.

JB offers branch hours from 8:30 AM to 5:00 PM on weekdays and from 9:00AM to 12:00 noon on Saturday. All branches have at least one deposit-taking ATM and drive-up or drive-through window service except for the Walmart branch in Monticello, which does not have a drive-up window.

JB has deep roots in its assessment area, and offers a variety of business and personal banking products such as various checking accounts (Easy Checking, Small Business Checking, Business Select, High School Checking and College Checking), savings accounts, direct deposit and loan products such as residential mortgage loans, small business loans, unsecured personal loans, secured installment loans and mobile home financing. JB also offers a toll-free 24-hour telephone banking service, free on-line and mobile banking, free ATM/Debit card and business remote deposit capture.

Distribution of Branches within the Assessment Area							
County	N/A #	Low #	Moderate #	Middle #	Upper #	Total #	LMI %
Sullivan			2	7	3	12	17%
Total	-	-	2	7	3	12	17%

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.

JB's directors and management are chairmen, vice chairmen, vice presidents, committee members and counselors of various community groups, nonprofit and business organizations. To further ascertain the communities' credit needs and to disseminate information regarding services that the bank provides JB's

management also attended various functions and events hosted by these and other organizations.

- *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*

JB used various media outlets to market its banking products and services including: local and regional radio and television and local and regional newspapers. JB advertised loan and deposit products including lower cost checking accounts and loan products with reduced fees and flexible terms. While these loan and deposit products advertised may benefit low-to moderate-income individuals, families and small businesses, they were not specifically targeted to these groups.

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

While meeting the credit need of its community JB also made additional community development loans and investments that benefitted LMI individuals or families residing beyond JB's assessment area. JB made six loans (\$383,493) to an organization that services Rockland, Orange and Sullivan counties. JB has also made eight investments (\$993,356) in a city in Orange County adjacent to JB's assessment area and a nonprofit organization that operates regionally with the mission to provide affordable housing.

GLOSSARY

Aggregate Penetration Rate

The number of loans originated and purchased by all reporting lenders in specified categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the assessment area.

Community Development

“Community development”:

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.

Community Development Loan

A loan that has 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.

Community Development Service

Service that has community development as its *primary purpose*, 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;
 - ❖ 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.

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 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.

Income Level

The income level for borrowers is based on household or family income. A geography's income is categorized by median family income for the geography. In both cases, the income is compared to the MSA or statewide nonmetropolitan median income.

Income level of individual or geography	% of the area median income
Low-income	Less than 50
Moderate-income	At least 50 and less than 80
Middle-income	At least 80 and less than 120
Upper-income	120 or more

Small Business Loan

A small business loan is a loan less than or equal to \$1 million.

Low or Moderate Income ("LMI") Geographies

Those census tracts or block numbering areas where, according to the 2000 U.S. 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 cases 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

Individuals or persons 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 represents 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 in LMI geographies or to LMI borrowers.

Low-Income Housing Tax Credit (LIHTC)

A dollar for dollar tax credit for affordable housing, created under the Tax Reform Act of 1986, that provides incentives to invest in projects for the utilization of private equity in the development of affordable housing aimed at low income Americans. It is also more commonly called Section 42 credits in reference to the applicable section of the IRC. The tax credits are more attractive than tax deductions as they provide a dollar for dollar reduction in a taxpayer's federal income tax. It is more commonly attractive to corporations since the passive loss rules and similar tax changes greatly reduced the value of tax credits and deductions to individual taxpayers.

New Markets Tax Credit (NMTC)

The New Markets Tax Credits (NMTC) Program was established by Congress in December 2000 to stimulate economic and community development and job creation in low-income communities. It permits individual and corporate taxpayers to receive a credit against federal income taxes for making qualified equity investments in Community Development Entities (CDEs). The credit provided to the investor totals 39% of the cost of the investment and is claimed over a 7-year period. CDEs must use substantially all of the taxpayer's investments to make qualified investments in low-income communities. The Fund is administered by the US Treasury Department's Community Development Financial Institutions Fund (CDFI).

Qualified Investment

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

- 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.