



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

Northeastern District Office
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Public Disclosure

July 24, 2000

Community Reinvestment Act Performance Evaluation

**Sleepy Hollow National Bank
Charter Number 12515**

**49 Beekman Avenue
Sleepy Hollow, New York 10591**

**Office of the Comptroller of the Currency
New York Metro Field Office
Community and Mid-size Banks
830 Morris Turnpike, 2nd Floor
Short Hills, New Jersey 07078**

Note: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

Definitions and Common Abbreviations

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

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

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

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

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the income of applicants, the amount of loan requested, and the disposition of the application (e.g., approved, denied, withdrawn).

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

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

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

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

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

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

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

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

General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority, when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **Sleepy Hollow National Bank** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **July 24, 2000**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

Institution's CRA Rating: This institution is rated **Satisfactory**

- The bank's average loan to deposit ratio of 71% is reasonable;
- A substantial majority of the loans are originated in the assessment area;
- Lending to borrowers of different income levels and businesses of different sizes is reasonable; and
- The geographic distribution of loans within the assessment area is reasonable.

Description of Institution

Sleepy Hollow National Bank (SHNB) is a \$98 million community bank with its main office in the Village of Sleepy Hollow (formerly North Tarrytown), New York. The bank is located in Westchester County, approximately 15 miles north of New York City. SHNB has two branches in Pleasantville and Ossining, New York. The Ossining branch opened in December 1997. At June 30, 2000, SHNB had \$67 million in loans and \$89 million in deposits. Real estate loans total \$60 million or 90% of the portfolio. Consumer installment loans total \$4 million, or 6% of the portfolio. Commercial and industrial loans total \$3 million, or 4% of the portfolio.

Loan Portfolio Composition June 30, 2000		
	\$ ('000)	%
Conventional 1-4 family mortgages	30,499	45
Commercial mortgages	17,020	25
Multifamily mortgages	7,214	11
Other real estate mortgages	5,568	8
Installment	4,140	6
Commercial loans	2,887	5
Total Loans	67,328	100

Competition in the assessment area is strong, dominated by branches of multinational and regional banks. Based on the FDIC's Summary of Deposits as of June 30, 1999, the top five banks (Chase, Bank of NY, Citibank, First Union, and Fleet) had a combined market share of 66% in Westchester County compared to less than 1% for SHNB. SHNB previously received a "satisfactory" CRA rating in July 1996. In April 2000, SHNB signed a formal agreement (FA) with the OCC. The FA did not impact the bank's ability to meet the credit needs of its community during the evaluation period.

Description of Assessment Area

SHNB's assessment area (AA) consists of 220 census tracts (CT) in Westchester County located in the New York Metropolitan Statistical Area (MSA 5600). Two (1%) CTs are designated low-income, 18 are moderate-income (8%), 35 are middle-income (16%), and 163 (74%) are upper-income. Two (1%) CTs are not designated for income purposes. A state correctional facility is located in one of these tracts. The AA complies with the regulation and does not arbitrarily exclude any low- or moderate-income areas.

Economic conditions in Westchester County are strong. The unemployment rate of 3.1% during June 2000 was the second lowest among the eight counties comprising the MSA. The AA has over 43,000 non-farm businesses, with 77% defined as a small business. Major employers in the county include IBM, Bell Atlantic, and Philip Morris. Due to its close proximity to New York City, SHNB's AA tends to be a bedroom community for many commuters to Manhattan.

The total population of the AA is approximately 875,000 persons. The 1990 census median family income (MFI) is \$37,515, and the 1999 updated MFI for the MSA is \$53,400. The updated MFI for Westchester County at \$79,900, significantly exceeds the MFI of the entire MSA. The breakdown of families within the AA is 11% low-income, 10% moderate-income, 16% middle income, and 64% upper-income.

A review of current economic information and a discussion held with a community based housing organization indicated the rate of increase in home prices continue to outpace the rate of increase of median family income in Westchester County. The organization indicated the affordability for homeownership continues to decline for most families. Data provided by the county board of realtors placed the median housing cost at \$313,000, nearly two and one half times higher than the national median.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

This evaluation covers the time period January 1, 1998 to December 31, 1999. Our review included all Home Mortgage Disclosure Act (HMDA) reportable loan originations (121 loans totaling \$21 million) and a sample of 25 commercial mortgages and commercial loans (54% of total originations) totaling \$4.7 million.

Loan to Deposit Ratio

SHNB's loan-to-deposit ratio meets the standard for satisfactory performance. SHNB's average loan-to-deposit ratio for the last seventeen quarters is 71%. This is consistent with the national peer group average of 70%.

Lending in the Assessment Area

SHNB exceeds the standard for satisfactory performance for lending in the AA. A substantial majority of all loans were originated in the AA. The following table depicts lending performance within the AA for HMDA loans.

Lending in the Assessment Area - HMDA Loans				
	#	%	\$ ('000s)	%
1999	60	92%	11,047	94%
1998	55	98%	9,366	99%
Total-2 years	115	95%	20,413	96%

The sample of commercial loans indicated 100% were originated in the assessment area.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

SHNB's record of lending to borrowers of different incomes and to businesses of different sizes meets the standard for satisfactory performance. Please refer to the following table. With respect to HMDA related loans, SHNB's performance reflects reasonable distribution across different income levels. Lending to moderate-income individuals is very good. Mortgage lending to low-income borrowers is lower than the distribution of the families due to the difficulty a low-income borrower would have meeting basic underwriting criteria based on the median housing value. For example, a borrower earning the maximum of \$39,650 (50% of the county MFI) and financing a \$313,000 house for 30 years at 8.25% would have a very high debt to income ratio (which does not include taxes or other debt payments) of 57%.

Borrower Distribution of HMDA Loans					
Tract Income Level	# of Loans	%	\$ ('000s)	%	% of Families in AA
Low	5	4%	592	3%	11%
Moderate	23	20%	3,020	15%	10%
Middle	21	19%	3,164	15%	15%
Upper	52	45%	11,128	55%	64%
N/A	14	12%	2,509	12%	---
Total	115	100%	20,413	100%	100%

SHNB's lending to businesses of different sizes is reasonable. Based on our sample of the 25 commercial loans originated in the bank's AA, 15 (60%) loans were to small businesses. A small business is defined as having gross revenues of \$1 million or less. Dun and Bradstreet 1999 business demographic information indicates 77% of the businesses within the AA are small businesses.

Geographic Distribution of Loans

SHNB's geographic distribution of originated loans meets the standard for satisfactory performance. The geographic distribution of mortgage and commercial loans reflects a reasonable dispersion throughout the AA given branch locations and demographic information. Please refer to the following tables.

Geographic Distribution of HMDA Loans							
Tract Income Level	# of Tracts	%	# of Loans	%	\$ of Loans	%	Owner-Occupied Housing
Low	2	< 1%	0	0%	0	0%	< 1%
Moderate	18	8%	5	4%	644	3%	2%
Middle	35	16%	21	18%	2,948	15%	9%
Upper	163	74%	89	78%	16,821	82%	89%
Total	218*	99%*	115	100%	20,413	100%	100%

* 2 tracts (less than 1%) do not have income designation

Our sample of commercial loans indicated 3 loans (12%) were originated in moderate-income tracts, 4 loans (16%) were originated in middle-income tracts, and 18 loans (72%) were originated in upper-income tracts.

Response to Complaints

SHNB has not received any CRA related consumer complaints with respect to the bank's lending performance since the last CRA examination.

Fair Lending

An analysis of 1998 HMDA lending data, public comments, and consumer complaint information was performed according to the OCC's risk based fair lending approach. The analysis of this data revealed no basis for the OCC to conduct a comprehensive fair lending examination in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 1996.