



## **PUBLIC DISCLOSURE**

October 03, 2016

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Hometown Bank of the Hudson Valley  
Charter Number 701472

12 Main St  
Walden, NY 12586-1823

Office of the Comptroller of the Currency

340 Madison Avenue  
4th Floor  
New York, NY 10017-2613

**NOTE:** This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

**INSTITUTION'S CRA RATING: This institution is rated Outstanding**

**The Lending Test is rated: Outstanding.**

Hometown Bank of the Hudson Valley's (HBHV) performance in meeting the credit needs of its assessment area (AA) is outstanding based on the following:

- The loan to deposit (LTD) ratio is more than reasonable in relation to the bank's financial condition, lending capacity and lending opportunities in the AA;
- HBHV originated the substantial majority of its primary loan product, residential mortgage loans, to borrowers in its AA;
- The distribution of HBHV's residential loans reflects reasonable penetration among borrowers of different incomes;
- The geographic distribution of the bank's residential loans reflects reasonable dispersion throughout low- and moderate-income geographies; and
- The bank also offers innovative loan products with more flexible terms to meet the credit needs of low- , and moderate-income individuals in the AA.

**SCOPE OF EXAMINATION**

We performed a full-scope evaluation of HBHV's performance using Small Bank Community Reinvestment Act (CRA) examination procedures. This Performance Evaluation (PE) assesses the bank's performance under the lending test. We determined that the bank's primary loan product is residential home mortgage loans, given the loans originated during the evaluation period, and based on the bank's business strategy. We reviewed home mortgage loans reported under the Home Mortgage Disclosure Act (HMDA) in evaluating the bank's lending performance.

The evaluation period for home mortgage loans is January 2014 through June 30, 2016. The evaluation period for loan-to-deposits is January 2012 to June 30, 2016. We used 2010 U.S. Census data to analyze the bank's home lending for the January 2014 through June 30, 2016 evaluation period.

*Data Integrity*

In August 2016, we conducted an evaluation of the integrity of the bank's reported Home Mortgage Disclosure Act (HMDA) information to verify the accuracy of the data, and used the bank's corrected HMDA data for 2014 through June 2016. This CRA evaluation is based on accurate data.

## DESCRIPTION OF INSTITUTION

HBHV is a thrift institution, established in 1919 with headquarters in Walden, New York. HBHV is a subsidiary of the holding company Hometown Bancorp, and operated as Walden Federal Savings and Loan from 1933 until September 2011. The bank reported \$121 million in assets, and \$109 million in loans as of June 30, 2016. Residential mortgages comprise approximately 66 percent of total loans provided by the bank. Table 1 illustrates the composition of assets, liabilities, and capital.

<b>Table 1 - Major Components of Assets, Liabilities and Capital As of June 30, 2016</b>		
<b>Balance Sheet Component</b>	<b>Balance Sheet \$ Amount</b>	<b>% of Total Assets</b>
<b>Loans</b>		
Residential Mortgage Loans	\$70,400	58.20%
Commercial Real Estate	\$23,081	19.08%
Construction and Land Development	\$7,261	6%
Commercial & Industrial	\$4,612	3.81%
Multifamily	\$2,431	2.01%
Farmland & other loans to Individuals	\$1,253	1.04%
<b>Total Loans</b>	<b>\$109,028</b>	<b>90.14%</b>
<b>Investments</b>		
Total Investments	\$3,929	3.25%
<b>Total Assets</b>	<b>\$120,955</b>	<b>100%</b>
<b>Liabilities &amp; Capital (LC)</b>		<b>% of Total LC</b>
Deposits	\$104,767	86%
Other Liabilities	\$8,644	7%
<b>Total Liabilities</b>	<b>\$113,411</b>	<b>93%</b>
<b>Total Liabilities &amp; Capital</b>	<b>\$120,955</b>	<b>100%</b>

HBHV has four branches in Orange County. They are located in Walden, Montgomery, Monroe, and Otisville, New York. Additionally, HBHV has a mortgage center in Newburgh (Orange County), New York. In 2015, HBHV opened a loan origination office in Kingston (Ulster County), New York. Three of the branches are located in upper-income census tracts, with the remaining branch in a middle-income census tract. The bank acquired one new branch (Monroe branch), and closed three branches since the last performance evaluation. The closed branch locations were the Walmart store and ShopRite Supermarket locations in Monroe, New York as well as a standalone branch in Newburgh, New York. Branch lobbies are open during normal business hours, Monday through Friday and until noon on Saturdays. Bank customers have 24-hour access to automated teller machines (ATMs) at branch locations. They also have access to 55 thousand surcharge free ATMs worldwide.

The bank provides checking, savings, business accounts, merchant services, and online and mobile banking services to their customers. In addition, HBHV offers various loans including mortgages, home equity loans, construction, commercial, and consumer loans.

HBHV was rated “Outstanding” for the last CRA Performance Evaluation dated November 11, 2009.

## DESCRIPTION OF ASSESSMENT AREAS

HBHV AAs are located within New York State, are contiguous, and include Ulster County, Montgomery-Sullivan County, and Orange County. Orange County had a delineation change in 2014 from 39100 to 35614 (now under NY-NJ). The bank’s AAs comply with regulatory requirements and do not arbitrarily exclude any low-, or moderate-income census tracts.

### Ulster County AA

The Ulster County AA is located in the Kingston Metropolitan Statistical Area (MSA). Ulster County sits in the heart of the Hudson River Valley with the Hudson River located on its eastern edge. The county seat is Kingston. The Ulster County AA contains forty-seven (47) census tracts, with seven (7) moderate-income tracts, thirty-three (33) middle-income tracts and seven (7) upper-income tracts. There are no low-income tracts in the AA.

Table 2: Demographic Information for Full Scope Area Hometown Bank of the Hudson Valley AA Ulster County 28740					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts/BNAs)	47	0.00	14.89	70.21	14.89
Population by Geography	182,493	0.00	12.30	72.27	15.43
Owner-Occupied Housing by Geography	49,203	0.00	10.41	74.43	15.16
Business by Geography	11,393	0.00	13.43	69.59	16.98
Farms by Geography	523	0.00	6.50	67.30	26.20
Family Distribution by Income Level	45,201	19.57	17.81	23.03	39.59
Distribution of Low and Moderate Income Families throughout AA Geographies	16,897	0.00	18.57	71.54	9.89
Median Family Income		70,513	Median Housing Value		247,069
FFIEC Adjusted Median Family Income for 2016		75,900	Unemployment Rate (May 2016)		4.10%
Households Below Poverty Level		10%			
Source: 2010 US Census and 2016 FFIEC updated Median Family Income					

The 2010 U.S Census, reported a population of 182,493. Housing units total 83,007 of which 59.28 percent are owner occupied and 25.89 percent are rental. The percentage of vacant housing is moderate at 14.84 percent. The primary housing type is 1-4 family units, representing 84.82 percent of total housing, followed by multifamily housing at 9.11 percent.

HBHV competes with large national and regional financial institutions, including credit unions, for loans and deposits in the AA. The bank is ranked seventh amongst the 30 financial institutions offering 1-4 family Home Mortgage loans in Ulster County, with market share of 4.85 percent. The top five competitors are Ulster Savings Bank, Wells Fargo, Mid-Hudson Valley Federal Credit Union, Hudson Valley FCU, and Quicken Loans.

The median home value in the AA is \$247,069. The median family income is \$72,100 and the 2016 FFIEC adjusted median family income is \$75,900. The percentage of families living below the poverty line is 9.79 percent. Approximately 21 percent of the households in the Ulster County AA pay mortgages or rents in excess of 30 percent of their family income. The Ulster County AA income distribution of families is as follows: 19.57 percent are low-income, 17.81 percent are moderate-income, 23.03 percent are middle-income, and 35.59 percent are upper-income. As of May 2016, the unemployment rate for Ulster County is 4.1 percent.

The county seat, Kingston, is a below-average performer in terms of long-term job and income growth<sup>1</sup>. However, business costs are relatively low, and the county benefits from its proximity to the New York metro area. Tourism is rising due to lower gas prices, and the county's historic museums and attractions. Ulster County's hotel occupancy rate increased almost seven percentage points in 2015. Restaurant and retail merchants have also benefitted from the rise in tourism.

### **Orange County AA**

The Orange County AA is now located in the New York-Newark-Jersey City, NY-NJ-PA MSA. The AA is located in the southwestern portion of New York State and the county seat is Goshen. The Orange County AA contains seventy-nine (79) census tracts, of which five (5) are low-income, ten (10) are moderate-income, seventeen (17) are middle-income, and forty-seven (47) are upper-income tracts.

Table 3: Demographic Information for Full Scope Area Hometown Bank of the Hudson Valley AA Orange County- 35614					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts/BNAs)	79	6.33	12.66	21.52	59.49
Population by Geography	372,813	6.93	10.91	19.57	62.59
Owner-Occupied Housing by Geography	88,633	1.91	6.12	19.28	72.70
Business by Geography	22,096	6.98	10.94	17.30	64.78
Farms by Geography	828	0.48	2.90	11.11	85.51
Family Distribution by Income Level	90,356	16.42	13.79	18.94	50.84
Distribution of Low and Moderate Income Families throughout AA Geographies	27,303	12.58	19.61	24.72	43.09
Median Family Income		68,006	Median Housing Value		304,519
FFIEC Adjusted Median Family Income for 2016		72,600	Unemployment Rate (May 2016)		5%
Households Below Poverty Level		9%			
Source: 2010 US Census and 2016 FFIEC updated Median Family Income					

The most recent U.S Census completed in 2010 reported a population of 372,813, and 90,356 families within the AA. There are 135,562 housing units, of which 65.38 percent are owner occupied, 26.37 percent are rental, and 8.25 percent are vacant. The primary housing dwelling in the AA is 1-4 family units.

Competition for loans and deposits within the AA is high. US Census Peer Mortgage Data for 1-4 family Home Mortgage lending shows that HBHV ranks fifty second (52nd) among the seventy-five (75) financial institutions serving the AA. The top five are Wells Fargo Bank, Quicken Loans, Hudson Valley FCU, Homestead Funding Corp., and JP Morgan Chase Bank.

The median home value in AA is \$304,519. The median family income in the AA is \$68,006, and the FFIEC adjusted median family income for 2016 is \$72,600. The unemployment rate is 5 percent as of May 2016, while nine percent of families are living below the poverty line.

**Sullivan County AA**

The Sullivan County AA is located in the New York-Newark-Jersey City, NY-NJ-PA MSA. The AA is located in the southwest portion of the state and the county seat is Monticello. The Sullivan County AA contains forty (40) census tracts, of which one (1) is low-income, ten (10) are moderate-income, nineteen (19) are middle- income, and ten (10) are upper-income tracts.

Table 4: Demographic Information for Full Scope Area Hometown Bank of the Hudson Valley AA Sullivan-Montgomery					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts/BNAs)	40	2.50	25.00	47.50	25.00
Population by Geography	127,766	1.71	25.27	47.65	25.36
Owner-Occupied Housing by Geography	34,113	0.89	17.66	52.70	28.75
Business by Geography	5,955	1.24	28.23	50.48	20.05
Farms by Geography	391	0.00	16.62	53.20	30.18
Family Distribution by Income Level	32,865	21.08	17.57	19.65	41.69
Distribution of Low and Moderate Income Families throughout AA Geographies	12,705	2.82	33.64	44.01	19.54
Median Family Income		54,386	Median Housing Value		155,373
FFIEC Adjusted Median Family Income for 2016		58,900	Unemployment Rate (May 2016)		5%
Households Below Poverty Level		14%			
Source: 2010 US Census and 2016 FFIEC updated Median Family Income					

The most recent U.S Census completed in 2010-reported total population of 127,666, as well as 50,042 households, and 32,865 families within the AA. There are 71,695 housing units in the AA, of which 47.58 percent are owner-occupied, and 22.22 percent are rental. Vacant housing total 21,653, 30.2 percent of total housing units. The primary housing type is 1-4 family units.

The median home value is \$155,373. The median family income in the AA is \$54,386, and the 2016 FFIEC Adjusted Median Family Income of \$58,900. The AA unemployment rate is 5 percent as of May 2016, while 14 percent of households are living below the poverty line.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank’s overall performance is outstanding. This conclusion is based on the results of the following specific lending tests used to determine if the bank is meeting the credit needs of the AA. The bank’s performance under the lending test is enhanced by offering innovative loan products with more flexible terms to meet the credit needs of low-, and moderate-income individuals in its AA. All criteria of the lending tests are documented below.

### Loan-to-Deposit Ratio

HBHV’s average LTD ratio is more than reasonable given the bank’s size, financial condition, and AA credit needs.

The bank compares favorably with other financial institutions located in the AA, and of similar size. The bank’s average LTD for the 18 quarters ending June 30, 2016, is 93.17 percent. HBHV’s LTD ranged from a low of 86.4 percent to a high of 102.9 percent. In comparison, the quarterly average LTD ratio among banks of similar size is 72.45 percent. The bank has a high LTD ratio compared to peer institutions as it continued to lend at its prior pace despite some CD and municipal deposit runoff in 2015 and 2016. Peer banks’ LTD ranged from as low as 15.45 percent to a high of 112.45 percent during the January 1, 2014 to June 30, 2016 evaluation period.

### Lending in Assessment Areas

HBHV originated a substantial majority of its residential home mortgages inside its AAs. During the evaluation period, 90 percent of the total number, and 85 percent of the total dollar volume of loans originated were within the AAs. The bank’s lending has not changed significantly since the 2009 public evaluation, which indicated 86 percent by number and 87 percent by dollar volume of loans were originated within the AAs.

The following data table reflects HBHV’s originations inside and outside of the AA from January 2014 through June 30, 2016.

Loan Type	% Inside Area		% Outside Area		Total	
	#	\$000	#	\$000	#	\$000
Home Mortgage	249	\$52,335	29	\$8,381	278	\$60,715
	90%	85%	10%	15%	100%	100%

Source: HBHV HMDA Loan Data as of June 30, 2016.

### Lending to Borrowers of Different Incomes

The distribution of loans to borrowers of different incomes reflects reasonable penetration amongst individuals of different income levels. Table 6 below shows the percentage of lending to borrowers of different income levels in the AA, and compares it to the percentage of families in each income category. More weight was given to performance in Ulster and Orange AA, where the bank has its branches and loan office, and the majority of residential mortgage applications originated. We also considered family income, poverty rates, and housing values as mitigating factors, which would impact lending opportunities among low- and moderate-income borrowers.

**Borrower Distribution in Ulster County AA**

Table 6 - Borrower Distribution of Residential Real Estate Loans (Ulster County)								
Borrower Income Level	Low		Moderate		Middle		Upper	
% of AA Families	19.57%		17.81%		23.03%		35.59%	
Loan Type	% of # of Loans (HBHV)	Aggregate (Peer Banks)	% of # of Loans (HBHV)	Aggregate (Peer Banks)	% of # of Loans (HBHV)	Aggregate (Peer Banks)	% of # of Loans (HBHV)	Aggregate (Peer Banks)
Home Purchase	4.67%	5.35%	7.33%	21.18%	14.67%	28.99%	73.33%	44.48%
Home Improvement	0.00%	12.90%	0.00%	22.22%	0.00%	25.81%	100%	39.07%
Home Mortgage Refinance	16.67%	5.70%	16.67%	19.95%	16.67%	26.17%	50.00%	48.19%

The distribution of home mortgage loans in Ulster County reflects reasonable penetration to borrowers of different incomes. The bank’s home purchase lending to low-income borrowers, and home refinance lending to moderate-income borrowers compares favorably or exceeds peer bank lending. The percentage of mortgage loans to low- , and moderate-income borrowers is close to the 19.57 percent of low- , and 17.81 percent, moderate-income families in the AA. The bank did not receive any home improvement applications from low- or moderate-income borrowers.

HBHV exceeds peer banks in home refinance lending to low-income borrowers with 16.67 percent of loans compared to peer bank’s 5.7 percent. It also meets the 19.57 Percent of low-income families in the county. HBHV originated 4.67 percent of home purchase loans to low-income borrowers in Ulster County. This is lower than the 19.57 percent of low-income families in the county. However, the bank originated 100 percent of the nine (9) home purchase loan applications received from low-income borrowers in Ulster County. We considered the county’s median family income of \$70,513 compared to median housing value of \$247,069.

HBHV’s 16.67 percent home mortgage refinance lending to moderate-income borrowers nears the 17.81 percent of moderate-income families in the county. This lending also compares favorably to peer bank lending of 19.95 percent.

Home purchase lending to moderate-income borrowers of 7.33 percent is lower than the 17.81 percent of moderate-income families in the county. The bank originated 13 or 72 percent of the 18 applications received from moderate-income borrowers in the county.

**Borrower Distribution in Orange County AA**

Table 7 - Borrower Distribution of Residential Real Estate Loans								
Orange County AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
% of AA Families	16.42%		13.79%		18.94%		50.84%	
Loan Type	% of # of Loans (HBHV)	Aggregate (Peer Banks)	% of # of Loans (HBHV)	Aggregate (Peer Banks)	% of # of Loans (HBHV)	Aggregate (Peer Banks)	% of # of Loans (HBHV)	Aggregate (Peer Banks)
Home Purchase	0.00%	2.41%	15.91%	14.44%	40.91%	29.19%	43.18%	53.96%
Home Improvement	0.00%	5.68%	0.00%	14.77%	0.00%	20.08%	100%	59.47%
Home Mortgage Refinance	16.67%	3.5%	12.5%	11.55%	16.67%	22.47%	54.17%	62.48%

The distribution of residential home loans within Orange County reflects excellent penetration among individuals of different income levels. Mortgage loans to low-, and moderate-income borrowers exceeded or met the percentage of low-, and moderate-income families in the AA. HBHV ranks fifty-second (52<sup>nd</sup>) among the seventy-five (75) home mortgage lenders in the county with average loan size of \$198 thousand.

HBHV’s home mortgage refinance lending to low-income borrowers of 16.67 exceeds peer bank lending of 3.5 percent, and the 16.42 percent of low-income families in the county. There were no home purchase or home improvement loans to low-income borrowers due to the low volume of applications from low-income borrowers. The bank originated loans representing 57 percent of the seven (7) applications received from low-income borrowers in the county.

The bank’s home purchase lending to moderate-income borrowers of 15.91 percent exceeds peer bank lending of 14.44 percent and, and the 13.79 percent of moderate-income families in the county. The bank’s home mortgage refinance lending to moderate-income borrowers of 12.5 percent nears the 13.79 percent of moderate-income families in the county. It also exceeds peer bank’s lending of 11.55 percent. There were no home improvement loans to moderate-income borrowers.

**Borrower Distribution in Montgomery/Sullivan County AA**

Table 8 - Borrower Distribution of Residential Real Estate Loans (Sullivan/Montgomery)								
Borrower Income Level	Low		Moderate		Middle		Upper	
% of AA Families	21.08%		17.57%		19.65%		41.69%	
Loan Type	% of # of Loans (HBHV)	Aggregate (Peer Banks)	% of # of Loans (HBHV)	Aggregate (Peer Banks)	% of # of Loans (HBHV)	Aggregate (Peer Banks)	% of # of Loans (HBHV)	Aggregate (Peer Banks)
Home Purchase	0.00%	4.12%	14.29%	19.79%	28.57%	31.34%	57.14%	44.75%
Home Improvement	0%	18.18%	0%	19.70%	100%	18.94%	0%	43.18%
Home Mortgage Refinance	0.00%	5.70%	0.00%	14.25%	0%	25.07%	0%	54.99%

The distribution of residential home mortgage loans within Sullivan County reflect reasonable penetration given the low volume of applications received from the county. The bank does not have any branches in Sullivan County, and received only 16 applications from the county.

Home purchase loans to moderate-income borrowers of at 14.29 percent is close to the 17.57 percent of moderate-income families in the county. The bank also compares favorably to peer banks’ lending of 19.79 percent to moderate-income borrowers. There were no home improvements or home mortgage refinance loans to moderate-income borrowers.

HBHV did not originate any loans to low-income borrowers, as the bank did not receive any applications from low-income borrowers in Sullivan County. This is a reflection of AA median housing value of \$155 thousand compared median family income of \$54,386. Households below poverty level is also moderate at 14 percent.

**Geographic Distribution of Loans**

The geographic distribution of loans reflects reasonable dispersion in the AA. We focused on performance on Ulster and Orange Counties as the majority of applications were from those geographies. Our test surrounded moderate-income geographies as the bank has only eight (8) low-income Census Tracts (CT) in its AAs.

We considered the volume of loan applications to HBHV from each county as well as the number of low- and moderate-income tracts in each county. There are no conspicuous gaps in the geographic distribution of loans throughout the AA.

**Ulster County AA**

Table 9 - Geographic Distribution of Residential Real Estate Loans								
MSA: Ulster County AA 28740								
Census Tract Income Level	Low		Moderate		Middle		Upper	
% of AA Owner Occupied Housing	0		10.41		74.43		15.16	
Loan type	% of # of Loans (HBHV)	Aggregate (Peer Banks)	% of # of Loans (HBHV)	Aggregate (Peer Banks)	% of # of Loans (HBHV)	Aggregate (Peer Banks)	% of # of Loans (HBHV)	Aggregate (Peer Banks)
Home Purchasing	0.00	0.00	8.00	10.53	74.00	75.45	18.00	14.02
Home Improvement	0.00	0.00	0.00	9.56	100.00	80.20	0.00	10.24
Home Mortgage Refinance	0.00	0.00	0.00	8.57	100.00	73.63	0.00	17.79
Total Multifamily Loans	0.00	0.00	0.00	27.27	0.00	68.18	0.00	4.55

HBHV Bank originated 8 percent of its home purchasing loans to moderate-income tracts in Ulster County, which is not significantly less than the aggregate peer of 10.53 percent and the 10.41 percent of AA owner-occupied housing. The bank originated loans representing 75 percent of applications received from moderate-income tracts in the county. There were no applications from low-income tracts, as there are no low-income census tracts in Ulster County. Seven (7) of forty-seven (47) income tracts in the county are moderate-income tracts. HBHV has a loan office in Ulster County but does not have any branches in the county.

**Orange County AA**

Table 10 - Geographic Distribution of Residential Real Estate Loans								
MSA: Orange County AA 35614								
Census Tract Income Level	Low		Moderate		Middle		Upper	
% of AA Owner Occupied Housing	1.91		6.12		19.28		72.70	
Loan type	% of # of Loans (HBHV)	Aggregate (Peer Banks)	% of # of Loans (HBHB)	Aggregate (Peer Banks)	% of # of Loans (HBHV)	Aggregate (Peer Banks)	% of # of Loans (HBHV)	Aggregate (Peer Banks)
Home Purchasing	0.00	6.55	4.26	4.42	21.28	18.43	74.47	70.61
Home Improvement	0.00	2.83	0.00	5.30	0.00	23.67	100.00	68.20
Home Mortgage Refinance	0.00	5.00	4.00	3.91	24.00	16.25	72.00	74.84
Total Multifamily Loans	0.00	5.00	100.00	35.00	0.00	15.00	0.00	45.00

In Orange County, HBHV’s lending meets or exceeds the percentage of AA area owner-occupied housing of 6.12 percent for loan products offered in moderate-income tracts. The percentage of HBHV’s loans to moderate-income tracts are in line with peer for Home Purchasing and Home Mortgage Refinance loans.

The bank originated 100 percent of its multifamily loans to moderate-income tracts exceeding peer bank’s 35 percent. HBHV’s home mortgage lending to moderate-income tracts of 4 percent exceeds peer bank’s 3.91 percent, and compares favorably to the percentage of owner occupied housing. The bank’s home purchase lending to moderate-income tracts of 4.26 percent is not significantly lower than the 6.12 percent of moderate-income, owner-occupied housing in Orange County. It also compares favorably to peer bank lending of 4.42 percent.

**Sullivan/Montgomery AA**

<b>Table 11 - Geographic Distribution of Residential Real Estate Loans</b>								
<b>Non MSA: Sullivan/Montgomery AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
% of AA Owner Occupied Housing	0.89		17.66		52.7		28.75	
Loan type	% of # of Loans (HBHV)	Aggregate (Peer Banks)	% of # of Loans (HBHV)	Aggregate (Peer Banks)	% of # of Loans (HBHV)	Aggregate (Peer Banks)	% of # of Loans (HBHV)	Aggregate (Peer Banks)
Home Purchasing	0.00	0.35	0.00	15.03	28.57	56.65	71.43	27.98
Home Improvement	0.00	1.48	0.00	22.96	0.00	61.48	100.00	14.07
Home Mortgage Refinance	0.00	0.23	0.00	13.21	100.00	52.39	0.00	34.17
Total Multifamily Loans	0.00	0.00	0.00	44.44	0.00	33.33	100.00	22.22

In Sullivan/Montgomery Counties, HBHV had only 16 applications and none of the originations were in the low- or moderate-income tracts. The bank does not have any branches in the county, therefore we did not put significant weight on the loan distribution this county.

**Other Lending Related Information**

During the evaluation period, HBHV provided innovative loan products with flexible terms to meet the credit needs of low- and moderate-income individuals in the AA, as well as community development services.

HBHV participates in the State of New York Mortgage Agency's (SONYMA) programs to encourage home ownership. The bank originated 25 SONYMA mortgages totaling \$4.8 million since the 2009 evaluation. The SONYMA program includes five features designed to make home purchase more affordable. The programs include: Achieving the Dream, Construction Incentive, RemodelNY, Low Interest Rate, and the Homes for Veterans programs.

The New York Department of Financial Services (DFS) designated HBHV's Otisville branch location as a Banking Development District (BDD) in 2006. The BDD program is designed to encourage establishment of bank branches where there is demonstrated need for banking services. The bank provides loans and deposits to the previously unbanked community through the branch. This includes SONYMA and Rural Housing Service (RHS) loans.

### **Responses to Complaints**

HBHV did not receive any CRA-related complaints related to their performance in helping to meet the credit needs of the AA since the last evaluation.

### **Fair Lending or Other Illegal Credit Practices Review**

The OCC considers evidence of discriminatory or other illegal credit practices in any geography by a national bank (bank) or Federal Savings Association (FSA) in determining the bank's or the FSA's CRA rating, pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c).

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.