

PUBLIC DISCLOSURE

May 6, 1996

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Docket number: **07788**

Elmira Savings Bank, FSB
333 East Water Street
Elmira, New York 14901

Office of Thrift Supervision
10 Exchange Place, 18th Floor
Jersey City, New Jersey 07302

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 Office of Thrift Supervision concerning the safety and soundness of this financial institution.

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 Community Reinvestment Act (CRA) performance of Elmira Savings Bank, FSB, (the "institution"), prepared by the Office of Thrift Supervision, the institution's supervisory agency, as of May 6, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 563e.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory".

The institution has maintained an acceptable loan-to-deposit ratio relevant to the market in which it operates. In addition, a significant portion of the institution's lending is concentrated in its assessment area. It has reached moderate-income geographies and a substantial number of low- and moderate-income applicants through its various loan programs.

Rating Matrix

The following table indicates the performance level of Elmira Savings Bank, FSB with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	Elmira Savings Bank, FSB PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to Businesses of Difference sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the prior examination		

DESCRIPTION OF INSTITUTION

Elmira Savings Bank, FSB is a Federal stock thrift institution with total assets of \$225.1 million as of December 31, 1995. It serves its assessment area from a home office in Elmira, with branches in the Arnot Mall, Horseheads, Southport, West Elmira, all in the Elmira vicinity, and Mansfield, Pennsylvania. Five of the institution's six offices are located in Chemung County, New York and one branch in Tioga County Pennsylvania.

Historically, the institution has been a residential mortgage lender, and as of year end 1995 had 72 percent of its assets in loans. Also offered are consumer, commercial real estate, land development mortgages, and second mortgage loans. In addition, they offer property improvement loans, education loans, and home equity lines of credit.

The institution's capital position meets all regulatory capital requirements, and there are presently no regulatory or legal impediments to any business strategy management may reasonably pursue.

The rating assigned at the two previous examinations, June 27, 1991 and February 14, 1994 was "Outstanding". The reduction in rating was the result of a significant decline in lending during the current review period. This reduction was the result of a general decline in the requests for financing, and the recent management restructure. With the later now complete, the institution is on target to meet the lending performance of 1994.

DESCRIPTION OF ASSESSMENT AREA

The institution's assessment area consist of two separate communities: one being Chemung County where the main and four branch offices are located, and the other consisting of the nine Townships in the eastern portion of Tioga County, Pennsylvania, wherein the institution maintains one branch office in Mansfield Borough. Chemung County is located along the southern border of New York and the northern border of Pennsylvania, while Tioga County is situated along the northern border of Pennsylvania and New Yorks' southern border. Both of these areas are primarily rural in nature.

The Chemung County portion of the assessment area consists of 22 geographics (census tracts) with only one geography designated as low income, and four designated as moderate income. The remainder of the assessment area is comprised of 14 middle income and three upper-income geographies, which represents 77 percent of the total area known as the Elmira Metropolitan Statistical Area (MSA). Tioga County is not tracted and as a result statistical data is not available.

For the purpose of geographic distribution the median family income for the Elmira MSA is \$32 thousand, and for borrower distribution the HUD 1995 estimated median family income of \$35,600 was utilized.

Currently, it is estimated that Chemung County area contains a population of approximately 95,195 which has declined 2.52 percent between 1980 and 1990, and 3.7 percent between 1970 and 1980. The major population centers in the county are the City of Elmira, the Towns of Horesheads, Southport, and Bigflats. During the past several decades the area has lost most of its large manufacturing firms and is considered the major factor in the decline of the areas population. Currently, manufacturing accounts for only 6 percent of the areas business establishments. The leading sources of employment are in wholesale/retail and service; and include Arnot-Ogden Hospital, St Joseph's Hospital, Hardinge Brothers, and Toshiba Display Devices.

Housing data for the county reveals that this area's general housing characteristics are less favorable than those for New York State. The median value of homes in the county are \$53,600, while New York State has a value of \$131,600, a difference of \$78,000.

For Tioga County, the total population is 41,126, less than one half of Chemung County. Total housing units for the county is 18,202, again less than one half of the number in Chemung County. The median value of housing in the county is \$45 thousand. The community of Mansfield is one of the two largest communities in Tioga County. The leading source of employment in the portion of the assessment area in Tioga County is Mansfield University and agricultural.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN-TO-DEPOSIT RATIO

The institution's loan-to-deposit ratio has remained constant over the past 27 months (1994, 1995 & the first quarter of 1996) at an average of 79 percent. While the loan-to-deposit ratio has

remained constant over the past nine quarters, actual lending volume decreased during 1995. In part this is consistent with other thrift institutions operating in this region. This is a result of a decline in mortgage activity caused by the fluctuation of interest rates and increased competition from non-traditional sources such as mortgage brokers and large real estate companies who have their own sources for funding. The institution is, as are other institution's, reporting increased lending volume for the first quarter of 1996.

Throughout the report two similarly situated institutions are used for comparison purposes. However, only one is used for the loan-to-deposit analysis as information for the other institution was not available at the time of the examination. The loan-to-deposit ratio for the one institution, while smaller in total assets, had a five quarter average, ending March 1996, of 120 percent. Although smaller in size, the similarly situated institution has relied upon other borrowings to help finance the mortgage originations.

In consideration of a number of factors that have affected the institution during the review period, the institution remains committed to being a leader in supporting its community and making mortgage funds available.

LENDING IN ASSESSMENT AREA

A significant majority of the institution's lending has been concentrated within the assessment area.

During the 27 month review period, the institution granted 406 mortgage loans, totaling \$23.0 million. Of these, 309 totaling \$16.1 million, involved properties located within the institution's assessment area. Thus, 76.3 percent of the number and 70.2 percent of the dollar volume of residential lending is related to properties within the institution's assessment area. Also, during this same period the institution granted 158 home improvement loans totaling \$1.5 million. Of these totals, 109 or 69 percent of the total number and \$1.1 million or 72 percent of the dollar amount were related to properties located within the institution's assessment area.

For comparison purposes, data for 1994, the most current information available, was used to compare the subject institution's originations to that of two similarly situated institutions. Both institutions, one with assets less and the other with assets more originated more loans during 1994. The smaller institution originated 273 for \$14 million versus 235

totaling \$9 million for the subject institution. The other similarly situated institution originated 329 for an aggregate total of \$6.8 million.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

The institution has been successful in serving a substantial number of low- and moderate-income borrowers within its assessment area. During the review period, the institution originated 46 loans (residential mortgage and home improvement loans) to low-income borrowers, or 11 percent, and 84 loans to moderate-income borrowers, or 20 percent of total originations. In total, 31 percent of the originations were to low- and moderate-income borrowers. To put this number into perspective, there are 24,895 families in the MSA of which 4,669 are classified as low-income, or 18.75 percent of the total.

The institution's success in lending to low- and moderate-income borrowers within its assessment area is evident when compared to two similarly situated institutions and all lenders operating within the MSA. The comparison is based on 1994 numbers which is the most recent aggregate data available. For the whole MSA, 25 percent of the borrowers were low- and moderate-income, and for the two similarly situated institutions, one was at 18 percent and the other was at 37 percent.

The institution's lending record to low- and moderate-income borrowers is considered reasonable when compared to its competition and the demographics of the area.

GEOGRAPHIC DISTRIBUTION OF LOANS

Within the institution's assessment area, the institution has reached moderate-income census tracts as well as moderate-income borrowers. As noted above, the institution's assessment area contains only one low income and four moderate income geographics.

During the review period, one percent of the loans (residential mortgage and home improvement loans) were located in low-income geographies, and seven percent were in moderate-income geographies. In total, eight percent were located in low- and moderate-income geographies. To make a comparison, data for 1994 will be utilized. For the whole MSA, seven percent of the originations were located in low- and moderate-income geographies, and for the two similarly situated institutions both also recorded seven percent of the lending in low- and moderate-income geographies.

The institution's lending record within low- and moderate-income geographies is considered reasonable and is consistent with the aggregate and local competition.

RESPONSE TO COMPLAINTS

A review of the institution's public file as well as discussions with management indicates they have not received any complaints about the institution's performance in meeting assessment area credit needs during the review period.

COMPLIANCE WITH NONDISCRIMINATION LAWS AND REGULATIONS

Evaluation of policies and procedures and review of loans originated by the institution, as well as rejected applications and applications withdrawn by the applicants, revealed no substantive or procedural violations of antidiscrimination laws and regulations. Management is aware of antidiscrimination laws and regulations and committed to nondiscrimination in lending.