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Comptroller of the Currency  
Administrator of National Banks

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Northeastern District  
1114 Avenue of the Americas, Suite 3900  
New York, New York 10036

## **PUBLIC DISCLOSURE**

August 7, 1997

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Adirondack Bank, N.A.  
Charter Number 22839  
P.O. Box 750  
60 Main Street  
Saranac Lake, New York 12903**

**Comptroller of the Currency  
Syracuse Duty Station  
Interstate Place II  
100 Elwood Davis Road  
North Syracuse, New York 13212**

**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.**

## 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 **Adirondack Bank, N.A.** prepared by **The Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of August 7, 1997. 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.

Adirondack Bank, N.A. has satisfactory CRA performance based on the following conclusions:

- The bank's average loan to deposit ratio is strong at approximately 83%.
- Management originates a substantial majority of loans within the bank's assessment area.
- The distribution of loans to borrowers of different income levels is adequate.
- Lending to businesses of different sizes, particularly small businesses, is excellent.
- The geographic distribution of loans within the bank's assessment area is reasonable.

The following table indicates the performance level of Adirondack Bank, N.A. with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>ADIRONDACK BANK, N.A.</u> 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 Different sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints received since the prior examination.		

## **DESCRIPTION OF INSTITUTION**

Adirondack Bank, N.A. (ABNA) is a \$126 million community bank with its main office located in Saranac Lake, New York. The bank is wholly owned by Adirondack Bancorp., Inc., a one bank holding company. ABNA has nine branches in two distinct market areas. The Adirondack region has two branches in Saranac Lake, one in Lake Placid, and one in Plattsburg. The Utica, New York region has three branches in the city of Utica, one in Whitesboro, and one in Old Forge. ABNA's loan portfolio represents approximately 75% of the bank's assets. Seventy-two percent of the loan portfolio is real-estate secured loans (residential and commercial), 13% is consumer loans, and 14% is business loans.

ABNA became a nationally chartered bank in October, 1995. Historically, the bank's primary business focus was residential mortgage lending. More recently, management changed its focus to small business and consumer purpose lending in an effort to diversify the loan portfolio. The bank's mission is to providing a hometown feeling, efficient decision making, and fast, personal service. There is moderate competition from nearby independent banks and regional bank branches in the Adirondack region. Competition is strong in the Utica region from many different financial institutions. There are no legal, financial or other impediments hindering the bank's ability to help meet the credit needs of its community.

ABNA provides a full range of loan and deposit services at seven branches. Two branches are drive-up facilities and provide only deposit services. Seven branches have 24-hour automated teller machines (ATM). Office hours are competitive, and vary depending on location. Several branches are also open on Saturday.

## **DESCRIPTION OF ASSESSMENT AREA**

ABNA's assessment area consists of 108 geographies in six counties. Seventy-three census tracts (CT) are in the Utica-Rome Metropolitan Statistical Area (MSA 8680). The remaining 35 geographies are block numbering areas (BNA) in Clinton, Essex, Franklin, and Hamilton counties. Four CTs are designated low income, 11 CTs and 5 BNAs are moderate income, 39 CTs and 26 BNAs are middle income, 17 CTs and 3 BNAs are upper income, and 2 CTs and 1 BNA have not been designated for income purposes. The assessment area complies with the regulation and does not arbitrarily exclude any low or moderate income areas.

The assessment area has a total population of 348,865 residents. The majority of the population (64%) resides in middle income CTs, with less than 1% residing in low income CTs. The average MSA/non-MSA updated median family income is \$36,005. The breakdown of families within the assessment area by income level is: 18% low income, 18% moderate income, 24% middle income, and 40% upper income. Owner occupied units represent approximately 56% of total housing units.

Local economic conditions in both market areas are relatively stable. Employment is primarily in the service, government, and retail trade sectors. The overall unemployment rate has been decreasing and is approximately 5.5%. The Adirondack region heavily depends on the tourist industry throughout the year, with the exception of Plattsburg area which has more industry. The

Utica area provides opportunities for growth and is much more commercialized than the Northern region. The city of Utica is somewhat depressed, but revitalization efforts are underway. Management identified the credit needs of the community to include small business lending, economic development loans, and low cost lending programs for various types of loans.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan to Deposit Ratio

ABNA's **loan to deposit ratio** is strong. The bank's average loan to deposit ratio over the last eight calendar quarters is 83%. ABNA has the highest average loan to deposit ratio in a sample of similarly situated banks in New York State (excluding southeastern NYS) which averaged 63%. The bank's ratio also exceeds the national peer group average of 72%.

### Lending in the Assessment Area

Management originates a substantial majority of loans **within the bank's assessment area**. Based on the 1996 and 1997 year-to-date (YTD) Home Mortgage Disclosure Act-Loan Application Register (HMDA-LAR) information, approximately 93% of mortgage related loan originations were within the assessment area. Our samples of small business and consumer loans originated in the same time period indicate 100% and 76%, respectively, were in the assessment area.

### Lending to Borrowers of Different Incomes and the Businesses of Different Sizes

The distribution of loans to **borrowers of different income levels** is adequate. Relative to consumer lending, ABNA's performance reflects very good penetration among individuals of different income levels. However, with respect to HMDA reportable loans, penetration among individual of different income levels is not as strong, particularly among low and moderate income borrowers. Please refer to the following table for information regarding our analysis.

Income Distribution of Consumer and HMDA Reportable Loans\*

Income Designation of the Borrower	% of Families in the Assessment Area	Consumer Loans (# and % of loans based on sample)	HMDA Loans (# and % of loans based on sample)
Low	18%	8 loans / 16%	9 loans / 8%
Moderate	18%	15 loans / 31%	14 loans / 12%
Middle	24%	9 loans / 18%	28 loans / 25%
Upper	40%	17 loans / 35%	63 loans / 55%
Total	100%	49 loans / 100%	114 loans / 100%

\* Samples represent 100% of HMDA reportable loan originations and approximately 3% of consumer loan originations between 1/1/96 and 5/31/97.

The bank provides a \$250 thousand line of credit to Utica Community Action, Inc., and funded a \$120 thousand commercial mortgage to purchase a building which the group will use to house its offices. This group is involved in various activities and programs developed to assist low and moderate income people, primarily in the inner city of Utica.

Lending to **businesses of different sizes** is very good. Management indicated the vast majority of commercial loans are to small businesses (businesses with less than \$1 million in gross annual revenues). We sampled thirty loans (7% of total commercial loan originations) originated in 1996 and 1997 YTD to verify revenue criteria. Twenty-six loans, or 87%, were loans to small businesses. Based on dollar volume, small business loans totaled approximately \$1.2 million, or 44%, of our sample. Ninety-three percent of the commercial loans in our sample were less than \$500,000, with 77% less than \$100,000.

Two business loans are considered community development loans because they promote economic development. The bank provides a \$750 thousand line of credit to the Adirondack Economic Development Agency, Inc. which uses the line of credit to make loans to attract and retain small businesses in the area. The bank also provided construction funds to the Adirondack Economic Development Corporation to construct an incubator building at Lake Clear with the intent to attract industrial clients and increase job opportunities in Franklin County.

Geographic Distribution of Loans

The **geographic distribution of loans** in the assessment area is reasonable. ABNA’s assessment area is comprised of all census tract types with the majority designated middle income. Based on 1996 and 1997 YTD HMDA-LAR information, the geographic distribution of loans was not consistent with the tract breakdown of the assessment area, particularly in low and moderate income census tracts. The distribution results with respect to low income census tracts are impacted by demographic characteristics of these tracts. Although 4% of the census tracts in the bank’s assessment area are designated low income, less than 1% of the population resides in these tracts. Furthermore, the level of non-owner occupied and vacant properties in these tracts is high. With respect to moderate income census tracts, ABNA’s penetration is low. Performance in middle and upper income census tracts is reasonable. Please refer to the following table for information.

Geographic Distribution of HMDA Reportable Loan Originations\*

Income Characteristic of Census Tract	# of Census Tracts	% of Census Tracts	# of Loans Reviewed	% of Loans Reviewed
Low	4	4%	0	0%
Moderate	16	15%	4	10%
Middle	65	60%	30	73%
Upper	3	19%	5	12%
Not Assigned	2	3%	2	5%
Total	108	100%	41	100%

\* The loans reviewed include 100% of HMDA loan originations made in the MSA portion of the bank’s assessment area (24 loans) and a sample of 17 (20%) HMDA loans originated in the non-MSA portion.

The census tract information to determine where the small business and consumer purpose loans in our samples were located was not available. Therefore, we could not conduct a geographic analysis of these loan types. Based on our file reviews, there appears to be reasonable lending activity throughout the bank's assessment area given the location of towns or cities noted in the loan files.

*Response to Complaints*

ABNA has not received any **complaints** regarding its CRA performance since the last examination.

We did not identify any violations of the substantive provisions of antidiscrimination or fair lending laws and regulations during the concurrent fair lending examination.

## **METROPOLITAN STATISTICAL AREAS**

### **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MSA 8680**

Performance in the Utica - Rome Metropolitan Statistical Area (MSA 8680) is consistent with the bank's overall performance. ABNA has five offices in MSA 8680. Activity in the MSA represents the minority of ABNA's performance. However, in recent years, management has taken a more aggressive approach to grow and establish a stronger presence in this area. There are 35 census tracts in the MSA designated part of the bank's assessment area, four (11%) are low income tracts and eleven (31%) are moderate income census tracts.

In 1996 and 1997 YTD, 22% of HMDA reportable loans were originated in MSA 8680. Ninety-two percent of these originations are in the portion of the MSA designated part of the assessment area. Relative to business loans, 100% of the loans originated in the MSA were in the bank's assessment area.

A review of HMDA reportable loans in 1996 and 1997 YTD showed 8% of the loans originated in MSA 8680 were to low income borrowers, 12% to moderate income borrowers, 23% to middle income borrowers, and 50% to upper income borrowers. Our analysis of a sample of business loan originations for the same time period indicated 89% were to small businesses, and 89% were for \$100,000 or less.

The geographic distribution analysis of 1996 and 1997 YTD HMDA loans originated in MSA 8680 disclosed no loans in low income tracts, 1 loan (4%) in a moderate income tract, 18 loans (69%) in middle income tracts, and 5 (19%) loans in upper income tracts. We were not able to complete a geographic distribution analysis of the loans in our small business and consumer purpose loan samples.