
Comptroller of the Currency
Administrator of National Banks

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

PUBLIC DISCLOSURE

May 31, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Cayuga Lake National Bank
Charter Number 412
3 North Cayuga Street
P.O. Box 512
Union Springs, New York 13160

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 Cayuga Lake National Bank prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of May 31, 1996. 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.

Cayuga Lake National Bank has satisfactory CRA performance based on the following conclusions:

- A substantial majority of the loans originated by the bank is in its assessment area.
- The bank's average loan to deposit ratio is reasonable at 65%.
- The distribution of loans to borrowers of different incomes and businesses of various sizes is adequate.
- The geographic distribution of loans throughout the bank's assessment area is reasonable.

The following table indicates the performance level of Cayuga Lake National Bank with respect to each of the five performance criteria.

| SMALL INSTITUTION ASSESSMENT CRITERIA | <u>CAYUGA LAKE NATIONAL BANK</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

Cayuga Lake National Bank (CLNB) is a \$49 million community bank located in the Finger Lakes region of New York State. The bank's main office is located in Union Springs, New York and there is one branch office in nearby Aurora. The loan portfolio consists of 64% real estate secured loans (53% residential, 11% business), 19% consumer loans, and 17% commercial loans. CLNB's primary business focus is consumer lending. There is no direct competition in the bank's immediate area, however some competition arises from a larger community bank and branch offices of larger regional banks located in CLNB's assessment area. CLNB is well positioned to help meet the credit needs of the community. The bank's financial position is good and there are no legal impediments that would hinder its ability to help meet credit needs in the assessment area.

CLNB provides traditional deposit and loan services. Credit products include conventional fixed-rate residential mortgages, small business loans and lines of credit, and personal instalment loans. Additionally, the bank recently began offering home equity lines of credit, however activity is limited as it is such a new product. The main office has a drive-in window and an Automated Teller Machine (ATM). Both offices have extended banking hours on Friday. The drive-in window is also available to customers one hour before and one hour after the lobby closes.

DESCRIPTION OF ASSESSMENT AREA

CLNB's assessment area, Cayuga County, consists of 20 census tracts in the Syracuse Metropolitan Statistical Area (MSA). Fourteen census tracts are designated middle income, three tracts are designated moderate income and two tracts are designated upper income. The remaining census tract is not designated for income purposes and is comprised of a state prison located in Auburn, New York. There are no low income census tracts in the bank's assessment area. The bank's 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 82,313 residents. The median family income for the Syracuse MSA is \$36,672, however the median family income for census tracts located in the assessment area is \$32,237. The income levels of families within the assessment area are: 22% low income families, 21% moderate income families, 27% middle income families, and 30% upper income families. Housing is principally owner occupied.

The local economy is stable. Employment is primarily in the service, retail trade and government sectors. The unemployment rate has been decreasing and is approximately 6%. Major area employers are MacKenzie-Childs (local pottery business), five school districts, two prisons and a local college. There are also various small business and tourism-related establishments in the area. Management identified the credit needs of the community to include real estate mortgages, consumer loans, and small business loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

CLNB's loan to deposit ratio is reasonable. Since the 1993 CRA examination, its loan to deposit ratio averaged 65%. A sample of banks located in New York State (excluding southeastern NYS) had an average loan to deposit ratio of 61%, with ratios ranging between 25% and 75%. The bank's loan to deposit ratio has been increasing and management's philosophy involves moderate, steady growth centered in real estate secured lending. As of March 31, 1996, CLNB's loan to deposit ratio was 66%.

Lending in the assessment area is very good. A substantial majority of all loan originations are within the bank's assessment area. Based on 1995 Home Mortgage Disclosure Act-Loan Application Register (HMDA-LAR) information, approximately 98% of mortgage related loan originations were within the assessment area. Our review of small business and farm loan originations in 1995 indicated 100% were in the assessment area. Management's internal analysis covering all types of lending showed 92% of total loans outstanding are located in the bank's assessment area.

Lending to borrowers of different incomes and to businesses of different sizes is adequate. Relative to mortgage lending, our analysis of the 1995 HMDA-LAR shows 19% of loan originations were to low income borrowers, 32% to moderate income borrowers, 22% to middle income borrowers, 25% to upper income borrowers, and 2% to borrowers in census tracts where income information was not available. With respect to instalment loans, management maintains income information for their own analysis. The analysis indicates 16% of loans were originated to low income borrowers, and 24% were originated to moderate income borrowers.

CLNB also lends to businesses of various sizes. Management originated \$1,927,000 in small business and farm loans during 1995. Management indicated the vast majority, if not all, commercial loans are to small businesses (businesses with less than \$1 million in gross annual sales). Fifty-nine percent consisted of loans less than \$50 thousand, 26% were loans ranging from \$50-100 thousand, and 15% were loans greater than \$100 thousand.

The geographic distribution of loans is reasonable. As expected, the majority of loans are located in the two census tracts surrounding the two branches. However, there is lending activity throughout the assessment area. There are three moderate income census tracts in the bank's assessment area, all within the city of Auburn, New York. Based on the 1995 HMDA-LAR, 8 mortgage loans, or 5%, were originated in the moderate income tracts. Our review of small business and farm loans indicated one additional loan was originated in one of the moderate income tracts. The low level of penetration is reasonable as the bank has no presence close to these areas.

CLNB has not received any complaints regarding its CRA performance since the 1993 CRA examination.

We did not identify any violations of anti-discrimination laws and regulations during the concurrent fair lending examination. The bank's compliance program includes an internal compliance review to ensure compliance with fair lending requirements. The bank's loan policy and procedures provide guidance and underwriting standards for the loan officers. All employees receive ongoing training regarding fair lending requirements.