
Comptroller of the Currency
Administrator of National Banks

Northeastern District
Syracuse Duty Station
Interstate Place II
100 Elwood Davis Road
North Syracuse, New York 13212

PUBLIC DISCLOSURE

October 15, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

CHAMPLAIN NATIONAL BANK

**Charter: 9405
42 Station Road
PO Box 130
Willsboro, New York 12996**

**Office of the 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 **Champlain National Bank, Willsboro, New York** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of October 15, 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**.

The primary factors supporting the bank's overall rating include:

- ▶ The loan to deposit ratio is 76%;
- ▶ Over 98% of home mortgage, small business and consumer installment loans are in the bank's assessment area; and
- ▶ The distribution of lending reflects a reasonable penetration to borrowers of different income levels and businesses of different sizes.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>(NAME OF FINANCIAL INSTITUTION)</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	Not Meaningful		
Response to Complaints	No complaints were received since the last examination.		

DESCRIPTION OF INSTITUTION

Champlain National Bank (“CNB”), the only subsidiary of Champlain Bank Corporation, is an \$88 million institution having six offices in its assessment area. The bank is located in the rural upper northeastern corner of New York State. Primary loan products are real estate related. As of September 30, 1996, loans secured by one to four family residential properties comprise 46% of the loan portfolio, home equity loans, 7%, commercial loans, 23%, other real estate secured, 11% and instalment credits, 13%. Management has been aggressive in originating commercial loans in recent years, primarily in the Plattsburgh market. Overall loan growth for 1995 and through September 1996 was 14% and 7%, respectively.

CNB is the only independent community bank within the assessment area. Competition is provided by branches of local holding companies and larger banks which include multinational and regional institutions. CNB’s products are offered through the current six office locations. Extended hours are offered at each site. Three offices have ATM access twenty-four hours a day. Four offices have drive-up facilities and another office offers a walk-up window. A seventh office in Champlain, N.Y. is scheduled to be opened in November, 1996.

There are no legal impediments which would hinder the bank in helping to meet the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA

The assessment area meets all regulatory guidelines and no low- or moderate- income areas are arbitrarily excluded. CNB has defined one assessment area which includes all of Essex and Clinton Counties. These counties are bordered immediately to the north by the United States/Canadian territorial boundary. This area is not located within any MSA. The vast majority (27 of 31) of the block numbering areas (BNAs) in the assessment area are considered to be middle income. Three BNAs are designated as moderate income and one BNA had no income data available. The three moderate-income BNAs are located within the Town and City of Plattsburgh, N.Y. The total population of the assessment area is 123 thousand, with 37 thousand living in Essex County and 86 thousand living in Clinton County. Four of the towns in the assessment area house state penitentiaries whose inmate populations are included the population totals. The statewide non-metropolitan median family income for New York is \$35,600. According to management, the unemployment rate in the assessment area is approximately 4%.

The rural nature of the overall assessment area includes a significant portion of farmland. Also, a substantial portion of the area comprises uninhabited mountain terrain, much of which is classified as “Forever Wild” by New York State’s constitution.

The economic conditions of Clinton County have declined due to the closing of the U.S. Air Force Base in Plattsburgh, New York in 1994. The economy of Essex County remains stagnant. Major employers in the area are hospitals, schools and local, state and federal government agencies. Included in state governmental employment are employees of the several state penitentiaries. Other major employers include, NYCO Processed Minerals (a

mining company), Georgia Pacific and International Paper (manufacturers of paper products). Discussions with management revealed the primary credit needs in the assessment area are for small business loans and various consumer loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan to Deposit Ratio

The level of CNB's loan to deposit ratio is reasonable and indicates a continued commitment to meet the credit needs of the assessment area. For the prior eight quarters ending June 30, 1996, CNB's average loan to deposit ratio equaled 76%, modestly exceeding both the national peer average of 69% and similarly situated institutions', considered CNB's competitors, average of 70%.

Lending in the Assessment Area

Of the \$16 million and \$14 million of loans originated respectively in 1995 and year-to-date September 30, 1996, approximately 98% in each year were within the assessment area. The following tables reflect the high level of lending occurring within the assessment area.

Loan Originations - 1995								
Inside Assessment Area					Outside Assessment Area			
Loan Type	#Loans	%	\$Amt (000)	%	#Loans	%	\$Amt (000)	%
Mortgages	63	100	4,272	100	0	-	0	-
Commercial	114	97	8,173	99	3	3	44	1
Consumer	652	98	3,352	98	14	2	73	2
Total	829	98	15,797	99	17	2	117	1

Loan Originations - As of Sep-30-96								
Inside Assessment Area					Outside Assessment Area			
Loan Type	#Loans	%	\$Amt (000)	%	#Loans	%	\$Amt (000)	%
Mortgages	43	100	2,548	100	0	-	0	-
Commercial	117	98	6,406	100	2	2	25	0
Consumer	669	97	4,759	96	19	3	193	4

Loan Originations - As of Sep-30-96								
Total	829	98	13,713	98	21	2	218	2

Lending to Borrowers of Different Income and Small Business Lending

Our analysis of lending activity to LMI applicants was conducted using bank management reports. This bank is not subject to Home Mortgage Disclosure Act (HMDA), but has elected to gather information on real estate loans, such as income data, as allowed by the regulation. Our analysis of lending to borrowers of different incomes was based on the bank's real estate lending activity for 1995 and as of September 30, 1996. The following table regarding real estate originations indicates that CNB is responsive to all income levels within its assessment area. The composition of the family population of the assessment area by income is: low income (19%), moderate income (18%), middle income (25%), and upper income (38%).

Residential Real Estate Originations by Borrower Income Level								
	1995				Sep-30-96			
Income Level	# Loans	% of Number	\$ Amt (000)	% of \$ Amt	# Loans	% of Number	\$ Amt (000)	% of \$ Amt
Low	4	6	117	3	2	5	37	2
Moderate	8	13	349	8	9	21	344	14
Middle	11	18	525	12	5	12	288	11
Upper	36	57	2,986	70	23	53	1,564	61
Not Available	4	6	295	7	4	9	315	12
Totals	63	100	4,272	100	43	100	2,548	100

We reviewed 95% of CNB's commercial lending activity for 1995 and through September 30, 1996. Small business lending, defined as businesses with gross annual revenues of \$1 million or less, accounted for approximately 78% of the number and 73% of the dollar of commercial loans made during the evaluation period. The average size of a commercial loan made in 1995 and through September 30, 1996 was \$71 thousand and \$55 thousand, respectively.

In response to identified credit needs, CNB began offering *Business Manager*, a commercial loan product/service to improve availability and convenience for business customers. During the review period, CNB granted lines of credit to six commercial customers totaling \$605 thousand.

Since there are no low-income BNAs and only three moderate-income BNAs within the assessment area, an analysis of the geographic distribution of loans would not be meaningful.

CNB is in compliance with the substantive and technical provisions of anti-discrimination laws and regulations.