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Comptroller of the Currency  
Administrator of National Banks

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

## **PUBLIC DISCLOSURE**

**September 23, 1996**

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

#### **CENTRAL NATIONAL BANK**

**Charter: 1122  
24 Church Street  
Canajoharie, New York 13317**

**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**

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Central National Bank prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency.

The evaluation represents the OCC's current assessment and rating of the institution's CRA performance based on an examination conducted as of September 23, 1996. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

### **Basis for the Rating**

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

## **ASSIGNMENT OF RATING**

### Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

Outstanding record of meeting community credit needs.

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Satisfactory record of meeting community credit needs.

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Needs to improve record of meeting community credit needs.

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Substantial noncompliance in meeting community credit needs.

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

## **DISCUSSION OF INSTITUTION'S PERFORMANCE**

Institution's rating:

Based on the findings presented below, this institution is rated:  
"Satisfactory record of meeting community credit needs".

**I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS**

Assessment Factor A - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

Central National Bank's (CNB) ascertainment of community credit needs is an ongoing process conducted through an active, formal calling program. Organizations regularly contacted by CNB include Amsterdam Housing Authority, New Berlin Housing and Preservation Company, Centro Civico Hispano-Americano, Main Street Alliance, The Farm Service Agency, The Small Business Administration, numerous local realtor groups, and various municipalities and school districts. Bank officers and employees participate in seminars and presentations regarding first time home buyers, available housing programs, and local industry. Additionally, management solicits information concerning bank products and services through customer surveys. Credit needs identified through the bank's ascertainment efforts include residential mortgage products with lower down payments, manufactured home loans, and small business financing.

Assessment Factor C - The extent of participation by the institution's board of director's in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.

CNB's Board of Directors formally participates in the bank's CRA compliance process. Annually, the Board reviews and approves the bank's CRA Statement, Compliance Program, and Fair Lending Policy. Additionally, the Board has established an annual self assessment to allow management to provide the Board with an evaluation of the bank's progress. No formal CRA program with goals and objectives exists; but, as part of their strategic planning process, the Board sets goals related to CRA.

The Board receives CRA performance updates as part of their quarterly compliance reports from the bank's Compliance Committee. One outside board member as well as the Chief Executive Officer serve on this committee. Committee minutes exhibit regular dialogue on CRA and related issues. Also, the Board reviews the bank's

disposition of loan originations annually. The Directorate is supportive and allows for CRA related training for bank personnel.

## **II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED**

Assessment Factor B - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

Central National Bank's marketing program is designed to inform all segments of the community of the financial products and services offered at the bank. Forms of media utilized by management include direct mailings, billboards, radio spots, and television commercials. Also, management uses print advertisements in local newspapers including the Amsterdam Star, the Herald Leader, the Amsterdam Recorder, and the Pennysaver. As part of its marketing program, CNB uses both image and specific credit and deposit product advertisements. Additionally, on an ongoing basis, management conducts customer surveys to monitor the public's perception of CNB and customer satisfaction levels, and to detect any unmet credit and product needs.

In an effort to inform the community of CNB's credit services, management has participated in first time home buyers seminars in local towns. Management plans on continuing this practice. Further, the bank has available informative packets on both residential mortgage and small business lending.

Assessment Factor I - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business loans or small farm loans within its community, or the purchase of such loans originated in its community.

CNB offers various forms of consumer and business loans in an effort to be responsive to the credit needs of the community. Types of loans offered, as delineated in the CRA Statement, include real estate mortgage, home equity, home improvement, manufactured housing, commercial, small business, and farm loans. The bank's lending levels are responsive to the credit needs of the delineated community. As of December 31, 1993, real estate loans totaled \$112 million or 40% of the loan portfolio; commercial, \$34 million or 12%; agricultural, \$12 million or 4%; and individual/instalment, \$120 million or 44%. At December 31, 1994, real estate loans represented \$122 million or 42% of the loan portfolio; commercial, \$37 million or 13%; agricultural, \$12 million or 4%; and individual/instalment, \$120 million or 41%. Lastly, as of December 31, 1995, real estate loans totaled \$137 million or 45% of the loan

portfolio; commercial, \$39 million or 13%; agricultural, \$15 million or 5%; and individual/instalment, \$117 million or 37%.

In 1996, CNB became an approved Federal Housing Authority (FHA) lender. Low and moderate income applicants should benefit from this financing source. Currently, CNB offers to qualified applicants residential mortgages with down payments as low as 0%. In 1995 and 1994 respectively, management booked over \$36 million and \$31 million in residential mortgage and manufactured home loans.

Assessment Factor J - The institution's participation in governmentally-insured, guaranteed or subsidized loan programs for housing, small business, and small farms.

Management is to be commended for their participation in governmentally-insured, guaranteed or subsidized loan programs. CNB is active in the Small Business Administration (SBA), the Farm Service Agency (FSA), and the Farmer Mac Loan Program. In 1995, SBA loan volume totaled \$518,000, consisting of nine loans, seven of which were completed via the low documentation (LODOC) program. As of June 30, 1995, CNB ranked 10th in its asset size for SBA lending in the State of New York. Furthermore, CNB ranked 24th in 1994 and 13th in 1995 in regional SBA lending based on origination volume for the fiscal years ended September 30. As of June 30, 1996, the bank had originated three SBA loans.

CNB ranked third in 1995 for FSA loan volume in New York State with approximately \$4 million in originations. Also, in 1995, CNB became an approved servicer for FSA loans. CNB continues its participation efforts with the Farmer Mac Loan Program. In 1994, the bank sold \$9 million in such loans. As of June 30, 1996, Farmer Mac loans total \$1.5 million. Further, CNB is a member of the Federal Home Loan Bank and continues to offer and sell student loans. In 1996, CNB became an approved Federal Housing Authority (FHA) lender. Lastly, the bank continues to be willing to participate with the Job Development Authority (JDA) and Industrial Development Corporations (IDC).

### **III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES**

#### Reasonableness of Delineated Community

CNB has delineated its community as the counties of Montgomery and Schoharie, the northern and central parts of Otsego, the southern parts of Fulton and Herkimer, and the western parts of Albany and Schenectady. The delineated community consists of 73 census tracts and is contiguous. The delineation is considered reasonable and

does not exclude any low to moderate income areas. It is approved annually by the Board as part of the CRA Statement.

Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.

The geographic distribution of the bank's credit extensions and applications, including low and moderate income areas, is reasonable. Annually, management conducts an analysis of loan applications and extensions within the delineated community. These analyses indicate that the bank receives and approves a reasonable percentage of applications within its assessment area. During 1993, 1994, and 1995, approximately 60% of all new loans were originated in CNB's delineated community. CNB is subject to the Home Mortgage Disclosure Act (HMDA) requirements. In 1995, management began tracking the results of loan activity as reported in the bank's Home Mortgage Disclosure.

Assessment Factor G - The institution's record of opening and closing offices and providing services at offices.

CNB maintains eighteen offices with its main office at 24 Church Street in Canajoharie. Branches are located in Amsterdam (2 offices), Cherry Valley, Cobleskill, Cooperstown, Duanesburg, Edmeston, Fonda, Fort Plain, Johnstown, Middleburgh, Middleville, Palatine Bridge, Richfield Springs, Schoharie, Sharon Springs, and St. Johnsville. The bank offers a wide range of services to its customers. Hours of operation are tailored to the community needs with extended hours on Thursdays, Fridays, and/or Saturdays. Automated teller machines (ATMs) are available at various locations for 24 hour banking.

The Board has approved a branch closing policy which requires an analysis of the impact on the affected community prior to deciding to close a branch. The bank has never closed a branch office.

#### **IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES**

Assessment Factor D - Any practice intended to discourage application for types of credit set forth in the institution's CRA Statement(s).

CNB solicits credit applications from all segments of the community including low and moderate income areas. No practices were noted which tended to discourage applicants requesting credit.

Assessment Factor F - Evidence of prohibited discriminatory or other illegal credit practices.

No discriminatory or other illegal credit practices were noted.

**V. COMMUNITY DEVELOPMENT**

Assessment Factor H - The institution's participation, including investments, in local community development and redevelopment projects or programs.

CNB is involved in community development projects and programs. Management has provided funding to the Community Preservation Corporation which supports low income housing projects and community development programs in New York State. In 1995 and 1996, management was involved with the Village of Canajoharie's Canal 2000 Project and with the Community Development Foundation of Montgomery County. Recently, management became involved with the Greater Amsterdam Waterfront Revitalization Project. Also, management supports the New York State Regional Loan Loss Reserve Program.

CNB continues to support the local community through their purchase of municipal investments. Of a total municipal investment portfolio of \$50 million at December 31, 1995, management has invested approximately \$9 million or 18% in local municipals.

Assessment Factor K - The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

The bank's ability to meet its local community needs is not impacted by legal or financial impediments. At June 30, 1996, assets totaled \$568 million, with capital of \$42 million and a loan to deposit ratio of 64%. Consistent with its size and overall condition, CNB possess the resources and capacity to meet the various credit needs of its delineated community.

Assessment Factor L - Any other factors that, in the regulatory authority's judgement, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.

Management and bank personnel have been generous in donating their time and money to charitable organizations and community projects. For example, CNB contributed over \$12,000 in 1995 to the Federal Home Loan Bank of New York's Affordable Housing Program. Also, the



bank has developed a totally free checking account for its customer base.