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Comptroller of the Currency  
Administrator of National Banks

**SMALL BANK**

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## **Public Disclosure**

October 25, 1999

# **Community Reinvestment Act Performance Evaluation**

**Cayuga Lake National Bank  
Charter Number: 412  
3 North Cayuga Street  
Post Office Box 512  
Union Springs, New York 13160**

**Office of the Comptroller of the Currency  
Syracuse Field Office  
231 Salina Meadows Parkway, Suite 105  
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 CRA performance of **Cayuga Lake National Bank (CLNB)** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **October 25, 1999**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

**Institution's CRA Rating:** This institution is rated "**Satisfactory**"

The primary factors supporting the overall rating are:

- CLNB's average loan-to-deposit ratio since the last examination is 74%.
- A substantial majority of all loans originated are within the bank's assessment area.
- The distribution of mortgage, home improvement, and refinances among borrowers of different income levels is good.
- The geographic distribution of mortgage, home improvement, refinances and commercial loans is reasonable.
- A substantial majority of commercial loan originations are to small businesses and small farms.

## DESCRIPTION OF INSTITUTION

CLNB is a \$60 million community bank with its main office located in the Village of Union Springs, New York, and a branch in Aurora, New York. At June 30, 1999, CLNB has \$38 million in loans and \$52 million in deposits. Real estate loans, which include consumer and commercial real estate loans, total \$26 million or 68% of the loan portfolio. Commercial and consumer loans each total \$6 million or 16% of the loan portfolio. The primary business focus is real estate lending and commercial lending.

CLNB does not have any direct competition in the immediate vicinity of its offices. Commercial banks, savings and loans, mutual savings banks and credit unions offer stronger competition in Auburn, Moravia, and Weedsport. CLNB is reasonably positioned to help meet the credit needs of the community. Banking hours are 9 a.m. to 4 p.m. Monday through Thursday and 9 a.m. to 5 p.m. on Friday. CLNB does not offer Saturday hours. The main branch in Union Springs has a drive-up facility which is open from 8 a.m. to 5 p.m. Monday through Thursday and 8 a.m. to 6 p.m. on Friday. Automated teller machines (ATM's) are accessible 24 hours a day at both locations via the MAC system. Customers can access their money at any ATM on the MAC system.

The bank has no legal or financial impediments that would hinder its ability to help meet the credit needs of the community. We last evaluated CLNB's performance under the CRA as of May 31, 1996. Our evaluation period for this public evaluation spans from June 1, 1996 through October 25, 1999.

## **DESCRIPTION OF THE ASSESSMENT AREA**

CLNB's assessment area (AA) consists of 20 geographies entirely within the Syracuse Metropolitan Statistical Area (MSA) - MSA 8160. The geographies are distributed as follows: three (3) moderate-income, 14 middle-income, two (2) upper-income, and one (1) with no income available. All three moderate-income geographies are located in the City of Auburn. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies.

The AA's 82 thousand residents represent 21 thousand families with the following family income distribution: 22% low-income, 21% moderate-income, 27% middle-income, and 30% upper-income. The 1990 U. S. Census median family income is \$36,672. This figure is used to determine the distribution of geographies. The Housing and Urban Development updated median family income determines the borrower income distribution. The updated median family incomes for 1999, 1998, 1997 and 1996 for MSA 8160 are \$45,400, \$44,500, \$43,600 and \$41,800, respectively.

Local economic conditions are stable. Major employers include the following: Auburn Memorial Hospital; Auburn Correctional Facility; Mc Quay International; TRW Transportation Electronics Division; MacKenzie-Childs, Ltd. and Auburn Steel Company. The September 1999 unemployment rate for Cayuga County is 4.5%. The September unemployment rate for MSA 8160 is 4.1%. The unemployment rate for New York State is 5.1%. Community credit needs include affordable housing loans, small business loans and consumer loans.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

Our examination focused on loans originated between June 1, 1996 and October 25, 1999. We used real estate loans reported on the Loan Application Register as required by the Home Mortgage Disclosure Act (HMDA-LAR). We also relied on a sample of 29 commercial loans totaling \$1.6 million to determine the bank's performance. The commercial loan sample

represented 4% of the number of loans originated and 8% of the amount of loans originated over the time period.

### **Loan to Deposit Ratio**

CLNB's loan-to-deposit ratio exceeds the standard for satisfactory performance. The average loan-to-deposit ratio since the last examination of 74% compares favorably to similarly situated banks whose ratios range from 43% to 74%. CLNB's loan-to-deposit ratio since the last examination consistently exceeded 70%. Similarly situated banks are those with \$45 to \$75 million in total assets located in Upstate New York.

### **Lending in the Assessment Area**

CLNB exceeds the standard for satisfactory performance for lending in the AA. A substantial majority of all HMDA loans (99%) originated in the assessment area. Our random sample of 29 commercial loans disclosed 27 or 93% are within the assessment area, or \$1.583 million or 97% of the dollar amount sampled are in the assessment area. Please see Tables 1 and 2 of the Appendix for more information.

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

CLNB's record of lending to borrowers of different incomes and to businesses of different sizes meets the standard for satisfactory performance. CLNB has a good record of lending to borrowers of different incomes including low- and moderate-income borrowers as indicated by Table 3 in the Appendix. Market share data for 1998 indicates CLNB ranked first for HMDA loans to low-income applicants and third for loans to moderate-income applicants with 9% and 8% of the market share, respectively. Market share data for 1997 indicates CLNB ranked second for loans to low-income applicants and fourth for loans to moderate-income applicants with 10% and 7% of the market share, respectively.

HMDA lending to low-income borrowers is lower than the distribution of the families due to the difficulty a low-income borrower, with a maximum income of \$22,700, has meeting the bank's basic underwriting criterion (33% for housing debt/total income and 20% down payment) based on the median housing value (\$58,313) in the AA. A borrower earning \$22,700 financing a \$58,000 house for 25 years at 8.5% with \$2300 in property and school taxes would have a housing debt ratio of 30% provided they made a 20% down payment. Management offers mortgage applicants a product with more flexible terms through a third party.

CLNB's lending to businesses of different sizes is very good. Based on our sample, 96% of the number and 51% of the amount of commercial loans originated are to businesses and farms with revenues of \$1 million or less. Our sample was skewed by one very large loan resulting in the low dollar amount to small businesses and small farms. Dun and Bradstreet business demographic information indicates that 92% of businesses and farms within the AA have revenues of \$1 million or less.

## **Geographic Distribution of Loans**

CLNB's geographic distribution of loans originated meets the standard for satisfactory performance. The geographic dispersion of HMDA and commercial loans reflects a reasonable dispersion throughout the AA as indicated in Tables 4 and 5 in the Appendix. The geographic distribution of HMDA and commercial loans in moderate-income geographies is low relative to owner-occupied housing and business distribution respectively. These results are attributable to the distance of CLNB's branches to Auburn (10+ miles) and the strong competition from nine other financial institutions in Auburn. CLNB's level of lending in Auburn, including its four middle-income geographies, is very low compared to its overall lending.

## **Response to Complaints**

CLNB has not received any CRA related consumer complaints since the last CRA examination.

## **Results of the Fair Lending Examination**

During the concurrent Fair Lending Examination, we did not identify any violations of the substantive provisions of anti-discrimination or fair lending laws and regulations. The scope of our Fair Lending Examination focused on the loan terms of home mortgages and refinances originated between October 1, 1998 and September 30, 1999.

## APPENDIX

Table 1

<b>HMDA Loan Originations in the AA*</b>						
	<i>Overall</i>					
	Originations in AA				Total Originations	
	#	%	\$	%	#	\$
HMDA**	446	99%	16,595	99%	450	16,708

\*Based loans originated between June 1, 1996 through October 25, 1999.

\*\*HMDA loans are home purchase, home improvement and refinances reported on the Home Mortgage Disclosure Act Loan Application Register (HMDA-LAR).

Table 2

<b>Commercial Loan Originations in the AA*</b>						
	<i>Overall</i>					
	Originations in AA				Total Originations	
	#	%	\$	%	#	\$
Commercial loan sample results	27	93%	1,583	97%	29	1,630

\*Based loans originated between June 1, 1996 through October 25, 1999.

\*\*If the percentages for the sample were applied to all commercial loan originations, 656 of 702 and \$20,414 of \$21,045 of total commercial loans originated are in the AA.

Table 3

<b>Borrower Distribution - HMDA Loans</b>					
	<i>Overall</i>				
	#	%	\$	%	Income Level of Families in AA
Low	58	13%	1,113	7%	22%
Moderate	112	25%	2,595	16%	21%
Middle	145	33%	5,802	35%	27%
Upper	120	27%	6,867	41%	30%
N/A	11	2%	218	1%	0%
Total	446	100%	16,595	100%	100%

Table 4

<b>Geographic Distribution - HMDA Loans</b>					
	<i>Overall</i>				
	#	%	\$	%	Owner-occupied Housing
Moderate	12	3%	405	2%	11%
Middle	415	93%	14,875	90%	79%
Upper	19	4%	1,315	8%	10%
Total	446	100%	16,595	100%	100%

Table 5

<b>Geographic Distribution - Commercial Loans*</b>					
	<i>Overall</i>				
	#	%	\$	%	Distribution of Businesses
Moderate	3	11%	48	3%	19%
Middle	23	85%	1,507	95%	76%
Upper	1	4%	28	2%	5%
Total	27	100%	1,583	100%	100%

\*Based on sample of loans originated within the AA.