



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

PUBLIC DISCLOSURE

March 15, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Ballston Spa National Bank
Charter Number 1253
P.O. Box 70
87 Front Street
Ballston Spa, New York 12020**

**Comptroller of the Currency
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 Community Reinvestment Act (CRA) performance of **Ballston Spa National Bank** prepared by **The Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of March 15, 1999. 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.

Ballston Spa National Bank's CRA performance is satisfactory based on the following conclusions:

- < The bank's average loan-to-deposit ratio is reasonable at approximately 65%.
- < Management originates a majority of loans within the bank's assessment area.
- < Lending patterns reflect reasonable distribution among borrowers of different income levels.
- < Lending to businesses of different sizes is adequate.
- < The geographic distribution of loans within the assessment area is reasonable.

DESCRIPTION OF INSTITUTION

Ballston Spa National Bank (BSNB) is a \$215 million community bank with its main office located in Ballston Spa, New York, approximately 25 miles northwest of Albany, New York. BSNB is wholly owned by Ballston Spa Bancorp., Inc., a one-bank holding company. BSNB has eight branches including the main office. The Clifton Park office was purchased from Herkimer County Trust (HCT) in December 1997. Additionally, management opened the Prestwick Chase branch in Saratoga Springs during this examination. BSNB's loan portfolio represents approximately 64% of total assets. Sixty-three percent is secured by real estate (residential and commercial), 16% is business loans, and 18% is consumer loans. BSNB purchased approximately \$18 million in loans of all types as a result of the acquisition of the HCT branch.

BSNB has sought and developed a niche in consumer banking. Additionally, management focuses on commercial lending opportunities, and maintains a good mortgage lending program. BSNB strives to maintain efficient service and a community bank atmosphere. Competition is strong from other commercial banks, thrift institutions, credit unions and other nonbank financial service providers.

BSNB provides a full range of loan and deposit products at all branch offices. Hours are consistent at all branches, with extended hours on Thursday and Friday, and Saturday banking hours. All locations have drive-up facilities which open an hour and a half prior to lobby hours, and 24-hour automated teller machines (ATM). The main office has a walk up window with the same hours as the drive-up windows.

There are no legal, financial or other impediments hindering the bank's ability to help meet the credit needs of its community.

DESCRIPTION OF ASSESSMENT AREA

BSNB's assessment area (AA) consists of twenty-eight census tracts (CT) in Saratoga County located in the Albany-Schenectady Metropolitan Statistical Area (MSA 0160). Two (7%) CTs are designated moderate-income, 17 (60%) are middle-income and 8 (29%) are upper-income. There are no low-income CTs in the AA. One (4%) CT in the city of Saratoga Springs, housing Skidmore College, is not designated for income purposes. The AA complies with the regulation and does not arbitrarily exclude any low- or moderate-income areas.

The total population of the AA is 125,590 persons, which includes 33,604 families. The 1990 census median family income is \$39,425, and the updated median family income for the MSA is \$47,400. Owner occupied units represent 64% of total housing units, 27% are rental occupied units, and 8% are vacant. The average housing cost is approximately \$112 thousand. The breakdown of families within the AA is 13% low-income, 16% moderate-income, 25% middle income, and 46% upper-income.

Local economic conditions are relatively good and stable. Due to its proximity to the Albany capital district, BSNB's market area tends to be a bedroom community for many commuters to the capital region. Saratoga County is an area of continued growth and good employment. The unemployment rate for Saratoga County is 4.8%. Employment is mostly in the services and trade industries. Local employment is primarily centered in government entities, light manufacturing and small local businesses. General Electric and General Foods have been major stable employers, although GE continues to downsize its Schenectady location. Seasonal tourism also supports the economy during the summer.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

This examination covers the time period from January 1, 1996 to December 31, 1998. Our review included all Home Mortgage Disclosure Act (HMDA) reportable loan originations (507 loans totaling \$28.9 million). The 1997 HMDA loan application register did not include HMDA reportable mortgages purchased from HCT. However, the total of these loans would not significantly impact our evaluation. Management tracks income and location information for consumer loans. These originations for the examination period total 1,494 loans for \$14.8 million. In 1998, management also began tracking information on non-HMDA reportable real estate loans totaling 153 for \$9.5 million. Our business sample consisted of 42 loans (13% of total originations and purchases) totaling \$11.1 million.

Loan-to-Deposit Ratio

BSNB's loan-to-deposit ratio is reasonable. The bank's average loan-to-deposit ratio over the last twelve quarters is 65%. A sample of national banks of similar size and location had an average of 69%. The average of a small group of national banks considered by management to be the bank's peers is 64%. BSNB's ratio has been steadily increasing, and significantly increased subsequent to the purchase of the HCT branch. BSNB's ratio was approximately 73% as of December 31, 1998. This compares favorably to the national peer group average of 70%.

Lending Within the Assessment Area

Management originates a majority of loans within the AA. The following table depicts lending performance within the AA for HMDA and retail consumer loans.

Lending Within the Assessment Area								
	HMDA Loans				Consumer Loans			
	#	%	\$	%	#	%	\$	%
1998	99	69%	6,976	78%	452	72%	4,508	68%
1997	106	88%	5,633	91%	345	83%	3,224	89%
1996	195	80%	10,131	74%	432	96%	4,333	97%
3 Year								

Total	400	79%	22,740	79%	1,229	82%	12,065	82%
-------	-----	-----	--------	-----	-------	-----	--------	-----

With respect to non-HMDA reportable real estate loans originated in 1998, 122 loans totaling \$8.6 million were in the AA. This constitutes 80% of the number and dollar amount of total originations. Our business sample revealed 41 loans (98%) totaling \$11,036 million (99%) were originated in the AA.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The distribution of loans to borrowers of different income levels is adequate. With respect to HMDA related loans, BSNB's performance reflects reasonable distribution across different income levels. Lending to moderate income individuals is very good. Lending to low-income individuals in 1998 is not consistent with demographic information, however, performance over the entire examination period is satisfactory. With respect to consumer loans, BSNB's performance reflects good penetration of all income levels, including low- and moderate-income individuals. Please refer to the following tables for further information.

Borrower Distribution of HMDA and Consumer Loans 1998									
Income Level	HMDA Loans				Consumer Loans				Families in AA
	#	%	\$ (000)	%	#	%	\$ (000)	%	
Low	3	3%	90	2%	96	21%	699	15%	13%
Moderate	21	21%	625	9%	106	24%	998	22%	17%
Middle	27	27%	994	14%	120	27%	1,210	27%	25%
Upper	46	47%	5,103	73%	125	28%	1,612	36%	45%
NA	2	2%	164	2%	0	0%	0	0%	0%
Total	99	100%	6,976	100%	447	100%	4,519	100%	100%

Borrower Distribution of HMDA and Consumer Loans 1997									
Income Level	HMDA Loans				Consumer Loans				Families in AA
	#	%	\$ (000)	%	#	%	\$ (000)	%	
Low	11	10%	420	7%	93	25%	548	16%	13%
Moderate	21	20%	645	12%	121	33%	941	28%	17%
Middle	35	33%	1,764	31%	79	21%	868	26%	25%
Upper	35	33%	2,486	44%	78	21%	1,015	30%	45%
NA	4	4%	318	6%	0	0%	0	0%	0%
Total	106	100%	5,633	100%	371	100%	3,372	100%	100%

Borrower Distribution of HMDA and Consumer Loans 1996									
Income Level	HMDA Loans				Consumer Loans				Families in AA
	#	%	\$ (000)	%	#	%	\$ (000)	%	
Low	17	9%	364	4%	93	22%	624	16%	13%
Moderate	32	17%	1,208	12%	130	31%	1,145	29%	17%
Middle	63	32%	2,639	26%	123	30%	1,241	31%	25%
Upper	75	38%	5,690	56%	70	17%	1,001	24%	45%
NA	8	4%	230	2%	0	0%	0	0%	0%
Total	195	100%	10,131	100%	416	100%	4,011	100%	100%

** Management reports used to track consumer loan information are based on the number of loan originations within MSA 0160, not the bank's AA. Therefore, the totals used in this test are slightly different than the totals used in the in/out test. However, as noted above, the majority of these loans are located in the AA.

BSNB is part of a large consortium of banks in New York State that provides funding to the Community Preservation Corporation (CPC) through a revolving line of credit. Advances under the line are converted into permanent mortgages. The CPC is a private non-profit lender specializing in financing the upgrading and construction of low- and moderate-income housing throughout New York State. BSNB's share of the line of credit is \$320 thousand. There was approximately \$110 thousand outstanding under the line as of October 22, 1998. BSNB also has four permanent mortgages outstanding under this program totaling approximately \$78 thousand.

Lending to small businesses (gross annual revenues of \$1 million or less) in the community is reasonable, consistent with the bank's size and business strategies. Our sample revealed 64% of the number of loans and 33% of the dollar amount of these loans were to small businesses.

Geographic Distribution of Loans

The geographic distribution of loans in the AA is reasonable. Refer to the following table for our results regarding HMDA related loan originations.

Geographic Distribution of HMDA Loan Originations 1996-1998						
Tract Income	Number of Loans		Dollar Amount		Tracts in AA	
Low	0	0%	0	0%	0	0%
Moderate	20	5%	1,211	5%	2	7%
Middle	341	85%	17,305	76%	17	60%
Upper	37	9%	4,310	19%	8	29%
NA	2	<1%	14	<1%	1	4%
Total	400	100%	22,840	100%	28	100%

Response to Complaints

There were no complaints received since the prior examination.

Fair Lending

A fair lending review performed in conjunction with this CRA examination did not identify any violations of the substantive provisions of the antidiscrimination laws and regulations.