



# INTERMEDIATE SMALL BANK

---

Comptroller of the Currency  
Administrator of National Banks

---

Washington, DC 20219

## PUBLIC DISCLOSURE

October 15, 2007

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank of Scotia  
Charter Number: 14680

201 Mohawk Avenue  
Scotia, New York 12302

Office of the Comptroller of the Currency

Upstate New York (Syracuse)  
231 Salina Meadows Parkway, Suite 105  
Syracuse, New York 13212

**NOTE:** This document is an evaluation of this 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. 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.

**INSTITUTION'S CRA RATING: This institution is rated Satisfactory.**

**The Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Satisfactory.**

The primary factors supporting the CRA rating are:

- First National Bank of Scotia's (FNBS) lending in its assessment area (AA) meets the standard for satisfactory performance.
- FNBS' average loan-to-deposit ratio since the last examination meets the standard for satisfactory performance.
- FNBS' distribution of loans by borrower income meets the standard for satisfactory performance.
- FNBS' geographic distribution of loans among census tracts meets the standard for satisfactory performance.
- The bank's community development performance demonstrates satisfactory responsiveness to community development needs in its AA.

## **Scope of Examination**

This evaluation covers the time period since the bank's last CRA examination, April 19, 2004 through October 15, 2007. However, the lending test portion of the examination included a sample of consumer loans originated between January 1, 2005 and August 31, 2007. Consumer lending, including direct and indirect loans, was the primary loan product selected for review based on an analysis of total loans originated during this time period. A data integrity review was conducted prior to the start of this examination.

## **Description of Institution**

FNBS is a \$288 million community bank headquartered in the Village of Scotia, NY, a suburb of Schenectady, NY. FNBS is owned by a one-bank holding company, Glenville Bank Holding Company, Inc. FNBS serves its community through 10 offices in Albany, Saratoga and Schenectady counties located within the Albany-Schenectady-Troy Metropolitan Statistical Area (MSA). The offices are located in one moderate-income, five middle-income, and four upper-income census tracts. There is also an ATM at a local community college located in a middle-income census tract.

As of September 30, 2007, FNBS had \$225 million in gross loans and \$263 million in deposits. The loan portfolio consists of \$106 million (47%) consumer loans, \$75 million (33%) commercial loans, and \$44 million (20%) residential real estate loans.

Management's primary business focus has traditionally been indirect consumer lending; however, management has sought opportunities to increase home mortgage and commercial lending since the last evaluation. The bank does not have any legal or financial circumstances that would impede its ability to help meet the credit needs in its AA. The bank received a "Satisfactory" CRA rating at its last examination dated April 19, 2004.

## **Description of Assessment Area (AA)**

FNBS has one AA consisting of 110 census tracts in Albany, Saratoga and Schenectady counties within the Albany-Schenectady-Troy MSA. Of the 110 census tracts, 8 (7%) are designated low-income, 15 (14%) are moderate-income, 52 (47%) are middle-income, 34 (31%) are upper-income, and 1 (1%) does not have an income designation.

The AA is home to 436,565 persons in 115,614 families and 173,683 households. The distribution of families by income level is 17% low-income, 18% moderate-income, 23% middle-income, and 42% upper-income. The distribution of households by income level is 19% low-income, 16% moderate-income, 19% middle-income and 46% upper-income. The 2000 census median family income of \$54,944 is used to determine the income designation of the census tracts in the MSA. The 2007 updated median family income is \$66,300. The average median household income is \$49,696.

Commercially, there are 32,994 businesses and 778 farms in the AA, of which 64% are classified as small sized businesses or farms (revenues less than or equal to \$1 million). Only 5% are classified as large sized businesses or farms. The remaining 31% did not report revenues, and are not classified for business size.

The community credit needs of the area as suggested by a local community loan fund representative are home improvement loans and low cost, reasonable rate home mortgages.

Economic conditions in the area are stable with minimal impact from the recent downturn in the housing market. The October 2007 unemployment rates for Albany, Saratoga and Schenectady counties were 3.6%, 3.3%, and 3.9%, respectively. In comparison, the October 2007 unemployment rates for the Albany-Schenectady-Troy MSA and New York State were 3.7% and 4.4%, respectively.

The population of Albany, Saratoga and Schenectady counties, and the entire MSA, rely on a large, stable government sector accounting for 24% of the workforce. The Albany-Schenectady-Troy MSA is also a regional center for education, commerce, health care and high technology. Major employers outside of government include Albany Medical Center Hospital and General Electric.

Competition in the AA is significant with 22 other financial institutions and several credit unions operating in the Albany-Schenectady-Troy MSA. They include: Key Bank,

Citizens Bank, Trustco Bank, First Niagara Bank, HSBC, Bank of America, and TD Banknorth.

## **Conclusions with Respect to Performance Tests**

Our assessment of this bank's performance under the CRA is based on performance under the lending test and the community development test.

### **LENDING TEST**

During the evaluation period, FNBS demonstrated satisfactory performance under the lending test based on the criteria evaluated below. Lending performance is based on a sample of 198 consumer loans totaling \$3.18 million originated between January 1, 2005 and August 31, 2007. Consumer loan originations represent 84% of the number and 60% of the amount of total loans originated between January 1, 2005 and August 31, 2007.

#### **Loan-to-Deposit Ratio**

FNBS' loan-to-deposit ratio meets the standard for satisfactory performance. The bank's average loan-to-deposit ratio for the 14 quarters beginning June 30, 2004 through September 30, 2007 was 79.86%. This is comparable to the average loan-to-deposit ratios of four similarly situated intermediate small banks and small banks operating in the AA whose ratios range from 64.21% to 107.00%.

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

FNBS' record of lending to borrowers within the AA meets the standard for satisfactory performance. Of the 198 consumer loans in our sample, 119 loans (60%) totaling \$1.90 million (60%) are to borrowers located within the bank's AA.

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

FNBS' lending to borrowers of different incomes meets the standard for satisfactory performance. Based on the loans sampled, consumer lending to low-income households is low compared to the standard as indicated in Table 2; however, consumer lending to moderate-income households is more than double the standard. A review of the bank's consumer loan originations indicates a majority of the consumer loans are for new vehicles with an average loan amount of \$16,790. At current interest rates and a 60 month term, the monthly payment of \$336 would result in a 16% debt-to-income ratio for a low-income household. This payment combined with median average monthly gross rent of \$620 would result in a total payment of \$956, or a 46% debt-to-income ratio, which exceeds the bank's policy for maximum debt-to-income ratio. In this example, the income level is based on 50% of the median household income of \$49,696.

Table 2 - Borrower Distribution of Consumer Loans in AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	19.26	9.24	15.66	34.45	18.70	21.85	46.38	33.61

**Geographic Distribution of Loans**

The geographic distribution of loans meets the standard for satisfactory performance. Based on the loans sampled, consumer lending to households in low-income census tracts appeared low as indicated by Table 3. Therefore, we chose a random sample of loans originated with a Schenectady, NY address because Schenectady and Albany, NY are home to the low-income census tracts in the bank’s AA. The random sample of 100 loans with a Schenectady, NY address indicates a reasonable distribution of consumer loans in low- and moderate-income census tracts as indicated by Table 4.

Table 3 - Geographic Distribution of Consumer Loans in AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	5.42	0.84	9.97	7.56	52.07	54.62	32.54	36.97

Table 4 - Geographic Distribution of Consumer Loans in Schenectady								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	5.42	5.00	9.97	12.00	52.07	44.00	32.54	39.00

**Responses to Complaints**

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

**COMMUNITY DEVELOPMENT TEST**

During the evaluation period of April 19, 2004 through October 15, 2007, the bank

demonstrated satisfactory performance under the community development test.

### **Number and Amount of Community Development Loans**

FNBS originated 10 community development loans totaling \$1,460,000 including:

- two (2) loans totaling \$900,000 to an organization that provides care, facilities and equipment for primarily low- and moderate-income individuals with disabilities and their families.
- two (2) \$90,000 residential mortgages for a total of \$180,000 to a community group to purchase housing for low- and moderate-income individuals and families.
- a \$50,000 line of credit to a community center that meets the needs of low- and moderate-income individuals and families living in the City and County of Schenectady for general operating expenses.
- a \$195,000 mortgage to a community group that serves terminally ill low- and moderate-income individuals.
- a \$75,000 line of credit to the New York State Business Development Corporation who extended several loans within the bank's AA.
- Three (3) \$50,000 loans totaling \$150,000 to economic development funds operating within the bank's AA.

FNBS also originated 135 loans totaling \$2.3 million in nearby middle-income non-MSA census tracts identified as distressed or underserved.

### **Number and Amount of Qualified Investments**

FNBS invested \$455,000 with a local development authority to finance the purchase and development of various commercial sites located within the Economic Zone of the City of Schenectady. Additionally, the bank donated \$22 thousand to community development organizations during the evaluation period.

### **Extent to Which the Bank Provides Community Development Services**

The bank has one branch located in a moderate-income census tract. Additionally, the bank offers referrals to a national lending service for home mortgage loans that do not conform to the bank's lending criteria. Under this referral program, the national lending service originated 78 loans including 8 loans to low- and moderate-income borrowers.

A director serves as treasurer for an economic development corporation, vice president for an industrial corporation and treasurer for a business improvement district.

An executive officer serves on the loan committee for an economic development corporation.

An employee serves on the finance committee for a chamber of commerce.

An employee serves on the finance committee of a local community center serving low- and moderate-income residents.

An employee serves on the finance committee for a not-for-profit entity providing hospice services to low- and moderate-income individuals. This person also serves on the finance committee of a local community center serving primarily low- and moderate-income residents.

An employee serves on the finance committee for a day care facility primarily serving low- and moderate-income individuals.

An employee serves on the finance committee for a community organization.

### **Responsiveness to Community Development Needs**

The bank's community development performance demonstrates satisfactory responsiveness to community development needs in its AA considering the bank's capacity and the need and availability of such opportunities for community development in the bank's AA.

### **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.