



Comptroller of the Currency
Administrator of National Banks

Northeastern District
1114 Avenue of the Americas, Suite 3900
New York, New York 10036

PUBLIC DISCLOSURE

January 9, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Oneida Valley National Bank
Charter Number 1090
160 Main Street
Oneida, New York 13421**

**Comptroller of the Currency
Syracuse Field Office
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 **Oneida Valley National Bank** prepared by **The Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of January 23, 1998. 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.

Oneida Valley National Bank has satisfactory CRA performance based on the following conclusions:

- The bank's average loan to deposit ratio is reasonable at approximately 69%.
- Management originates a substantial majority of loans within the bank's assessment area.
- The distribution of loans to borrowers of different income levels is adequate.
- Lending to businesses of different sizes, particularly small businesses, is very good.
- The geographic distribution of loans within the bank's assessment area is reasonable.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>ONEIDA VALLEY NATIONAL BANK</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		X	
Response to Complaints	No complaints received since the prior examination.		

DESCRIPTION OF INSTITUTION

Oneida Valley National Bank (OVNB) is a \$211 million community bank with its main office located in Oneida, New York. The bank is wholly owned by Oneida Valley Bancshares, Inc., a one bank holding company. OVNB operates nine branches in adjacent Oneida, Madison, and Onondaga counties. There are four branches in the city of Oneida, two in Hamilton, one in Manlius, Canastota, and Sherrill. OVNB's loan portfolio represents approximately 63% of total assets. Sixty-five percent of the loan portfolio is secured by real estate (59% residential and 6% commercial), 19% is consumer loans and 12% is business loans.

OVNB's main business focus has historically been on residential real estate lending. While residential real estate lending is still a priority, management has more recently focused on commercial lending opportunities. Management continues to emphasize customer service by providing one-on-one customer contact. Competition in OVNB's market area is very strong from both other banks and non-bank financial institutions. There are no legal, financial or other impediments hindering the bank's ability to help meet the credit needs of its community.

OVNB provides a full menu of loan and deposit services at its nine branches. Drive-in facilities are offered at all branches except the Wal-Mart office. Eight branches provide twenty-four hour banking through automatic teller machines (ATM's). Office hours are competitive and vary by location. The majority of the branches have extended banking hours daily either through the drive-in facility or regular lobby hours. Additionally, the Wal-Mart office is open on Saturday and Sunday. OVNB also employs a voice response system allowing customers to retrieve account information and transfer funds between accounts day and night.

DESCRIPTION OF ASSESSMENT AREA

OVNB's assessment area consists of 30 census tracts (CT) in three counties. Four CTs are in the Utica-Rome Metropolitan Statistical Area (MSA 8680), and 26 CT's are in the Syracuse MSA (8160). Three CTs are designated moderate income, 17 are middle income and 10 are upper income. There are no low income CTs in the bank's assessment area. OVNB's assessment area complies with the regulation and does not arbitrarily exclude any low or moderate income areas.

The assessment area has a total population of 123,976 residents. The majority of the population resides in middle income CTs. The combined average of the median family income for the two MSAs is \$42,746; however, the median family income of families that reside within the assessment area is slightly lower at \$40,386. The breakdown of families within the assessment area by income level is: 14% low income, 18% moderate income, 25% middle income, and 43% upper income. Owner occupied units represent 69% of total housing units.

The local economy is stable. Employment is primarily in the service, retail trade, government and manufacturing sectors. The local unemployment rate is approximately 4.5%, slightly lower than the New York State average of 6.1%. Major employers include: the Oneida Indian Nation; Oneida City Hospital; Oneida LTD; and, local colleges and universities. There are also several small service oriented businesses in the area. Management indicated the credit needs of the community include all types of lending.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan to Deposit Ratio

OVNB's **loan to deposit ratio** is reasonable. The average loan to deposit ratio over the last eight calendar quarters is 68.7%. A sample of twenty-six national banks located in New York State (excluding New York City) has an average loan to deposit ratio of 66.6%, with ratios ranging from 52.2% to 88.8%. OVNB's loan to deposit ratio as of the examination date was 72.4%.

Lending in the Assessment Area

Management originates a substantial majority of loans **in the bank's assessment area**. Based on the 1996 and 1997 year-to-date Home Mortgage Disclosure Act Loan Application Registers (HMDA-LAR), 94% of total mortgage related loan originations were in the assessment area. Our samples of consumer and business and farm loans originated in 1997 indicated 74% and 88%, respectively, were in the assessment area.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The distribution of loans to **borrowers of different income levels** is adequate. Relative to mortgage lending, OVNB's performance reflects good penetration among individuals of different income levels, with the exception of low income individuals. Management indicated this is a result of socio-economic factors influencing the ability of low income borrowers to qualify for mortgage related loans based on downpayment and debt ratio requirements. The HMDA-LAR information indicated the number of low income borrower applications is low, however OVNB approves a very high percentage of the low income borrower applications it receives. A community contact also indicated OVNB is active in an affordable housing program and offers a specific product to meet the needs of low income borrowers affiliated with the community contact. OVNB's performance with regard to consumer lending is good, particularly with respect to low income borrowers. Please refer to the following table for information.

Income Distribution of Consumer and HMDA Reportable Loans *

Income Designation of the Borrower	% of Families in the Assessment Area	Consumer Loans (# and % of loans based on sample)	HMDA Loans (# and % of loans based on sample)
Low	14%	13 loans / 48%	33 loans / 7%
Moderate	18%	4 loans / 15%	106 loans / 22%
Middle	25%	6 loans / 22%	128 loans / 27%
Upper	43%	4 loans / 15%	196 loans / 42%
Income Not Available	N/A	N/A	9 loans / 2%
Total	100%	27 loans or 100%	472 loans or 100%

* Samples represent 100% of HMDA reportable loan originations and approximately 1.6% of 1997 year-to-date consumer loan originations.

Lending to **businesses of different sizes** is very good. Management indicated the vast majority of commercial loans are to small businesses (businesses with less than \$1 million in gross annual revenues). We sampled 26 loans originated in 1997 to verify revenue criteria. Our sample indicated 85% were loans to small businesses. Based on dollar volume, small business loans totaled approximately \$739,000, or 63% of our sample. Eighty-five percent of the commercial loans in our sample were less than \$100,000.

Geographic Distribution of Loans

The **geographic distribution of loans** in the assessment area is reasonable. Based on the 1996 and 1997 HMDA-LAR information, the geographic distribution of loans shows strong penetration in the moderate and middle income census tracts, and penetration is not as strong in the upper income census tracts. This is understandable as only three of the nine branches (one being a drive-in only) serve the areas where upper income tracts are located. Please refer to the following table for specific information.

Geographic Distribution of HMDA Reportable Loan Originations *

Income Characteristic of Census Tract	# of Census Tracts	% of Census Tracts	# of Loans Reviewed	% of Loans Reviewed
Low	0	0%	0	0%
Moderate	3	10%	93	20%
Middle	17	57%	330	70%
Upper	10	33%	38	8%
Not Assigned	0	0%	11	2%
Total	30	100%	472	100%

* The loans reviewed include 100% of HMDA loan originations in 1996 and 1997 year-to-date.

The census tract information to determine where the small business and consumer purpose loans in our samples were located was not available. Therefore, we could not conduct a geographic analysis of these loan types. Based on our file reviews, there appears to be reasonable lending activity throughout the bank’s assessment area given the location of towns or cities noted in the loan files.

Response to Complaints

OVNB has not received any **complaints** regarding its CRA performance since the last examination.

We did not identify any violations of the substantive provisions of antidiscrimination or fair lending laws and regulations during the concurrent fair lending examination.

METROPOLITAN STATISTICAL AREAS

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MSA 8160

Performance in MSA 8160 is consistent with the bank's overall performance. Eight of OVNB's nine branches are located in this MSA. Activity in this MSA represents the vast majority of OVNB's performance. There are 26 census tracts of this MSA designated part of the bank's assessment area, consisting of moderate, middle and upper income tracts. 1996 and 1997 HMDA-LAR information indicates 349, or 74%, of HMDA reportable loans originated in MSA 8160. Of these originations, 7% were to low income borrowers and 24% to moderate income borrowers. Additionally, 26% were loans to borrowers in moderate income census tracts.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MSA 8680

Performance in MSA 8680 is consistent with the bank's overall performance. OVNB has only one branch in this MSA. There are four census tracts in this MSA that are part of the bank's assessment area and they are all designated middle income. Based on 1996 and 1997 HMDA-LAR information, 97 or 21%, of HMDA reportable loans originated in this MSA. Of those originations, 6% were to low income borrowers and 18% were to moderate income borrowers.

We did not analyze our consumer and business loan samples to compare performance in the individual MSAs. Due to the small size of our samples, this type of analysis would not have a meaningful impact on our assessment of performance in the specific MSAs.