



**Comptroller of the Currency
Administrator of National Banks**

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

PUBLIC DISCLOSURE

February 9, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Groton
Charter Number: 1083
161 Main Street
Groton, New York 13073

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 **The First National Bank of Groton** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of February 9, 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.

- The average loan to deposit ratio over the last eight quarters of 61% is reasonable.
- Management originates a substantial majority of loans in the bank's assessment area.
- Lending to borrowers of different income levels is adequate.
- Lending to businesses of different sizes, particularly small businesses, is good.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>THE FIRST NATIONAL BANK OF GROTON</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	Analysis is not meaningful.		
Response to Complaints	No complaints received since the prior examination.		

DESCRIPTION OF INSTITUTION

The First National Bank of Groton (FNBG) is a \$57 million community bank located in the Village of Groton, New York. Groton is a rural community approximately 50 miles north of Binghamton, New York, 45 miles south of Syracuse, New York and within 15 miles of Cortland, New York and Ithaca, New York. At September 30, 1997, the bank had \$30 million in loans and \$49 million in deposits. Real estate loans, both consumer and commercial, are 64% of the loan portfolio. The remainder of the loan portfolio consists of 20% consumer loans, 14% commercial loans and 2% agricultural loans. FNBG's primary business focus is on real estate and consumer lending.

Competition is strong from other financial institutions and finance companies both in and outside the bank's assessment area. FNBG maintains traditional banking hours with extended hours on Thursday, Friday and Saturday. Bank personnel are available, by appointment, to service customers after regular banking hours. Throughout the week, the drive-in window is open to customers one hour before and after daily lobby hours. FNBG offers traditional banking products and services. Automated teller machines (ATM) are available at the main office and at a store location in the Village of Moravia. FNBG is a member of the MAC network which gives customers access to their money at thousands of locations worldwide.

The bank has no legal or financial impediments that would hinder its ability to help meet the credit needs of the community.

DESCRIPTION OF ASSESSMENT AREA

FNBG's assessment area consists of two census tracts in the Syracuse Metropolitan Statistical Area (MSA 8160) and four block numbering areas (BNA) in the non-MSA portion of New York State. All six geographies are designated middle income. The assessment area complies with the regulation and does not arbitrarily exclude any low or moderate income areas.

The assessment area primarily consists of small rural communities. The total population of the assessment area is 27,066. The non-MSA median family income for New York State is \$37,100, and the MSA median family income is \$39,267. The median family income of families that reside within the assessment area is lower at \$34,101. The breakdown of families in the assessment area by income level is 16% low income, 20% moderate income, 24% middle income, and 40% upper income. Owner occupied units represent 69% of total housing units.

Local economic conditions are stable. Employment is primarily in the service, retail trade and government sectors. Major employers within the assessment area include local small businesses, school districts, towns and villages, and Groton Community Health Care. Many people travel outside the community to work in nearby Cortland and Ithaca at employers such as Cornell University, Ithaca College, State University of New York at Cortland, and New York State

Electric and Gas. The unemployment rate is approximately 5.0%. Credit needs within the community include affordable real estate loans and consumer purpose loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan to Deposit Ratio

FNBG's **loan to deposit ratio** is reasonable. The loan to deposit ratio over the last eight calendar quarters is 61%. A sample of thirteen banks considered by management to be FNBG's peer group had loan to deposit ratios ranging from 45% to 82%, with an average of 65%.

Lending in the Assessment Area

Management originates a substantial majority of loans **in the bank's assessment area**. The following table is based on information provided by management. Our samples of consumer and commercial loans originated in 1997 indicate 100% were in the assessment area, supporting the validity of management's reports.

1997 Loan Originations in the Assessment Area

	#	%	\$ (000's)	%
Time Notes	801	87%	\$4,054	83%
Installment Loans	825	87%	\$5,270	87%
Mortgage Loans	32	91%	\$1,385	89%
Home Equity Lines	13	100%	\$ 288	100%

Lending to Borrowers of Different Incomes and Business of Different Sizes

The distribution of **loans to borrowers of different income levels** is adequate. We used internally generated reports to analyze the bank's lending patterns. Management's reports indicate that 22% of 1997 consumer real estate mortgage originations were to low and moderate income borrowers, 45% to middle income, and 32% to upper income. The distribution of consumer notes and installment loans was 75% to low and moderate income borrowers, 15% to middle income, and 8% to upper income. We sampled these products and found management's conclusions to be accurate. The following table contains results based on our sample review.

Income Distribution of Consumer Loans and Real Estate Mortgages *

	Low	Moderate	Middle	Upper
Families in the Assessment Area	17%	17%	21%	45%
Consumer Real Estate Mortgages	10%	14%	41%	35%
Consumer Notes and Installment Loans	42%	33%	17%	8%

*Based on a sample of 100% of consumer real estate mortgages and approximately 2% of consumer notes and installment loans originated between 1/1/97 and 12/30/97.

Lending to **businesses of different sizes** is good. As a result of the bank's size, location, and market area, management indicated the vast majority of commercial loans are to small businesses (businesses with less than \$1 million in gross annual revenues). Based on internal bank reports, management originated 230 commercial loans totaling \$3.4 million in 1997. Ninety-four percent of the number of loans, or 90% based on dollar volume, were to small businesses. Management also indicated that 139 of the bank's 145 business customers are small businesses.

Geographic Distribution of Loans

FNBG's assessment area does not contain any low or moderate income census tracts. Therefore, an analysis of the **geographic distribution of loans** would not be meaningful.

Response to Complaints

FNBG 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.