



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

Public Disclosure

July 26, 1999

Community Reinvestment Act Performance Evaluation

**First National Bank of Dryden
Charter Number: 6487
7 West Main Street
P. O. Box 257
Dryden, New York 13053**

**Office of the Comptroller of the Currency
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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 the **First National Bank of Dryden (FNBD)** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **July 26, 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:

- FNBD's lending focus is consumer installment lending which lends itself to a lower average loan-to-deposit ratio. The average loan-to-deposit ratio since the last examination is 44%.
- A majority of all loans originated are within the bank's assessment area.
- The distribution of mortgage, home improvement, refinances and consumer loans among borrowers of different income levels is adequate
- A substantial majority of commercial loan originations are to small businesses and small farms.

DESCRIPTION OF INSTITUTION

FNBD is a \$70 million community bank with its main office located in the Village of Dryden, New York, a rural community approximately 40 miles north of Binghamton, New York and 45 miles south of Syracuse, New York. The bank operates one branch also located within the village. At June 30, 1999, FNBD has \$28 million in loans and \$59 million in deposits. Consumer loans total \$13.5 million and represent 48% of the loan portfolio. Real estate loans, which include consumer and commercial real estate loans, total \$11 million, 40% of the loan portfolio. The remaining 12% represent commercial loans. The primary business focus is consumer installment and consumer real estate lending.

Competition is strong from other financial institutions and finance companies both within and outside the bank's assessment area. FNBD is reasonably positioned to help meet the credit needs of the community. FNBD maintains traditional lobby banking hours with extended lobby hours

Thursday and Friday. FNBD also has Saturday lobby hours. Bank personnel are available, by appointment, to service customers after regular banking hours. Throughout most of the week, a drive-up facility is available to customers at both locations for one hour prior to opening and two and one-half hours after closing. Automated teller machines (ATM's) are available at both locations for FNBD customers only.

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 FNBD's performance under the CRA as of September 16, 1996. Our evaluation period for this public evaluation spans from September 16, 1996 through July 26, 1999.

DESCRIPTION OF THE ASSESSMENT AREA

FNBD's assessment area (AA) consists of five middle-income geographies and three upper-income geographies. One of the middle-income geographies is located in the Binghamton Metropolitan Statistical Area (MSA) - MSA 0960. Although the regulation discourages including portions of an MSA without a physical branch location, we consider the inclusion of the geography to be reasonable. This geography borders the non-MSA geography containing the main office. This geography represents 1 of 11 geographies in the MSA or 9% of the geographies. This geography contains 13% of the population and families in the MSA. The AA does not arbitrarily exclude any low- or moderate-income areas.

The AA's 36 thousand residents representing 10 thousand families reside mainly in small rural communities. The family income distribution is as follows: 16% low-income, 16% moderate-income, 22% middle-income, and 46% upper-income. The 1990 U. S. Census median family income is \$31,473. This figure is used to determine the distribution of geographies. The Housing and Urban Development updated median family income is used to determine borrower income distribution. The updated median family income for 1999, 1998 and 1997 for non-MSA areas in New York State is \$39,300, \$37,700 and \$37,100 respectively.

Local economic conditions are stable. Major employers include small businesses, local school districts, Tompkins County Community College, Cornell University, Ithaca College, SUNY Cortland and New York State Electric and Gas. The May 1999 unemployment rate for Tompkins County is 3.1%. The AA extends slightly into Cortland and Tioga Counties where the unemployment rates are 6.8% and 3.8% respectively. The unemployment rate for New York State is 4.9%. We contacted a local government official who confirmed that community credit needs include affordable real estate loans for all income levels, mobile home loans, business loans, and consumer loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Our examination focused on loans originated between January 1, 1997 and July 29, 1999. We focused on the bank's primary business lines which include consumer installment lending and consumer mortgage lending. We also sampled business loans to determine the level of lending to businesses of different sizes.

Loan to Deposit Ratio

FNBD's loan-to-deposit ratio does not meet the standard. The average loan-to-deposit ratio (average determined since the last examination) of 44% is low in comparison to most similarly situated banks whose ratios range from 60% to 74%. Similarly situated banks are those with \$50 to \$100 million in total assets located in rural, upstate New York.

However, FNBD's primary lending focus is consumer installment lending whereas most similarly situated banks' lending focus is on consumer real estate and/or commercial lending. As such, FNBD's originates a substantial volume of small consumer loans which, in total, is generally lower than the originations of a bank that focuses on consumer real estate and/or commercial lending.

Lending in the Assessment Area

FNBD meets the standard for lending in the AA. A majority of all loan originations are within the bank's AA. Approximately 67% of the number and 60% of the amount for all loan originations for the entire period under review are within the AA. Refer to Table 1 in the Appendix.

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

Lending to borrowers of different incomes meets the standard. FNBD's lending to borrowers of different incomes is adequate based on a sample of consumer loan originations and all of the HMDA loans originations. The level of HMDA loans to low-income individuals is typically low due mainly to the high median housing values in the area; however, in 1997, the number of loans to low-income borrowers was unusually high according to the bank's Community Reinvestment Act officer. The level of HMDA loans is low in 1999 due to the decline in refinance activity. Refer to Tables 2 and 3 in the Appendix.

FNBD's lending to businesses of different sizes is good. A sample of 20 business or farm originations in each of the three years under review indicates 90% of the number and 80% of the amount of originations were to small businesses or small farms (businesses or farms with less than \$1 million in revenues.)

Geographic Distribution of Loans

FNBD's AA does not contain any low- or moderate-income geographies. Therefore, an analysis of the geographic distribution of loans originated would not be meaningful.

Response to Complaints

FNBD has not received any 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 home improvement loans not secured by real estate originated between July 1, 1998 and December 31, 1998. We compared loan terms on these loans to determine if any of the terms were unfavorable to those in a prohibited basis group.

APPENDIX

Table 1

Loan Originations in the AA																		
	<i>1997</i>						<i>1998</i>						<i>1999*</i>					
	Originations in AA				Total Originations		Originations in AA				Total Originations		Originations in AA				Total Originations	
	#	%	\$	%	#	\$	#	%	\$	%	#	\$	#	%	\$	%	#	\$
Consumer	853	65%	4363	60%	1315	7286	853	72%	4257	65%	1182	6597	537	60%	4982	55%	900	9092
HMDA	45	75%	970	67%	60	1456	58	74%	1208	63%	78	1915	11	50%	611	39%	22	1578
Commercial	92	77%	1711	55%	120	3086	77	89%	1236	82%	87	1506	57	84%	868	76%	68	1149
Total	990	66%	7044	60%	1495	11828	988	73%	6701	67%	1347	10018	599	61%	6461	55%	990	11819

*1999 Originations are from January 1, 1999 through July 29, 1999.

**HMDA loans are home purchase, home improvement and refinances that would be reported on the Home Mortgage Disclosure Act Loan Application Register (HMDA-LAR). FNBD is not required to file a HMDA LAR, but chooses to maintain the records.

Loan Originations in the AA						
	<i>Overall</i>					
	Originations in AA				Total Originations	
	#	%	\$	%	#	\$
Consumer	2243	66%	13602	59%	3397	22975
HMDA	114	71%	2789	56%	160	4949
Commercial	226	82%	3815	66%	275	5741
Total	2583	67%	20206	60%	3832	33665

Table 2

Borrower Distribution - Consumer Loans															
	<i>1997</i>					<i>1998</i>					<i>1999*</i>				
	#	%	\$	%	Income Level of Families in AA	#	%	\$	%	Income Level of Families in AA	#	%	\$	%	Income Level of Families in AA
Low	4	20%	19463	20%	16%	4	20%	18172	14%	16%	5	25%	6610	4%	16%
Moderate	3	15%	17726	18%	16%	4	20%	24602	20%	16%	5	25%	31466	18%	16%
Middle	11	55%	36872	38%	22%	10	50%	67666	53%	22%	5	25%	57791	34%	22%
Upper	2	10%	23842	24%	46%	2	10%	16567	13%	46%	5	25%	75557	44%	46%
Total	20	100%	97903	100%	100%	20	100%	127007	100%	100%	20	100%	171424	100%	100%

*Sampled 20 loans originated in each year to determine the borrower distribution.

Table 3

Borrower Distribution - HMDA Loans															
	<i>1997</i>					<i>1998</i>					<i>1999*</i>				
	#	%	\$	%	Income Level of Families in AA	#	%	\$	%	Income Level of Families in AA	#	%	\$	%	Income Level of Families in AA
Low	11	24%	355	37%	16%	5	9%	48	4%	16%	0	0%	0	0%	16%
Moderate	7	16%	86	9%	16%	14	25%	241	20%	16%	1	9%	30	5%	16%
Middle	13	29%	229	24%	22%	18	32%	275	23%	22%	3	27%	176	29%	22%
Upper	13	29%	296	30%	46%	19	34%	610	50%	46%	7	64%	405	66%	46%
N/A	1	2%	4	<1%	0%	2	<1%	34	3%	0%					0%
Total	45	100%	970	100%	100%	56	100%	1208	100%	100%	11	100%	611	100%	100%