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Comptroller of the Currency  
Administrator of National Banks

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

## **PUBLIC DISCLOSURE**

March 31, 1996

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Canandaigua National Bank and Trust Company  
Charter Number 3817  
72 South Main Street  
Canandaigua, NY 14424**

**Comptroller of the Currency  
Syracuse Duty Station  
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

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Canandaigua National Bank and Trust Company prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency.

The evaluation represents the OCC's current assessment and rating of the institution's CRA performance based on an examination conducted as of March 31, 1996. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

### Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

## ASSIGNMENT OF RATING

### Identification of Ratings:

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

#### Outstanding record of meeting community credit needs.

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

#### Satisfactory record of meeting community credit needs.

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

#### Needs to improve record of meeting community credit needs.

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

#### Substantial noncompliance in meeting community credit needs.

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

## DISCUSSION OF INSTITUTION'S PERFORMANCE

### Institution's Rating:

Based on the findings presented below, this institution is rated: Outstanding.

### **Community Profile:**

Canandaigua National Bank and Trust Company (CNB&T) is a community bank with its headquarters in the City of Canandaigua in Ontario County, New York. CNB&T had assets of \$329 million as of March 31, 1996. The bank's service area or delineated community includes a substantial portion of Ontario County as well as a small portion of Monroe County.

The community served by the bank consists of 20 census tracts, all located within the Rochester, NY Metropolitan Statistical Area (MSA). Two of the tracts are moderate income tracts, defined as tracts where the median family income is between 50 and 79 % of the median MSA income. The majority of the tracts (13) are middle income tracts where the median family income is 80 to 120 percent of the median MSA income. The remaining five tracts are upper income tracts where the median family income is greater than 120 percent of the median MSA income. There are no low income tracts (less than 50% of MSA median income) in the community.

The total population of the area is 90,771, with only 5.7% or 5,207 individuals residing in the two moderate income census tracts. The total housing units in the area is 37,046, with 2,170 or 5.9% of those units in the two moderate income tracts. Of the 33,450 households in the area, 2,009 or 6% are in the moderate income tracts.

Families with low or moderate income represent 33% of all families in the area. A large percentage of these people reside in the middle income census tracts. These tracts have a large share of the total vacant property, rental units, mobile home units, and individuals receiving public assistance.

The community is very well served by other financial institutions. The area is served by branches of several large banks as well as several community banks, a major credit union and several mortgage companies.

CNB&T's parent company, Canandaigua National Corporation (CNC), became full owner of a local mortgage company, Greater Funding of New York, this past April. CNC had previously been a one third owner of the company. CNB&T regularly provides bridge financing to assist Greater Funding in its sale of mortgage loans in the secondary market.

The local economy is stable, with some growth in the northwest quadrant of the county. Home sales have been soft, particularly in the moderate income census tracts. Many residents

of the area work in nearby Rochester, NY which is the home of several major manufacturers. The community which is located near Canandaigua Lake, one of the Finger Lakes, is a major tourist attraction. It is the home of the New York State wine producing industry. There are also several small manufacturers, retailers and farms in the area.

## I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Assessment Factor A - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services it provides.

### **CNB&T effectively ascertains the credit needs of its community through both formal and informal means.**

The bank's vice president of marketing conducts an annual mail survey of government officials and other groups that have knowledge of community credit needs. Responses received from the survey are followed up on with phone calls and personal meetings to gain a greater understanding of respondee comments.

The senior management group is very involved in the community through participation in various community organizations. Nearly 98% of all bank employees are involved in some sort of community activity. Examples of some of the affiliations are: the senior vice president of commercial lending serves on the board of directors of the City of Canandaigua Business Improvement District (BID); President Hamlin serves as the chairman and president of the Canandaigua Area Development Corporation, a group concerned with the development of vacant unused property in the city; regular contact with the management of the Rural Opportunities Inc.; active roles in other local organizations such as the Chamber of Commerce, East Bloomfield Improvement Association, the Victor Urban Development Corporation, Rotary and Kiwanis clubs.

The community credit needs identified continue to be the need for small business, home purchase, consumer instalment loans and home equity lines of credit. Management also determined that customers wanted to obtain loans more conveniently than visiting a branch office. The bank addressed the loan product needs through its exiting comprehensive product offerings. The need for affordable government guaranteed home loans is met through the bank's mortgage affiliate Greater Funding Corporation. Management implemented a 24 hour loan by phone system to make consumer loans more readily accessible to consumers.

Assessment Factor C - The extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.

### **The board and the senior management group are very committed to the community and are actively involved in the CRA process.**

The board is comprised of individuals who are all long term members of the community. The

directorates has ensured employees receive comprehensive CRA and fair lending training and adopted an expanded CRA Statement which describes how the bank meets its obligations under CRA.

The board appointed George Hamlin, the bank's president and chief executive officer to serve as the bank's CRA Officer. Mr. Hamlin is assisted in this endeavor by Stephen Martin, the bank's vice president of marketing. Both of these individuals are very involved in the community. Mr. Hamlin has received several civic awards, most recently being named "Mr. Canandaigua" by the Canandaigua Chamber of Commerce and "Man of the Year" by the Finger Lakes Community College Foundation. Mr. Hamlin was referred to as the "epitome of a community activist" during the ceremony for the Mr. Canandaigua award.

The bank itself has been the recipient of awards and praise. During a community outreach meeting conducted in conjunction with the CRA examination, a high level member of the city administration referred to CNB&T as "exceptional in every way; in a league all by themselves; true leaders in the community". In June 1996, CNB&T was recognized by the Canandaigua City School District as a "Friend of Education" for its many contributions to the quality of education in the area.

CNB&T has Community Advisory Boards for nearly all of its branches. Each of these boards is comprised of community members who bring information about community credit needs to the bank, with specific attention to the area nearby the branch.

## II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

Assessment Factor B - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

**CNB&T has a comprehensive marketing program that includes regular promotion of its credit products and services.**

The board adopted a formalized marketing plan for the whole bank as opposed to separate marketing plans for each functional area, e.g., commercial lending and mortgage lending. Members of the board were heavily involved in the actual development of the plan.

The bank uses a variety of media for marketing its products and services, including its credit products. The media used include newspaper, radio and television. The bank advertises in the Daily Messenger newspaper 2 to 3 times per week. This newspaper reaches the entire delineated community. It also advertises in several other newspapers and pennysavers regularly such as the Genesee Valley Pennysaver, Welco Shopping News, The Merchandiser, and the Community Trader. These newspapers each reach portions of the delineated community, with the Welco Shopping News reaching the entire community.

The radio stations used are: WCGR and WFLC which serve the Canandaigua area; WHAM ,

WVOR, and WBEE which are larger stations which reach the entire delineated community. Television ads are run on WHEC, an NBC affiliate, and WROC, a CBS affiliate. Both television stations cover the delineated community.

The bank's marketing efforts are not limited to regular media advertising. Management also uses promotional vehicles such as direct mail, posters and banners, statement stuffers and product brochures to promote its products.

The high points of the bank's credit related marketing are the 1994 and 1995 summer loan sales, annual seven week long home equity and auto loan campaigns, and a three month campaign to introduce the 24 hour loan by phone service.

Bank employees are routinely involved in making outside presentations that promote credit education. Examples of these presentations include two presentations made to groups at the County Correctional Facility, a presentation to The Enterprising Women's Organization and presentations given at the local high schools.

Assessment Factor I - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.

**CNB&T originates a substantial volume and variety of loans in its delineated community. The volume of home purchase and home refinance loans is augmented by the loans originated by the bank's affiliate, Greater Funding of New York.**

The bank originates a substantial majority of new loans in its delineated community. During the period from January 1, 1994 through March 31, 1996 approximately 80% of all new loans were made within the delineated community. Loans for the purpose of home improvement and home purchase were originated in the delineated community nearly 90% of the time.

CNB&T shows a strong penchant for lending based on key banking ratios. It maintains a high ratio of loans to deposits, averaging 73% for the period from December 31, 1993 to March 31, 1996. The ratio would be even higher if the mortgage loans which are sold in the secondary market were included in the calculation. Loans also comprise a high percentage of the bank's average assets (64%) during this same period. This ratio is above average based on national averages for bank's of this size.

The following table shows the bank has had steady lending activity for its various credit products during this period under review.

Loan Type	# 1994	\$ 1994 000's	# 1995	\$1995 000's	# YTD 6-30-96	\$ YTD 6-30-96 000's
auto	722	7,037	806	7,075	1368	15,550
home improve- ment	23	653	36	369	10	56
home purchase	105	9,276	100	8,452	54	5,081
refinanc e home purchase	135	9,702	160	10,666	70	5,791
mobile home	13	213	9	83	6	50
equity line	134	4,217	91	2,297	41	1,125
equity loan	9	257	54	1,558	54	1,654
credit card	325	828	214	711	78	160
small business	219	20,278	311	29,879	208	21,190
small farm	2	178	5	75	4	204

In addition to the above, CNB&T's mortgage affiliate, Greater Funding of New York, originated conventional home purchase and refinance loans in CNB&T's delineated community. Greater Funding originated 92 loans for \$8.2 million in 1994, 45 loans for \$3.8 million in 1995 and 8 loans for \$696 thousand in 1996 (YTD June 30, 1996). Greater Funding also originated a significant amount of government guaranteed loans which are discussed under Assessment Factor J. Also 15 of the home purchase loans were made with Private Mortgage Insurance (PMI), which is available to assist borrowers who cannot afford a

normal down payment.

Assessment Factor J - The institution's participation in governmentally-insured, guaranteed or subsidized loan programs for housing, small businesses, or small farms.

**CNB&T is highly involved in government guaranteed loan programs that guarantee financing for small business and home purchase loans.**

The bank regularly uses the guarantee services of the Small Business Administration (SBA). It received the SBA's Bronze Award in both 1994 and 1995 for originating \$1 million or more in SBA guaranteed loans within the government's fiscal year. In 1995, the bank ranked in the top third for lending activity among the 21 lenders in the SBA's Rochester Region Office. It placed in the top half among 16 lenders in 1994.

The bank became a Certified SBA Lender in December 1995. This designation allows the bank to process SBA loans more quickly, thereby providing funds earlier to its borrowers. The table below shows the bank made a substantial majority of its SBA loans during the January 1 1994 - March 31 1996 period within its delineated community.

Year	#	\$ (000's)	% within community
1994	6	1,511	100
1995	15	1,305	53
YTD June 30, 1996	7	369	92

CNB&T is active in the Federal Housing Administration (FHA) and the Veterans Administration (VA) home loan programs through its mortgage company affiliate, Greater Funding of New York. Greater Funding originated 78 loans for \$6.9 million in 1994, 73 loans for \$6.2 million in 1995 and 32 loans for \$2.8 million in 1996 (YTD June 30, 1996) within CNB&T's delineated community.

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Reasonableness of Delineated Community

**The bank's delineated community is reasonable and does not exclude any low or moderate income areas.**

The bank's delineated community consists of all Ontario County with the exception of the City and Town of Geneva and the Town of Seneca. It also includes the town of Mendon and

the Village of Pittsford in Monroe County. Within this area are two moderate income census tracts, census tract 511 in the City of Canandaigua and tract 522 representing Naples, NY.

Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.

**CNB&T receives a significant number of applications from low and moderate income (LMI) applicants. It has made a reasonable number of loans in the two LMI census tracts within its delineated area.**

The table below shows the percentage of total home purchase (including refinances) and home improvement applications received from applicants with LMI, as well as the percentage of loan originations that were made to LMI borrowers. A person with low or moderate income has income that is less than 80% of the median family income for the Metropolitan Statistical Area (MSA) that they reside in.

Year	% of total applications received from LMI applicants	% of total # originated loans made to LMI borrowers	% of total \$ originated loans made to LMI borrowers
1994	30.77	22.97	14.79
1995	24.57	20.70	9.70
YTD June 30, 1996	19.71	17.09	6.92

CNB&T has also realized a good showing of LMI activity in other consumer loan products. For example, in the period from January 1, 1994 through March 31, 1996, LMI borrowers accounted for approximately 20% of the number of auto loans and 37% of the number of mobile home loans originated by the bank.

CNB&T has also realized a reasonable percentage of loans from the two LMI tracts within the delineated community considering the community's population and housing stock distribution. The two LMI tracts comprise only 5.74% of the population and 5% of the owner occupied housing stock in the delineated community. Low home sales and competition from other financial institutions also impacts the bank's loan activity in this area. The bank is at a particular disadvantage in tract # 522, which represents Naples, NY. CNB&T does not have a branch in Naples, and the area is well served by two other financial institutions.

The table below shows the percentage of total home purchase loans (including refinances) made in the two LMI census tracts. The home purchase loans generated by Greater Funding

within CB&T's delineated community are included in these numbers.

Year	% of total # of home purchase loans made in LMI census tracts.	% of total \$'s of home purchase loans originated within LMI census tracts.
1994	5.0	3.6
1995	3.2	2.4

Similar results were realized with auto and mobile home lending activity. Auto loans made in LMI tracts accounted for 3.5 of total auto loans in 1994 and 1995. Mobile home loans made in LMI tracts were 9% of total loans for the same period.

Assessment Factor G - The institution's record of opening and closing offices and providing services at offices.

**The bank provides a superior level of service to its customers. No offices were closed during the last three years.**

CNB&T began offering a loan by phone service in late 1995. Customers can call this automated service 24 hours each day to apply for a consumer loan. The customer is prompted to provide the necessary information. The customer is either notified immediately of an approval or notified the next day of the bank's decision. The loan is closed at the branch office most convenient to the customer. Since the system was implemented in September 1995, 408 applications have been received in this manner. The bank continues to offer "CN Banker Voice", a computerized telephone banking service that allows customers to perform many deposit related banking services 24 hours each day.

CNB&T has nine full service branch offices. Several of the branches are open on Saturday mornings. All branches are open at least to 6PM one day a week. In addition to regular branch offices, there are 15 drive-up or walk-up facilities, and 15 ATM's available to customers. Many of the ATM's have 24 hour availability.

Management monitors service quality on a regular basis. Customer surveys called "Tell It To The President" are available in all branches. A bank consultant conducted a major service quality study for the bank in 1994. The study included using "mystery shoppers" to test service levels at each branch. Information obtained through these studies is used to guide service improvements.

Since the bank's last CRA exam in 1993, the bank opened a limited service office in Pittsford, NY. The services provided at the office are limited to commercial and investment services. The board adopted a branch closing policy that will be followed in the event a branch office is closed.

#### IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

Assessment Factor D - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).

The bank does not discourage applications for any type of credit mentioned in its CRA statement. All advertising, policies and procedures readily promote an open lending environment.

Assessment Factor F - Evidence of prohibited discriminatory or other illegal credit practices.

We found no evidence of illegal discrimination in our fair lending examination. The bank provides comprehensive fair lending training to all employees involved in the lending process.

#### V. COMMUNITY DEVELOPMENT

Assessment Factor H - The institution's participation, including investments, in local community development and redevelopment projects or programs.

**CNB&T is very active in lending activities that benefit the community it serves.**

Management keeps well informed of community development activities through participation in community organizations, community outreach, and its advisory boards. The bank is noted for taking a leadership role in activities that benefit the community.

The following are examples of the bank's community development activities for the period under review:

- Thompson Apartments And Cooperative - The bank provided \$1 million in financing for construction as well as the permanent financing for this 41 unit complex. The apartments are for low-income senior citizens. The bank worked in partnership with Rural Opportunities Inc. and the City of Canandaigua to make this complex a reality. All three parties were formally commended by the Lt. Governor of New York State at the dedication ceremony in September 1994. CNB&T used its membership in the Federal Home Loan Bank of New York to offer a below market interest rate on the project.
- Coordinated Child Development - The bank granted a \$675 thousand construction loan as well as committed to a permanent mortgage of \$375 thousand to make this badly needed

child care facility a reality. Both loans were made at discounted rates. There is currently \$412 thousand outstanding on the construction loan. The bank's financing commitment enabled Coordinated Child Development to qualify for \$750 thousand in grant money. In addition, management assisted the center's management in preparation of the grant applications. Besides nearly doubling the number of children the center can care for, the opening of the new building is expected to create 14 jobs.

- Business Improvement District Loan Program (BID loans) - The bank offers a discounted rate over a 6 year period for the financing of building improvements in the Canandaigua business district, as well as other business districts in the community. To date, the bank has originated seven BID loans for \$104 thousand. The bank has committed \$1.6 million to this program.
- Mercy Flight/EMS Services - The bank has been instrumental in keeping this emergency medical service in operation. The Mercy Flight helicopter transports seriously injured individuals to larger city hospitals when timeliness is of vital importance. Management has provided ongoing financing, including arranging for loan guarantors when the organization needed assistance qualifying for financing. President Hamlin has devoted a considerable amount of his personal time and expertise to the organization.
- Bloomfield Station Apartments - the bank recently received word from the Federal Home Loan Bank of New York that they have been awarded \$157 thousand for the construction of a 24 unit low income housing unit in Bloomfield, NY. The \$157 thousand will be used toward both the construction and permanent financing. The bank has worked with Rural Opportunities, Inc. (ROI) on this project. The bank is not needed for the permanent financing phase, but is required to monitor the status of the permanent financing as a condition of receiving the grant. Construction is expected to begin in the fall of 1996. The award enables the bank to provide the developer preferred loan rates and terms. Management has been working on this project for nearly two years. The grant had actually been denied, but was appealed successfully by management.
- Canandaigua Chamber of Commerce - the bank provided both construction and permanent financing for the Chamber to construct a new headquarters in downtown Canandaigua. No fee was charged for the construction financing and a below market rate was given on the permanent financing. This new building is located in the targeted business improvement district of Canandaigua, which is also a LMI census tract.

Assessment Factor K - The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

There are no legal or other impediments hindering the bank from meeting its obligations under the CRA. Please refer to the Community Profile section earlier in this report for background

information on the community.

Assessment Factor L - Any other factors that, in the regulatory authority's judgment, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.

**CNB&T is well known for its willingness and desire to contribute to the well being of its community.**

Management assisted furloughed local federal workers this past January who were without a paycheck due to the delayed passage of the federal budget. A special 60 day interest free loan was offered to affected individuals. A total of 56 loans were made in response to the bank's offer. The Director of the VA Medical Center commended CNB&T along with two other local financial institutions for stepping forward to assist these workers.

The bank donated a computer valued at \$2,500 to the Small Business Center at the Chamber of Commerce. Small business owners and operators mainly use the computer to access the Internet.

CNB&T provided building reconstruction financing for a Farmington, NY archery store, after the store was completely destroyed by fire. The owner desperately needed the financing since the majority of the building was uninsured. The bank was praised by the store owner in a newspaper article about the rebuilding effort.

Bank employees, senior management and members of the board of directors contribute their time and talent to numerous local organizations and community activities. The bank contributed \$180 thousand to various charitable causes since January 1, 1994.

Additional Information

None.