
Comptroller of the Currency
Administrator of National Banks

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

PUBLIC DISCLOSURE

July 24, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Ontario National Bank
Charter Number 8717
26 East Main Street
Clifton Springs, New York 14432

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

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 Ontario National Bank prepared by The Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, as of July 24, 1996. 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.

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

- The bank's average loan to deposit ratio is reasonable at 61%.
- A majority of the loans originated by the bank is in its assessment area.
- The distribution of loans to borrowers of different incomes and businesses of various sizes is adequate.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>ONTARIO 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	This analysis is not meaningful.		
Response to Complaints	No complaints received since the prior examination.		

DESCRIPTION OF INSTITUTION

Ontario National Bank (ONB) is a \$54 million community bank with its main office and one branch located in Clifton Springs, New York. A second branch in nearby Phelps opened in September 1994. The bank is wholly-owned by ONB Corporation, a one bank holding company. The loan portfolio represents approximately 50% of the bank's total assets. Eighty-five percent of total loans are real estate secured loans (residential and commercial), 10% are consumer loans, and 5% are business loans. Currently, the bank's business focus is on all types of lending. Although ONB is the only bank located in Clifton Springs, competition is strong due to other community banks, regional bank branches, finance companies, and access to various credit unions in the general vicinity. ONB is adequately positioned to help meet the credit needs of the community.

ONB offers a variety of deposit and loan services. The main office maintains traditional banking hours with extended hours on Thursday and Friday. It also has a walk-up window available one-half hour before the lobby opens and one hour after the lobby closes. The branch offices offer extended hours throughout the week. They each have a drive-up window and an automated teller machine (ATM). Additionally, ONB recently installed an ATM in the hospital located across the street from the main office. ONB is the only bank that has an ATM in both Phelps and Clifton Springs.

There are no legal, financial or other impediments hindering the bank's ability to help meet the credit needs of the community.

DESCRIPTION OF ASSESSMENT AREA

ONB's assessment area meets the criteria of the regulation and does not arbitrarily exclude any low or moderate income areas. The assessment area consists of four middle income census tracts in the Rochester Metropolitan Statistical Area (MSA). There is a total population of 21,863 residents in the assessment area. The median family income for the Rochester MSA is \$40,519, however, the median family income for the census tracts located in the assessment area is slightly lower at \$38,151. The income levels of families within the assessment area are: 17% low income families, 23% moderate income families, 29% middle income families, and 31% upper income families. Housing is principally owner-occupied.

The local economy is stable. Employment is primarily in the service, retail trade and manufacturing sectors. The unemployment rate is stable around 5%. Major area employers are Clifton Springs Hospital, G.W. Lisk Co., Wright Components Inc., and the local school districts. There are also several small businesses, some of which are expanding, in the area. In the past several years there has been a concerted effort to renovate and revitalize the downtown area of Clifton Springs. Management indicated the credit needs of the community include all types of lending, with an emphasis on more affordable real estate loan programs, consumer loans and small business loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

ONB's loan to deposit ratio is reasonable. The average loan to deposit ratio over the last eight calendar quarters is 61%. A sample of banks located in New York State (excluding southeastern NYS) also has an average loan to deposit ratio of 61%, with ratios ranging between 27% and 76%.

A majority of all loan originations is within the bank's assessment area. Based on 1995 and 1996 year-to-date Home Mortgage Disclosure Act-Loan Application Register (HMDA-LAR) information, approximately 69% of the number of mortgage related loan originations, or 45% based on dollar volume, were within the assessment area. Our review of small business and farm loan originations in 1995 disclosed 70% were in the assessment area. Management's analysis covering all types of lending shows 78% of total loan originations in 1995, or 69% based on dollar volume, are located in the bank's assessment area.

Lending to borrowers of different incomes and to businesses of different sizes is adequate. Relative to mortgage lending, our analysis of the 1995 and 1996 year-to-date HMDA-LAR shows 2% of loan originations were to low income borrowers, 21% to moderate income borrowers, 24% to middle income borrowers, 45% to upper income borrowers, and 8% to borrowers whose income information was not available. Management maintains income information for their own analysis regarding consumer loans made in the two primary census tracts in the assessment area. This analysis indicates 34% of loans in these census tracts were originated to low income borrowers, 22% to moderate income borrowers, 23% to middle income borrowers, 12% to upper income borrowers, and 10% to borrowers whose income information was not available. The distribution reasonably reflects the income characteristics of the assessment area.

Management originated 56 small business and small farm loans totaling \$3,606,000 in 1995 and 1996 year-to-date. The vast majority of commercial loans are to small businesses (businesses with less than \$1million in gross annual revenues). Eight of ten new commercial loans sampled were to small businesses and small farms based on gross revenues. Sixty-four percent of the number of loans originated were less than \$50 thousand, 20% were between \$50-100 thousand, and 16% were greater than \$100 thousand.

An analysis of the geographic distribution of loans would not be meaningful since there are no low or moderate income census tracts in the bank's assessment area.

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