



**NEW YORK STATE BANKING DEPARTMENT
CONSUMER SERVICES DIVISION**

One State Street Plaza
New York, NY 10004

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: January 1, 2002

Institution: Bank of Richmondville
P.O. Box 40
East Main Street
Cobleskill, NY 12043-0040

Note: This evaluation is not an assessment of the financial condition of this institution. The rating assigned does not represent an analysis, conclusion or opinion of the New York State Banking Department concerning the safety and soundness of this financial institution.

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GENERAL INFORMATION

This document is an on-site evaluation of the Community Reinvestment Act (“CRA”) performance of the Bank of Richmondville (“BOR”) prepared by the New York State Banking Department. The evaluation represents the Banking Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as on January 1, 2002.

Section 28-b of the New York State Banking Law, as amended, requires that when evaluating certain applications, the Superintendent of Banks shall assess a banking institution’s record of helping to meet the credit needs of its entire community, including low- to moderate-income (“LMI”) areas, consistent with safe and sound operations.

Part 76 of the General Regulations of the Banking Board implements Section 28-b and further requires that the Banking Department assess the CRA performance records of regulated financial institutions. Part 76 establishes the framework and criteria by which the Department will evaluate the performance. Section 76.5 further provides that the Banking Department will prepare a written report summarizing the results of such assessment and will assign to each institution a numerical CRA rating based on a 1 to 4 scoring system. The numerical scores represent an assessment of CRA performance as follows:

- (1) outstanding record of meeting community credit needs;
- (2) satisfactory record of meeting community credit needs;
- (3) needs to improve record of meeting community credit needs; and
- (4) substantial noncompliance in meeting community credit needs.

Section 76.5 further requires that the CRA rating and the written summary be made available to the public (“Evaluation”). Evaluations are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Sections 76.8 – 76.13. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York State Banking Law.

For explanation of technical terms used in this report, please consult the **GLOSSARY** at the back of this document.

OVERVIEW OF INSTITUTION'S PERFORMANCE

BOR is rated "2," indicating a satisfactory record of helping to meet community credit needs. This rating is based upon the following factors:

- *Loan-to-Deposit ("LTD") Ratio:* The bank's LTD ratio is reasonable, given its size, financial condition and assessment area credit needs. The bank's average LTD ratio for the six quarters ending December 31, 2001 was 60.5%, significantly below the 74.8% average for the national peer group, and slightly below its own LTD ratio of 61.0% at the prior evaluation. This represents the third consecutive evaluation at which the bank's LTD ratio has declined and has been below that of the aggregate.
- *Assessment Area Concentration:* A majority of BOR's HMDA-reportable loans were originated within the assessment area during the evaluation period. In 2000, the bank made 83.9% of the number and 82.2% of dollar volume in the assessment area. In 2001, the ratios declined to 77.4% and 77.1%, respectively.
- *Geographic Distribution of Lending:* The geographic distribution of loans reflects good dispersion throughout the assessment area. In 2000, BOR made 57.7% of the number and 51.1% of the dollar volume of HMDA-reportable loans in moderate-income geographies. In 2001, the ratios improved to 66.7% and 57.2%, respectively.
- *Borrower's Profile:* The bank had a reasonable penetration of loans among individuals of different income levels. In 2000, BOR made 21.1% of the number and 11.4% of dollar volume of HMDA-reportable loans to LMI individuals within the assessment area. In 2001, the ratios increased to 37.5% and 23.2%, respectively.
- *Services:* The bank's services and banking hours are tailored to the needs and convenience of its community.
- *Complaints:* Neither the bank nor the New York State Banking Department have received any complaints since the previous examination concerning CRA.

This evaluation was conducted based on a review of the 12 assessment factors set forth in Section 28-b of the New York State Banking Law and Part 76 of the General Regulations of the Banking Board.

PERFORMANCE CONTEXT

Institution's Profile:

Chartered in 1893, BOR is a retail commercial bank with three banking offices, all located in Schoharie County, New York. The bank's principal office is located in Richmondville, but all operations are managed from the administrative office in Cobleskill. The third office is located in Schoharie. Each office is equipped with a night depository facility and deposit-taking Automated Teller Machines ("ATMs"). The bank also operates drive-through windows at all of its offices.

According to the Consolidated Report of Condition and Income, as of December 31, 2001, the bank reported total assets of \$83.1 million dollars, including net loans and leases of \$46.2 million (55.6%) and securities of \$20.3 million (24.4%). On the same date, the bank reported total deposits of \$75.2 million, resulting in a loan-to-deposit ("LTD") ratio of 61.4%.

The institution offers a wide variety of lending products to qualified individuals, corporations, non-incorporated businesses, for profit and non-profit organizations, including real estate mortgages – residential, commercial and farm, second mortgages, home equity loans – fixed and variable, home improvement loans, mobile home loans, automobile loans, student loans, commercial loans, personal loans and Small Business Administration ("SBA") Loans.

According to the Consolidated Report of Condition, the following table shows a breakdown of the bank's gross loan portfolio as of December 31, 2001, 2000 and 1999:

TOTAL GROSS LOANS OUTSTANDING						
LOAN TYPE	12/31/2001		12/31/2000		12/31/1999	
	\$000	%	\$000	%	\$000	%
1-4 Family Residential Loans	25,819	54.9%	24,126	54.8%	21,381	53.7%
Multifamily Mortgages	1,121	2.4%	1,161	2.6%	903	2.3%
Consumer Loans	4,255	9.1%	4,184	9.5%	3,235	8.1%
Secured by Farmland	645	1.4%	618	1.4%	637	1.6%
Commercial Loans	7,884	16.8%	6,834	15.5%	6,295	15.8%
Commercial Mortgage Loans	7,017	14.9%	6,636	15.1%	6,516	16.4%
Construction loans	266	0.6%	443	1.0%	839	2.1%
Total Gross Loans	47,007	100.0%	44,002	100.0%	39,806	100.0%

As the above table indicates, the bank's primary focus remains on residential mortgage loans and the distribution of lending across products has remained relatively unchanged over the past three years.

The bank was rated a "2" at the prior evaluation conducted by New York State Banking Department as of June 30, 2000, indicating a satisfactory record of helping the community credit needs.

Examiners noted no financial or legal impediments that adversely impacted the bank's ability to help meet the credit needs of its community.

Assessment Area:

BOR's assessment area encompasses 13 townships in Schoharie County and five contiguous townships in Otsego County. The assessment area includes seven census tracts, of which four (57.1%) are moderate-income tracts, two (28.6%) are middle-income tracts and one (14.3%) is a zero-income tract.

According to the 1990 census, total population in the assessment area was 29.0 thousand, including 816 (2.8%)¹ minority persons. Almost 4.1 thousand (14.0%) were over the age of 65 and 6.2 thousand (21.3%) were below the age of 16.

There were 7.5 thousand families in the assessment area, of which two thousand (26.7%) were low-income, 1.9 thousand (25.3%) were moderate-income, 1.8 thousand (24.0%) were middle-income and 1.8 thousand (24.0%) were upper-income families. Of the 3.9 thousand LMI families, 2.5 thousand (64.1%) lived in moderate-income tracts, accounting for 55.6% of all families (4.5 thousand) that lived in moderate-income tracts. There were 10.2 thousand households in the assessment area, of which 1.1 thousand (10.9%) had incomes below the poverty level.

The assessment area had 12.3 thousand housing units, of which 9.7 thousand (78.9%) were 1-4 family units, 550 (4.5%) were mobile homes or trailers and 1.8 thousand (14.9%) were multifamily units. There were 7.4 thousand (60.0%) owner-occupied units, of which 4.7 thousand (63.0%) were in moderate-income areas. A further 2.8 thousand (22.5%) were rental-occupied units, of which 1.2 thousand (43.2%) were in moderate-income areas. About 2.2 thousand (17.9%) housing units were vacant and/or boarded up. The median value of housing was \$74.5 thousand and the median age of housing was 36 years.

According to the New York Department of Labor, Schoharie and Otsego Counties' average unemployment rates in 2001 were 4.3% and 4.2%, respectively, below New York State's average rate of 4.9% for that year.

The weighted average of median family income of the tracts/BNAs was \$30.8 thousand and the weighted average of MSA/Non-MSA's census median family income was \$39.4 thousand in 2000. The weighted average of MSA/Non-MSA's updated median family income was \$53.0 thousand in 2001.

¹ Please note that while percentage figures are based on exact numbers, the numbers in this report pertaining to population and housing characteristics have been rounded to the nearest decimal point.

The assessment area appears reasonable based upon the locations of branches and lending patterns. There is no evidence that LMI areas have been arbitrarily excluded.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

BOR's performance for the years 2000 and 2001 was evaluated under the small bank performance criteria, which include the following:

1. Loan-to-Deposit Ratio and other Lending-Related Activities;
2. Proportion of Lending in the Assessment Area;
3. Geographic Distribution of Lending;
4. Distribution of Lending According to Borrower Characteristics; and
5. Action Taken in Response to Written Complaints Regarding CRA.

BOR's services were also considered, based on optional information provided by the bank.

As noted above, BOR's primary business is the origination of residential mortgage loans. The bank participates in the SBA loan program but did not originate any loans during the evaluation period. Consequently, only HMDA-reportable loans were analyzed for purposes of this evaluation.

- **Loan-to-Deposit ("LTD") Analysis: "Satisfactory"**

The bank's LTD ratio is reasonable given the bank's size, financial condition and assessment area credit needs. For the six quarters ending December 31, 2001, BOR's LTD ratio averaged 60.5%, significantly below the 74.8% average achieved by the national peer group. This ratio is also below BOR's own LTD ratio of 61.0% at the prior evaluation. The bank's LTD ratio has declined and trailed that of the aggregate for three consecutive performance evaluations.

- **Proportion of Lending Within Assessment Area: "Satisfactory"**

BOR originated a majority of its HMDA-reportable loans within the assessment area during the evaluation period. In 2000, of 62 HMDA-reportable loans totaling \$4.5 million, BOR extended 52 loans (83.9%) and \$3.7 million (82.2%) within the assessment area. In 2001, of 62 HMDA reportable loans for \$4.8 millions, BOR originated 48 loans (77.4%) for \$3.7 million (77.1%) within the assessment area.

- **Geographic Distribution of Lending: "Satisfactory"**

The geographic distribution of BOR's loans reflects good dispersion throughout the assessment area. In 2000, of 52 HMDA-reportable loans totaling \$3.7 million originated within its assessment area, 30 loans (57.7%) totaling \$1.9 million (51.1%) were made in moderate-income geographies. In 2001, of 48 loans totaling \$3.7 million originated within the assessment area, 32 loans (66.7%) totaling \$2.1 million (57.2%) were made within moderate-income geographies. The bank's LMI area penetration has declined since the prior evaluation.

The following table shows a distribution of HMDA reportable loans by geography income level during the evaluation period:

Distribution of HMDA Reportable Loans By Geography Income Level								
Geography	2000				2001			
	#	#%	\$000's	\$%	#	#%	\$	\$%
Low	0	0.0%	-	0.0%	0	0.0%	-	0.0%
Moderate	30	57.7%	1,893	51.1%	32	66.7%	2,110	57.2%
Middle	22	42.3%	1,811	48.9%	16	33.3%	1,576	42.8%
Upper	0	0.0%	-	0.0%	0	0.0%	-	0.0%
Total	52	100.0%	3,704	100.0%	48	100.0%	3,686	100.0%

As noted in the **Performance Context** above, 57.1% of census tracts, encompassing 60.0% of the population and 63.0% of owner-occupied housing units, in the assessment area are LMI.

- **Borrower Distribution of Lending: “Satisfactory”**

The bank had a reasonable lending penetration among individuals of different income levels. According to the table below, in 2000 the bank made 11 (21.1%) HMDA-reportable loans totaling \$423 thousand (11.4%) to LMI individuals within the assessment area. In 2001, the number and corresponding percentage of loans to LMI individuals increased to 18 (37.5%) while the dollar volume increased to \$855 thousand (23.2%).

Distribution of HMDA Reportable Loans By Borrower Income Level								
Borrower Income	2000				2001			
	#	#%	\$000's	\$%	#	#%	\$	\$%
Low	6	11.5%	162	4.4%	6	12.5%	192	5.2%
Moderate	5	9.6%	261	7.0%	12	25.0%	663	18.0%
Middle	18	34.6%	1,099	29.7%	10	20.8%	542	14.7%
Upper	21	40.4%	1,982	53.5%	19	39.6%	1,689	45.8%
N/A	2	3.8%	200	5.4%	1	2.1%	600	16.3%
Total	52	100.0%	3,704	100.0%	48	100.0%	3,686	100.0%

As noted in the **Performance Context** above, 52% of families in the bank’s assessment area were LMI.

- **Action Taken In Response to Written Complaints With Respect to CRA**

Neither the bank nor the Banking Department received any CRA-related complaints during the assessment period.

- **Services**

As of the evaluation date, the bank operated three banking offices in Schoharie County, including an administrative office located in Cobleskill, the home office in Richmondville and a banking office in Schoharie. The Cobleskill and Schoharie offices are located in middle-income areas and the Richmondville office is located in a moderate-income area. Each office of the bank is equipped with a deposit-taking ATM, available 24 hours a day, seven days a week. The bank is a member of the NYCE and PLUS electronic networks.

The bank has extended working hours as well as Saturday working hours for the convenience of its customers.

The bank also has 24-hour, toll-free telephone banking service (“Xpress Banking”) that allows customers to access account information, transfer funds and/or make payments by touchtone telephone.

- **Discrimination or Other Illegal Practices**

Any practices intended to discourage applications for types of credit set forth in the banking institution’s CRA Public File.

Examiners noted no practices intended to discourage credit applicants for the types of credit offered by the institution.

Evidence of prohibited discriminatory or other illegal credit practices.

The most recent regulatory compliance examination conducted concurrent with the CRA assessment indicates satisfactory adherence to antidiscrimination or other applicable laws and regulations. No evidence of prohibited discriminatory or other illegal credit practices was noted.

- **Process Factors**

Activities conducted by the banking institution to ascertain the credit needs of its community, including the extent of the banking institution’s efforts to communicate with members of its community regarding the credit services being provided by the banking institution.

The bank ascertains the credit needs of its community through the following methods:

Outreach: The bank’s CRA program includes contacts within the community to ascertain needs and finding ways to meet those needs. A bank officer contacts community groups or individuals to discuss unmet needs of the community served by the bank.

Officer Call Program: Through this program the bank informs the community of the bank's credit products. The bank contacts small business owners, real estate agents, town and county planning officials, community groups and local governments.

The bank's management and employee are highly visible in the bank's trade area and are involved in civic and community activities, especially non-profit organizations to which the bank makes donations and grants. Several employees also serve on the Boards of these organizations.

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

The bank utilizes local media to make members of the community aware of its products and services. BOR advertises regularly in *Social Journal, My Shoppers and Times Journal*. These newspapers have wide circulations and reach across the bank's assessment area. To enhance its reach, the bank also uses brochures, lobby and ATM displays, and memo lines on checking statements to describe its products and services.

The extent of participation by the banking institution's board of directors/trustees in formulating the banking institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.

CRA is a regular part of monthly Board meetings. The CRA officer prepares a detailed report for the Board members to update them on the bank's CRA activities, including, among other things, bank employees' involvement in community services and activities.

- **Other Factors**

Other factors that in the judgement of the Superintendent and Banking Board, bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community.

The bank actively participates in bidding for local municipal "Bond" and "BAN" investments. On the evaluation date, the bank held \$6.8 million in its investment portfolio from local municipalities. These funds represented 27% of the bank's entire investment portfolio.

GLOSSARY

Aggregate

The cumulative lending by all HMDA-reporting lenders in the same geographic area under evaluation.

Community Development

The term “community development” is defined to mean:

1. Affordable housing (including multifamily housing) for low- or moderate-income (“LMI”) individuals;
2. Community services targeted to LMI individuals;
3. Activities that promote economic development by financing business or farms that meet the size eligibility standards of the United States Small Business Administration (“SBA”) Development Company or Small Business Investment Company programs, or have gross annual incomes of \$1 million or less;
4. Activities that revitalize or stabilize LMI geographies; and
5. Activities that seek to prevent defaults and/or foreclosures in loans included in (1) and (3), above.

A “community development loan” is defined as a loan that has as its *primary purpose* community development. This includes but is not limited to loans to:

- Borrowers for affordable housing rehabilitation and construction, including construction and permanent financing for multifamily rental property serving low or moderate income (“LMI”) persons;
- Nonprofit organizations serving primarily LMI or other community development needs;
- Borrowers to construct or rehabilitate community facilities that are located in LMI areas or that primarily serve LMI individuals;
- Financial intermediaries including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds or pools, micro-finance institutions, and low-income or community development credit unions that primarily lend or facilitate lending to promote community development;
- Local, state and tribal governments for community development activities; and
- Borrowers to finance environmental clean-up or redevelopment of an industrial site as part of an effort to revitalize the LMI community in which the property is located.

A “qualified investment” is defined as a lawful investment, deposit, membership share or grant that has as its *primary purpose* community development. This includes but is not limited to investments, deposits, membership shares or grants in or to:

- Financial intermediaries (including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds, micro-finance institutions and low-income or community development credit unions) that primarily lend or facilitate lending in LMI areas or to LMI individuals in order to promote community development;
- Organizations engaged in affordable housing rehabilitation and construction;
- Organizations, including, for example, small business investment corporations that promote economic development by financing small businesses;
- Facilities that promote community development in LMI areas or LMI individuals, such as youth programs, homeless centers, soup kitchens, health care facilities, battered women’s centers, and alcohol and drug recovery centers;
- Projects eligible for low-income housing tax credits;
- State and municipal obligations, such as revenue bonds that specifically support affordable housing or other community development needs;
- Organizations serving LMI housing or other community development needs, such as counseling for credit, home ownership, home maintenance, and other financial services education; and
- Organizations supporting activities essential to the capacity of LMI individuals or geographies to utilize credit to sustain economic development, such as day care operations and job training programs that facilitate access to permanent jobs.

A “community development service” is defined as a service that has as its *primary purpose* community development, is related to the provision of financial services, and has not been considered in the evaluation of the banking institution's retail banking services. This includes but is not limited to:

- Providing technical assistance on financial matters to nonprofit, tribal or government organizations serving LMI housing or economic revitalization and development needs;
- Providing technical assistance on financial matters to small businesses or community development organizations;
- Lending employees to provide financial services for organizations facilitating affordable housing construction and rehabilitation or development of affordable housing;
- Providing credit counseling, home buyers and home maintenance counseling, financial planning or other financial services education to promote community development and affordable housing;
- Establishing school savings programs for LMI individuals;
- Providing seminars for LMI persons on banking and bank account record-keeping;
- Making ATM “Training Machines” available for extended periods at LMI community sites or at community facilities that serve LMI individuals; and
- Technical assistance activities to community development organizations such as:
 - ❖ Serving on a loan review committee;
 - ❖ Developing loan application and underwriting standards;
 - ❖ Developing loan processing systems;
 - ❖ Developing secondary market vehicles or programs;
 - ❖ Assisting in marketing financial services, including the development of

- ❖ advertising and promotions, publications, workshops and conferences;
- ❖ Furnishing financial services training for staff and management;
- ❖ Contributing accounting/bookkeeping services; and
- ❖ Assisting in fund raising, including soliciting or arranging investments.

Home Mortgage Disclosure Act (“HMDA”)

The Home Mortgage Disclosure Act, enacted by Congress in 1975, and subsequently amended, requires institutions to annually report data about applications for residential (including multifamily) financing.

Loans to Small Businesses

Small business loans to businesses with gross annual revenues of \$1 million or less.

Low or Moderate Income (“LMI”) Geographies

Those census tracts or block numbering areas (“BNAs”), where according to the 1990 US Census, the median family income is less than 80% of the area median family income. In the case of tracted areas that are part of a Metropolitan Statistical Area (“MSA”) or Primary Metropolitan Statistical Area (“PMSA”), this would relate to the median family income for the MSA or PMSA in which the tracts are located. In the case of BNAs and tracted areas that are not part of a MSA or PMSA, the area median family income would be the statewide nonmetropolitan median family income.

LMI Borrowers

Borrowers whose income, as reported on the loan application which the lender relied upon in making the credit decision, is less than 80% of the area median family income. In the case where the residential property is located in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide nonmetropolitan median family income. In all instances, the area median family incomes used to measure borrower income levels are updated annually by the U.S. Department of Housing and Urban Development (“HUD”).

LMI Individuals/Persons

Those individuals, whose income is less than 80% of the area median family income. In the case where the individual resides in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide nonmetropolitan median family income. In all instances, the area median family incomes used to measure individual income levels are updated annually by HUD.

LMI Penetration Rate

A number that depicts the percentage of a bank's total loans extended to LMI geographies or borrowers. For example, an LMI penetration rate of 20% would indicate that the bank made 20 out of a total of 100 loans to LMI geographies or borrowers.

Small Business Loans

Loans to businesses with original amounts of \$1 million or less.