



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

One State Street
New York, NY 10004

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: December 31, 2002

Institution: Citizens Bank of Cape Vincent
154 E. Broadway - P.O. Box 277
Cape Vincent, NY 13618

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 evaluation of the Community Reinvestment Act (“CRA”) performance of Citizens Bank of Cape Vincent (“CBCV”) 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 of December 31, 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 and 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

Citizens Bank of Cape Vincent is rated "2", indicating a satisfactory record of helping to meet community credit needs. This rating is based on the following factors:

- *Loan-to-Deposit ("LTD") Ratio and Other Lending-Related Activities:* The bank's LTD ratio is reasonable, given its size, location and the credit needs of the assessment area. CBCV's LTD on December 31, 2002 was 36.38%, significantly below the peer average of 65.22%. Similarly, the bank averaged 41.45% for the past eight calendar quarters, compared with the peer average of 67.33%. Management indicated that due to a lack of demand in the area, it has been difficult to raise these percentages.
- *Assessment Area Concentration:* A substantial majority of CBCV's loans and other lending-related activities were in the assessment area.
 - For the year 2001, the bank originated 94.7% of the number and 98.7% of the dollar volume of its Home Mortgage Disclosure Act ("HMDA")-reportable loans in the assessment area. In 2002, the bank originated all of its loans in its assessment area.
 - For the year 2001, the bank originated 88.4% of the number and 74.7% of the dollar volume of its consumer loans in the assessment area. A comparable performance was recorded in 2002, as assessment area originations represented 88.1% of the number and 79% of dollars loaned.
- *Geographic Distribution:* This factor was not rated, since there is no income variation among geographies within the assessment area. Both of the census tracts are in middle-income tracts.
- *Borrower Characteristics:* The bank's lending reflects reasonable penetration among borrowers of different income levels.
 - For the year 2001 only three (16.7%) of CBCV's HMDA-reportable loans were originated to LMI individuals. The bank originated no loans to LMI borrows in year 2002.
 - Of 42 sampled consumer loans for year 2001, the bank originated 40.5% of the number and 28.6% of the dollar volume to LMI individuals. Of the 42 sampled loans for year 2002, the bank originated 38.1% of the number and 37.7% of the dollar volume to LMI individuals.
- Neither the bank nor the New York State Banking Department received any CRA related complaints

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 1919, CBCV is a retail commercial bank with \$23 million in assets headquartered in the Village of Cape Vincent, Jefferson County, New York.

The bank operates two full service branches, including the main office, located at Cape Vincent and a branch located in the Village of Chaumont. Both offices are located in middle-income areas in the rural northwestern portion of Jefferson County. Neither office has an Automated Teller Machine (ATM). CBCV has not opened nor closed any branch offices since the last examination.

Through its two full-service banking offices, CBCV provides a variety of financial services to individuals and corporate customers. The bank's primary deposit products are savings accounts, certificate of deposit and checking accounts. Its lending products include the residential mortgage loans, consumer loans and small business loans.

As of June 30, 2000, CBCV ranked seventh out of eight banks in Jefferson County with a 1.7% share in the county's total deposits. According to the latest available comparative data, Jefferson County is the source of all the bank's deposits.

For the calendar quarter ended December 31, 2002, CBCV reported total loans of \$6.8 million and total deposits of \$18.6 million resulting in a Loan-to-Deposit ("LTD") ratio of 36.38%.

As illustrated in the table below, the institution offers a variety of loans, but the primary product is 1-4 family residential mortgages totaling more than 60% of the gross portfolio as of December 31, 2002. Commercial mortgages total nearly 20%, consumer loans nearly 15%, agricultural loans 2.6% and commercial and industrial loans 1.7% of the portfolio on the same date.

Gross Loans Outstanding	12/31/02		12/31/01	
	\$000s	%	\$000s	%
Summary				
Construction and Other Land	-	0.0%	-	0.0%
Farm R/E and production	185	2.6%	232	3.1%
1-4 Family Residential	4,409	62.3%	4,821	64.3%
Multi-Family	-	0.0%	-	0.0%
Commercial Mortgage Loans	1,352	19.1%	1,312	17.5%
Commercial & Industrial	117	1.7%	132	1.8%
Consumer Loans	1,010	14.3%	1,000	13.3%
Other Loans	2	0.0%	1	0.0%
Total	7,075	100.0%	7,498	100.0%

CBCV does not participate in any governmentally insured, guaranteed or subsidized loan

programs for housing, small business or small farms.

CBCV was awarded a rating of “2” at its last Performance Evaluation by the New York State Banking Department on March 31, 2000, indicating a “satisfactory” record of helping to meet community credit needs.

There were no financial or legal impediments that would prohibit or adversely impact the bank’s ability to meet the credit needs of its assessment area. There are no other banks operating in the villages where the bank is located.

Assessment Area:

The bank’s assessment area is comprised of the Townships of Cape Vincent, Clayton and Lyme, all located in the rural area of northwestern Jefferson County, New York. The assessment area encompasses census tracts 602 and 603, both of which are considered middle-income tracts and are not adjacent to any LMI areas.

According to the 1990 U.S. Census, the assessment area had a total population of 9,735, comprised of 3,257 households. As noted in the table below, 36.3% of assessment area households are LMI.

Household Profile	Households	Percentage
Low Income	690	21.2%
Moderate Income	491	15.1%
Middle Income	688	21.1%
Upper Income	1,388	42.6%
N/A	-	0.0%
Total	3,257	100.0%
LMI Households	1,181	36.3%

Almost 13% of the total population was over 65 years old, and nearly 20% was under 16 years of age.

There were 8,310 housing units in the bank’s assessment area, of which 66.5% were 1-4 family units, 29.9% were owner-occupied and 9.7% were renter-occupied units. Occupied units totaled 3.3 thousand, while vacant units totaled 5.0 thousand or, approximately 60% of the total assessment area housing stock. The median home value in the assessment area was \$64 thousand and the average age of houses was 36 years. The 2002 HUD estimated median family income was \$43,600.

The 2002 average unemployment rate for *Jefferson County, in its entirety*, was 8.6%, significantly higher than the state average (after seasonal adjustment) of 6.3%.

The bank’s assessment area appears reasonable based upon the location of the bank’s offices and lending patterns. There is no evidence that LMI areas are arbitrarily excluded.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

CBCV's performance for the years 2001 and 2002 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 by Borrower Characteristics; and (5) Action Taken in Response to Written Complaints Regarding CRA.

This evaluation focused chiefly on residential mortgage loans and consumer loans.

Statistics utilized in this evaluation were derived from various sources. HMDA-reportable and consumer loan data was obtained directly from the bank. The demographic data referred to in this report was obtained from the 1990 U.S. Census, with 2002 estimated income figures provided by HUD.

Loan-to-Deposit Analysis: "Satisfactory"

The bank's LTD appears reasonable at this time and meets performance standards, given its size, location and the credit needs of its assessment area.

For the calendar quarter ended December 31, 2002, CBCV reported total loans of \$6.8 million and total deposits of \$18.6 million resulting in a LTD of 36.38%. The average LTD ratio for eight quarters ending December 31, 2002 was 41.45%, which was significantly below its peer group average of 67.33% and somewhat below the 45.4% average reported at the prior evaluation. Over the course of this period, the bank's ratios have ranged from a low of 36.4% to a high of 49.3%.

Loan to Deposit Ratios	Bank	Peer
12/31/2002	36.38	65.22
9/30/2002	35.57	68.38
6/30/2002	40.33	69.23
3/31/2002	41.61	66.12
12/31/2001	44.34	65.65
9/30/2001	40.44	68.67
6/30/2001	43.68	69.19
3/31/2001	49.25	66.20
Average	41.45	67.33

Management states that due to a lack of loan demand in the area, it has been difficult to raise these percentages. Safe and sound lending practices will continue to be maintained but an effort will be made to increase this ratio to at least 50% by 2005.

Proportion of Lending Within Assessment Area: “Outstanding”

A substantial majority of loans and other lending-related activities are in the assessment area.

HMDA Loans

For the year 2001, CBCV originated 18 (94.7%) of a total 19 HMDA-reportable loans within its assessment area. Assessment area loans aggregated \$774.3 thousand, or 98.7% of total dollar volume. In 2002, the bank originated all 16 of its HMDA-reportable loans totaling \$632.6 thousand within in its assessment area.

Consumer Loans

For the year 2001, the bank originated 183 (88.4%) of a total 207 consumer loans in the assessment area. Assessment area loans aggregated \$1.0 million, or 74.7% of dollar volume. The assessment area concentration for 2002 was relatively unchanged, with 140 (88.1%) of a total 159 consumer loans for \$665 thousand (79%) extended within the assessment area.

Geographic Distribution of Lending: N/A

This factor was not rated, since there is no income variation among geographies within the assessment area. Both of the census tracts are in middle-income tracts.

Borrower Distribution of Lending: “Satisfactory”

The bank’s lending reflects reasonable penetration among individuals of different income levels.

For the year 2001, CBCV originated only three (or 16.7%) of its HMDA-reportable loans to LMI individuals. The bank extended no loans to LMI borrowers in year 2002.

Of the 183 consumer loans made in the assessment area in 2001, examiners reviewed 42 loans totaling \$256.4. Seventeen loans (40.5%) for \$73.3 thousand (28.6%) were extended to LMI individuals. In year 2002, of the 42 consumer loans reviewed for \$203.8 thousand, 16 loans (38.1%) for \$76.8 thousand (37.7%) were extended to LMI individuals.

As noted in the *Performance Context*, 36.3% of assessment area households were LMI.

Action Taken in Response to Written Complaints With Respect to CRA

Neither CBCV nor the New York State Banking Department has received any CRA-related complaints.

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 that were intended to discourage applications for the types of credit offered by the institutions.

Evidence of prohibited discriminatory or other illegal credit practices.

The most recent regulatory compliance examination conducted concurrently with this assessment found 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.

Due to the size of the assessment area, community needs are generally ascertained through the personal involvement of bank personnel and the board of directors. The president periodically meets with the Town Supervisor and Village Mayor to gather insight regarding possible future projects.

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 advertises in a local newspaper, *Thousand Island Sun*, distributed throughout the assessment area and publications printed for community-sponsored events. Positive community commentary contributes in large part to the public's awareness of bank 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.

The bank's board of directors is aware of community needs and is typically familiar with applicants' requests for funds. In formulating policies and making assessments for the bank, the directors are regularly involved with bank management and have frequent contact with local residents.

- **Other Factors**

Other factors that in the judgment 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 contributed more than \$10 thousand to various community and non-profit organizations during the period under review.

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.