



**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, 2007

**Institution:** Citizens Bank of Cape Vincent  
154 East Broadway  
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, 2007.

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 of small banking institutions are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Section 76.12. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York State Banking Law.

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

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## **OVERVIEW OF INSTITUTION'S PERFORMANCE**

CBCV 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:*** CBCV's LTD ratio is considered reasonable given its size, its financial condition and the credit needs of its assessment area.

CBCV's LTD ratio was 39.4% for the 12 consecutive quarters ending December 31, 2007. By comparison, the peer group's average for the same period was 73.6%.

An increasing trend in CBCV's LTD ratios has been noted during the evaluation period.

- ***Assessment Area Concentration:*** CBCV extended a majority of its loans in the assessment area.

During 2006 and 2007, CBCV originated 79.5% and 58.5% of its loans inside the assessment area, by number and dollar volume, respectively.

- ***Geographic Distribution of Loans:*** This factor was not rated as part of this evaluation because CBCV's assessment area only includes three middle-income tracts.
- ***Distribution by Borrowers Characteristics:*** CBCV's lending distribution in the assessment area reflects excellent penetration among individuals of different income levels and businesses of different revenue sizes.

In 2007, 46.1% of 26 sampled HMDA-reportable loans were extended to LMI borrowers, with five loans to low-income borrowers and seven loans to moderate-income borrowers.

In 2006, 75% of the 40 sampled consumer loans were extended to LMI borrowers. In 2007, of the 40 sampled consumer loans, 67.5% were extended to LMI borrowers.

- Neither CBCV nor the New York State Banking Department received any complaints with respect to its CRA performance during the evaluation period.

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.

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## **PERFORMANCE CONTEXT**

### **Institution's Profile:**

Chartered in 1919, CBCV is a retail commercial bank, headquartered in the Village of Cape Vincent, New York. In addition to its main office in Cape Vincent, CBCV also operates two additional branches in Jefferson County. One is located in the Village of Chaumont and the other in the Village of LaFargeville. All three branches operate an automated teller machine ("ATM"). CBCV does not offer any off-site ATMs. The LaFargeville branch was opened in March 2007.

According to its Call Report as of December 31, 2007, CBCV reported total assets of \$31.1 million, including \$13.9 million in net loans. It also reported deposits of \$26 million, resulting in a loan-to-deposit ratio of 53.8%.

The following is a summary of CBCV's lending portfolio, based on Schedule RC-C of its year-end Call Reports for calendar years 2005 through 2007:

<b>TOTAL GROSS LOANS OUTSTANDING</b>						
LOAN TYPE	12/31/2005		12/31/2006		12/31/2007	
	\$(000s)	%	\$(000s)	%	\$(000s)	%
1-4 Residential Mortgage Loans	3,836	60.2	6,101	62.2	10,001	69.9
Commercial & Industrial Loans	238	3.7	189	1.9	202	1.4
Commercial Mortgage Loans	1,175	18.4	1,724	17.6	1,773	12.4
Consumer Loans	1,063	16.7	1,695	17.3	2,261	15.8
Agricultural Loans	13	0.2	23	0.2	33	0.2
Obligations of states & municipalities	48	0.8	80	0.8	25	0.2
Other Loans	1	0.0	1	0.0	5	0.0
Total Gross Loans	6,374	100.0	9,813	100.0	14,300	100.0

As illustrated in the table above, CBCV is primarily a residential real estate lender. As of December 31, 2007, one-to-four family home mortgage loans accounted for 69.9% of its total gross loans. Other significant categories within CBCV's lending portfolio were consumer loans (15.8%) and commercial mortgage loans (12.4%).

According to FDIC's deposit market data, compiled as of June 30, 2007, CBCV ranked seventh among nine deposit-taking institutions within Jefferson County, and its corresponding market share was 2%.

CBCV does not participate in any governmentally guaranteed or government-sponsored loan programs.

The New York State Banking Department's previous CRA evaluation of CBCV, conducted as of December 31, 2004, resulted in a rating of "2", reflecting a satisfactory record of

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helping to meet community credit needs.

There are no known financial or legal impediments that adversely impacted CBCV's ability to meet the credit needs of its community.

### **Assessment Area:**

CBCV's assessment area includes census tracts 602, 603, and 605 in Jefferson County, New York. The three tracts are all middle-income geographies and encompass the townships of Cape Vincent, Lyme, Clayton and Orleans. The entire assessment area and surrounding areas are made up of middle income distressed non-metropolitan tracts as designated by the FFIEC.

Tract # 605, which was added because of the 2007 branch opening in LaFargeville, has adjacent LMI areas at its southern tip, but there is no evidence that LMI areas have been arbitrarily excluded from the assessment area. The assessment area appears reasonable based on CBCV's lending patterns and the location of its branches.

### Assessment Area Details:

According to the 2000 Census data, the assessment area population totals 16.1 thousand residents, including 2 thousand (12.5%) people over the age of 65 and 3.6 thousand (22.1%) people under the age of 16.

The number of households and families within the assessment area totaled 5.7 thousand and 4.2 thousand, respectively. Of total households, 10.3% are living below the poverty level, and 37.7% of all families are categorized as LMI. According to estimates from the U.S. Department of Housing and Urban Development ("HUD"), the median family income for the assessment area was \$50.9 thousand during 2007.

The assessment area contains 11.4 thousand housing units, half of which are vacant. Only 37.4% of all housing units are owner-occupied. As of the 2000 census, the median housing price within the area was \$71.9 thousand.

The largest industry within the assessment area can be categorized as the service industry, accounting for 26.6% of all businesses. Retail trade and construction firms represent 14.5% and 10.4%, respectively, of the area's employers.

According to the New York State Department of Labor, the average unemployment rate for Jefferson County in 2007 was 5.3%, somewhat higher than the statewide average rate of 4.5%. These unemployment rates have not been adjusted for seasonality.

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## **PERFORMANCE STANDARDS AND ASSESSMENT FACTORS**

*CBCV's performance was evaluated according to the small bank performance criteria, which include the following: (1) Loan-to-Deposit Ratio and other Lending-Related Activities; (2) Assessment Area Concentration; (3) Geographic Distribution of Loans; (4) Distribution by Borrower Characteristics; and (5) Action Taken in Response to Written Complaints Regarding CRA.*

The assessment period included calendar years 2005, 2006, and 2007. In evaluating factors (2), (3), and (4), examiners considered CBCV's performance with respect to HMDA-type mortgage loans and consumer loans originated during 2006 and 2007. Since CBCV does not have an office in a metropolitan area, CBCV is not subject to HMDA reporting requirements. However, for purposes of CRA evaluation, the HMDA-type loan data were provided by CBCV. A sample of 26 HMDA-type loans originated in 2007 were selected to collect data for the purpose of borrower income analysis, out of the universe of 50 HMDA-type loans extended within the assessment area in 2007. Due to an insufficient number of residential real estate loans originated in 2006, no loans were sampled for 2006. To obtain borrower income information on consumer loans, a sample of 40 loans from a combination of the 2006 and 2007 calendar years was selected for review. CBCV originated 309 consumer loans in 2006 and 345 in 2007.

Since CBCV is not a HMDA-reporting lender, its mortgage lending activity is not a part of the data compiled for the market aggregate. Thus, this evaluation will not compare CBCV's performance to the market aggregate. Consumer loan data is not subject to HMDA reporting requirements so aggregate data is not available for comparison.

The demographic data referred to in this report was obtained from the 2000 U.S. Census, with the updated median family income figures provided by the U.S. Department of Housing and Urban Development.

- **Loan-to-Deposit Ratio Analysis: "Satisfactory"**

CBCV's LTD ratio is reasonable considering its size, financial condition and the credit needs of its assessment area.

CBCV's average LTD ratio for the 12 quarters since the prior evaluation is 39.4%, a notable increase from the average LTD ratio of 33.5% observed at the prior evaluation. Although well below the average of 73.6% for CBCV's peer group, its LTD ratios have been increasing throughout the evaluation period.<sup>1</sup>

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<sup>1</sup> These ratios were calculated from information shown in the bank's Uniform Bank Performance Report ("UBPR") as prepared by the FDIC. The bank's peer group 13 includes all insured commercial banks located in a non-metropolitan area with more than one full service office and having assets less than or equal to \$50 million. The UBPR peer group is a national peer group and includes banks that may be operating in very different economic environments.

The following chart illustrates CBCV's and its peer group's LTD ratios for the 12 quarters ending December 31, 2007:

Loan-to-Deposit Ratios													
	2005 Q1	2005 Q2	2005 Q3	2005 Q4	2006 Q1	2006 Q2	2006 Q3	2006 Q4	2007 Q1	2007 Q2	2007 Q3	2007 Q4	Average LTD
Bank	31.07	27.71	26.24	30.24	31.37	38.68	41.38	48.34	47.10	47.83	49.75	53.39	39.43
Peer	69.99	72.96	74.37	72.33	72.74	75.52	76.41	72.97	72.52	74.73	75.28	72.90	73.56

It was noted that the difference between CBCV's quarterly LTD ratios and those of the peer group has been decreasing during the evaluation period, which is a favorable trend for the bank. The lag between CBCV's and the peer's average LTD ratios can be explained by the depressed local real estate market.

- **Assessment Area Concentration: "Satisfactory"**

CBCV originated a majority of its HMDA-type and consumer loans within the assessment area. During 2006 and 2007, CBCV originated 79.5% and 58.5% of its loans inside the assessment area, by number and dollar volume respectively.

The following table illustrates the distribution of loans originated inside and outside of the assessment area, with both loan categories included:

Distribution of Loans Inside and Outside of the Assessment Area											
Loan Type		Number of Loans					Loans in Dollars (in thousands)				
		Inside		Outside		Total	Inside		Outside		Total
		#	%	#	%		\$	%	\$	%	
HMDA	2006	43	69.4	19	30.6	62	1,705	49.0	1,776	51.0	3,481
	2007	50	64.9	27	35.1	77	2,663	55.4	2,145	44.6	4,808
Sub Total		93	66.9	46	33.1	139	4,368	52.7	3,921	47.3	8,289
Consumer	2006	309	84.4	57	15.6	366	1,332	66.5	670	33.5	2,002
	2007	345	79.3	90	20.7	435	2,086	69.1	932	30.9	3,018
Sub Total		654	81.6	147	18.4	801	3,418	68.1	1,602	31.9	5,020
Total		747	79.5	193	20.5	940	7,786	58.5	5,523	41.5	13,309

- **Geographic Distribution of Loans: Not Rated**

This factor was not rated because CBCV's assessment area is comprised of three middle-income census tracts.

- **Distribution by Borrower Characteristics: "Outstanding"**



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CBCV's distribution of loans based on borrower characteristics reflects excellent penetration among individuals of different income levels.

### HMDA-Reportable Loans

Of the 26 sampled HMDA-type loans that were originated in the assessment area in 2007, 12 (46.1%) were extended to LMI borrowers, with 5 loans to low-income borrowers and 7 loans to moderate-income borrowers.

The following table illustrates distribution of HMDA-type loans originated by borrowers' income level:

<b>Distribution of HMDA-reportable Loans by Borrower Income Level*</b>				
<b>2007</b>				
<b>Borrower Income Level</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>
Low	5	19.2	162	9.6
Moderate	7	26.9	573	33.8
Middle	5	19.2	422	24.9
Upper	9	34.6	539	31.8
<b>Total</b>	<b>26</b>	<b>100.0</b>	<b>1,696</b>	<b>100.0</b>

\*Borrower income level is based upon the Department of Housing and Urban Development's annual estimate of median family income ("MFI") figure for the MSA of the mortgaged property. Low-income is defined as <50% of the MSA MFI, moderate-income is 50% to <80%, middle-income is 80% to <120%, and upper-income is at least 120%.

### Consumer Loans

Of the 40 sampled consumer loans that were originated in the assessment area in 2006, 30 (75%) were extended to LMI borrowers, with 20 loans made to low-income borrowers.

In 2007, of the 40 sampled consumer loans, 67.5% were extended to LMI borrowers.

Table on the next page illustrates the distribution of consumer loans by borrowers' income levels for 2006 and 2007.

Distribution of Consumer Loans by Borrower Income Level				
2006				
Borrower Income Level	#	%	\$000's	%
Low	20	50.0	72	36.7
Moderate	10	25.0	33	16.8
LMI	30	75.0	105	53.5
Middle	9	22.5	76	38.8
Upper	1	2.5	15	7.7
Sub Total	40	100.0	196	100.0
2007				
Borrower Income Level	#	%	\$000's	%
Low	19	47.5	82	25.7
Moderate	8	20.0	101	31.7
LMI	27	67.5	183	57.4
Middle	8	20.0	67	21.0
Upper	5	12.5	69	21.6
Sub Total	40	100.0	319	100.0
LMI 2-year	57	71.3	288	55.9
Total	80	100.0	515	100.0

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

Since the previous CRA evaluation neither CBCV nor the New York State Banking Department has received any written complaints regarding CBCV's CRA performance.

- **Discrimination and 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 institution.

**Evidence of prohibited discriminatory or other illegal credit practices**

The most recent regulatory compliance and fair lending examinations were conducted concurrently with this evaluation. These examinations found satisfactory adherence to anti-discrimination and other applicable laws and regulations. No evidence of prohibited discriminatory or other illegal credit practices was noted.

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- **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**

CBCV works in conjunction with the Clayton Improvement Association, a Rural Preservation Company funded by the NYS Department of Housing and Community Renewal, from which it gathers valuable information on the housing trends within the assessment area.

**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**

CBCV advertises its lending programs in local newspapers, a free monthly newsletter, and local brochures.

**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 performance and issues are discussed at board meetings at least four times a year.

- **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**

None noted.

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## **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:

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- 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;

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- ❖ 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 2000 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 non-metropolitan 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 non-metropolitan 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 non-metropolitan median family income. In all instances, the area median family incomes used to measure individual income levels are updated annually by HUD.

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**LMI Penetration Rate**

A number that depicts the percentage of a bank's total loans (for a particular product) that was 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.