



Comptroller of the Currency
Administrator of National Banks

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

PUBLIC DISCLOSURE

March 2, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Citizens National Bank of Hammond
Charter Number 10216
19 Main Street
P.O. Box 187
Hammond, New York 13646**

**The Office of the Comptroller of the Currency
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 **The Citizens National Bank of Hammond** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of March 2, 1998. 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.

The Citizens National Bank of Hammond has satisfactory CRA performance based on the following:

- ▶ The bank's average loan to deposit ratio of approximately 59% is reasonable.
- ▶ Management originates a majority of loans within the bank's assessment area.
- ▶ Lending to borrowers of different income levels is adequate.
- ▶ Lending to businesses of different sizes, particularly small businesses, is very good.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>The Citizens National Bank of Hammond</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

The Citizens National Bank of Hammond (CNB) is a \$10 million community bank with its main office located in Hammond, New York and a branch in Morristown, New York, approximately eight miles northeast of Hammond. CNB's loan portfolio represents approximately 53% of total assets. Sixty-two percent of the loan portfolio is real estate secured loans (residential and commercial), 25% is consumer loans, and 13% is business and farm loans. Management's lending focus is on residential real estate and consumer loans. There is no direct competition in Hammond. However, some competition arises in nearby cities from other community banks. Additionally, CNB feels the pressure from credit unions as several local people have access to a credit union through school or municipal office employment. There are no legal, financial or other impediments hindering the bank's ability to help meet the credit needs of its community.

Due primarily to its size, CNB offers traditional, but limited, loan and deposit products and services at both branches. The bank has no automatic teller machines (ATM) or drive-in facilities. However, management's future plans include installation of a drive-up window at the main office, ATM access through off-site networks, and possible installation of an ATM. Both branches offer extended hours on Fridays. The bank's strategic plan calls for reasonable asset growth and expanded products and services over the next five years.

DESCRIPTION OF THE ASSESSMENT AREA

CNB's assessment area consists of two block numbering areas (BNA) in St. Lawrence County. One BNA is designated middle income and the other is designated moderate income. CNB's assessment area complies with the regulation and does not arbitrarily exclude any low or moderate income areas.

The assessment area has a total population of 4,749 people. The statewide non-metropolitan median family income is \$37,100, however, the median family income of families that reside within the assessment is lower at \$24,324. The breakdown of families within the assessment area by income level is: 31% low income, 21% moderate income, 20% middle income and 27% upper income. Only 31% of total housing units are owner occupied, 9% are rental occupied, and 60% are vacant. Management indicated this may be due to several second homes and waterfront properties in the area that are not selling well in the current real estate market.

The local economy is slow, but stable. Employment in the county is primarily in the service, government and retail trade sectors. Major employers include the local school districts, municipal offices, and the telephone company, as well as several small businesses and farms. The area is somewhat seasonal due to its proximity to tourist and resort areas along the St. Lawrence River and Black Lake. Management indicated the credit needs of the community include all types of lending.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan to Deposit Ratio

The bank's **loan to deposit ratio** is reasonable in light of its small size, noncomplex structure, and the nature of the market area it serves. The average loan to deposit ratio over the last eight calendar quarters is approximately 59%. A sample of six banks serving the county, of which CNB is the smallest, had a range of average ratios between 51% and 84%. CNB's loan to deposit ratio increased during this period, and was approximately 65% at December 31, 1997.

Lending in the Assessment Area

Management originates a majority of loans **in the bank's assessment area**.

Percentage of Lending Within CNB's Assessment Area*

	Number of Loans	Dollar Amount of Loans
Mortgage	68.29%	66.29%
Consumer Installment	70.49%	77.12%
Business	94.64%	Not Readily Available

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The distribution of loans to **borrowers of different income levels** is adequate. CNB's performance in mortgage lending reflects good penetration among individuals of different income levels, with the exception of low income individuals. Management indicated this is primarily a result of economic factors influencing the ability of low income borrowers to qualify for mortgage related loans based on downpayment and debt ratio requirements. Additionally, because of the bank's size and nature of operations, management maintains conservative underwriting standards and has a low legal lending limit. The bank also cannot offer an array of mortgage related products or sell loans in the secondary market. CNB's performance regarding consumer lending is good, particularly with respect to low and moderate income borrowers. Please refer to the following table for information.

Income Distribution of Consumer and Mortgage Related Loans*

Income Designation of the Borrower	% of Families in the Assessment Area	Consumer Loans (# and % of loans based on sample)	Mortgage Loans (# and % of loans based on sample)
Low	31%	5 loans / 29%	2 loans / 5%
Moderate	21%	5 loans / 29%	10 loans / 24%
Middle	20%	3 loans / 18%	12 loans / 29%
Upper	27%	4 loans / 24%	17 loans / 41%
Total	100%	17 loans / 100%	41 loans / 100%

Lending to **businesses of different sizes** is very good. By virtue of the bank's size and the area it serves, management indicated the vast majority of business loans are to small businesses (businesses with less than \$1 million in gross revenues). We sampled 56 business loans originated in 1996 and 1997 to verify revenue criteria. Our sample indicated 84% of the loans were loans to small businesses. Fourteen of the sixteen different business borrowers in our sample were small businesses.

Geographic Distribution of Loans

We did not analyze the **geographic distribution of loans** because there are only two BNAs in the bank's assessment area. Therefore, this analysis would not be meaningful in our evaluation.

Response to Complaints

CNB has not received any **complaints** regarding its CRA performance since the last examination.

We did not identify any violations of the substantive provisions of anti-discrimination or fair lending laws and regulations during the concurrent fair lending examination.

* The samples used in our review are as follows: 41 mortgage loans (100% of mortgages originated in 1996 and 1997); 56 business or farm loans (34% of originations in 1996 and 1997); and 17 consumer purpose installment loans originated in 1997. Samples were chosen based on information obtained from internally generated management reports.