



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

May 02, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Cayuga Lake National Bank
Charter Number 412**

**3 Cayuga Street
Union Springs, NY 13160**

**Comptroller of the Currency
Upstate New York (syracuse)
231 Salina Meadows Parkway 105
Syracuse, NY 13212**

NOTE: This document is an evaluation of this 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. 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 **Cayuga Lake National Bank (CLNB)** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, **as of December 31, 2004**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A of 12 CFR Part 25.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory based on the following:

- The average loan-to-deposit ratio at 64.47% meets the standards for satisfactory performance when compared with the bank's peer lenders.
- CLNB exceeds the standard for satisfactory performance for loans originated within the bank's assessment area (AA).
- Borrower distribution of loan originations meets the standard for satisfactory performance for the distribution of credit to borrowers of different income levels.
- Geographic distribution of loan originations meets the standard for satisfactory performance for the distribution of credit to borrowers in different geographies.
- CLNB has not received any CRA-related complaints during the evaluation period.

DESCRIPTION OF INSTITUTION

CLNB is an \$83 million community bank headquartered in the Village of Union Springs, New York, with a branch in Aurora, New York. As of December 31, 2004, total assets were \$83 million consisting mainly of \$45 million (54%) in loans and \$34 million (41%) in investments. The bank's deposits total \$73 million. The loan portfolio consists of \$25 million in residential real estate loans, \$14 million in commercial and commercial real estate loans, and \$6 million in consumer loans. During the majority of the evaluation period, management focused on home mortgage lending.

CLNB competes against other community banks, commercial banks, savings and loans, credit unions and mutual savings banks in its Auburn and Moravia market areas. It does not have significant competition in its Union Springs location. CLNB is positioned to help meet the credit needs of the community. CLNB offers accessible banking hours tailored to the customers' needs in the AA. Banking hours are from 9:00 a.m. to 4:00 p.m. Monday through Thursday and 9:00 a.m. through 5:00 p.m. on Friday. The Union Springs office has a drive-up window open from 8:00 a.m. to 5:00 p.m. Monday through Thursday and 8:00 a.m. until 6:00 p.m. on Friday. The

bank has 24 hour Automatic Teller Machines (ATM) available at the Union Springs and Aurora locations. Customers can access their accounts at these ATMs using the JEANNIE system.

CLNB has no legal or financial impediments that would hinder its ability to help meet the credit needs in its defined AA. At the last CRA examination dated October 25, 1999, CLNB demonstrated a satisfactory level of performance, meeting the credit needs of the community. This current evaluation period covers from July 1, 1999 through December 31, 2004. The loan sample used in our analysis was from the period January 1, 2002 through December 31, 2004.

DESCRIPTION OF ASSESSMENT AREA

At December 31, 2004, CLNB's AA consisted of 20 geographies located entirely within Cayuga County and the Auburn, New York, Micropolitan Statistical Area. The geographies are distributed as follows: 0 low-income, 4 moderate-income, 14 middle-income, 1 upper-income and 1 geography that houses a New York State Auburn Correctional Facility and does not have income data. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies.

Local economic conditions are stable. The New York State unemployment rate for December 2004 was 5.4%. The December 2004 unemployment rate for the Auburn Micropolitan Statistical Area was 5.0%. The unemployment rates for Cayuga County as of December 31, 2004 was also 5.0%. Since the last CRA examination, the unemployment rate has increased in the bank's AA at the same rate as the state unemployment rate. The main employers in the CLNB AA are Auburn Memorial Hospital, Auburn Correctional Facility, McQuay International, TRW Transportation Electronics Division, MacKenzie-Childs LTD and Auburn Steel Company.

During our examination, we contacted two local non-profit organizations that assist low and moderate-income individuals with financial counseling and support. Both community contacts confirmed that there is a continuing strong need for affordable home financing.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

This current evaluation period covers from July 1, 1999 through December 31, 2004. The loan sample used in our analysis was from the period January 1, 2002 through December 31, 2004. Based on a discussion with management and a review of the new loan reports for these three years, we determined the bank's primary products to be home mortgages. Our analysis and conclusions are based on the Home Mortgage Disclosure Act-Loan Application Register (HMDA-LAR) data reported by the bank for 2002, 2003 and 2004 home mortgages. Various benchmarks were utilized in this analysis. The results of 2002 were compared against 1990 census data while the results of 2003 and 2004 were compared against the 2000 census data. Additionally, the bank's AA was part of the Syracuse, NY, Metropolitan Statistical Area for 2002 and 2003. Due to remapping, the bank's AA was made part of the Auburn, NY, Micropolitan Statistical Area for 2004. A Micropolitan Statistical Area is defined as an area with at least one urban center of least 10,000 but a total population of less than a 50,000.

For each year, the bank met the standards for the loan-to-deposit ratio when compared to peer banks. The bank's average loan-to-deposit ratio over the last five years was 64.47% compared

to the peer banks' range of 49.19% to 64.76%.

CLNB's lending within its AA exceeds the standards for satisfactory performance for the period being examined with 97.32% of the number of loans and 97.44% of the dollars of loans made in the AA.

Lending to Borrowers of Different Incomes

CLNB's record of lending to borrowers of different incomes meets the standard for satisfactory performance.

Borrower Distribution of Home Mortgage Loans in AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Year	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Total 2002	22.36	17.55	20.69	28.07	26.91	27.19	30.04	27.19
Total 2003	20.57	16.67	20.77	32.41	25.85	19.44	32.81	31.48
Total 2004	16.09	8.82	16.44	16.18	24.00	25.00	43.47	50.00

Source: % of AA Families is from the 1990 (for the year 2002) and 2000 (for the years 2003 and 2004) U.S. Census. % of Number of Loans is from the bank's HMDA loan data.

The bank meets the standards for lending to families of low- and moderate-income. Borrower distribution of home mortgage loans to low-income borrowers is somewhat below the percent of families with low-income. The borrower distribution of home mortgage loans to moderate-income borrowers in the AA is consistently above the percentage of families with moderate-income, therefore, the bank exceeds the standards for lending to families with moderate-income.

Geographic Distribution of Loans

CLNB’s geographic distribution of loans meets the standard for satisfactory performance.

Geographic Distribution of Home Mortgage Loans in AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Year	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Total 2002	0.00	0.00	11.30	20.42	78.86	75.35	9.84	4.23
Total 2003	0.00	0.00	15.99	10.18	78.07	88.89	5.94	.93
Total 2004	0.00	0.00	2.03	0.00	77.61	80.88	20.36	19.12

Source: % of AA Owner Occupied Housing is from the 1990 (for 2002) and 2000 (for years 2003 and 2004) U.S. Census. % of Number of Loans is from the bank’s HMDA loan data.

The bank meets the standards for geographic distribution of loans to families of low- and moderate-income. In all three years, there were no low-income geographies in the AA. The percentage of the number of loans to moderate-income owner occupied households in 2002 exceeds the percentage of moderate-income owner occupied households in the AA. The percentage of number of loans made by the bank in 2003 is below but near the percentage of owner occupied housing in moderate-income tracts. In 2004, the switch to the Auburn, NY, Micropolitan Statistical Area changed the geography of the bank’s AA and drastically reduced the percentage of owner occupied housing in moderate-income tracts.

Response to Complaints

CLNB has not received any complaints regarding its CRA performance since the prior examination.

Fair Lending Review

We found no evidence of illegal discrimination or other illegal credit practices.