



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

Public Disclosure

May 14, 2001

Community Reinvestment Act Performance Evaluation

**Delaware National Bank of Delhi
Charter Number: 1323
124 Main Street
Delhi, New York 13753**

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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 CRA performance of **Delaware National Bank of Delhi (DNBD)** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **May 14, 2001**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

Institution's CRA Rating: This institution is rated "**Satisfactory**".

The primary factors supporting the overall rating are:

- The average loan-to-deposit ratio since the last examination of 67% is reasonable.
- A majority of loans originated are within the bank's assessment area.
- The distribution of residential mortgage loans among borrowers of different income levels is reasonable.
- The distribution of consumer loans among borrowers of different income levels is excellent.
- Lending to small businesses in the assessment area is very good.

DESCRIPTION OF INSTITUTION

Delaware National Bank of Delhi (DNBD) is a \$106 million community bank with its main office located in Delhi, New York, which is in the rural southeast corner of New York State. DNBD is the only subsidiary of Delhi Bank Corporation, a one-bank holding company. DNBD is an intrastate bank with one branch office in Margaretville, New York, which opened since the last examination. Automated Teller Machines (ATMs) are located at the main office and the Margaretville branch. There are four other ATMs (two of which are only cash dispensing machines) located at off-site locations within the bank's assessment area. Additionally, DNBD offers a free telephone banking system, DNB HomeLink, which allows customers to make routine banking transactions 24 hours a day. There has been no merger or acquisition activity since the last evaluation.

As of December 31, 2000, DNBD had \$61 million in net loans (58% of total assets) and \$94 million in deposits. The primary loan products are residential mortgage loans, commercial loans and personal consumer loans. As of December 31, 2000, approximately \$45 million, or 72% of the loan portfolio, is secured by either residential or commercial real estate. Business loans totaled \$8 million, or 15% of the loan portfolio, and consumer loans totaled \$6 million, or 9% of the loan portfolio. Tier 1 Capital for the same period was approximately \$11 million, or 11% of total assets.

DNBD offers a variety of loan and deposit products. Competition stems from branches of larger regional banks, area community banks, credit unions and non-bank finance companies. The bank has no legal or financial impediments that would hinder its ability to help meet the credit needs of the community.

We last evaluated DNBD's performance under the CRA as of January 8, 1997, which resulted in a "Satisfactory" rating. The previous report used lending data through October 1996. The time period for this public evaluation spans from November 1, 1996, through March 31, 2001.

DESCRIPTION OF THE ASSESSMENT AREA

The assessment area meets all regulatory guidelines with no low or moderate-income areas being arbitrarily excluded. DNBD has defined one assessment area (AA) consisting of eight block numbering areas (BNAs) in Delaware County. The area is rural in nature and not located within a Metropolitan Statistical Area (MSA). The BNAs are designated as follows: zero low-income, one moderate-income, and seven middle-income. The single moderate-income tract consists entirely of the local college campus, State University of New York at Delhi (SUNY Delhi).

The total population of the assessment area is 22,652. The population represents 5,735 families with the following family income distribution: 21% low-income, 22% moderate-income, 26% middle-income, and 31% upper-income. There is a relatively high level of poverty in the AA, with 13% of households living below poverty level. The 1990 U. S. Census median family income, used to determine the distribution of geographies, is \$31,472. The Housing and Urban Development (HUD) updated non-MSA statewide median family income for 2000, used to determine borrower income distribution, is \$40,300. Owner-occupied units are 44% of total

housing units, 14% of total housing units are rental occupied and 41% are vacant. The average housing cost in the AA is approximately \$76 thousand.

Major employers include local and county government, SUNY Delhi, and local agricultural and manufacturing businesses. There has been a recent period of economic growth in the AA due in part to the efforts of the local economic development community and the Catskill Watershed Corporation (CWC). The CWC has instituted a \$59.7 million economic development fund capitalized by an appropriation from New York City. This fund will be used to make loans and grants to businesses and organizations. The 2000 unemployment rate for Delaware County was 4.8%, slightly higher than the New York State average of 4.6%.

During the examination a contact was made with a local non-profit community action organization. The contact mentioned community credit needs including affordable small business loans for start-up businesses and affordable home mortgages. The contact also stated that the county is economically behind the rest of the state with the 9th lowest in per capita income in New York State and the 4th lowest in median family income. There has been no complaints regarding the involvement of the local lending institutions, in fact the contact stated that local institutions have been supportive of the organization's efforts.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Our examination focused on loans originated between November 1, 1996 and March 31, 2001. An evaluation of the bank's lending data and discussions with management determined DNBD's primary product lines to be residential real estate mortgages, consumer loans and commercial loans. We evaluated a sample of 20 residential mortgage loans totaling \$1.3 million, 20 consumer loans totaling \$156 thousand and 20 commercial loans totaling \$757 thousand to determine the bank's lending performance.

Loan to Deposit Ratio

DNBD's loan-to-deposit ratio meets the standard for satisfactory performance. DNBD's average loan-to-deposit ratio since the last examination is 67%. This is consistent with similarly situated institutions whose average ratios range from 45% to 113%, with an overall average of 65%. Similarly situated banks include eight banks considered to be peers due to their location and/or asset size.

Lending in the Assessment Area

DNBD meets the standard for satisfactory performance for lending in the AA. Our sample disclosed 75% of the number of the residential mortgage loans (78% of the dollar amount), 55% of the number of commercial loans (70% of the dollar amount) and 85% of the number of consumer loans (91% of the dollar amount) were originated in the AA.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

DNBD's record of lending to borrowers of different incomes and to businesses of different sizes meets the standard for satisfactory performance. Please refer to the following tables.

While the residential mortgage loan sample did not contain any loans to low-income borrowers, this is mitigated by the demographic and economic data of the AA and the bank's strong performance with respect to moderate-income borrowers. The AA has a large portion of the households, 13%, living below poverty level. It is unlikely that individuals with incomes below the poverty level would be involved in mortgage financing. Furthermore, a low-income borrower, with a **maximum** income of \$20,150, would most likely have difficulty qualifying for a mortgage based on the median housing value of \$75,870 and standard bank underwriting criteria. DNBD's residential mortgage lending performance with respect to moderate-income borrowers is very good, exceeding the family distribution based on volume and approximating the family distribution based on dollar amount.

Borrower Distribution of Sampled Residential Mortgage Loans

Income Level	# of Loans	# as % of Loans	\$ of Loans	\$ as % of Loans	Income Level of Families in AA
Low	0	0%	-0-	0%	21%
Moderate	6	30%	181,300	15%	22%
Middle	4	20%	278,300	22%	26%
Upper	10	50%	793,900	63%	31%
Total	20	100%	1,253,500	100%	100%

Consumer loan lending to low and moderate-income borrowers is excellent. DNBD's consumer lending to low and moderate-income borrowers meets or exceeds the distribution of the families both by volume and dollar amount. The sample showed 60% of the number of consumer loans and 58% of the dollar amount of consumer loans were originated to low- or moderate-income borrowers, while these borrowers represent only 43% of the total families.

Borrower Distribution of Sampled Consumer Loans

Income Level	# of Loans	# as % of Loans	\$ of Loans	\$ as % of Loans	Income Level of Families in AA
Low	4	20%	32,600	21%	21%
Moderate	8	40%	57,800	37%	22%
Middle	6	30%	45,100	29%	26%
Upper	2	10%	20,700	13%	31%
Total	20	100%	156,200	100%	100%

DNBD's lending to businesses of different sizes is good. Based on our sample of commercial loans originated in the bank's AA, nineteen, or 95% of the number of commercial loans originated, and \$733 thousand, or 96% of the dollars lent were to businesses with revenues of \$1 million or less. This compares favorably to Dun and Bradstreet business demographic information, which indicates 87% of the businesses within the AA have revenues of \$1 million or less. Furthermore, thirteen of the twenty loans, or 65%, were to businesses with revenues of \$100 thousand or less. Also, nineteen of the twenty loans sampled (95%) were for an amount less than \$100 thousand.

Geographic Distribution of Loans

DNBD's assessment area contains only one moderate-income BNA situated entirely on the campus of SUNY Delhi. Therefore, an analysis of the geographic distribution of lending throughout the AA would not be meaningful.

Response to Complaints

DNBD has not received any CRA related consumer complaints with respect to the bank's lending performance since the last CRA examination.

Results of the Fair Lending Examination

An analysis of 1999 public comments and consumer complaint information was performed according to the OCC's risk-based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed December 1996.