



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

Public Disclosure

December 13, 1999

Community Reinvestment Act Performance Evaluation

**City National Bank and Trust Company
Charter Number: 9305
12-24 North Main Street
Gloversville, New York 12078**

**Office of the Comptroller of the Currency
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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 CRA performance of **City National Bank and Trust Company** (CNB) prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **December 13, 1999**. 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:

- CNB's average loan-to-deposit ratio is reasonable.
- A substantial majority of residential mortgage and small business loan originations are within the bank's assessment areas.
- The distribution of home purchase and refinanced loans among borrowers of different income levels is reasonable.
- The geographic distribution of mortgage loans and commercial loans is reasonable.

DESCRIPTION OF INSTITUTION

City National Bank and Trust Company (CNB) is a \$298 million community bank headquartered in Gloversville, New York. CNB is wholly owned by CNB Bancorp, Incorporated, a one-bank holding company. As of September 30, 1999, total deposits were \$270 million and gross loans were \$185 million. The composition of the loan portfolio includes 47% residential mortgage loans, 30% consumer loans, and 22% commercial loans (including commercial real estate loans).

CNB is a full service institution and operates seven banking locations serving the majority of Fulton County and a portion of Saratoga County. CNB acquired the Gloversville Federal Savings and Loan Association (GFS) on June 1, 1999. The purchase of GFS increased the number of banking offices by two branches and expanded the service area into Saratoga County. All banking locations offer a full range of banking products and extended hours. All of the offices, except for the Saratoga branch office, have 24-hour automated teller machine (ATM) services. Management plans to provide ATM services in Saratoga when construction of a new branch office replaces the current office site.

Competition is strong. Management indicated the banks offering the strongest competition include the Central National Bank of Canajoharie and Adirondack Trust Company. CNB is reasonably positioned to help meet the credit needs of the community.

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 CNB's performance under the CRA as of March 31, 1997. The time period for this evaluation spans from April 1, 1997 through November 30, 1999.

DESCRIPTION OF THE ASSESSMENT AREA

CNB has two assessment areas. Both assessment areas meet the requirements of the regulation and do not arbitrarily exclude any low- or moderate-income geographies.

The larger assessment area consists of Fulton County, with the exception of the two western townships of Stratford and Oppenheim. The assessment area contains 14 geographies, three of which are designated as moderate-income geographies and the remainder as middle-income geographies. According to the 1990 Census Bureau data, the population of this assessment area is 50,201. The median housing value for the assessment area is \$56,050. Approximately 80% of all housing units are occupied, with 56% owner occupied and 24% rental occupied. According to the Department of Housing and Urban Development (HUD), the 1999 non-metropolitan median family income for New York State is \$39,300. The assessment area has the following family income distribution: 22% low-income, 20% moderate-income, 25% middle-income, and 33% upper-income.

Local economic conditions were stagnant during the most of the 1990's but are showing signs of improving. Some large companies have opened manufacturing plants in recent years and others have committed to opening plants in the local economic development zone. Manufacturing is

the region's primary form of employment, and educational and health services rank second and third, respectively. The September 1999 unemployment rate for Fulton County is 5.3%. By comparison, the state and national unemployment rates for November 1999 are 4.8% and 3.8%, respectively. Community credit needs include affordable housing loans, small business loans and consumer loans.

The Saratoga County assessment area consists of ten census tracts located in the Albany Metropolitan Statistical Area (MSA). The assessment area includes seven middle-income, one moderate-income, and one upper-income census tracts. One census tract consists of a state park and is designated as income not available.

According to the 1990 Census Bureau data, the population of this assessment area is 45,086. The median housing value for the assessment area is \$109,675. Approximately 90% of all housing units are occupied, with 60% owner occupied and 30% rental occupied. According to the Department of Housing and Urban Development (HUD), the 1999 median family income for the Albany MSA is \$49,700. The Saratoga assessment area's family income distribution is 18% low-income, 19% moderate-income, 24% middle-income, and 39% upper-income.

Local economic conditions are stable. According to Dun and Bradstreet, there are 2,002 businesses and 60 farms located in this assessment area. Employment in the assessment area is centered in services and retail trade. Saratoga County is generally considered a bedroom community to Albany, the capital of New York State. The November 1999 unemployment rate for Saratoga County is 3.1%, which is lower than the overall state and national levels.

A community contact was made with a representative of a local economic development corporation during the examination. The representative indicated the banks in the area are doing a good job in meeting the credit needs of the community including affordable housing loans, small business loans and consumer loans. He indicated significant job opportunities will occur through business expansion in Fulton County. The expansion should attract people to Fulton County and may deplete the existing inventory of housing stock and spur new construction.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Our examination focused on loans originated between April 1, 1997, and November 30, 1999. We used real estate loans reported on management reports generated by bank. We tested the accuracy of management's report by sampling 30 residential mortgage loans totaling \$2.5 million and 30 commercial loans totaling \$4.6 million. The mortgage loan sample represents 9% of the number and 11% of the dollar volume of loans originated over the evaluation period. The commercial loan sample represented 17% of the number and 23% of dollar volume of small business loans originated over the time period.

Loan to Deposit Ratio

CNB's loan-to-deposit ratio meets the standard for satisfactory performance. The average loan-to-deposit ratio since the last examination of 62% falls within the range of nine similarly situated banks whose ratios range from 53% to 87%. For this evaluation, similarly situated banks are defined as national banks located in Upstate New York with total assets between \$200 million and \$600 million.

Lending in the Assessment Area

CNB meets the standard for satisfactory lending in the assessment areas. Based on a sample of mortgage loans and small business loans, 83% of the mortgage loans and 87% of the small business loans were originated within the bank's assessment areas. Refer to the Table 1 in the Appendix for more information.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

Because the expansion into Saratoga County occurred recently because of the GFS acquisition, the emphasis of this examination was placed on the performance in the Fulton County assessment area. Tables 2, 3, and 4 in the appendix list the demographic characteristics of the Fulton County assessment area.

CNB's record of lending to borrowers of different incomes meets the standard of satisfactory performance. CNB has a satisfactory record of lending to borrowers of different incomes including low- and moderate-income borrowers as indicated by Table 2 in the Appendix.

Based on our sample of mortgage loans in the assessment area, 8% of the mortgage loans were originated to low-income borrowers and 8% to moderate-income borrowers. Management reports prepared by the bank indicate 4% and 14% of the mortgage loans originated between April 1, 1997, and June 30, 1999, are to low-income and moderate-income borrowers, respectively. Our sample indicated the data in the reports is accurate.

Although home mortgage lending to low-income borrowers is less than the distribution of the families, performance is considered adequate. Approximately 13% of the households live below the poverty level. In addition, low-income borrowers having a maximum income of \$19,950 would encounter difficulties in meeting basic debt ratio criterion (28% for housing debt/total income) based on the median housing value (\$56,003) in the Fulton County assessment area. A low-income borrower earning \$19,950 financing a \$50,000 house for 30 years at 8% with \$2,400 in property and school taxes would have a housing debt ratio of 34%.

Lending to businesses of different sizes based on our sample did not meet the standard of satisfactory performance. Based on our sample, 47% of the number and 40% of the amount of commercial loans originated are to businesses and farms with revenues of \$1 million or less. Approximately 13% of the sample had unknown revenues. Dun and Bradstreet business demographic information indicates that 75% of businesses and farms within the AA have revenues of \$1 million or less.

Geographic Distribution of Loans

CNB's geographic distribution of loans originated meets the standard of satisfactory performance. The geographic dispersion of mortgage loans and commercial loans reflects a reasonable dispersion throughout the AA as indicated in Tables 3 and 4 in the Appendix. According to our sample, the geographic distribution of mortgage loans in moderate-income geographies is 12% compared to 15% owner-occupied housing units in moderate-income geographies. The dispersion of commercial loans in moderate-income geographies of 23% slightly exceeds the 22% of businesses located in moderate-income geographies.

Response to Complaints

CNB has not received any CRA related consumer complaints since the last CRA examination.

Results of the Fair Lending Examination

During the concurrent Fair Lending Examination, we did not identify any violations of the substantive provisions of anti-discrimination or fair lending laws and regulations. The scope of our Fair Lending Examination focused on the loan terms of home mortgages and refinances originated between October 1, 1998, and September 30, 1999.

APPENDIX

Table 1

Distribution of Loans inside/outside of the AA*								
	Originations in AA				Originations outside AA			
	#	%	\$	%	#	%	\$	%
	Home Mortgage**	25	83%	2,039	83%	5	17%	428
Commercial	26	87%	5,702	94%	4	13%	355	6%
Total	51	85%	7,741	91%	9	15%	783	9%

*based on sample of 30 mortgage loans and 30 commercial loans originated between April 1, 1997, through November 30, 1999.

**Home mortgage loans are loans for the purchase or refinance of a home as defined by the Home Mortgage Disclosure Act.

Table 2

Borrower Distribution - Home Mortgage Loans*					
	#	%	\$	%	Income Level of Families in AA**
	Low	2	8%	139	7%
Moderate	2	8%	52	2%	20%
Middle	2	8%	124	6%	25%
Upper	19	76%	1,724	85%	33%
Total	25	100%	2,039	100%	100%

* based on sample of 25 home mortgage loans in the two assessment areas.

** demographics of Fulton County assessment area.

Table 3

Geographic Distribution - Home Mortgage Loans*					
	#	%	\$	%	Owner-occupied Housing**
	Moderate	3	12%	271	13%
Middle	22	88%	1,768	87%	85%
Total	25	100%	2,039	100%	100%

* based on sample of 25 home mortgage loans in the two assessment areas.

** demographics of Fulton County assessment area.

Table 4

Geographic Distribution - Commercial Loans*					
	#	%	\$	%	Distribution of Businesses**
	Moderate	6	23%	322	8%
Middle	20	77%	3,880	92%	78%
Total	26	100%	4,202	100%	100%

*Based on sample of 26 commercial loans originated within the two assessment areas.

** demographics of Fulton County assessment area.