
Comptroller of the Currency
Administrator of National Banks

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

PUBLIC DISCLOSURE

January 8, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Delaware National Bank of Delhi
Charter Number: 1323
P. O. Box 508
124 Main Street
Delhi, New York 13753

Comptroller of the Currency
Syracuse Duty Station
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 Delaware National Bank of Delhi** prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, as of January 8, 1997. 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 average loan-to-deposit ratio over the last eight quarters is 68%.
- A majority of all loans originated are within the bank's assessment area.
- The distribution of real estate mortgages among borrowers of different income levels is reasonable.
- A substantial majority of commercial loan originations are to small businesses and small farms.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	THE DELAWARE NATIONAL BANK OF DELHI 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	Analysis	is not	meaningful.
Response to Complaints	No Since	Complaints the Prior	Received Examination

DESCRIPTION OF INSTITUTION

The Delaware National Bank of Delhi (DNBD) is a \$91 million community bank located in the village of Delhi, New York. DNBD is located in a rural community approximately 50 miles east of Binghamton, New York and 65 miles southwest of Albany, New York. At September 30, 1996, DNBD has \$59 million in loans and \$82 million in deposits. Real estate loans, which include consumer and commercial real estate loans, are 74% of the loan portfolio. The remainder of the loan portfolio consists of 15% commercial loans and 11% consumer loans. The primary business focus is on real estate and commercial lending. Competition from other financial institutions is limited within the assessment area. Competition is strong outside the assessment area. DNBD is well positioned to help meet the credit needs of the community. DNBD maintains extended hours every weekday and Saturdays through its mobile branch located immediately outside Delhi's business district. Automated teller machines (ATM's) are available at the main office, the local shopping plaza, and the local college.

DNBD has no legal or financial impediments that would hinder its ability to help meet the credit needs of the community.

DESCRIPTION OF ASSESSMENT AREA

DNBD's assessment area consists of four middle-income block numbering areas (BNA's) and one moderate-income BNA. The one moderate-income BNA consists entirely of the local college-the State University of New York at Delhi (SUNY Delhi). The assessment area's outermost point measures approximately 20 miles from Delhi.

The assessment area consists of a handful of small rural communities in Delaware County. The total population within the assessment area is 13 thousand. The assessment area median family income is approximately \$27,000. Based on the statewide median family income for a non-Metropolitan Statistical Area (non-MSA) which is \$35,600, 19% of the families within the assessment area are low-income families, 22% are moderate-income families, 26% are middle-income families and 33% are upper-income families. Please refer to *Lending to Borrowers of Different Incomes and to Businesses of Different Sizes* for the distribution of DNBD's consumer real estate originations in comparison to the distribution of families in the assessment area.

Local economic conditions are stable with some improvement expected. Over the past six years, local officials have been in dispute with New York City's (NYC) Watershed Authority over the allowable use of land surrounding the reservoirs serving NYC. This area includes much of DNBD's assessment area. Earlier this year, the Watershed Authority and local officials came to an agreement which should ease land restrictions, whether actual or perceived, and stimulate development. Major employers include local and county governments, the local school district, SUNY Delhi, the local hospital and small businesses. The unemployment rate is approximately 5.5%. Credit needs within the community include affordable real estate loans, mortgages for secondary residences and small business loans.

Examiners contacted one local realtor to ascertain credit needs in the assessment area and to determine local institutions' record in meeting these needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan to Deposit Ratio

DNBD's average loan-to-deposit ratio over the last eight quarters is 68%. In comparison, the two similarly situated banks within the assessment have an average loan-to-deposit ratio of 48% and 59% respectively over the last eight quarters. Similarly situated banks include an \$80 million institution and \$110 million institution in Delaware County. DNBD's loan-to-deposit ratio has increased from 63% at December 31, 1994 to 71% at September 30, 1996. The loan-to-deposit ratios for the similarly situated institutions declined over the same time period. As of September 30, 1996, the national peer loan-to-deposit ratio is 64%.

Lending in the Assessment Area

Using accurately prepared internal reports, examiners determined that a majority of all loan originations are within the bank's assessment area. Conclusions for *Lending in the Assessment Area* and *Lending to Borrowers of Different Incomes and to Businesses of Different Sizes* are based on a review of a majority of loan originations for the time period. For instance, we drew our conclusions for 1996 based on a review of commercial and consumer mortgages and commercial loans which represent 80% of all loan originations between January 1, 1996 and October 31, 1996. The graph below represents the distribution of loan originations within the assessment area by number and amount. For example in 1995, consumer real estate loan originations within the assessment area were 63% of the total number originated and 60% of the total dollars originated. Therefore, 37% of the total number of consumer real estate loans were originated outside the assessment area and 40% of the total dollars were originated outside the assessment area.

	1995 Loan originations within the assessment area				1996 Loan originations within the assessment area*			
	Number	%	Amount	%	Number	%	Amount	%
Consumer Real Estate	86	63%	\$3,816M	60%	75	66%	\$3,533M	64%
Commercial Real Estate	8	35%	884M	29%	4	36%	772M	52%
Commercial	99	57%	2,558M	53%	129	59%	3,065M	58%

* 1996 data consists of loans originated between January 1, 1996 and October 31, 1996.

Although performance in this category meets the standard, the percentage of loans originated within the assessment area may be perceived as low in comparison to other similarly situated banks. Performance in this category is impacted by the small assessment area chosen by bank management. The assessment area is reasonable; however, if management chose a larger area (e.g. the bank's lending area), the percentage of loans within their assessment area would have been much higher. Management's lending area is approximately ten miles larger than the assessment mainly due to customers willingness to travel to DNBD rather than utilize the institutions in their communities. The assessment area is the area in which the OCC evaluates the bank's record of helping to meet the credit needs of its community, whereas, the lending area is the area in which the bank is willing to make loans.

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

FNBD maintains adequate loan penetration across different income levels. DNBD's distribution of consumer real estate originations within the assessment area may appear low in comparison to the population for several reasons including the following:

- ◆ The data below only captures loan originations secured by real estate. Loans to finance mobile home purchases that are not secured by real estate are not reflected in this data. Approximately 16% of the housing units in the assessment area are mobile homes.
- ◆ Delaware County has a large secondary housing market. Approximately 37% of the housing units are vacant with many of those units used as second homes. Many of those home owners are from the New York Metropolitan area with salaries well exceeding the non-MSA median family income. They rely on DNBD for their financing because of their low costs relative to downstate banks. The data collected by the bank identifies the BNA of the property rather than of the borrower; therefore, the originations to middle- and upper-income families are inflated.
- ◆ Delaware County is also benefitting from telecommuting and the resolution of the watershed issue. New York Metropolitan area residents are relocating to the area but maintaining their high incomes. This is not reflected in the distribution below as this reflects census information from 1990.
- ◆ We also considered the elderly population in the area. Persons over 65 are 17% of the assessment area's population. In this area, persons over 65 typically are not in need of real estate loans.

Consumer Real Estate Loan Originations within the Assessment Area						
	1995			1996*		
Income Bracket	Number of loans originated	DNBD %	Comparison to population within the assessment area	Number of loans originated	DNBD %	Comparison to population within the assessment area
Low	11	12.8%	19.34%	3	4.0%	19.34%
Moderate	14	16.3%	21.64%	17	22.7%	21.64%
Middle	20	23.3%	26.02%	23	30.7%	26.02%
Upper	41	47.6%	32.97%	32	42.6%	32.97%
Total	86	100.0 %	100.00%	75	100.0 %	100.00%

* 1996 data consists of loans originated between January 1, 1996 and October 31, 1996.

Based on the bank's June 30, 1996 Report of Condition and Income, a majority of commercial loan originations are to small businesses and small farms. This information indicates 91% of commercial loans are in amounts less than \$100,000, 7% are in amounts greater than \$100,000 through \$250,000, and 2% are in amounts greater than \$250,000 through \$1,000,000.

Between January 1996 and June 1996, DNBD offered a specialized loan product to assist those impacted by the January 1996 flood. The Disaster Assistance Loan program offered zero percent loans with repayment within 12 months. Sixteen individuals and businesses took advantage of this program with approximately \$170,000 in originations.

Geographic Distribution of Loans

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

Response to Complaints

Management received one complaint since the last Community Reinvestment Act (CRA) examination. The complaint was not related to this bank's performance under CRA. During

the concurrent Fair Lending Examination, we did not identify any violations of the substantive provisions of antidiscrimination or fair lending laws and regulations.