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Comptroller of the Currency  
Administrator of National Banks

**SMALL BANK**

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## **Public Disclosure**

March 12, 2001

# **Community Reinvestment Act Performance Evaluation**

**Champlain National Bank  
Charter Number: 9405  
Court Street  
Elizabethtown, New York 12932**

**Office of the Comptroller of the Currency  
Syracuse Field Office  
231 Salina Meadows Parkway, Suite 105  
Syracuse, New York 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 CRA performance of **Champlain National Bank (CNB)** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **March 12, 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 is 68%.
- A substantial majority of all loans originated are within the bank's assessment area.
- The distribution of mortgage refinance loans among borrowers of different income levels is adequate.
- A majority of commercial loan originations are to small businesses and small farms.
- A good level of community development lending.

## **DESCRIPTION OF INSTITUTION**

Champlain National Bank ("CNB") is a \$118 million community bank with its main office located in Elizabethtown, New York, which is in the rural northeast corner of New York State. CNB is the only subsidiary of Champlain Bank Corporation, a one-bank holding company. CNB is an intrastate bank with eight branch offices, three of which are within Clinton County and the remaining five within Essex County. CNB opened two full-service branches since the last examination. There has been no merger or acquisition activity since the last evaluation. At December 31, 2000, CNB had \$67 million in net loans (57% of total assets) and \$95 million in deposits. The primary loan products are residential mortgage refinance loans and commercial loans. As of December 31, 2000, real estate loans totaled \$37 million, or 55% of the loan portfolio. Management continues to be aggressive in the origination of commercial loans, primarily in the Plattsburgh area. As of December 31, 2000, commercial loans totaled \$20 million, or 30% of the loan portfolio. Tier 1 Capital for the same period was \$11 million or 9% of total assets.

CNB is the only independent community bank headquartered within the assessment area and 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.

Competition stems from branches of larger banks, which include multinational and regional institutions, area community banks and non-bank mortgage companies.

We last evaluated CNB's performance under the CRA as of October 15, 1996, which resulted in a "Satisfactory" rating. The previous report used lending data through September 1996. The time period for this public evaluation spans from October 1, 1996, through December 31, 2000.

## **DESCRIPTION OF THE ASSESSMENT AREA**

The assessment area meets all regulatory guidelines with no low or moderate-income areas being arbitrarily excluded. CNB has defined one assessment area (AA) which consists of all 34 block-numbering areas (BNAs) within Essex and Clinton Counties. The area is not located within any Metropolitan Statistical Area (MSA). The BNAs are designated as follows: zero (0%) low-income, three (9%) moderate-income, twenty-seven (79%) middle-income, and three (9%) upper-income. One (3%) BNA, is not designated for income purposes. The three moderate-income tracts are located within the Town and City of Plattsburgh.

The total population of the assessment area is 123 thousand, with 37 thousand living in Essex County and 86 thousand living in Clinton County. Four of the towns in the AA house State penitentiaries whose inmate populations are included within the population totals. The rural nature of the AA includes a significant portion of farmland, some of which is fallow. Also, a substantial portion of the AA is comprised of uninhabited mountain terrain, much of which is classified as "Forever Wild" by the New York State Constitution.

The AA's 123 thousand residents represent 30 thousand families with the following family income distribution: 19% low-income, 18% moderate-income, 25% middle-income, and 38% upper-income. There is a relatively high level of poverty in the AA with 14% of households living below poverty level. The 1990 U. S. Census median family income, used to determine the distribution of geographies, is \$31,782. 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 53% of total housing units, 27% of total housing units are rental occupied and 20% are vacant. The average housing cost in the AA is \$64 thousand.

Major employers include the Clinton, Altona, Adirondack and Moriah correctional facilities, International Paper Corporation and C.V.P.H. Medical Center. There has been a recent period of economic growth in area of Clinton County due in great part to the efforts of the local economic development community, which has been working to revitalize the community after the loss of the U.S. Air Force Base in Plattsburgh, New York in 1994. According to the Bureau of Labor Statistics the unemployment rate in the AA as of February 2001 is 5.6% in Clinton County and 7.9% in Essex County. The 2000 unemployment rate for Clinton County was 5.3% and for Essex County, 6.8% which are both higher as compared to the New York State average of 4.6%.

During the examination a contact was made with a local economic development organization. The contact stated community credit needs include affordable small business loans for start-up and new businesses. The contact also stated that future lending opportunities are possible in the form of loan participations with other lenders as industrial economic growth continues as new manufacturing and warehouse industries are anticipated to come to the area from Canada.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

Our examination focused on loans originated between October 1, 1996, and December 31, 2000. An evaluation of the bank's lending data and discussions with management showed CNB's primary product lines to be residential real estate mortgage refinances and commercial loans. We used a sample of 20 residential mortgage refinance loans totaling \$1.7 million and a sample of 20 commercial loans totaling \$2.2 million to determine the bank's lending performance.

### **Loan to Deposit Ratio**

CNB's loan-to-deposit ratio meets the standard for satisfactory performance. CNB's average loan-to-deposit ratio for the last 14 quarters is 68%. This is consistent with similarly situated banks whose average ratios range from 63% to 76%. Similarly situated banks include two banks considered by management to be CNB's peers due to their location and/or asset size.

### **Lending in the Assessment Area**

CNB exceeds the standard for satisfactory performance for lending in the assessment area (AA). Our sample disclosed 100% of the residential mortgage refinance loans and commercial loans were originated in the AA.

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

CNB'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 table. Refinance mortgage lending to low-income borrowers while lower than the distribution of the families, is good. The area has a substantial portion of the households, 14%, living below poverty level. It is unlikely that those with incomes below the poverty level would be involved in a mortgage financing. Also a low-income borrower, with a maximum income of \$20,150, would be likely to experience difficulty in qualifying for a mortgage based on the median housing value of \$64,632.

**Borrower Distribution of Sampled Mortgage Refinance Loans**

Income Level	# of Loans	% of Loans	\$ of Loans	% of Loans	Income Level of Families in AA
Low	1	5%	57,000	3%	19%
Moderate	2	10%	84,000	5%	18%
Middle	5	30%	375,000	22%	25%
Upper	11	55%	1,222,700	70%	38%
Total	20	100%	1,738,700	100%	100%

CNB's lending to businesses of different sizes is good. Based on our sample of the 20 commercial loans originated in the bank's AA, 17, or 85% of the number of commercial loans originated, and \$993 thousand, or 45% of the dollar amount, are to businesses and farms with revenues of \$1 million or less. Dun and Bradstreet business demographic information indicates 86% of the businesses and farms within the AA have revenues of \$1 million or less. Of the sample of 20 loans, seven or 35% were to businesses with revenues of \$100 thousand or less. Also, 13 of the 20 loans sampled (65%) were for amounts of less than \$100 thousand.

## **Geographic Distribution of Loans**

CNB's geographic distribution of lending throughout the AA does not meet the standard for satisfactory performance. Our review of the sample of residential mortgage refinances disclosed that none were found within the moderate-income BNAs. While the 1990 US Census data shows only 3.23% owner-occupied housing within the moderate-income BNAs, the 1999 Peer Mortgage Data shows 29 mortgage refinances were originated in these moderate income areas, thereby demonstrating lending opportunities for this product. Based on our commercial loans sample originated in the bank's AA only one, or 5% of the number of commercial loans originated were to businesses located with a moderate-income BNA. Dun and Bradstreet business demographic information indicates 551 businesses or farms, or 11% of total farms and businesses in the AA are located within a moderate income BNA.

## **Community Development Lending**

CNB's level of community development lending is good when considering the size of the institution. CNB originated seven Community Development Loans totaling approximately \$178 thousand dollars during the evaluation period. The community development loans were to non-profit organizations with community services targeted to low and moderate-income individuals. These community services include the provision of counseling and mental health services, drug and alcohol counseling and educational and social services.

**Response to Complaints**

CNB 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 the 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 last comprehensive fair lending examination was performed October 1996.