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Comptroller of the Currency  
Administrator of National Banks

**SMALL BANK**

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

## **PUBLIC DISCLOSURE**

January 11, 1999

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The Citizens National Bank of Malone  
Charter Number: 11897  
6 Elm Street  
Malone, New York 12953

Comptroller of the Currency  
Syracuse Field Office  
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 Citizens National Bank of Malone (CNB)** prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, as of January 11, 1999. 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 bank's rating is supported by the following facts:

- C The average loan to deposit ratio of 65% is adequate in comparison to its peer group average.
- C Management originates a substantial majority of loans within the bank's assessment area.
- C Lending to borrowers of different income levels is adequate.
- C Lending to businesses of different sizes, particularly small businesses, is good.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	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	X		
Response to Complaints	No Since	Complaints the Prior	Received Examination

## **DESCRIPTION OF INSTITUTION**

Citizens National Bank (CNB) has total assets of \$109 million, and is located in Malone, New York with branch offices in Malone, Chateaugay, Brushton and Hermon, New York. The main office and four branches are in rural sections of northern New York State bordering the St. Lawrence River and Canada. The bank purchased the First National Bank of Hermon, Hermon, New York, in 1996 and converted it to a branch. The area is approximately 100 miles northeast of Watertown, New York and 180 miles northwest of Albany, New York. The bank's primary business focus is consumer and small commercial loans. The loan portfolio is comprised of 75% real estate loans (58% are 1-4 family units), 17% consumer installment loans and 8% commercial loans.

Intense banking competition is provided by branch offices of large and small regional banks, as well as, small community banks, a savings and loan association, and two credit unions. Several mortgage brokers also compete for residential mortgage loans. All branch offices offer a full range of deposit and loan services. All locations except Brushton and Hermon, New York have Automated Teller Machine (ATM) access. Additionally, there is an ATM available on the campus of Paul Smith's College, Paul Smiths, New York. The bank has no legal or financial impediments that would hinder its ability to help meet the credit needs of its assessment area.

## **DESCRIPTION OF ASSESSMENT AREA**

CNB's assessment area (AA) consists of 63 geographies/Block Numbering Areas (BNA). Three of the BNA's are low income (predominantly occupied by three educational institutions), 16 are moderate, 37 are middle, 4 are upper and 3 are listed as not applicable (also predominantly occupied by educational institutions and prisons). The area is not in a Metropolitan Statistical Area (MSA). The AA encompasses all of St. Lawrence, Franklin and Essex Counties, and is bounded on the north by the St. Lawrence River and the Canadian border, on the east by Lake Champlain, on the south by the Adirondack Forest and on the west by Jefferson County. The AA complies with the regulation and does not arbitrarily exclude low or moderate income areas.

The assessment area has a total population of approximately 245 thousand. The updated statewide non-MSA median family income for 1998 is \$37,700. The weighted average non-MSA, 1990 U.S. census median family income is \$31,473. The weighted average median family income of the AA is \$29,708. Housing is principally owner occupied (55%). Economic conditions in the area continue to be depressed but stable. Major employers are local schools, towns, villages and counties, New York State prisons, Reynolds Aluminum, General Motors, ACCO, MITEL, Alice Hyde Hospital, and several employers located outside the AA, including Alcoa, New York State Gas & Electric, Niagara Mohawk and Bell Atlantic. Area unemployment is at approximately 6.5% versus the New York state rate of 5.1%. A CRA community contact stated that area banks and regional bank branch offices have, in general, been helpful in meeting community credit needs. The contact also stated that the most pressing community credit need is "financing for low income housing" and mentioned that CNB was the

only bank to their knowledge in the area that was actively providing the service. Commercial development opportunities continue to be limited due to the lack of a significant population center and proximity to major markets.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE

### Loan to deposit ratio

CNB's loan to deposit ratio averaged 65% since our June 1995 CRA Examination. This ratio demonstrates a reasonable volume of lending. A sample, over the same time period, of five similarly situated banks serving the same counties as CNB had a range of average ratios between 62% and 83%. CNB's loan to deposit ratio has been decreasing during this period, and was approximately 63% at December 31, 1998. CNB has been holding a "Loan Sale" (reduced interest rates and extended terms on numerous loan products) for the majority of 1998, and has actively advertised in an effort to attract loan customers.

### Lending in the assessment area

Management originates a substantial majority of loans in the bank's AA as shown in the following table.

Percentage of Lending Within CNB's Assessment Area\*

	# in Sample in the area	% of Sampled Loans	\$ Amount of sample in the area (000's)	% of \$ Amount of Sampled Loans
Mortgage	40	100%	\$2,065	100%
Consumer Installment	49	98%	\$256	99%
Business	41	95%	\$2,628	82%

\* The samples used in our review are as follows: 40 mortgage loans (19% of the number and 24% of the dollar volume originated in 1997 and 1998); 49 consumer installment loans (3% of the number and 3% of the dollar volume originated in 1997 and 1998); 41 commercial loans (19% of the number and 34% of the dollar volume of business related commercial loans originated in 1997 and 1998).

**Lending to borrowers of different incomes and businesses of different sizes**

The distribution of loans to borrowers of different income levels is adequate. CNB's performance in consumer lending reflects good penetration among individuals of different income levels, especially to low and moderate income individuals. CNB does a good job in consumer mortgage lending to low income individuals as shown in the following table.

Income Distribution of Consumer Loans\*

Income designation of the Borrower	% of Families in the Assessment Area	Consumer Installment Loans	Consumer mortgages
Low	5%	41%	8%
Moderate	25%	22%	5%
Middle	59%	33%	42%
Upper	6%	4%	45%
N/A	5%	0%	0%
Totals	100%	100%	100%

CNB participates in affordable housing lending programs for low income households sponsored by the Villages of Malone and Chateaugay, New York. The programs provide reduced interest rates, down payments, appraisal and credit report fees and draw fees. Since the June 1995 CRA examination, the bank has granted six mortgages in Malone totaling \$169,000 and eleven in Chateaugay totaling \$303,000. The bank also granted one mortgage for \$24,000 to a low income, first time home owner that was assisted by the St. Lawrence County's Direct Home Ownership Assistance Program.

Lending to businesses of different sizes is good. Management indicated that the majority of the businesses in its assessment are small businesses (businesses with less than \$1 million in gross revenues). We sampled 41 business loans originated in 1997 and 1998 to verify revenue criteria. Our review indicated 80% of the loans sampled were loans to small businesses.

**Geographic distribution of loans**

The geographic distribution of loans in the AA is good. CNB’s record of mortgage lending to borrowers in moderate income geographies far exceeds the distribution of owner occupied housing. The sample of consumer loans indicates CNB’s record of lending to borrowers in moderate income geographies exceeds the distribution of geographies. The following table identifies lending to geographies within the assessment area.

Income Characteristic of Geographies	#/% of Geographies	% of Owner Occupied	#/% of Sampled Consumer Installment Loans	#/% of Sampled Mortgages
Low	3/5%	0%	0/0%	0/0%
Moderate	16/25%	24%	36/73%	22/55%
Middle	37/59%	70%	13/27%	18/45%
Upper	4/6%	6%	0/0%	0/0%
N/A	3/5%	0%	0/0%	0/0%
Totals	63/100%	100%	49/100%	40/100%

**Response to Complaints**

CNB has not received any complaints regarding its CRA performance since the last examination.

**Fair Lending Review**

We did not identify any violations of the substantive provisions of anti-discrimination or fair lending laws and regulations during the concurrent fair lending examination.