



Comptroller of the Currency
Administrator of National Banks

LARGE BANK

Public Disclosure

June 29, 1998

Community Reinvestment Act Performance Evaluation

**NBT Bank, N.A.
Charter Number: 1354**

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Norwich, New York 13815**

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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.

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Definitions

Community development - affordable housing or community services targeted to low or moderate income individuals, activities that promote economic development by financing small businesses or farms, and activities that revitalize or stabilize low or moderate income geographies.

Community development loan - a loan that has its primary purpose in community development, benefits the AA, and has not been reported or collected by the bank for consideration as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling.

Community development service - a service that has its primary purpose in community development, is related to the provision of financial services, and has not been considered in the evaluation of the bank's retail banking services.

Geography - a census tract or block numbering area.

HMDA loan - a "home improvement loan", "refinance loan" or "home purchase loan" that is reported on the Home Mortgage Disclosure Act Report.

Home improvement loan - any loan that is for the purpose in whole or in part of repairing, rehabilitating, remodeling, or improving a dwelling or the real property on which it is located and is classified by the financial institution as a home improvement loan.

Home purchase loan - any loan secured by and made for the purpose of purchasing a dwelling.

Low Income - an individual income that is less than 50% of the area median income, or a median family income (MFI) that is less than 50%, in the case of a geography.

Middle Income - an individual income that is at least 80% and less than 120% of the area median income, or a MFI that is at least 80% and less than 120%, in the case of a geography.

Moderate Income - an individual income that is at least 50% and less than 80% of the area median income, or a MFI that is at least 50% and less than 80%, in the case of a geography.

Upper Income - an individual income that is 120% or more of the area median income, or a MFI that is 120% or more, in the case of a geography.

Qualified Community Development Investment - an investment, deposit, membership share, or grant that has as its primary purpose community development.

Qualified investment - a lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Refinance loan - any loan in which the existing obligation, involving either a home purchase or a home improvement loan, is satisfied and replaced by a new obligation.

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 **NBT Bank, N.A.** (NBT) prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **June 29, 1998**. 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:

- A substantial majority (88%) of loans in the bank's assessment area;
- A strong distribution of home loans to borrowers of different income levels;
- A good distribution of loans to small size businesses and farms, as well as small size loans (loans for \$100,000 or less);
- An excellent geographic distribution of small farm loans;
- An adequate geographic distribution of home and small business loans;
- An excellent level of qualified community development investments. In addition, the bank played a significant leadership role in forming its own Small Business Investment Corporation (SBIC). Also, the formation of the SBIC was a complex activity;
- A high level of community development services.

The following chart indicates the performance level of NBT Bank, N.A. with respect to the lending, investment, and service tests:

NBT Bank, N.A. Performance Tests			
	Lending Test*	Investment Test	Service Test
Outstanding		X	
High Satisfactory	X		
Low Satisfactory			X
Needs to Improve			
Substantial noncompliance			

* The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

Note: Words that first appear in italics are defined in the definitions section of this evaluation.

Description of Institution

NBT Bank, NA (NBT), is located in Norwich, New York and is the only subsidiary of NBT Bancorp, Inc. (NBTB), a bank holding company formed in 1986. NBTB ranks as the 31st largest bank holding company in New York State with total assets of \$ 1.3 billion, as of June 30, 1998.

NBT, a full service community bank provides a wide range of financial products and services through 35 branch offices in the southern, eastern and northern regions of New York State. As of March 31, 1998, NBT had total assets of \$1.3 billion, with gross loans of \$752 million comprising 58% of the assets. The bank's loan mix consists of 51% real estate loans, 16% commercial loans, 28% individual loans, 4% agricultural loans, and 1% other loans. In addition to traditional banking services, NBT also offers its customers trust services.

The bank ranks 49th for market share of deposits out of 280 FDIC-insured institutions operating in New York State.

NBT is not subject to any known financial, legal or regulatory restrictions which would impede its ability to help meet the credit needs of its assessment areas.

The bank operates in a fairly competitive market environment. NBT's competition includes credit unions, community banks, mortgage companies, larger regional banks and savings banks.

The bank has two operating subsidiaries, NBT Capital Corporation, a licensed Small Business Investment Corporation (SBIC) and NBT Realty Corporation, a Real Estate Investment Trust

(REIT). The SBIC is discussed later in this report under the Investment Test. We did not review NBT Realty Corporation.

Description of Assessment Areas (AA)

NBT has five AAs spanning the central, south, and northern portions of New York State. The AA does not include any area outside of New York State. The bank's AAs are designated: the Broome-Tioga Region, the Mohawk Valley Region, the Southern Tier Region, the Fulton County Region, and the Northern Region. The span of the AA, which begins along the mid-south border with Pennsylvania through the mid-section of the state to the U.S. border with Canada. Approximately 74% of NTB's branches are located in small rural towns and communities with populations ranging from 500 to 10,000.

The Broome -Tioga AA is in the Binghamton, NY Metropolitan Statistical Area (MSA) and consists of portions of Broome and Tioga counties. The counties are in the southern central portion of the state. The generally rural area contains a population of 96,000 or 14% of the overall total of the combined AA (693,000). The income classifications for the *geographies* are 4% *moderate income*, 70% *middle income*, 13% *upper income* and 13% unclassified. No *low income* geographies are in the AA. The unclassified income geographies are three parcels of vacant land. Eighty percent of the housing is 1-4 family units, 3% is multifamily units and 17% mobile homes. The 1990 MSA U.S. Census Median Family Income, which is used to income categorize the geographies in the MSA, is \$35,872. The 1998 Updated Median Family Income, which is used to categorize the income level of individual borrowers in the MSA is \$ 41,200. The Updated Median Family Income is based on information from the Department of Housing and Urban Development (HUD).

Business demographics for 1998 show approximately 2,000 businesses, including 73 farms in the AA. Small businesses represent 92% of the 1,522 businesses reporting revenues. Approximately 84% of these businesses employ fewer than 10 persons. Businesses and farms with annual revenues of \$1 million or less are considered small size businesses and farms under the CRA. The major employers in the Broome-Tioga assessment areas are IBM, United Health Services, the NY State government, and Lockheed-Martin.

The Southern Tier AA is primarily a nonmetropolitan area with a very small portion of the Syracuse MSA (8160) and the Albany-Schenectady-Troy MSA (0160). The area is primarily rural, with agriculture and resorts on the edge of the Catskills. In the AA, are the counties of Chenango, Delaware, Greene, Madison, Otsego, and Schoharie. The population in the Southern Tier is 171,000 persons or 25% of the overall total of the combined AA. Fifteen percent of the geographies are moderate income, 78% middle income and 7% upper income. Seventy-eight percent of the housing is 1-4 family, 5% is multifamily and 17% is mobile homes. The income level of the geographies and individuals within this AA is based on whether the geography or individual is located in one of the two MSAs or the nonmetropolitan portion of the AA. Each of the three areas has its own median family income levels. The 1990 U.S. Census New York State

Nonmetropolitan Median Family Income is \$31,472. The 1998 Updated Nonmetropolitan New York State Median Family Income is \$37,700. The 1990 US Census MSA Median Family Income for the Syracuse MSA \$36,672, while the 1998 Updated Median 1998 average is \$44,500. The 1990 US Census MSA Median Family Income for the Albany-Schneectady-Troy MSA is \$39,425, while the 1998 Updated Median Family Income is \$47,400.

The business demographics for 1998 show approximately 5,000 businesses, including 184 farms in the AA. Small businesses represent 93% of the 4,091 businesses reporting revenues. Approximately 85% of these businesses employ fewer than 10 persons. In the Southern AA, the major employers are the Bassett Hospital, Hardwick College, and NY Central Insurance Co.

The Mohawk Valley AA is comprised of a portion of the geographies of the Utica-Rome MSA (8680). The MSA consists of Herkimer and Oneida counties that include the more urbanized cities of Utica and Rome. The area is in the central portion of the state, along the New York State Thruway. The population of 224,000 represents the largest concentration (32%) of people in the combined AA. The income compositions of the geographies are as follows: 5% low income geographies, 22% moderate income geographies, 42% middle income geographies, 27% upper income geographies and 4% unclassified geographies. The unclassified income geographies consist of a psychiatric center, a prison, and Utica College. Eighty-two percent of the housing units are 1-4 family, 12% are multifamily, 5% of the housing is mobile homes, and 1% are condominiums. The 1990 US Census MSA Median Family Income for the Utica MSA is \$31,701. The 1998 Updated Median Family Income for the MSA is \$37,700.

Business demographics for 1998 show that there are approximately 6,000 businesses, including 130 farms, in the AA. Small businesses represent 88% of the 5,157 businesses reporting revenues. Approximately 81% of these businesses employ fewer than 10 persons. The primary employers in the Mohawk Valley AA are Oneida LTD, Fleet Financial Group, and WalMart.

The Fulton County AA is a nonmetropolitan area consisting of Fulton, Hamilton, Montgomery and Saratoga counties. These counties are in the mid-central northern portion of New York State. The area is rural, sparsely populated and in the foothills of the Adirondack Mountains. A population of 88,000 or 13% of the combined AA resides in the area. There are no low income or upper income geographies in the AA. The geographies consist of 32% of moderate income, 64% middle income, and 4% unclassified geographies. The unclassified geography is a rehabilitated business/shopping area, where there are no residences. Eighty-five percent of the housing is 1-4 family, multifamily housing is 5%, and mobile homes represent 10% of the housing. The 1990 U.S. Census New York State Nonmetropolitan Median Family Income is \$31,472. The 1998 Updated New York State Nonmetropolitan Median Family Income is \$37,700.

The Business demographics for 1998 show that there are approximately 2,800 businesses, including 55 farms in the AA. Small businesses represent 91% of the 2,301 businesses reporting revenues. Approximately 83% of these businesses employ fewer than 10 persons. In the Fulton County AA, the Fulton County Chapter of the NYS Association for Retarded Children Inc., the

County of Fulton, and the Gloversville Enlarged School District are the largest employers.

The Northern AA is a nonmetropolitan area that includes portions of Clinton, Essex and Franklin counties. These counties are the most northern and eastern counties of New York State. The area is primarily woods, with very rugged terrain. Dairy farming, the lumber/pulp industry and correctional facilities are the main employers. The population is the third largest with 114,000 or 16% of the combined AA. The income breakdown of the geographies is 13% moderate income, 71% middle income, 10% upper income, and 6% unclassified. The University of New York at Plattsburg campus is located in the two unclassified income geographies. Seventy-five percent of the housing units are 1-4 family, 11% multifamily, 13% mobile homes, and 1% condominiums. The 1990 U.S. Census New York State Nonmetropolitan Median Family Income is \$31,472. The 1998 Updated New York State Nonmetropolitan Median Family Income is \$37,700.

Business demographics data for 1998 shows there are approximately 3,000 businesses including 73 farms in the AA. Small businesses represent 91% of the 2,551 businesses reporting revenues. Approximately 82% of these businesses employ fewer than 10 persons. The Champlain Valley Physicians Hospital, Clinton County Correctional facility, and the Wyeth-Ayerst Laboratories, Inc., are the primary employers.

Many areas in New York State have been or are in transition. For instance, the leather industry was the dominant industry in the Fulton county area, i.e., the City of Gloversville, but it is now becoming a resort area. The cities of Rome and Utica have moved from manufacturing to service oriented employment. In Plattsburg, Clinton County, the business community is attempting to convert the once Air Force runways to a testing area for railroad trains. Corporate downsizing has occurred at some of New York State's largest employers, e.g., the U.S. military (Griffiss AFB in the Rome-Utica AA and the Plattsburgh AFB in the Northern AA), IBM, Eastman Kodak, GE, Lockheed, and Xerox. Unemployment data for New York State compared with the U.S., for June 1998 shows 5.3% vs. 4.7%. The Albany-Schenectady-Troy MSA had a rate of 3.5%. The Binghamton MSA is 3.7% for that date, and the Utica-Rome MSA, 4.5%, all below the state and national average. The unemployment rates for the nonmetropolitan areas are Fulton County and the Northern Region 6.7%, Clinton County 5.4%, Essex County 7.7%, and Franklin County 6.5%.

Our community contacts confirmed that major credit needs of the bank's AA are for small business, small farm and affordable housing loans (purchase and improvement). The need for small farm loans is concentrated in the rural areas of the AA.

Conclusions with Respect to Performance Tests

Scope of Review

This review covers the calendar years 1996 and 1997, and the first quarter of 1998. The market share and peer lender comparisons contained in the Lending Test are based on information

contained in the aggregate Home Mortgage Disclosure Act Report (*HMDA*) Report for 1996. This information will not be available for 1997 activities until sometime later in 1998, and for 1998 activities until midyear 1999. The HMDA reports and Small Business/Small Farm Reports are available for public review. We were unable to obtain reliable peer data comparisons for small business and small farm lending due to current technical limitations in the software we use to assist in our analysis. There is no small business or small farm information presented for 1998. The information was not available at the time of the examination. Unlike the HMDA LAR, banks are not required to update the Small Business Register quarterly.

From this point forward, all information presented represents activities which occurred in the bank's combined AA unless otherwise noted. The information contained in the Binghamton and Utica-Rome MSA Conclusions sections of this report, represents the activities of the bank within its AA portion of these MSAs.

Lending Test

Assessment Area Concentration of Lending Activity

NBT's lending levels show good responsiveness to meeting the community's credit needs for home, small business, and small farm loans. NBT originated 1,241 home loans, 2,145 small business loans, and 717 small farm loans during 1996 and 1997. Table I below shows the number and dollar amount of HMDA, small business, and small farm loans originated in 1996 and 1997. The bank made a very high percentage of these loans (88%) inside its AA.

Table I				
Ratio of Loans Originated Inside the Assessment Area - 1996-1997				
	HMDA	Small Business	Small Farm	Total
Number				
Number of loans inside the AA	1,145	1,871	575	3,591
Total number of Loans	1,241	2,145	717	4,103
% of Loans Inside/Total # of Loans	92%	87%	80%	88%
Dollars (in 000's)				
\$ of Loans Inside the AA	45,078	118,318	15,550	178,946
Total \$ of Loans	52,086	144,716	21,692	218,494
% of Loans Inside/Total \$ of Loans	87%	82%	72%	82%

Source: 1996, 1997 HMDA LAR, and Small Business/Small Farm Data Collection Registers and NBT internal data.

HMDA loan volume was strong during the first quarter of 1998 with 175 loans for \$9.2 million. The ratio of HMDA loans in the AA for the first quarter of 1998 was consistent with the two-year ratio, i.e., 92% of the number of loans and 87% of the dollar of loans (161 loans for \$8 million) were made within the AA.

In 1996, the bank ranked fourth with respect to market share percentage (4.8%) of all HMDA reportable loans made in its AA. Within the HMDA loan group, the bank ranked fifth for *home improvement* loans, sixth for *home purchase* loans and seventh for *refinance* loans.

Borrower Characteristics

Home Loans

NBT has a strong distribution of HMDA loans to borrowers with low or moderate income. Table II below shows the bank's distribution of HMDA loans to low income borrowers far exceeds the average for all lenders, and is reasonably close to the percentage of low income families in the AA. NBT's distribution of loans to moderate income borrowers exceeded the average lender distribution and equaled the percentage of moderate income families in the AA.

In 1996, NBT outperformed the average for all lenders for each of the three HMDA products. The bank's distribution of home purchase loans to low income borrowers was 10% compared to the average lender distribution of 7%, and 24% for moderate income borrowers compared to the 22% average lender distribution. For home improvement loans, NBT's distribution to low income borrowers was 19% compared to the 11% average lender distribution, and 24% for moderate income borrowers compared to the 22% average lender distribution. Refinance loans

were 7% to low income borrowers compared to a 4% average lender distribution, and 17% for moderate income borrowers compared to a 14% average lender distribution.

Table II Borrower Distribution of HMDA Loans - 1996 Originations			
Income Level of Families	% of Families by Income Level	% of NBT HMDA Loans	Average % Distribution by all Lenders
Low	19	13	7
Moderate	20	23	20
Middle	24	28	29
Upper	37	34	42
Not reported	0	2	2
Total	100	100	100

Source: 1996 HMDA Aggregate Lending Data

For 1997, the bank's distribution of loans to low income borrowers remained at 13% while decreasing slightly from 23% to 19% with moderate income borrowers. The distribution of home purchase loans and refinance loans decreased slightly from 1996 (10% to 9% and 7% to 5%), while the distribution of home improvement loans increased to 24% from 19%. The distribution to moderate income borrowers contained some large variations amongst the three products, with home improvement loans increasing by 25%, refinances increasing by 2% and home purchase loans decreasing by 8%.

The bank's HMDA loan distribution to moderate income borrowers was 22% for the first quarter of 1998, consistent with its overall distributions for 1996 and 1997 and the first quarter of 1997. On the other hand, the distribution to low income borrowers was only 6% compared to 13% for both 1996 and 1997 and the first quarter of 1997. The distribution of all three HMDA products to low income individuals was below the prior year levels. The decrease in the distribution to lower income borrowers is partially attributable to a decrease in applications from two Affordable Housing Programs run by nonprofit corporations. One of the two corporations, Opportunity for Chenango, temporarily suspended its program until it obtained additional federal funding at the end of the first quarter in 1998. The bank experienced a significant increase in affordable housing and first time home buyer loan program activity through June 1998, bringing the loan volume in line with 1997 levels.

Small Business and Small Farm Lending

In 1996, NBT made the majority (71%) of its small business loans to small sized businesses. All of the bank's small farm loans were made to small size farms. The percentage of loans to small sized businesses increased to 82% in 1997, while the percentage of loans to small sized farms remained very high at 98%. Of the 15,631 businesses operating in the AA who reported annual revenues, small size businesses represent 91% of the businesses. Small farms represent 98% of the farms in the AA who reported annual revenues. A total of 3,229 or 17% of the businesses and farms in the AA did not report annual revenues.

The vast majority of NBT's small business and small farm loans are for amounts less than \$100,000. These smaller loans are often needed by small size businesses. Tables III and IV show the percentage distribution of NBT's small business and small farm loans in three monetary categories.

Table III Small Business Loan Originations by Dollar Loan Size		
Origination Amount \$	NBT 1997 Distribution %	NBT 1996 Distribution %
Less Than 100,000	86	87
100,000 - 250,000	9	8
250,000- 1,000,000	5	5
Total	100	100

Source: Aggregate 1996 Small Business/Small Farm Data Collection Register, and NBT 1997 Small Business/Small Farm Register and NBT internal data.

Table IV Small Farm Originations By Dollar Loan Size		
Origination \$ Amount	NBT 1997 Distribution %	NBT 1996 Distribution %
Less Than 100,000	98	91
100,000-250,000	2	8
250,000-500,000	0	1
Total	100	100

Source: Aggregate 1996 Small Business/Small Farm Data Collection Register, and NBT 1997 Small Business/Small Farm Register and NBT internal data.

Geographic Distribution

Home Loans

Table V below shows NBT's distribution of HMDA loans to moderate income geographies (9% of its loans) is slightly below the 11% average distribution by other lenders operating in the same area and the 11% distribution of owner occupied housing contained in the moderate tracts (11%). NBT ran slightly ahead of the average distribution of all lenders for home purchase loans to moderate income geographies (11% vs. 10%), but ran behind on home improvement loans (9% vs. 12%) and refinance loans (7% vs. 10%). NBT made no loans in low income tracts. There was virtually no HMDA lending activity (only 16 loans) in these areas by any lenders. The low lending activity is reasonable since there are few owner occupied homes in these geographies.

Geography Income Level	% of Total Geographies	% of Owner Occupied Housing	1996 Average % Distribution by all Lenders	NBT% of Total # of Loans
Low	2	0	0	0
Moderate	19	11	11	9
Middle	60	72	65	88
Upper	15	17	24	3
Not Categorized	4	0	0	0
Total	100%	100%	100%	100%

Source: 1996 Aggregate HMDA Data

NBT's distribution of HMDA loans to low and moderate income tracts remained at the same levels in 1997 and the first quarter of 1998. The distribution to moderate income tracts increased slightly in 1997 to 10% and was at 9% for the first quarter of 1998. The bank had no loan activity in the low income tracts (which have few owner occupied housing units) during this time period.

There were wide variations amongst the three HMDA products during 1997 in the moderate income tracts. Home improvement lending activity was very strong at 14%, while refinancing activity increased to 10%. Home purchase loan activity was significantly lower at only 6%. The distribution of home purchase loans increased to 8% in the first quarter of 1998, while both home improvement and refinance loans were at the 10% level. The decrease in home purchase activity is attributable to a reduction in loan volume received from the Opportunity for Chenango (OFC) Affordable Housing Program and a decrease in mobile home lending. The OFC program was

temporarily inactive due a lack of funding. The bank lost market share in the mobile home lending area to high volume specialized mobile home lenders operating in the area.

Small Business and Farm Loans

Tables VI and VII show the geographic distribution of the bank’s small business and small farm loans for 1996 and 1997 compared to the distribution of small businesses and small farms in the AA. NBT’s distribution of small business loans in moderate income geographies is reasonable compared to the distribution of small businesses located in these geographies. The distribution to low income geographies, although less than adequate, is not considered very significant due to the small percentage of businesses (2%) located in these geographies. The bank made a total of 14 small business loans in low income geographies during 1996 and 1997. NBT’s distribution of small farm loans in moderate income geographies is excellent compared with the distribution of small farms operating in the AA. There are no small farms located in low income geographies.

Table VI Geographic Distribution of Small Business Loans - 1996 & 1997 Originations				
Geography Income Level	% of total geographies	% of NBT Small Business Loans 1996	% of NBT Small Business Loans 1997	% of Small Businesses
Low	2	1	0	2
Moderate	19	12	13	18
Middle	60	76	76	68
Upper	15	10	11	12
Not Categorized	4	1	0	0
Total	100	100	100	100

Source: 1996 Small Business/Small Farm Data Collection Register, NBT 1997 Small Business/Small Farm Register, and NBT internal data.

Table VII Geographic Distribution of Small Farm Loans - 1996 & 1997 Originations				
Geography Income Level	% of total geographies	% of NBT Small Farm Loans 1996	% of NBT Small Farm Loans 1997	% of Small Farms
Low	2	0	0	0
Moderate	19	14	9	7

Table VII Geographic Distribution of Small Farm Loans - 1996 & 1997 Originations				
Middle	60	84	84	77
Upper	15	2	7	16
Not Categorized	4	0	0	0
Total	100	100	100	100

Source: 1996 Small Business/Small Farm Data Collection Register & NBT 1997 Small Business/Small Farm Register

Community Development Lending

During the evaluation period, NBT originated seven community development loans totaling \$11.3 million. The loan proceeds were used to revitalize or stabilize low or moderate income geographies and to promote economic development in designated economic development zones (EDZ). The following briefly describes the loans originated:

A commercial printing company located in a moderate income geography in the Norwich Economic Development Zone (EDZ) borrowed \$1.7 million to expand printing facilities. The company has received EDZ Certification which has the following standards: (1) Jobs will be created by the business applying for the certification; and/or (2) The business' employees will perform a substantial part of their activities in the EDZ; and/or (3) The business' investment in building and equipment will produce new jobs and retain existing employment. Prior to the expansion, the company employed approximately 100 full-time and 100 part-time employees. The expansion is resulting in the company hiring additional employees. The company produces several different newspapers including Pennysavers which are free publications targeting all areas of the community including low and moderate income geographies.

A commercial printing company located in a moderate-income geography in the Utica, New York EDZ borrowed \$4.8 million for working capital. The company, which employs 102 people, has received its EDZ certification. It publishes a variety of materials for industries in the Northeast United States.

NBT loaned \$1.7 million to improve the property on and around the former Plattsburg Air Force Base. The Air Force Base closed in September 1995 creating tremendous financial hardship on the community. The loan helped revitalize and stabilize the area economy. The loan was to a development corporation for the renovation and redevelopment of the former Plattsburg Air Force Base, which is also located in a moderate income geography. The renovations would impact the base's 5,000 acres and 8,000,000 square feet of buildings. The Air Force owns all the real and personal property on the base and leases everything to the development corporation who, in turn, subleases to tenants. Leasing efforts have resulted in modest gains in new jobs, with approximately seven firms on the Base employing approximately 100 people. As the number of tenants grows, more employees will be needed. An additional 450 employees are expected by late 1998.

A corporation borrowed \$1.8 million to purchase and renovate a high-tech manufacturing facility in Utica, New York. The former occupants moved their operations from Utica to Syracuse, New York, further depressing Utica's already weak economy. The renovations are intended to attract business tenants to the Utica market, thus revitalizing the Utica economy. The building is located in a moderate income geography.

NBT loaned \$1.3 million to a hotel chain for renovations to a hotel located in Rome, New York EDZ, which is in a moderate income geography. The renovations are intended to attract an occupant for the vacant restaurant facility in the hotel. The potential restaurant would expect to employ approximately 75 people, many with low or moderate incomes.

Innovative or Flexible Lending Practices

New York State Link Deposit Loan Program - NBT is active in the New York State Linked Deposit Program. The Linked Deposit Program was created in 1994 to encourage eligible businesses to make investments and undertake projects that contribute to economic development. The bank provides loans for two or three percentage points below prevailing interest rates. The bank is compensated by State deposits at comparably reduced rates. Manufacturing and service businesses can qualify for a 2% or 3% interest rate reduction loan depending on eligibility. To qualify for the 2% reduction, manufacturing businesses must have 500 or fewer employees, and the projects must contribute to improving productivity, or result in the creation or retention of jobs through modernization, advanced technologies, improved production processes, or computer automation. Service oriented businesses are eligible for the 2% reduction if they have 100 or fewer employees, and the projects will result in the retention or creation of jobs. To qualify for the 3% reduction, businesses must be located in Economic Development Zones or Highly Distressed Areas, or be certified minority or women owned businesses. Businesses in Economic Development Zones or Highly Distressed Areas must have 100 or fewer employees and the projects must create or retain jobs. The projects of minority or women owned businesses must carry out a procurement contract with a state or Federal agency, authority, or other entity. As of June 30, 1998, NBT had 19 loans totaling \$6 million linked to a similar amount of deposits.

Small Business Administration Loans (SBA) - NBT is active in several SBA loan programs, including the LowDoc program which features a one page quick turnaround application for loans of \$100,000 or less. The bank ranked in the top ten of all lenders in the SBA's Syracuse District for lending activity during the 1997 and for the first six months of 1998. In 1997 the bank made 31 loans for \$4.2 million. For the first six months of 1998 the bank made 19 loans for \$4 million.

State of New York Mortgage Agency (SONYMA) - NBT offers mortgages under many of the home ownership programs sponsored by the State of New York Mortgage Agency. The purpose of these programs is to provide low and moderate income households with mortgages on one to

four family homes at fixed interest rates which are below prevailing conventional rates. Other program benefits include down payments as low as 3%, no prepayment penalty, and fixed terms of 20, 25, or 30 years. To qualify, applicants must be first time home buyers and meet SOMYMA's household income limits. Applicants who are not first time home buyers can also qualify if they are purchasing a home in SONYMA target areas. Target areas are neighborhoods so designated by the Federal government, for which SONYMA has made a special commitment to rebuilding. Since June 1, 1996, the bank originated 36 SONYMA loans totaling \$1.9 million.

First Time Home Buyers Program - The First Time Home Buyers Program is a NBT initiated program which began in January 1997. It allows first time home buyers to purchase a single family home with a minimal down payment (3%), and less restrictive underwriting standards (a 38% debt to income ratio versus the industry standards of 36%). Private mortgage insurance is required when down payments are less than 30%. After completing a home buyer's education program, the applicant can apply for any of the bank's conventional mortgage products which are modified to accommodate the lower down payments. NBT has originated eight loans for \$458 thousand under this program.

NBT Affordable Mortgage Program - NBT works with several government and local agencies, and nonprofit groups to provide affordable mortgages to low and moderate income individuals and households. These organizations include the Federal Housing Administration, Chenango Housing Improvement Program, Opportunities for Chenango, Chenango Housing Council, Utica Housing Partnership, and Western Catskills Community Revitalization Council. Advantages of this program include lower interest rates (1/4% less than prevailing conventional mortgage products), and lower down payments (up to 98% loan to value) without requiring private mortgage insurance. Many of the associated organizations provide grant money to help with closing costs or down payments. Buyers are required to provide at least 2% of the down payment funds. From June 1996 through June 1998, the bank originated 35 loans for \$1.2 million.

Special Ice Storm Program - Northern New York State had a severe ice storm in January 1998. NBT rapidly responded to the needs of the area by developing a special program to offer both commercial and installment loans to customers. The program featured below market interest rates on loans and extension of existing loans with a waiver of normal extension fees. The bank made five commercial loans totaling \$53 thousand and eight consumer loans totaling \$41 thousand.

Investment Test

NBT's \$3.9 million of *qualified community development investments* is excellent in relationship to its size and resources. NBT's qualified investments consist of the formation and funding of NBT Capital Corp., a Small Business Investment Corporation (SBIC), and several other investments totaling \$1.4 million. The bank has made a substantial financial commitment to the success of the SBIC with a \$2.5 million equity contribution. NBT's senior management has taken a leadership role in forming and managing the SBIC. The formation of the SBIC is considered a

complex activity, taking management over one year to put the organization together. NBT is the sole shareholder, and four of the seven directors are members of the bank's senior management team.

NBT Capital Corp. was formed on July 31, 1997. It is licensed under the authority of the Small Business Administration. SBICs' are dedicated to assisting socially or economically disadvantaged small business entrepreneurs. NBT Capital Corp. intends to operate primarily in the counties of Broome, Chenango, Delaware and Tioga. It will also occasionally provide financing in Clinton, Essex, Fulton and Oneida Counties where the bank also has a presence.

The SBIC intends to provide equity and debt capital to support growth and development of small entrepreneurs who have proven ability. This is very responsive to the credit need of the AA. The target client group will not be restricted by type of industry, but industrial, distribution, retail, and service industries will be primary targets. Restaurants, hotels, and residential contractors will generally not be considered. Bank management believes there is little in the way of organized financial and funding resources that exist for businesses requiring seed capital and other forms of equity investment. There is no other SBIC operating in the general area.

NBT Capital Corp.'s funding consists of \$5 million in equity capital, with \$2.5 million currently invested and the remaining \$2.5 million to be funded in the near future. NBT Capital Corp. will target investment and loan opportunities in the range of \$300 to \$500 thousand but will go as low as \$100 thousand and as high as \$1 million.

NBT invested in seven municipal bonds totaling \$1.3 million which qualify as community development investments. The investments all qualify under activities that revitalize or stabilize low or moderate income geographies. Three of the larger projects are detailed below. The other four projects are similar in nature and include buyouts of flood damaged homes, and other infrastructure improvements in moderate income geographies.

The bank invested \$450 thousand in a bond anticipation note issued January 10, 1998, by the Town of Gilboa which is in Schoharie County. NBT is the sole financier of the project. The funds were used to finance the construction of a post office and town hall building. The building is owned by the Town of Gilboa. Approximately 55% of the space is leased to the US Postal Service. The town hall replaces the former town hall which had been flooded several times, and was severely damaged by the most recent flood in January 1996. The new town hall is handicapped-accessible and accommodates all town offices including the supervisor, clerk, justice, and assessor. The County of Schoharie has an extension office of the County Office of the Aging and Department of Social Services in the building. This helps reduce the need for senior citizens and lower income individuals to travel to the county seat which is 36 miles away. The post office replaces the former post office which was located in the residence of the postmaster. The former post office was no longer able to accommodate the needs of the community. The Town of Gilboa is located in a moderate income census tract.

The bank invested \$212 thousand in a bond anticipation note issued December 12, 1997, by the Town of Plattsburgh which is in Clinton County located in the northeastern corner of New York State. The funds were used to finance the construction of improvements to the sewer system in

an industrial park. The industrial park is located in an economic development zone and a moderate income census tract within the Town of Plattsburgh.

The bank invested \$158 thousand in a bond anticipation note issued June 21, 1998, by the Town of Jefferson which is in Schoharie County. NBT is the sole financier of the project. The funds were used to finance the construction of the town office building. The building replaces the former town hall which was in an old mobile home and not handicapped-accessible. The new building accommodates all town offices including the supervisor, clerk, bookkeeper, and town court. The Town of Jefferson is located in a moderate income census tract.

NBT also made a moderate level of investments in the form of grants approximating \$100 thousand. Some of the more significant grants include \$30 thousand to The Place Nonprofit Youth Center, \$25 thousand to M-ARK Project, Inc., and \$10 thousand to GroWest, Inc. The Place is a church-sponsored organization for homeless and impoverished youths. The facility provides training and education to children of poverty-stricken families. It is located in a moderate income census tract in the City of Norwich. M-ARK Project Inc. is a nonprofit organization founded in 1978. It is located in the Village of Margaretville and serves the Town of Middletown in Delaware County. M-ARK Project's primary purpose is to improve the local community through the administration of community housing projects and economic development initiatives. Housing projects typically involve first time home owner and affordable housing programs targeted for low and moderate income individuals and families. GroWest is a nonprofit local neighborhood organization located on the west side of the City of Utica. Its purpose is to improve the local community through home ownership and business opportunity. The neighborhood includes both low and moderate income census tracts.

Service Test

Retail Banking Services

NBT operates 35 full service banking offices. Many of the offices have walk-up and drive-up facilities that are open longer than the branch lobby. The bank has a network of 33 Automatic Teller Machines (ATMs) located at 23 branch offices and 10 remote locations. The remote locations include convenience and retail stores, a college, and standalone facilities. Twenty-six of the ATMs have 24 hour service. The Table below shows the distribution of branches and ATMs by the income level of the area geographies.

The bank's distribution of branches and ATMs is disproportionate to the income level of the geographies, with middle income geographies receiving a significantly larger share of facilities compared to the percentage of middle income geographies in the AA. Only 9% of the branches

and 6% of the ATMs are located in low or moderate income geographies, which represent 21% of the area geographies.

Table VIII					
Geographic Distribution of Branches & ATMs					
Income Level of Geography	# of Branches	% of Total Branches	# of ATMs	% of Total ATMs	% of Total Geographies
Low	0	0	0	0	2
Moderate	3	9	2	6	19
Middle	29	82	27	82	60
Upper	3	9	4	12	15
NA	0	0	0	0	4
Total	35	100	33	100	100

The bank closed three branches, opened three others, and sold one during the examination period. The three newly opened branches are located in middle (2) and upper income geographies. Two of the three closed branches were located in middle income geographies, and the other in downtown Utica, a low income geography. The Utica branch was closed due to numerous problems with the facility, including the lack of restroom facilities on the premises. The branch was also closed for poor financial performance. The branch had a very low level of deposits compared to other branches of the bank. Customer accounts were consolidated in the bank's Utica Business Park office, located in New Hartford, NY, approximately 2.5 miles away. This is the nearest NBT branch. The bank did not provide any alternative method of delivery, such as an ATM, to minimize the impact of the closing. The area, however, is well represented with five major financial institutions within a block of the closed branch. The Hamden branch (Hamden, NY), located in a middle income geography was sold to another financial institution.

The bank's office hours generally meet the needs of the respective communities, although there were some minor issues concerning the office hours in the three moderate income geographies. None of the three branches located in moderate income geographies, i.e., the Plattsburg, Rome-Westgate, and South Otselic offices, had Saturday hours. Only about half of the bank's offices have Saturday hours. Management feels that Saturday hours were not warranted in the Plattsburg office, which is located in a downtown business district, due to little activity in the area on Saturday. NBT began offering Saturday hours at the Rome-Westgate office during the examination. The customers of the South Otselic branch, were surveyed by the bank to determine the hours and services they needed. The customers did not request Saturday hours, but wanted the branch to open Monday through Thursday from 9:00 A.M. to 3:00 P.M., and on Friday until 5:30 P.M. Management partially met the request, closing at 1:00 P.M. on Monday through Thursday, and accommodating the 5:30 P.M. closing on Fridays.

NBT offers a wide range of products and services at all its branches. This includes different types of checking options, and savings plans. NBT offers a basic checking account called Budget Checking. The account provides for no minimum balance and no monthly maintenance charge. However, the bank assesses a nominal charge for each check drawn on the account. The account is designed for individuals with limited checking needs. Other products are available for individuals, businesses, and nonprofit organizations. These include a money market deposit account, interest bearing checking, and a statement savings account.

The bank provides a special phone line (1-800-NBT-Bank) called the NBT Banker Line. This service allows customers to access information from their deposit and loan accounts. Customers can derive account information and transfer funds, receive account statements via fax, and reorder checks.

Community Development Services

NBT employees' provide a high level of community development services through their participation in several projects and programs. The following describes the projects and programs and the role bank employees in these programs.

Chenango Housing Improvement Program Inc. - The Chenango Housing Improvement Program is chartered to provide housing services to low and moderate income people in Chenango County. A bank officer serves on the board of directors.

Grow West Inc. - This group provides affordable loans to low and moderate income individuals in West Utica. A bank officer serves on the loan committee.

Village of Sidney Industrial Development Agency - The program involves attracting and retaining predominately small businesses to the area. A bank officer serves as the program's chairperson.

Deposit Development Corp. - This organization was chartered to attract and retain predominately small business development to Deposit Village. A bank officer serves on the committee that administers and approves loan applications.

Adirondack Economic Development Corp. - The corporation approves direct SBA loans under the micro loan program to small business. Its primary function is to attract and retain small businesses. A bank officer serves on the board of directors.

City of Norwich Business Loan Committee - The committee selects recipients of various HUD loans targeted at providing jobs through small business expansion. A bank officer serves on the committee to select recipients.

Norwich Housing Authority - a bank employee serves on the board of directors of this

organization which operates multifamily housing projects for low and moderate income individuals in the City of Norwich.

New Berlin Housing & Preservation Co. - This corporation provides housing services targeted at low and moderate income people. A bank officer serves as Interim President.

Opportunities for Chenango Inc. - This organization targets services to low and moderate income people. They operate the Head Start Program, a home weatherizing program and Affordable Home Ownership Programs. A bank officer is a member of the board of directors.

Chenango Housing Council - This organization provides housing services primarily to low and moderate income people through the use of low income housing tax credits. The primary function is to stabilize and revitalize low and moderate income geographies. A bank officer serves as the chairperson.

Chenango County Area Corporation - Two senior officers of the bank serve on the board of directors (one as chairman) of this corporation which owns and operates the Eaton Center. The Eaton Center provides office space to new and existing small businesses, often with rents below market rates. The bank's SBIC is located in this building.

Chenango County Industrial Development Agency (IDA) - A bank employee serves on the board of directors of this agency whose purpose is to attract and retain businesses in the County. Many of the businesses served are small businesses. The IDA owns and operates three industrial parks, including a facility used as a small business incubator. Business incubators typically provide inexpensive support services (fax, secretarial assistance etc.) to new businesses until the business is able to operate without the assistance.

Utica Neighborhood Housing Services Inc. - The organization provides housing services to low and moderate income people. Housing services consist of operating an affordable housing ownership program, and a credit and home buyers' counseling program. A bank employee serves on the loan committee.

Rome Industrial Development Corporation - a bank employee serves on the board of directors and loan committee of the corporation. The organization is concerned with economic development, much of it involving small businesses, in the City of Rome. The organization's operating territory includes the area Economic Development Zone and several moderate income census tracts.

Utica Housing Partnership - Two bank employees are members of the Partnership, which consists of six area banks, the City of Utica, and Utica Neighborhood Housing Services Inc. The Partnership runs an affordable housing program in the City of Utica. The employees are involved in making loan decisions.

Genesee/Oneida Housing Opportunities, Inc. - The organization promotes improving rental housing to low and moderate income people through the use of low income housing tax credits. A bank employee serves on the Board of Directors.

Credit Committee of the North Country Alliance - The Committee makes decisions to lend funds for economic development from various government agencies including direct SBA loans to small businesses. A bank employee serves on the committee.

Advisory Loan Committee of Broome County IDA - The Committee approves funding of gap financing for predominantly small businesses. A bank employee is a member of the Advisory Loan Committee.

Fair Lending Review

No violations of the substantive provisions of the antidiscrimination laws and regulations were identified.

Utica-Rome MSA Performance Conclusion

NBT's performance in this MSA is consistent with its performance in its combined AA.

Description of the Institutions's Operations in the Utica Rome MSA (8680)

The bank has five of its 35 full service branches in this MSA. By geographic income level, one office is located in a moderate income geography, two middle income geographies, and two upper income geographies.

Description of the MSA

NBT operates in portions of Herkimer and Oneida Counties, which together comprise the entire MSA. The population of 224,000 represents the largest concentration (32%) of people in the combined AA. Included in the MSA, are the more urbanized cities of Utica and Rome. The primary industries are manufacturing, retail, and service. Please refer to the Mohawk Valley AA description earlier in this report for further details.

Lending Test

The table below shows the portion of the bank's combined AA lending that occurred in this MSA. Only 15% of the bank's loans were originated in this MSA during 1996 and 1997. This is a reasonable level of activity for this area since only 14% of the bank's branches are located here. Small business loans were the most active product with 19% of the bank's loans made here, while small farm loans represented only 5% of the loans made in this more urban MSA.

Loan Products	#	% of Total AA Loans	\$ (000)	% of Total AA Loans
HMDA	148	13	10,081	22
Small Business	352	19	30,117	26
Small Farm	28	5	1,657	11
Total	528	15	41,855	23

Source: 1996, 1997 HMDA LAR, and Small Business/Small Farm Data Collection Register

Borrower Characteristics

Home Loans

As shown in the table below, NBT had a strong distribution of HMDA loans (compared to the average distribution by all lenders) to low income borrowers, but has a weak distribution with moderate income borrowers in this area. This is contrary to the bank's overall lending performance, which was strong with moderate income borrowers. This is not considered very significant since the bank made only 30 HMDA loans in this area in 1996, of which just one was to a moderate income borrower. The bank could have equaled the average lender distribution by making only four additional loans to moderate income borrowers. The percentage of loans to moderate income borrowers improved to 10% for 1997 and to 29% for the first quarter of 1998. Loans to low income borrowers went down to 4% for both 1997 and the first quarter of 1998 due to temporary reductions in affordable housing programs and the bank falling behind its competitors in mobile home lending.

Table X Borrower Distribution of HMDA Loans - 1996 Originations			
Income Level of Families	% of Families by Income Level	% of NBT HMDA Loans	Average % Distribution by All Lenders
Low	17	13	5
Moderate	18	3	17
Middle/Upper	65	84	78
Total	100	100	100

Source: 1996 Aggregate HMDA Data

Small Business and Small Farm Loans

Loans to small size businesses represented 70% or 246 of the 352 small business loans made during 1996 and 1997 (70% for each of the two years), reasonably consistent with the combined AA distribution of 71% for 1996 and 82% for 1997. All farm loans were made to small size farms in 1996, and 88% were made to small size farms in 1997. The table below shows the distribution of small business and small farm loans by dollar size in this MSA during 1996 and 1997. The ratio of loans for less than \$100,000 is reasonably consistent with the distribution for the combined AA, with the exception of small farm loans (64% vs. 91% for the combined AA). This is not considered significant since only 11 farm loans were made in the area in 1996.

Table XI Small Business/Small Farm Loan Originations by Dollar Loan Size		
Origination Amount \$	NBT 1997 Distribution %	NBT 1996 Distribution %

Table XI Small Business/Small Farm Loan Originations by Dollar Loan Size		
Less Than 100,000	79/100	85/64
100,000 - 250,000	10/0	8/18
250,000-1,000,000 (500,000 for Farms)	11/0	7/18
Total	100/100	100/100

Source: 1996, 1997 Small Business/Small Farm Data Collection Register

Geographic Distribution of Loans

Home Loans

As shown in the table below, NBT had a very strong showing in moderate income tracts, well ahead of the average distribution by all lenders and the percentage of owner occupied housing in this area. NBT did not make any loans in the low income tracts, where there are few owner occupied homes and there was little activity by any lender. The bank's HMDA loan distribution in moderate income tracts represented 12% of loans in 1997 and 17% of loans in first quarter 1998, reasonably consistent with 1996.

Table XII Geographic Distribution of HMDA Loans - 1996 Originations				
Geography Income Level	% of Total Geographies	% of Owner Occupied Housing	1996 Average % Distribution of All Lenders	NBT% of Total # of Loans
Low	5	0	0	0
Moderate	22	11	8	17
Middle/Upper	73	89	92	83
Total	100	100	100	100

Source: 1996 Aggregate HMDA Data

Small Business and Small Farm Loans

As shown in the table below, NBT's geographic distribution of small business and small farm loans is not well apportioned to geographies of different incomes. The farm loan distribution is not considered significant since only 28 loans were made in the area during the two year period.

Table XIII Geographic Distribution of Small Business and Small Farm Loans - 1996&1997 Originations				
Geography Income Level	% of Total Geographies	% of NBT Small Business Loans 1996/1997	% of NBT Small Farm Loans 1996/1997	% Small Businesses/Small Farms
Low	5	2/1	0/0	6/2
Moderate	22	18/17	0/0	28/9
Middle/Upper	73	80/82	100/100	66/89
Total	100	100/100	100/100	100/100

Source: 1996 & 1997 Small Business/Small Farm Data Collection Register

Community Development Lending

Four of the seven community development loans made by the bank were located in this MSA. Three of the loans were in the City of Utica and one was in the City of Rome. **Please refer to the Community Development Loan section of this report for information on these loans.**

Innovative or Flexible Lending Practices

All of the innovative or flexible lending practices detailed earlier are available within the bank's AA, located within this MSA, except for the specific affordable housing programs targeted to the various local townships, cities, villages, or neighborhoods not located in this MSA. Programs available include the New York Link Deposit Loan Program, Small Business Administration loans, State of New York Mortgage Agency loans, and the First Time Home Buyers Program.

Investment Test

One of the seven municipal bonds discussed under the Investment Test section of this report is to a municipality within the Utica MSA. It is a \$156 thousand public improvement bond with the City of Amsterdam which will serve to revitalize the municipality which consists entirely of moderate income geographies. The bank's SBIC, NBT Capital Corp., will also be marketing loans within this MSA. Some of the grants discussed in the Investment Test are also within this MSA.

Service Test

All of the retail banking services offered throughout the bank's combined AA are offered within this MSA. The closed branch office, which was located in a low income geography, fell within this MSA. The Rome-Westgate office, which is one of the bank's three offices located in a moderate income geography, is located in this MSA. We had some concern over the bank not having Saturday hours at this office. The bank began opening this office on Saturdays during our examination. **Please refer to the Retail Banking Services section of this report for complete**

details.

Several of the community development services, Grow West Inc., Utica Neighborhood Housing Services, Genesee/Oneida Housing Opportunity, Rome Industrial development Corporation, and the Utica Housing Partnership are located within this MSA. **Please refer to the Community Development Services section of this report for complete details.**

Binghamton MSA Performance Conclusion

Binghamton, NY MSA Performance Conclusion

NBT's performance in this MSA is consistent with its performance in its combined AA.

Description of the Institutions's Operations in the MSA (0960)

The bank has four of its 35 full service branches in this MSA. Three of the offices are located in middle income geographies, and one office is located in an upper income geography.

Description of the MSA

NBT operates in portions of the two counties, Broome and Tioga, which together comprise the entire MSA. The population in the two counties is 96 thousand or 14% of the combined AA. IBM, New York State government, and Lockheed-Martin are the main employers. Please refer to the Broome Tioga AA description earlier in this report for further details.

Lending Test

The table below shows the portion of the bank's combined AA lending that occurred in this MSA. Only 10% of the bank's loans were originated in this MSA during 1996 and 1997. This is a reasonable level of activity for this area since only 11% of the bank's branches are located here. Small farm loans were the most active product with 16% of the bank's loans made here, while only 8% of the bank's HMDA loans were made in this area.

Table XIV				
Loan Activity in the Binghamton MSA Compared to the Combined AA for 1996 & 1997				
Loan Products	#	% of Total AA Loans	\$ (000)	% of Total AA Loans
HMDA	88	8	1,977	4
Small Business	189	10	8,763	7
Small Farm	89	16	2,445	16
Total	366	10	13,185	7

Source: 1996, 1997 HMDA LAR, and Small Business/Small Farm Data Collection Register

Borrower Characteristics

Home Loans

As shown in the table below, NBT had an excellent distribution of HMDA loans to low and moderate income borrowers, far outperforming the average lender distribution. In the case of moderate income borrowers, the bank's loan distribution far exceeded the distribution of moderate income families in this area.

Table XV			
Borrower Distribution of HMDA Loans - 1996			
Originations			
Income Level of Families	% of Families by Income Level	% of NBT HMDA Loans	Average % Distribution by All Lenders
Low	17	14	10
Moderate	20	32	24
Middle/Upper	63	54	66
Total	100	100	100

Source: 1996 Aggregate HMDA Data

Small Business and Small Farm Loans

Loans to small size businesses represented 83% or 156 of the 189 small business loans made during 1996 and 1997 (83% for each of the two years), better than the combined AA distribution of 71% for 1996 and 82% for 1997. All farm loans for both years were made to small size farms.

The table below shows the distribution of small business and small farm loans in this MSA during 1996 and 1997. The ratio of loans for a dollar amount less than \$100,000 is slightly better in this MSA than the combined AA.

Table XVI Small Business/Small Farm Loan Originations by Dollar Loan Size		
Origination Amount \$	NBT 1997 Distribution %	NBT 1996 Distribution %
Less Than 100,000	90/98	92/95
100,000 - 250,000	8/2	4/5
250,000-1,000,000 (500,000 for Farms)	2/0	4/0
Total	100/100	100/100

Source: 1996, 1997 Small Business/Small Farm Data Collection Register

Geographic Distribution of Loans

Home Loans

As shown in the table below, NBT has a good geographic distribution of HMDA loans in moderate income geographies. The bank's distribution of loans in moderate geographies is equal to the distribution of owner occupied housing and the average distribution by all lenders operating in this area. The distribution improved to 6% in 1997. None of the 14 HMDA loans originated in the first quarter of 1998 were located in moderate income tracts.

Table XVII Geographic Distribution of HMDA Loans - 1996 Originations				
Geography Income Level	% of Total Geographies	% of Owner Occupied Housing	1996 Average % Distribution of All Lenders	NBT% of Total # of Loans
Low	0	0	0	0
Moderate	4	3	3	3
Middle/Upper	96	97	97	97
Total	100	100	100	100

Source: 1996 Aggregate HMDA Data

Small Business and Small Farm Loans

As shown in the table below, NBT's distribution of small business loans in moderate income geographies is strong compared to the percentage of businesses operating in these geographies. The distribution of small farm loans in moderate income geographies is reasonable in relation to the percentage of small farms operating in these geographies.

Table XVIII Geographic Distribution of Small Business and Small Farm Loans - 1996&1997 Originations				
Geography Income Level	% of Total Geographies	% of NBT Small Business Loans 1996/1997	% of NBT Small Farm Loans 1996/1997	% Small Businesses/Small Farms
Low	0	0	0	0
Moderate	4	11/3	7/2	2/3
Middle/Upper	96	89/97	93/98	98/97
Total	100	100/100	100/100	100/100

Source: 1996 & 1997 Small Business/Small Farm Data Collection Register

Innovative or Flexible Lending Practices

All of the innovative or flexible lending practices detailed earlier are available within the bank's AA portion of this MSA, except for the specific programs targeted to the various local townships, cities, villages, or neighborhoods. Programs available include the New York Link Deposit Loan Program, Small Business Administration loans, State of New York Mortgage Agency loans, and the First Time Home Buyers Program.

Community Development Lending

None of the seven community development loans made by the bank were located in this MSA.

Investment Test

The bank's SBIC, NBT Capital Corp., will also be marketing loans within this MSA. Some of the grants discussed in the Investment Test are also within this MSA.

Service Test

All of the retail banking services offered throughout the bank's combined AA are offered within this MSA. None of the opened or closed offices are located here. The community development services involving the Deposit Development Corporation and the Broome County IDA are located in this MSA. **For complete details, please refer to the overall bank Service Test section of this report.**

Appendix

Scope of Examination

The table below lists the scope of the examination. Specifically, it lists the lending products reviewed, NBT Bank, N.A. branches visited, and the time period covered in the review.

Scope of Examination			
Time Period Reviewed	1996 - First Quarter 1998		
Financial institution NBT Bank, N.A., Norwich , NY	Products Reviewed Home purchase, home improvement and refinance loans reported on the HMDA LAR, and small business and small farm loans.		
List of Assessment Areas and Type of Examination			
Assessment Areas	Type of Exam	Branches Visited	Other Information
1. Portions of Broome and Tioga Counties located in the Binghamton NY MSA. 2. Portions of Herkimer and Oneida Counties located in the Utica-Rome NY MSA. 3. The New York State nonmetropolitan counties of Chenango, Delaware, Greene and Ostego Counties plus a portion of Madison County located in the Syracuse MSA, and a portion of Schoharie County located in the Albany-Schnectady-Troy MSA. 4. The New York State nonmetropolitan counties of Fulton, Hamilton, Montgomery, and Saratoga. 5. The New York State nonmetropolitan counties of Clinton, Essex and Franklin.	On-site	Main Office	See "Description of Assessment Areas"