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Comptroller of the Currency  
Administrator of National Banks

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

## **PUBLIC DISCLOSURE**

February 24, 1997

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

**The Lyons National Bank  
Charter Number 1027  
35 Williams Street  
Lyons, New York 14489**

**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 Lyons National Bank** prepared by **The Office of the Comptroller of the Currency** the institution's supervisory agency, as of February 24, 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.

Lyons National Bank has satisfactory CRA performance based on the following conclusions:

- The bank's average loan to deposit ratio is less than reasonable based on comparison to its local and national peer group averages. However, management has made progress in improving the ratio over the last year.
- Lyons National Bank originates a substantial majority of loans within its assessment area.
- The distribution of loans to borrowers of different incomes and businesses of different sizes is good.
- The geographic distribution of loans within the bank's assessment area is very good.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>(NAME OF FINANCIAL INSTITUTION)</u> 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 complaints received since the prior examination.		

## DESCRIPTION OF INSTITUTION

Lyons National Bank (LNB) is a community bank located in Central New York. It is wholly owned by Lyons Bancorp., a one bank holding company. As of December 31, 1996, total bank assets were \$77 million, of which \$25 million, or 32%, were loans. Sixty-seven percent

of total loans are real estate secured loans (commercial and residential), 17% are consumer loans, and 16% are business and farm loans.

LNB operates four banking offices from which it provides a full range of deposit and loan services. The main office and one branch are located in Lyons. The two remaining branches are in Wolcott and Newark, New York. Three branches have automated teller machines (ATM), drive-up facilities and extended banking hours.

The bank's business strategy calls for significant loan growth. The bank continues to try to overcome its reputation as a noncompetitive lender. LNB has the only bank offices in the village and Town of Lyons. The bank competes with a branch of a multinational bank in Wolcott. Competition is very strong in Newark from several community and regional banks, and a large credit union. The banking institutions in Newark also compete for customers in other parts of LNB's assessment area. There are no legal, financial or other impediments hindering the bank's ability to help meet the credit needs of the community.

## **DESCRIPTION OF ASSESSMENT AREA**

LNB's assessment area meets the requirements of the CRA regulation and does not arbitrarily exclude low or moderate income census tracts.

The assessment area consists of twelve census tracts located within Wayne County, New York. All of these census tracts are within the Rochester Metropolitan Statistical Area (MSA 6840). Six census tracts are designated moderate income, five are designated middle income, and one is a business tract and is not classified. There is a total population of 47,112 residents in the assessment area. The median family income of the MSA is \$40,519. The income level of families within the assessment area are: 27% low, 23% moderate, 28% middle, and 22% upper. Most homes are owner-occupied. The median housing value of area homes is \$51,900.

Employment is primarily in the service and manufacturing sectors. The economy of the assessment area is stable, but stagnant. The primary credit needs in the assessment area are for small business lending, residential real estate, and consumer loans.

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

LNB's **loan to deposit ratio** is much lower than its local and national peer groups. The bank's average loan to deposit ratio for the five calendar quarters since the bank's last CRA exam is 34.55%. The average loan to deposit ratio of similar size banks in New York State is 58.85%. The average for the bank's national peer group is much higher at 69.49%. Management is working diligently to improve the loan to deposit ratio. Until approximately two years ago, the bank's lending policy was very conservative and loan terms and pricing were very uncompetitive. The bank's loan to deposit ratio was as low as 29% in 1994

compared to 36% at year end 1996. The bank increased loan outstandings by 25% in 1996, and the bank's strategic plan calls for a substantial increase in loans outstanding during 1997.

LNB's strategy to achieve loan growth goals include the development of new products and the implementation of a sales culture in the bank to better sell bank products. The bank hired a new senior loan officer within the last year who initiated a major effort to increase the bank's volume of consumer loans. The bank now has a full time mortgage loan originator who calls on real estate offices. Management has attempted to keep its loan rates competitive, in particular its home equity line of credit rate. There is fierce rate competition between lending institutions for home equity line of credit customers. Customers can easily move accounts between institutions. Management recently instituted procedures requiring employees to make efforts to retain home equity line customers refinancing with another institution.

The housing market in the bank's assessment area has been depressed. Many homes have been on the market for a long period of time. The housing market in the western portion of Wayne County (not included in the bank's assessment area) is active.

LNB originated a **substantial majority of loans within its assessment area**. The bank originated 82% (number of loans) of its home mortgage, home improvement and commercial loans within its assessment area. This percentage was determined by a review of all commercial loans originated between October 1995 and December 1996 and all home purchase and home improvement loans originated in 1996. The dollar volume of loans originated within the assessment area was also high, with 75% of home mortgage and home improvement loans and 70% of the business loans originated falling within the assessment area.

**LNB's lending to borrowers of different incomes and businesses of different sizes is good.** The distribution of Home Mortgage Disclosure Act (HMDA) loans originated and HMDA applications received in 1996 shows a reasonable representation of different income levels based on the family income characteristics of the assessment area.

The following table shows how the number of HMDA loan applications received and the number of loans originated were distributed among borrowers of different income levels.

Applicant income	% of applications received	% of loans originated	% of residents in the assessment area
Low	27.3	14.7	26.9
Moderate	29	30.3	23
Middle	25	30.3	27.9
Upper	18.8	24.8	22.2

Most of the bank's commercial loans made from October 1995 to December 1996 were to small businesses. The table below shows the number and dollar amount of loans made by the revenue size of the business, where the bank used business revenues to make a loan decision. The bank also made small business loans where the business owner's income was used to make the loan decision.

Business annual sales \$000's	# of loans %	\$ of loans %
< 100	25	12
100-250	16	12
250-1,000	32	51
>1,000	28	25

The majority of business loans the bank makes are small in size. During the period October 1995 to December 1996, 88% of the business loans made were less than \$100 thousand. All but 2% of the loans were for less than \$250 thousand. The average loan size was \$48,529.

Two of the business loans were considered community development loans because of their promotion of economic development and benefit to a moderate income area. The bank provides a \$500 thousand line of credit to the Wayne County Industrial Development Agency. The Development Agency uses the funding to make loans to attract and retain businesses in the area. The agency also makes loans to new small businesses that may not meet traditional bank lending guidelines. The bank made a loan to the Erie Canal Cultural Center. The funding assisted the Center in occupying a vacant building in a moderate income census tract. One of the tenants in the building will be a "small business incubator" sponsored by the Wayne County Industrial Development Agency.

The **geographic distribution of loans** in the assessment area is very good. Lending activity throughout the assessment area, including the moderate income census tracts, is good. Moderate census tracts comprise 50% of the assessment area. Based on 1996 HMDA-Loan Application Register (HMDA-LAR) information, 60.8% of the applications received, and 62.4% of the loans originated were to borrowers living in moderate income census tracts. Our review of small business loans indicated 53, or 47%, were to businesses located in moderate income tracts.

LNB has not received any **consumer complaints** since the last CRA examination. We did not identify any violations of the substantive provisions of the antidiscrimination laws or regulations during our concurrent fair lending examination.