

PUBLIC DISCLOSURE

May 12, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Bank of Avoca
02-36-0480
18 North Main Street
Avoca, New York 14809**

**Federal Reserve Bank of New York
33 Liberty Street, New York, NY 10045**

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 **Bank of Avoca** prepared by the **Federal Reserve Bank of New York**, the institution's supervisory agency, as of May 12, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part xxx.*

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory."

Over the review period of February 5, 1996 through May 12, 1997, Avoca's performance with regard to CRA is rated "Satisfactory." This determination was based on the following performance criteria: 1) a satisfactory loan-to-deposit ratio of 60.8 percent; 2) a substantial majority of its loans in its assessment area; 3) an excellent distribution of loans to individuals of different income levels (including low- and moderate-income individuals) and businesses and farms of different sizes; and, 4) a reasonable geographic distribution of loans within the bank's assessment area.

DESCRIPTION OF INSTITUTION

There are no financial or legal impediments preventing Avoca from meeting the credit needs of its assessment area.

As of March 31, 1997, the bank had total assets of \$17.2 million with total loans of \$9.1 million. The bank is a small retail-oriented institution that operates two full service branches and a remote drive-through facility. At the main branch in Avoca and the other branch in Cohocton, the bank operates an automatic teller machine ("ATM") that is connected to a nationwide ATM electronic network.

DESCRIPTION OF AVOCA'S ASSESSMENT AREA

The following demographic and economic information was obtained from publicly available sources that include the United States Department of Commerce's Bureau of the Census, 1990, the United States Department of Labor, and the Department of Housing and Urban Development.

Avoca's assessment area is rural in nature and not part of a Metropolitan Statistical Area. The bank's assessment area consists of ten block numbering areas ("BNA") found within the northern half of Steuben County, New York. Based on the 1990 United States Census, of the ten BNAs found in the bank's assessment area, only one is classified as moderate-income and the other nine BNAs are classified as middle-income. The assessment area's ten BNAs contain the towns of Avoca, Bath, Cohocton, Dansville, Fremont, Howard, Prattsburgh, Pulteney, Urbana, Wayland and Wheeler, and the villages of Avoca, Bath, Cohocton, Savona and Wayland.

The one moderate-income area is found in the village of Savona located in the town of Bath. This moderate-income BNA contains 1,073 owner-occupied units, while the other nine middle-income BNAs contain 8,089 owner-occupied units. As a consequence, within the bank's assessment area, the ratio of moderate-income BNA owner-occupied units to the assessment area's total owner-occupied units is 11.7 percent (or 1,073 out of 9,162). The percentage and number of individuals living in the moderate-income BNA relative to all BNAs in the assessment area is 12.0 percent (or 3,955 out of 33,080 individuals). Approximately 32 percent of occupied housing is found in mobile homes.

According to the 1990 census, the total number of families in the bank's assessment is 8,658. The percentage and number of families in the assessment area with low, moderate, middle and upper-income consists of the following: 20.0 percent or 1,736 low-income families, 21.6 percent or 1,866 moderate-income families, 24.5 percent or 2,118 middle-income families and 33.9 percent or 2,938 upper-income families. A total of 41.6 percent are low- and moderate-income families.

According to the 1990 census data, the median family income for the bank's assessment area is \$30,266. This compares to the median family income of \$30,214 for Steuben County, \$31,473 for the non metropolitan statistical areas of the State in 1990, and \$39,741 for the entire State of New York. The HUD-adjusted 1996 median family income for New York State's non metropolitan statistical areas is \$35,600.

The bank's assessment area is generally a rural farm community with a total population of 33,080

and a labor force of 15,389. The unemployment rate was 6.9 percent in 1990, the same as that of New York State. There has been little change in the assessment area's population over the period of 1990 through 1993. The median housing value in the assessment area in 1990 was \$46,600.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

The CRA examination of Avoca covered the period of February 5, 1996 through May 12, 1997. The CRA performance of the bank is "Satisfactory" and is based on the favorable assessment of the bank's five core performance criteria.

Loan-to-Deposit Ratio

Avoca's loan-to-deposit ratio is satisfactory given the bank's size, financial condition, and the credit needs of its assessment area. At this examination, the bank's loan-to-deposit ratio is 60.8 percent based on information contained in its Consolidated Report of Condition and Income for the four most recent quarters ending March 31, 1997. This ratio is at the same level as the national peer group average of 60.9 percent reported in the March 31, 1997 Uniform Bank Performance Report. However, the loan to deposit ratio is below the four quarter average of 64.7 percent achieved by similarly-situated local institutions.

Lending in Assessment Area

The bank's loans were classified into three major product categories of housing-related, consumer, and commercial/agricultural loans. The examiners sampled and geocoded the following number of loans: 36 housing-related, 79 consumer loans and 34 commercial/agricultural loans.

Of the 149 loans sampled, a substantial majority, 90 percent (or 134 out of 149) were originated within Avoca's assessment area. Specifically, 91 percent (72 out of 79) consumer loans, 79 percent (27 out of 34) commercial/agricultural loans and 97 percent (35 out of 36) home purchase loans were in the bank's assessment area.

Lending to Borrowers of Different Income Levels and to Businesses and Farms of Different Sizes

Avoca's record of lending to individuals of different income levels (including low- and moderate-income individuals) and businesses and farms of different sizes is excellent given the demographics of its assessment area. An analysis of the distribution of loans across income levels for each loan category is as follows:

TABLE A

Distribution of Loans Within Assessment Area By Income Level of Borrower

February 1996 through May 1997

	Housing-Related	Consumer	Total
Low Income: <i>Less than 50% of Median Income</i>			
Number	4	29	33
Percentage	12%	40%	31%
Amount (\$)	\$111,500	\$148,974	\$260,474
Percentage	8%	26%	14%
Moderate Income: <i>at least 50% and less than 80% of Median Income</i>			
Number	11	22	33
Percentage	31%	31%	31%
Amount (\$)	\$276,993	\$138,558	\$415,551
Percentage	20%	24%	21%
Middle Income: <i>At least 80% and less than 120% of Median Income</i>			
Number	8	12	20
Percentage	23%	17%	18%
Amount (\$)	\$302,300	78,293	\$380,593
Percentage	22%	14%	20%
Upper Income: <i>120% or more of Median Income</i>			
Number	12	9	21
Percentage	34%	12%	20%
Amount (\$)	\$670,597	\$207,793	\$878,390
Percentage	50%	36%	45%

TABLE B

**Distribution of Loans Within Assessment Area by Size of Business
February 1996 through May 1997**

Small Business and Farm Lending Summary					
Number of loans to businesses and farms	Number of loans to small businesses and farms*	% of loans to small businesses and farms	\$ amount of loans to businesses and farms	\$ amount of loans to small businesses and farms*	% of \$ amount to small businesses and farms
27	27	100%	\$1,431,566	\$1,431,566	100%

*Businesses and farms with gross annual revenues of \$1 million or less.

Housing-Related

Table A shows the bank having a satisfactory distribution of housing-related loans among individuals of different income levels. Loans to low- and moderate-income borrowers comprise 42 percent of the loans sampled with loans to low-income representing 11 percent of the loans made. This ratio is comparable to the assessment area demographics where 41.6 percent of the families are low- and moderate-income families. Some weakness, however, was evident in lending to low-income borrowers. Table A shows that loans to low-income borrowers comprised 11 percent of the housing-related loans sampled. Twenty percent of the families within the bank's assessment area are of low-income.

Consumer

The bank's consumer loan originations to individuals of different income levels is excellent. Table A shows that of the sample of 72 consumer loans, 71 percent were made to low- and moderate-income borrowers. Low-income borrowers received 40 percent or 29 loans; 31 percent or 22 loans were made to moderate-income borrowers; 17 percent or 12 loans to middle-income borrowers; 13 percent or 9 loans to upper-income borrowers. These ratios far exceed the demographics of the assessment area where 20 percent of the families are of low-income and 21.6 percent of the families are of moderate-income.

Small Business and Farm

Lending to small businesses and farms with revenues of less than one million is also excellent.

Table B shows that a substantial majority of the loans sampled were made to such businesses. Of the 27 loans in the sample within the bank's assessment area, 26 of them or 96 percent were made in amounts less than \$100 thousand and were made to businesses with less than \$1 million in revenue. Only one loan in the amount over \$100 thousand but under \$250 thousand was made to a business with less than \$1 million in revenue.

Geographic Distribution of Loans

Avoca's geographic distribution of loans within the bank's assessment area continues to be

reasonable.

Overall, the bank is lending in most areas of its assessment area, including the moderate-income BNA encompassing the village of Savona. However, there are certain middle-income BNAs within the assessment area where there is little or no lending activity. These areas include Dansville and Wayland in the western part of the assessment area and Pulteney and Urbana in the eastern portion of the assessment area. The recent branch expansion in Cohocton has led to higher lending levels in Cohocton but, not in the adjoining BNA of Wayland in which there is no lending activity. The potential to increase lending in Pulteney and Urbana is limited because these communities are a considerable distance from either of the bank's branches, and two competing banks maintain a branch presence in these communities. Wayland presents a similar competitive situation with a competitor having a branch in the town. An analysis of the dispersion of lending for each loan category is as follows:

Housing-Related

An analysis of the sample of housing-related loans shows the bank is lending in only five of the ten BNAs' in its assessment area. There is no housing-related lending in the one moderate income BNA of Savona. Middle-income BNAs with no housing-related lending are Dansville, Wayland, Pulteney, and Urbana.

Consumer

An analysis of the sample of consumer loans shows that the geographic distribution within the bank's assessment is excellent. With the exception of the town of Wayland, the bank originated consumer loans throughout its assessment area.

Small Business and Farm

Analysis of the sample of small business loans shows that the level of distribution decreased since last examination. Small business originations were made in only four of the assessment areas ten BNAs' compared with eight at the last examination. No penetration was noted in Wayland, Dansville, Prattsberg, Pulteney, Urbana and the moderate income tract of Savona. Savona is primarily residential and is adjacent to the town of Bath where the bank made nine loans.

Response to Complaints

No complaints have been filed with the Federal Reserve Bank of New York since the last examination, and there are no written complaints in Avoca's public file.

Avoca is in compliance with the substantive provisions of the antidiscrimination laws and regulations, including the Equal Credit Opportunity Act (Regulation B), the Fair Housing Act, and any agency regulations pertaining to nondiscriminatory treatment of credit applications. Management has developed adequate policies, procedures, and training programs supporting

nondiscrimination in lending and credit practices.