

## **PUBLIC DISCLOSURE**

May 28, 1996

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

**Alden State Bank  
02-36-0170**

**13216 Broadway  
Alden, New York 14004**

**Federal Reserve Bank of New York**

**33 Liberty Street**

**New York, New York 10045-0001**

**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 **Alden State Bank** ("Alden") prepared by the **Federal Reserve Bank of New York** on behalf of the Board of Governors of the Federal Reserve System, the institution's supervisory agency, as of May 28, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.*

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

Over the examination period of January 1995 through April 1996, Alden's performance with regard to the CRA is rated "Outstanding." This determination is based on the following performance criteria: 1) an excellent loan-to-deposit ratio of 73.4 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) an excellent geographic distribution of loans within the bank's assessment area.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	ALDEN STATE BANK 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 were received since the prior examination		

## **DESCRIPTION OF INSTITUTION**

Alden operates from its main office located in the Village of Alden and from its one branch office, opened in 1995, located in the town of Lancaster in Erie County. The bank is not part of a holding company and is not affiliated with any other institution. As of March 31, 1996, the bank had total assets of \$127.7 million and loans of \$83.1 million. There are no financial or legal impediments preventing Alden from meeting the credit needs of its assessment area.

Alden is a retail-oriented bank that provides consumer and business loans including residential and commercial construction and mortgage loans, mobile home, home improvement, home equity, small business and farm loans for various purposes. As of March 31, 1996, approximately 85 percent or \$71.7 million of the bank's loans were secured by real estate.

## **DESCRIPTION OF ALDEN'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.

In addition, demographic and economic information was provided by local community agencies situated in Alden's assessment area.

The bank's assessment area contains parts of two metropolitan statistical areas ("MSA"), Buffalo-Niagara Falls and Rochester, and part of one non-MSA that includes a portion of Wyoming County.

### **MSA 1280: NIAGARA FALLS**

There are 13 census tracts included in Alden's assessment area within part of the Buffalo-Niagara Falls MSA. Of the 13 tracts, 10 are middle-income areas, and 3 are upper-income areas. The bank does not have any low- to moderate-income census tracts in this part of the assessment area.

The portion of the bank's assessment area within the Buffalo-Niagara Falls MSA consists of the towns of Alden, Elma, Lancaster, Newstead, Marilla, and the villages of Alden, Crittenden, Millgrove, Lancaster, and Depew.

The portion of the bank's assessment area within the Buffalo-Niagara Falls MSA is generally a suburban area. According to the 1990 United States Census, the bank's assessment area contains 58,607 individuals, a labor force of 30,061, and an unemployment rate of 5 percent. There are 21,605 housing units, of which 16,603 are owner-occupied.

Based on the 1990 United States Census, the percentage and number of families with low,

moderate, middle, and upper income are as follows:

Income Level	Number of Families	% of Population
Low	1,830	11.6%
Moderate	2,690	17.0%
Middle	4,175	26.3%
Upper	7,156	45.1%

The 1995 United States Census and the Department of Housing and Urban Development's estimated median family income for the Buffalo-Niagara Falls MSA is \$39,000. This figure was used to determine the income distribution of borrowers.

#### MSA 6840 : ROCHESTER

The bank's assessment area within the Rochester MSA includes two block numbering areas ("BNAs") that are designated as middle-income and encompass the towns of Pembroke, Darien, and the Village of Corfu.

The bank's assessment area within the Rochester MSA is generally a rural area that serves as a residential community for the city of Rochester. Based on 1990 United States Census figures, the bank's assessment area contains 11,460 individuals, a labor force of 5,827, and an unemployment rate of 5.4 percent. There are 4,058 housing units, of which 3,115 are owner-occupied.

The percentage and number of families with low, moderate, middle, and upper income are as follows:

Income Level	Number of Families	% of Population
Low	590	18.8%
Moderate	798	25.4%
Middle	935	29.7%
Upper	821	26.1%

The 1995 United States Census and the Department of Housing and Urban Development's estimated median family income for the Rochester MSA is \$45,400. This figure was used to determine the income distribution of borrowers.

#### NON-MSA: WYOMING COUNTY

The bank's non-MSA assessment area includes one BNA found within Wyoming County. Wyoming County is classified as an upper-income area and contains the town of Bennington and the Village of Cowlesville.

The bank's assessment area within the non-MSA may be generally described as a rural area. Based on 1990 US Census figures, the bank's assessment area contains 3,046 individuals and a labor force of 1,641, with an unemployment rate of 3.7 percent. There are 1,119 housing units, of which 909 are owner-occupied units.

The percentage and number of families with low, moderate, middle, and upper income are as follows:

Income Level	Number of Families	% of Population
Low	85	9.7%
Moderate	125	14.3%
Middle	190	21.7%
Upper	474	54.2%

According to the 1990 US Census, the median family income of Wyoming County is \$31,452.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

The CRA examination of Alden covered the period from January 1, 1995 through April 30, 1996. The CRA performance of the bank is “Outstanding” and is based on the favorable assessment of the bank's core performance criteria.

For the lending, income and geographic distribution performance criteria, the examiners analyzed 165 loan originations from the 1995 and first quarter 1996 Home Mortgage Disclosure Act Statement (“HMDA”) and a sample of 189 consumer loans and 131 business and farm loans made during the period from January 1995 through April 1996. For information relating to the specific performance of the bank within its two MSAs and one non-MSA, see section entitled “MSA and Non-MSA Borrower Income and Geographic Distribution Analysis” beginning on page 7.

**Loan to Deposit Ratio**

Alden's loan-to-deposit ratio is excellent. For the four most recent quarters ending March 31, 1996, the bank's average loan-to-deposit ratio was 73.4 percent. The bank's ratio exceeds a primary competitor's ratio of 59.0 percent and is above the peer group average of 65.6 percent as of the December 31, 1995 Uniform Bank Performance Reprt. Alden's high ratio is the result of the bank's loan portfolio growing faster than peer bank average for the past five years.

**Lending in Assessment Area**

During the period of January 1995 through April 1996, Alden made a substantial majority of its loans within its assessment area. Classifying the bank's loans into three major product categories shows that a majority of HMDA, consumer, small business and farm loans were made within its assessment area, as the following chart demonstrates:

Loan Type	Loans Made Within Assessment Area	Total Loans	% of Loans Within Assessment Area
HMDA	127	165	77%
Consumer	144	189	76%
Small Business and Farm	108	131	82%
Totals	379	485	78%

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

Alden'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.

### **Geographic Distribution of Loans**

Alden's geographic distribution of loans given the demographics of its assessment area is excellent. Overall, the bank is lending in all areas of its assessment area. There were no low- or moderate-income census tracts or BNAs located within the assessment area.

### **Response to Complaints**

No complaints relating to Alden's CRA performance were received by Alden and none have been filed with the Federal Reserve Bank of New York since the last examination.

Alden is in compliance with the substantive provisions of the antidiscrimination laws and regulations, including the Equal Credit Opportunity Act (Regulation B), Home Mortgage Disclosure Act (Regulation C), the Fair Housing Act and any agency regulations pertaining to nondiscriminatory treatment of credit applicants. Management has developed adequate policies, procedures and training programs supporting nondiscrimination in lending and credit practices.



**MSA AND NON-MSA BORROWER INCOME AND GEOGRAPHIC DISTRIBUTION ANALYSIS:**

**MSA 1280: Buffalo-Niagara Falls**

Alden's record of lending in the portion of its assessment area within the Buffalo-Niagara Falls MSA is excellent. An analysis of the distribution of loans for each major loan category follows:

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

TABLE A1

Distribution of Loans Within Assessment Area By Income Level of Borrower  
 January 1994 through April 1996

	<b>HMDA</b>	<b>Consumer</b>	<b>TOTAL</b>
<b>LOW INCOME:</b> <i>Less Than 50% of Median Income</i>			
Number	16	28	44
Percentage	17.0%	25.7%	21.7%
Amount(\$)	\$174,000	\$89,413	\$263,413
Percentage	4.9%	9.7%	5.8%
<b>MODERATE INCOME:</b> <i>At least 50% and less than 80% of Median Income</i>			
Number	17	25	42
Percentage	18.1%	22.9%	20.7%
Amount(\$)	\$553,000	\$102,952	\$655,952
Percentage	15.4%	11.2%	14.6%
<b>MIDDLE INCOME:</b> <i>At least 80% and less than 120% of Median Income</i>			
Number	35	31	66
Percentage	37.2%	28.4%	32.5%
Amount(\$)	\$1,192,000	\$279,009	\$1,471,009
Percentage	33.3%	30.3%	32.7%
<b>UPPER INCOME:</b> <i>120% or more of Median Income</i>			
Number	26	25	51
Percentage	27.7%	22.9%	25.1%
Amount(\$)	\$1,664,000	\$449,887	\$2,113,887
Percentage	46.4%	48.8%	46.9%

TABLE A2

Distribution of Loans Within Assessment Area By Income Level of Borrower  
 January 1995 through April 1996

<b>Small Business and Farm Lending Summary</b>					
Number of loans to businesses and farms	Number of loans to <u>small</u> businesses and farms*	% of loans to <u>small</u> businesses and farms	\$ amount of loans to businesses and farms	\$ amount of loans to <u>small</u> businesses and farms*	% of \$ amount to <u>small</u> businesses and farms
77	68	88.3%	\$1,421,417	\$1,160,538	81.6%

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

HMDA

Table A1 shows the bank has an excellent distribution of HMDA loans among individuals of different income levels. HMDA loans originated to low- and moderate-income borrowers comprise 35.1 percent (or 33 out of 94) of the HMDA loans sampled, with loans to low-income borrowers representing 17.0 percent (or 16 out of 94).

Consumer

The bank's consumer loan originations to individuals of different income levels is excellent. Table A1 shows that of the sample, 48.6 percent (or 53 out of 109) were made to borrowers of low- and moderate-income, with loans to low-income borrowers representing 25.7 percent (or 28 out of 109).

Small Business and Farm

Lending to small businesses and farms with revenues of \$1 million or less is excellent. Table A2 shows that of the sample, 88.3 percent (or 68 out of 77) were made to such businesses and farms.

## **Geographic Distribution of Loans**

### HMDA, Consumer, Small Business and Farm

An analysis of HMDA, consumer, small business and farm loans shows that the bank is lending for each of these major loan types throughout the Buffalo-Niagara Falls portion of the assessment area. As previously mentioned, there are no low- or moderate-income census tracts in this portion of the assessment area.

The villages of Millgrove and Depew, both middle-income census tracts, were the only geographies in the bank's assessment area that the bank did not extend any form of credit. Management stated that the reasons for the exclusion were that the village of Millgrove's small population consists almost entirely of individuals residing in institutions, and that the village of Depew was only recently added to the bank's assessment area in March 1995.

**MSA 6840: Rochester**

Alden's record of lending in the portion of its assessment area within the Rochester MSA is excellent. An analysis of the distribution of loans for each major loan category follows:

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

TABLE B1

Distribution of Loans Within Assessment Area By Income Level of Borrower  
 January 1995 through April 1996

	<b>HMDA</b>	<b>Consumer</b>	<b>TOTAL</b>
<b>LOW INCOME:</b> <i>Less Than 50% of Median Income</i>			
Number	2	13	15
Percentage	9.5%	68.4%	37.5%
Amount(\$)	\$6,000	\$26,343	\$32,343
Percentage	0.6%	38.6%	3.0%
<b>MODERATE INCOME:</b> <i>At least 50% and less than 80% of Median Income</i>			
Number	8	3	11
Percentage	38.1%	15.8%	27.5%
Amount(\$)	\$324,000	\$9,572	\$333,572
Percentage	32.5%	14.0%	31.3%
<b>MIDDLE INCOME:</b> <i>At least 80% and less than 120% of Median Income</i>			
Number	8	2	10
Percentage	38.1%	10.5%	25.0%
Amount(\$)	\$415,000	\$30,611	\$445,611
Percentage	41.6%	44.8%	41.8%
<b>UPPER INCOME:</b> <i>120% or more of Median Income</i>			
Number	3	1	4
Percentage	14.3%	5.3%	10.0%
Amount(\$)	\$253,000	\$1,783	\$254,783
Percentage	25.3%	2.6%	23.9%

TABLE B2

Distribution of Loans Within Assessment Area By Income Level of Borrower  
 January 1995 through April 1996

<b>Small Business and Farm Lending Summary</b>					
Number of loans to businesses and farms	Number of loans to <u>small</u> businesses and farms*	% of loans to <u>small</u> businesses and farms	\$ amount of loans to businesses and farms	\$ amount of loans to <u>small</u> businesses and farms*	% of \$ amount to <u>small</u> businesses and farms
27	27	100%	\$250,849	\$250,849	100%

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

HMDA

Table B1 shows that the bank has a reasonable distribution of HMDA loans among individuals of different income levels. HMDA loans originated to low- and moderate-income borrowers comprise 47.6 percent (or 10 out of 21) of the HMDA loans sampled, with loans to low-income borrowers representing 9.5 percent (or 2 out of 21).

Consumer

The bank's consumer loan originations to individuals of different income levels is excellent. Table B1 shows that of the sample, 84.2 percent (or 16 out of 19) were made to borrowers of low- and moderate-income, with loans to low-income borrowers representing 68.4 percent (or 13 out of 19).

Small Business and Farm

Lending to small business and farms with revenues of \$1 million or less is excellent. Table B2 shows that of the loans sampled, 100 percent (or 27 out of 27) were made to such small businesses and farms.

**Geographic Distribution of Loans**

HMDA, Consumer, Small Business and Farm

An analysis of HMDA, consumer, small business and farm loans shows the bank is lending for each of these major loan types throughout the Rochester MSA portion of the assessment area. As previously stated, this portion of the assessment area consists of two middle-income BNAs.

**NON-MSA: WYOMING COUNTY**

Alden's record of lending in its non-MSA assessment area is excellent. An analysis of the distribution of loans for each major loan category follows:

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

TABLE C1

Distribution of Loans Within Assessment Area By Income Level of Borrower  
 January 1995 through April 1996

	HMDA	Consumer	TOTAL
<b>LOW INCOME:</b> <i>Less Than 50% of Median Income</i>			
Number	0	2	2
Percentage	0.0%	12.5%	7.1%
Amount(\$)	\$0	\$700	\$700
Percentage	0.0%	0.6%	0.1%
<b>MODERATE INCOME:</b> <i>At least 50% and less than 80% of Median Income</i>			
Number	5	6	11
Percentage	41.7%	37.5%	39.3%
Amount(\$)	\$235,000	\$52,249	\$287,249
Percentage	36.9%	42.9%	37.9%
<b>MIDDLE INCOME:</b> <i>At least 80% and less than 120% of Median Income</i>			
Number	4	3	7
Percentage	33.3%	18.8%	25.0%
Amount(\$)	\$215,000	\$32,291	\$247,291
Percentage	33.7%	26.5%	32.6%
<b>UPPER INCOME:</b> <i>120% or more of Median Income</i>			
Number	3	5	8
Percentage	25.0%	31.2%	28.6%
Amount(\$)	\$187,000	\$36,501	\$223,501
Percentage	29.4%	30.0%	29.4%

TABLE C2

Distribution of Loans Within Assessment Area By Income Level of Borrower  
 January 1995 through April 1996

<b>Small Business and Farm Lending Summary</b>					
Number of loans to businesses and farms	Number of loans to <u>small</u> businesses and farms*	% of loans to <u>small</u> businesses and farms	\$ amount of loans to businesses and farms	\$ amount of loans to <u>small</u> businesses and farms*	% of \$ amount to <u>small</u> businesses and farms
4	4	100%	\$104,800	\$104,800	100%

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

HMDA

Table C1 shows that, except for lending to low-income individuals, the bank has a reasonable distribution of HMDA loans among individuals of different income levels. There were no HMDA loans made to low-income borrowers. This does not compare favorably to the demographics of the non-MSA assessment area in which 9.7 percent, or 85 low-income families live. However, HMDA loans originated to moderate-income borrowers comprise 41.7 percent (or 5 out of 12). This percentage compares favorably to demographic figures which show that low- and moderate-income families represent 24 percent of all families that live in the bank's non-MSA assessment area.

Consumer

The bank's consumer loan originations to individuals of different income levels is excellent. Table C1 shows that of the sample, 50.0 percent (or 8 out of 16) were made to borrowers of low- and moderate-income, with loans to low-income borrowers representing 12.5 percent (or 2 out of 16).

Small Business and Farm

Lending to small businesses and farms with revenues of \$1 million or less is excellent, considering the small loan market in the bank's non-MSA assessment area. Table C2 shows that of the loans sampled, 100 percent (or 4 out of 4) were made to such small businesses and farms.

## **Geographic Distribution of Loans**

### HMDA, Consumer, Small Business and Farm

An analysis of HMDA, consumer, small business and farm loans shows the bank is lending for each of these major loan types throughout the non-MSA portion of the assessment area. As previously stated, this portion of the assessment area consists of one upper-income BNA.