

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 **Tioga State Bank** ("Tioga") 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 March 11, 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 "Satisfactory."

Over the examination review period of April 1995 through March 1996, Tioga's performance with regard to the CRA is rated "Satisfactory." This determination is based on the following performance criteria: 1) a reasonable loan-to-deposit ratio of 61 percent taking into account the bank's lending to various community development projects; 2) a substantial majority of its loans in its assessment area; 3) a reasonable 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 Tioga with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	TIOGA 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

There are no financial or legal impediments preventing Tioga from meeting the credit needs of

its assessment area.

As of December 31, 1995, the bank had total assets of \$113.5 million. The bank is a retail-oriented bank that operates six full service branches and one limited service branch office. The full service branches are located in Candor, Newfield, Spencer, Waverly and two branches in Owego. The one limited service branch is located in Van Etten. All of the bank's branches contain an automatic teller machine ("ATM") that is connected to a nationwide ATM electronic network.

DESCRIPTION OF TIOGA'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, Tioga provided examiners with various local demographic and economic information.

In January 1996, as a result of the new CRA regulation, the bank adjusted its assessment area to reflect whole geographies. The adjustments represent only minimal changes in the bank's old delineation and were made so as to include whole census tracts and block numbering areas ("BNAs"). The bank's assessment area includes all of Tioga county and parts of Chemung, Schuyler and Tompkins counties.

The bank's assessment area includes parts of two metropolitan statistical areas ("MSA") (Binghamton and Elmira) and part of a non-MSA that includes portions of Schuyler and Tompkins counties.

BINGHAMTON MSA

The bank's assessment area within part of the Binghamton MSA includes nine census tracts, which consists of all the census tracts found within Tioga county. Based on the 1990 United States Census of the nine census tracts, two were classified as moderate-income areas, five as middle-income areas and two as upper-income areas. The two moderate-income census tracts are found in the towns of Barton and Waverly.

The bank's assessment area includes the towns of Barton, Berkshire, Candor, Newark Valley, Nichols, Owego, Richford, Spencer, Tioga and the villages of Candor, Newark Valley, Nichols,

Owego, Spencer and Waverly.

The two moderate-income census tracts contain 2,365 owner-occupied units, while the other seven middle- and upper-income census tracts contain 12,476 owner-occupied units. Owner-occupied units in moderate-income census tracts represent 16 percent of total owner-occupied units (2,365 out of 14,841). The percentage and number of individuals living in the moderate-income census tracts relative to all census tracts is 17 percent (8,925 out of 52,337).

In 1990, the percentage and number of families with low, moderate, middle, and upper income consisted of 19 percent or 2,730 low-income families, 18 percent or 2,597 moderate-income families, 26 percent or 3,718 middle-income families and 37 percent or 5,416 upper-income families.

The bank's assessment area within the Binghamton MSA is generally a rural and manufacturing community with a total population of 52,337 and a labor force of 26,234 persons. There has been a slight decline in the area's population over the period from 1990 through 1993. The median housing value in 1990 was \$73,052. As of 1990, median family income was \$36,025 for the assessment area compared with \$35,873 for the Binghamton MSA in its entirety and \$39,741 for all MSAs in the State of New York. The Binghamton MSA income figure for 1990 was used to identify the income levels of census tracts.

The 1996 United States Census and the Department of Housing and Urban Development's estimated median family income for the Binghamton MSA is \$40,100. This figure was used to determine the income distribution of borrowers.

ELMIRA MSA

The bank's assessment area within the Elmira MSA includes one census tract found within Chemung County, and based on the 1990 United States Census, is classified as middle-income. The assessment area includes the towns of Van Etten and Erin.

The one middle-income census tract contains 1,068 owner-occupied units and 3,509 individuals.

In 1990, the percentage and number of families with low, moderate, middle, and upper income consisted of 20 percent or 190 low-income families, 24 percent or 233 moderate-income families, 25 percent or 236 middle-income families and 31 percent or 296 upper-income families.

The bank's assessment area within the Elmira MSA is generally a rural farm community with a total population of 3,509 and a labor force of 1,740 persons. There has been little change in the area's population over the period from 1990 through 1993. The median housing value in 1990 was \$45,114. As of 1990, median family income was \$28,519 for the assessment area compared with \$32,015 for the Elmira MSA in its entirety and \$39,741 for all MSAs in the State of New York. The Elmira MSA income figure for 1990 was used to identify the income levels of census tracts.

The 1996 United States Census and the Department of Housing and Urban Development's estimated median family income for the Elmira MSA is \$37,300. This figure was used to determine the income distribution of borrowers.

NON-MSA

The bank's non-MSA assessment area includes three BNAs found within Schuyler and Tompkins counties. Based on the 1990 United States Census, of the three BNAs, two are middle-income and one is upper-income. Of the two middle-income BNAs, one is found in the County of Schuyler containing the Town of Cayuta and the other is found in the County of Tompkins containing the Town of Newfield. The one upper-income BNA is found in the County of Tompkins containing the Town of Danby.

The one upper- and three middle-income BNAs contain 4,284 owner-occupied units and 15,103 individuals.

In 1990, the number of families in the non-MSA assessment area with low, moderate, middle, and upper income consisted of 16 percent or 652 low-income families, 17 percent or 702 moderate-income families, 25 percent or 1,016 middle-income families and 42 percent or 1,722 upper-income families.

The non-MSA assessment area is a service, retail and farm community with a total population of 15,103 and a labor force of 8,192 persons. There has been a slight increase in the area's population over the period from 1990 through 1993. The median housing value in 1990 was \$66,822. As of 1990, median family income was \$32,834 for the assessment area compared with \$31,473 for non-MSAs within New York State. The non-MSAs income figure for 1990 was used to identify the income levels of block numbering areas.

The 1996 United States Census and the Department of Housing and Urban Development's estimated median family income for New York State non-MSAs is \$35,600. This figure was used to determine the income distribution of borrowers.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The CRA examination of Tioga covered the period from April 17, 1995 through March 11, 1996. The "Satisfactory" rating 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 214 loan originations from the 1995 Home Mortgage Disclosure Act Statement ("HMDA") and a sample of 195 consumer loans and 116 business and farm loans made during the period from April 1995 through January 1996.

Loan to Deposit Ratio

Tioga's loan-to-deposit ratio is reasonable given the bank's size, financial condition and the credit needs of its assessment area. The bank's loan-to-deposit ratio adjusted for seasonal variations and based on information contained in its Consolidation Report of Condition and Income for the four most recent quarters ending December 31, 1995, was 61 percent. This is below the peer group average of 69 percent according to the September 30, 1995 Uniform Bank Performance Report.

The bank's community development loans as of January 31, 1996 total \$147 thousand and consist of four loans. Three of the loans were outstanding at the last examination and currently have a balance of \$144 thousand. One new \$3 thousand community development loan was made during the current examination to a not-for-profit community development organization that specializes in the financing of start-up small businesses located throughout New York State. Of the three outstanding community development loans noted in the last examination, one was made to a day care center which serves low- to moderate-income families in the bank's assessment area; the second for a five-unit affordable rental (approved section 8) apartment building in the bank's assessment area; and the third to a for-profit community development organization that finances low- and moderate-income housing throughout New York State.

Lending in Assessment Area

During the examination review period, Tioga 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.

Of the total loans sampled, 91 percent (or 477 out of 525) were found within the bank's assessment area. Of the HMDA, consumer, small business and farm loans, 92 percent (or 196 out of 214), 91 percent (or 177 out of 195), and 90 percent (or 104 out of 116) respectively, were found within the bank's assessment area.

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

Tioga's record of lending to individuals of different income levels (including low- and moderate-income individuals) and businesses and farms of different sizes is reasonable given the demographics of its assessment area. An analysis of the distribution of loans for each major loan category by MSA and non-MSA follows:

BINGHAMTON MSA

TABLE A1

*** Distribution of Loans Within Assessment Area By Income Level of Borrower**

	HMDA	Consumer	TOTAL
LOW INCOME: <i>Less Than 50% of Median Income</i>			
Number	19	51	70
Percentage	13%	34%	24%
Amount(\$)	\$198,000	\$181,399	\$379,399
Percentage	5%	21%	8%
MODERATE INCOME: <i>At least 50% and less than 80% of Median Income</i>			
Number	39	41	80
Percentage	27%	27%	27%
Amount(\$)	\$929,000	\$270,986	\$1,199,986
Percentage	22%	32%	23%
MIDDLE INCOME: <i>At least 80% and less than 120% of Median Income</i>			
Number	43	43	86
Percentage	30%	28%	29%
Amount(\$)	\$1,213,000	\$244,146	\$1,457,146
Percentage	28%	29%	28%
UPPER INCOME: <i>120% or more of Median Income</i>			
Number	45	16	61
Percentage	30%	11%	20%
Amount(\$)	\$1,993,000	\$157,887	\$2,150,887
Percentage	45%	18%	41%

*HMDA loan origination were analyzed for the period of January 1995 through December 1995. The sample of consumer loan origination were analyzed for the period of April 1995 through January 1996.

TABLE A1

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

Small Business and Farm Lending Summary					
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
81	81	100%	\$1,150,965	\$1,150,965	100%

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

HMDA

Table A1 shows 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 40 percent (or 58 out of 146) of the HMDA loans sampled, with loans to low-income borrowers representing 13 percent (or 19 out of 146).

Consumer

The bank's consumer loan origination to individuals of different income levels is excellent. Table A1 shows that of the sample, 61 percent (or 92 out of 151) were made to borrowers of low- and moderate-income, with loans to low-income borrowers representing 34 percent (or 51 out of 151).

Small Business and Farm

Lending to small businesses and farms with revenues of \$1 million or less is excellent. Table A2 shows that all of the loans sampled were to such businesses and farms. Of the loans sampled, 96 percent (or 78 out of 81) were made to small businesses and farms with gross annual revenues of \$100 thousand or less.

ELMIRA MSA

TABLE B1

*** Distribution of Loans Within Assessment Area By Income Level of Borrower**

	HMDA	Consumer	TOTAL
LOW INCOME: <i>Less Than 50% of Median Income</i>			
Number	1	3	4
Percentage	7%	25%	15%
Amount(\$)	\$10,000	\$3,822	\$13,822
Percentage	3%	12%	3%
MODERATE INCOME: <i>At least 50% and less than 80% of Median Income</i>			
Number	4	5	9
Percentage	27%	42%	34%
Amount(\$)	\$56,000	\$14,195	\$70,195
Percentage	14%	44%	16%
MIDDLE INCOME: <i>At least 80% and less than 120% of Median Income</i>			
Number	4	2	6
Percentage	27%	17%	22%
Amount(\$)	\$141,000	\$7,034	\$148,034
Percentage	34%	22%	33%
UPPER INCOME: <i>120% or more of Median Income</i>			
Number	6	2	8
Percentage	39%	17%	29%
Amount(\$)	\$209,000	\$7,300	\$216,300
Percentage	49%	23%	48%

* HMDA loan origination were analyzed for the period of January 1995 through December 1995. The sample of consumer loan origination were analyzed for the period of April 1995 through January 1996.

TABLE B2

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

Small Business and Farm Lending Summary					
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
5	5	100%	\$137,789	\$137,789	100%

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

HMDA

Table B1 shows the bank has a fair distribution of HMDA loans among individuals of different income levels. HMDA loans originated to low- and moderate-income borrowers comprise 33 percent (or 5 out of 15) of the HMDA loans sampled, with loans to low-income borrowers representing only 7 percent (or 1 out of 15).

The bank's HMDA loan penetration of low-income home borrowers does not compare favorably to the demographics of the assessment area where 20 percent, or 190 low-income families live.

Consumer

The bank's consumer loan origination to individuals of different income levels is excellent. Table B1 shows that of the sample, 67 percent (or 8 out of 12) were made to borrowers of low- and moderate- income, with loans to low-income borrowers representing 25 percent (or 3 out of 12).

Small Business and Farm

Lending to small businesses and farms with revenues of \$1 million or less is excellent. Table B2 shows that all of the loans sampled were to such businesses and farms. Of the loans sampled, 60 percent (or 3 out of 5) were made to small businesses and farms with gross annual revenues of \$100 thousand or less.

NON-MSA

TABLE C1

*** Distribution of Loans Within Assessment Area By Income Level of Borrower**

	HMDA	Consumer	TOTAL
LOW INCOME: <i>Less Than 50% of Median Income</i>			
Number	0	2	2
Percentage	0%	14%	6%
Amount(\$)	\$0	\$8,963	\$8,963
Percentage	0%	11%	2%
MODERATE INCOME: <i>At least 50% and less than 80% of Median Income</i>			
Number	10	5	15
Percentage	46%	36%	42%
Amount(\$)	\$152,000	\$39,357	\$191,357
Percentage	29%	48%	32%
MIDDLE INCOME: <i>At least 80% and less than 120% of Median Income</i>			
Number	6	3	9
Percentage	27%	21%	25%
Amount(\$)	\$192,000	\$11,874	\$203,874
Percentage	37%	15%	33%
UPPER INCOME: <i>120% or more of Median Income</i>			
Number	6	4	10
Percentage	27%	29%	27%
Amount(\$)	\$183,000	\$21,068	\$204,068
Percentage	34%	26%	33%

* HMDA loan origination were analyzed for the period of January 1995 through December 1995. The sample of consumer loan origination were analyzed for the period of April 1995 through January 1996.

TABLE C2

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

Business and Farm Lending Summary					
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
18	18	100%	\$537,454	\$537,454	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 assessment area which show 16 percent or 652 low-income families live in the bank's non-MSA assessment area. However, HMDA loans originated to moderate-income borrowers comprise 46 percent (or 10 out of 22).

Consumer

The bank's consumer loan origination to individuals of different income levels is excellent. Table C1 shows that of the sample, 50 percent (or 7 out of 14) were made to borrowers of low- and moderate- income, with loans to low-income borrowers representing 14 percent (or 2 out of 14).

Small Business and Farm

Lending to small businesses and farms with revenues of \$1 million or less is excellent. Table C2 shows that all of the loans sampled were to such businesses and farms. Of the loans sampled, 100 percent (or 18 out of 18) were made to small businesses and farms with gross annual revenues of \$100 thousand or less.

Geographic Distribution of Loans

Tioga'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, including the two moderate-income census tracts found in the Binghamton MSA, encompassing the Town of Barton and the Village of Waverly. An analysis of the dispersion of lending for each MSA and non-MSA follows:

BINGHAMTON MSA

HMDA

An analysis of HMDA loans shows that the bank is lending throughout the Binghamton MSA portion of its assessment area, including the two moderate-income census tracts. As previously mentioned, there are no low-income census tracts in this portion of the assessment area. When lending is adjusted to reflect the number of owner-occupied units, the demand-adjusted level of HMDA lending in its moderate-income census tracts is 11.8 loans per 1,000 owner-occupied units and is greater than the 10.2 loans per 1,000 owner-occupied units in its non moderate-income census tracts.

Consumer

An analysis of the sample of consumer loans shows that the bank is lending throughout this portion of the assessment area, including its moderate-income census tracts. During the review period, 10 percent (or 15 out of 151) sampled loans were found within moderate-income census tracts.

Small Business and Farm

Analysis of the sample of small business and farm loans shows that small business and small farm loans were made throughout this portion of the assessment area.

ELMIRA MSA

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 Elmira MSA portion of the assessment area. As previously mentioned, this portion of the assessment area consists of one census tract which is considered as middle-income.

NON-MSA HMDA

An analysis of HMDA loans shows the bank is lending throughout the non-MSA portion of its assessment area. However, no home purchase or refinance loans and only one home improvement loan was made in the BNA that includes the Town of Cayuta, a middle-income BNA. As previously mentioned, this portion of the assessment area consists of two middle-income BNAs and one BNA considered upper-income.

Consumer

An analysis of the sample of consumer loans shows the bank is lending throughout its assessment area.

Small Business and Farm

Analysis of the sample of small business and farm loans shows that, with the exception of the Town of Danby, small business and farm loans were made throughout this portion of the assessment area. While there was no small business and farm lending in the Town of Danby, this moderate-income area is primarily residential.

Response to Complaints

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

Tioga 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 applications. Management has developed adequate policies, procedures and training programs supporting nondiscrimination in lending and credit practices

