

PUBLIC DISCLOSURE

February 3, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Solvay Bank
02-36-7220
1537 Milton Avenue
Solvay, New York 13209**

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 **Solvay Bank** 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 February 3, 1997. 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 review period of August 1, 1995 through December 31, 1996, Solvay Bank's performance with regard to the CRA is rated "Outstanding." This determination was based on the following performance criteria: 1) an excellent loan-to-deposit ratio with consideration given to the bank's community development lending; 2) a substantial majority of its loans in its assessment area; 3) an excellent distribution of loans to borrowers 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.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	SOLVAY 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

Solvay Bank (“Solvay”) was established in 1917 and is a community bank with its main office located in Solvay, New York. The bank is the only subsidiary of Solvay Bank Corp., a bank holding company. In addition to its main office, Solvay operates two full-service branch offices and one limited-service branch within Onondaga County in New York State. As of September 30, 1996, the bank had total assets of \$239.7 million with total loans of \$165.4 million. There are no financial or legal impediments preventing Solvay from meeting the credit needs of its assessment area.

Solvay Bank offers a wide variety of commercial and consumer loan products. The loan portfolio is primarily comprised (61 percent) of loans secured by real estate. Loans secured by 1-4 family residential properties represent approximately 75 percent of the total loans secured by real estate. In addition, commercial and industrial loans and loans to individuals represent 29 percent and 9 percent of the total loan portfolio, respectively.

DESCRIPTION OF SOLVAY BANK 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 (“HUD”).

Solvay's assessment area includes the majority of Onondaga County with the exception of the following: townships of Tully, Fabius, Spafford, Otisco; the southern half of Skaneateles township; the eastern half of Manilius township; and the northeastern half of Cicero township. Onondaga County is part of Metropolitan Statistical Area (“MSA”) 8160 (Syracuse, New York). None of the excluded towns contain low- and moderate-income census tracts. The assessment area is comprised of 134 census tracts, of which, 18 or 13 percent, are low-income tracts, 22 or 16 percent, are moderate-income tracts, 60 or 45 percent, are middle-income tracts, and 34 or 26 percent, are upper-income tracts. Of the 40 low- and moderate-income census tracts, all but two are located within the City of Syracuse.

According to the 1990 census, the population of the assessment area is 449,495 or 60 percent of the MSA's population of 742,177. Total families in the bank's assessment area is 113,786. The percentage and number of families in the assessment area with low, moderate, middle, and upper income consists of the following: 17 percent or 19,637 low-income families; 17 percent or 19,791 moderate-income families; 24 percent or 27,736 middle-income families; and 41 percent or 46,622 upper-income families. According to 1990 census data, the median family income of the MSA 8160 is \$36,672, while the median family income of the assessment area is \$38,323. The HUD-adjusted 1996 median family income for MSA 8160 is \$41,800.

Housing units in the assessment area total 182,444, of which 107,267 or 59 percent are owner-occupied. However, in low- and moderate-income census tracts, the majority of the housing units are renter occupied. Of the 46,923 housing units in low- and moderate-income census tracts, only 10,719, or 23 percent are owner-occupied. In the middle- and upper-income census tracts, 71 percent of the 135,521 housing units are owner-occupied.

In 1994, the primary type of employers in Onondaga County were the following: services (31 percent); retail trade (17 percent); and government/government enterprises (13 percent). According to the United States Bureau of Labor Statistics, the 1995 unemployment rate for MSA 8160 was 5 percent, a decline from 7 percent in 1992. During the same time period, the MSA's total labor force also declined 3 percent. In Onondaga County, the economy continues to shift from a higher wage manufacturing jobs to lower wage service jobs. Manufacturing jobs declined 13 percent between 1990 and 1994, while service jobs increased 6 percent during the same time period. Construction jobs also experienced a large decline (14 percent) between 1990 and 1994 and reflects the reduction in residential building permits in the MSA.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

This CRA examination of Solvay Bank covered the period of August 1, 1995, through December 31, 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 levels, the following number of loans were reviewed: 330 mortgage loans reported under the Home Mortgage Disclosure Act (HMDA); 180 consumer loans; and 147 small business loans.

Loan-to-Deposit Ratio

Solvay's loan-to-deposit ratio is excellent given the bank's size, financial condition, and the credit needs of its assessment area. The bank's loan-to-deposit ratio was 73 percent based on information contained in its Consolidated Report of Condition and Income for the four most recent quarters ending September 30, 1996. This ratio is above the national peer group average of 70 percent, reported in the September 30, 1996 Uniform Bank Performance Report. In addition, Solvay's loan-to-deposit ratio exceeds the four quarter average of 69 percent achieved by five similarly situated institutions.

The bank's community development loans as of December 31, 1996, total \$1.0 million and consist of the following:

A \$75 thousand line of credit to Syracuse Neighborhood Housing Services, a not-for-profit organization that provides affordable housing and home ownership opportunities to low- and moderate-income families. This credit facility provides secondary mortgage financing in low and moderate-income neighborhoods in Syracuse.

A \$480 thousand line of credit to Community Lending Corp., a division of Community Preservation Corporation which finances affordable housing and development projects throughout New York State. This credit facility provides developers with affordable mortgage financing for projects in the Syracuse area that may have difficulty obtaining conventional credit.

A \$74 thousand line of credit to Eastside Neighbors in Partnership, a not-for-profit organization that purchases properties located on the east side of Syracuse and rehabilitates them for rental to low- and moderate-income individuals. This credit facility provides funds to purchase these properties.

Ten commercial mortgage loans (nine of ten located in low- and moderate-income census tracts) totaling \$400 thousand originated for the purpose of renovating housing and rentals to low-income individuals under HUD's section 8 rent subsidy program.

Lending in Assessment Area

Solvay originated a substantial majority of its loans within its assessment area during the review period. Of the total loans sampled, 96 percent (or 629 out of 657) were originated in the bank's assessment area. Specifically, of the mortgage, consumer, and small business loans sampled, 95 percent (313 out of 330), 95 percent (171 out of 180), and 99 percent (145 out of 147), respectively, were originated in the bank's assessment area.

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

Solvay's overall record of lending to borrowers 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
 August 1995 through December 1996**

	Mortgage*	Consumer	TOTAL
LOW INCOME: <i>Less Than 50% of Median Income</i>			
Number	24	47	71
Percentage	8%	27%	15%
Amount(\$)	\$981,000	\$292,081	\$1,273,081
Percentage	5%	18%	06%
MODERATE INCOME: <i>At least 50% and less than 80% of Median Income</i>			
Number	46	36	82
Percentage	15%	21%	17%
Amount(\$)	\$1,750,000	\$338,924	\$2,088,924
Percentage	8%	21%	09%
MIDDLE INCOME: <i>At least 80% and less than 120% of Median Income</i>			
Number	85	42	127
Percentage	28%	25%	27%
Amount(\$)	\$4,756,000	\$328,316	\$5,084,316
Percentage	23%	21%	23%
UPPER INCOME: <i>120% or more of Median Income</i>			
Number	146	46	192
Percentage	49%	27%	41%
Amount(\$)	\$13,469,000	\$623,161	\$14,092,161
Percentage	64%	39%	63%

*Sample excludes 12 loans from sample that did not contain borrower income data.

TABLE B

**Distribution of Loans Within Assessment Area By Size of Business and Farm
 August 1995 through December 1996**

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
145	115	79%	\$7,540,163	\$5,211,100	69%

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

Mortgage

The bank's mortgage lending to borrowers of different income levels is reasonable. The level of loans to moderate-income borrowers represented 15 percent (Table A) of the mortgage loans sampled. This ratio is comparable to the assessment areas demographics where 17 percent of the families are moderate income. Some weakness, however, was evident in lending to low-income borrowers. Table A shows that loans to low-income borrowers comprised 8 percent of the mortgage loans sampled. Seventeen percent of the families within the bank's assessment area are of low-income. However, the bank's community development activities serve to enhance mortgage credit availability to low- and moderate-income borrowers in its assessment area. (See page 5 of this report for details of community development lending activity.)

Consumer

The bank's consumer lending to borrowers of different income levels is excellent. Loans to low-income and moderate-income borrowers comprised 27 percent and 21 percent (Table A) of the loans sampled, respectively. These ratios compare favorably to the demographics of the assessment area where 17 percent of the families are of low-income and 17 percent are of moderate-income.

Small Business and Farm

The bank's lending to small businesses and farms with revenues of \$1 million or less is excellent. Table B shows that a substantial majority, 79 percent of the loans sampled, were made to such businesses and farms.

Geographic Distribution of Loans

Solvay's geographic distribution of loans given the bank's assessment area is reasonable.

Overall, the bank is lending in most of its assessment area, including in low- and moderate-income census tracts. However, the level of consumer lending is weak in low-income census tracts. These weaknesses, however, appear to be due to the distance away from branch offices. An analysis of the dispersion of lending for each loan category is as follows:

Mortgage

An analysis of the sample of mortgage loans shows the bank is lending in most of its assessment area, including in low- and moderate-income census tracts. When mortgage lending in the assessment area is adjusted to reflect the number of owner-occupied units, the demand-adjusted level of housing related lending is stronger in low- and moderate-income census tracts than in non-low- and moderate-income census tracts. Penetration levels total 4.0 loans per thousand owner occupied units in low-income census tracts and 3.9 loans per thousand in moderate-income tracts.

Consumer

An analysis of the sample of consumer loans shows that lending in low-income census tracts is weak while lending in moderate-income census tracts is reasonable. Of the consumer loans originated in the assessment area, one percent was in low-income census tracts, while 13 percent of the census tracts in the assessment area are low-income. Fifteen percent of the consumer loans originated in assessment area were in moderate-income census tracts. This ratio is comparable to the percentage (16 percent) of moderate-income census tracts in the assessment area.

Small Business and Farm

An analysis of the sample of small business loans shows that loans are well dispersed throughout the assessment area. The percentage of loans originated in low, moderate, middle, and upper-income census tracts are 11 percent, 13 percent, 51 percent and 25 percent, respectively. This geographic disbursement is comparable to the assessment areas' geographic income distribution, noted as follows: 13 percent low-income census tracts; 16 percent moderate-income census tracts; 45 percent middle-income census tracts; and 25 percent upper-income census tracts.

Response to Complaints

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

Solvay is in compliance with the substantive provisions of the antidiscrimination laws and regulations, including the Equal Credit Opportunity Act, 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.