

## **PUBLIC DISCLOSURE**

February 23, 1998

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

**Tioga State Bank  
02-36-7290**

**One Main Street  
Spencer, New York 14883**

**Federal Reserve Bank of New York**

**33 Liberty Street**

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

<b>NOTE:</b>	<b>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.</b>
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## 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 **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 February 23, 1998. 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 **ASatisfactory@**

Over the examination review period of February 1, 1996 through December 31 1997, Tioga State Bank's performance with regard to CRA is rated **ASatisfactory.@** This determination is based on the following performance criteria: 1) a reasonable loan-to-deposit ratio; 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 of different sizes; and 4) a reasonable geographic distribution of loans within the bank's assessment area.

## **DESCRIPTION OF INSTITUTION**

Tioga State Bank (ATioga®) is a retail commercial bank, wholly owned by TSB Services, Inc., a one-bank holding company. Tioga provides consumer and business loans including residential mortgage loans commercial, construction, mobile home, home improvement, home equity, and small business and farm loans.

Tioga operates seven banking offices in upstate New York, including a main office located in the village of Spencer, two branches in the village of Owego and one branch each in the village of Waverly and the towns of Candor, Van Etten, and Newfield. Two of the branches, Van Etten and Owego North are deposit only facilities. All of the bank's branches contain an automated teller machine (ATM®) that is connected to a nationwide ATM electronic network. In addition, Tioga owns one remote ATM located in Candor.

In 1997, Tioga developed XPRESS Banking which allows customers 24 hour telephone access to their accounts. Customers are able to make account balance inquiries, determine the last six transactions on their accounts, verify social security deposits as well as other ATM transactions, and make transfers and loan payments.

As of December 30, 1997, the bank reported \$144.5 million in total assets, of which net loans and securities accounted for \$61 million (42%) and \$75 million (52%) respectively. Total deposits as of December 30, 1997 were \$119 million.

## **DESCRIPTION OF BANK OF TIOGA'S ASSESSMENT AREA**

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. There are ten census tracts and three BNAs (Block Numbering Areas) within the bank's assessment area. Two of the census tracts are moderate-income, six are middle-income, and two are upper-income. Of the three BNAs, two are middle-income and one is upper-income. There are no low-income census tracts or BNAs in the bank'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, Tioga County Economic Development, Planning & Tourism, and the United States Department of Labor. An MSA and NON-MSA demographic and economic analysis follows:

The total assessment area population is 70,949. Thirty-six percent of the families are low- and moderate-income, 26 percent are middle income, and 38 percent are upper-income. The 1990 median family income is \$35,072. Sixty five percent of the housing stock is one unit housing and 18 percent are mobile homes. There are 20,193 owner-occupied housing units in the assessment area. Seventy two percent of all housing units are owner-occupied. The median housing value for the assessment area is \$70,758 and the gross median rent is \$385. The unemployment rate as of January 1996 was 3.4 percent. There are 1,841 business establishments in the assessment area.

### **MSA 0960: Binghamton**

The portion of the bank's assessment area within the Binghamton MSA includes all of Tioga County. Tioga

County is composed of nine towns and three villages. There are no cities in the county. Tioga County is composed of 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. There are nine census tracts included in Tioga's assessment area within the Binghamton MSA. Based on the 1990 United States Census, two of the tracts are classified as moderate-income, five as middle-income, and two as upper-income. The two moderate-income census tracts are found in the towns of Barton and Waverly. Tioga County has a population of 52,337. Seventeen percent (8,925 out of 52,337) of the population resides in the two moderate-income census tracts.

There are 14,841 owner-occupied units in this MSA of which 2,365 or 15 percent are in moderate-income census tracts. The median housing value in 1990 was \$73,052.

As of 1990, median family income was \$35,873 for Tioga County which was lower than the state median family income of \$39,741. The 1997 United States Census and the Department of Housing and Urban Development's estimated median family income for the Binghamton MSA is \$41,000. This figure was used to determine the income distribution of borrowers.

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	2,730	19%
Moderate	2,596	18%
Middle	3,719	26%
Upper	5,416	37%

Tioga County is considered a bedroom community for the nearby cities of Elmira, Ithaca, and Binghamton. A considerable portion of the population commutes outside of the county to the nearby cities for employment. Unemployment in Tioga County is very low. The County's unemployment rate was down 1.2 percent in 1997. As of January 1998, the unemployment in Tioga County was five percent which was the same for the entire MSA. This is lower than the state unemployment rate of 5.7 percent in January, 1998. There is a labor force of 26,234 persons in Tioga County. There has been an increase in jobs ranging from manufacturing positions to entry level positions to engineers.

The major employers are the town school districts, Martin Federal Systems, Ensco, Inc., and the Hadco Corporation. Hadco Corporation has undergone a \$25 million dollar expansion in the area in the last few years increasing employment by 1,100. Hagen Pet Foods has expanded its plant in Waverly, investing over \$6 million in plant modifications. In addition, Upstate Shredding, a metal shredding company, is expanding its site in the Tioga Industrial Park in the town of Owego.

There are 1,403 business establishments in this portion of the bank's assessment area of which 1,233 or 88 percent qualify as small businesses. There are 228 business establishments located in the two moderate-income census tracts which constitutes 16 percent of the total business establishments in this portion of the

bank's assessment area.

**MSA 2335: Elmira**

The bank's assessment area within the Elmira MSA includes one census tract found within Chemung County. This tract is classified as middle-income and includes the towns of Van Etten and Erin. The bank's assessment area within the Elmira MSA is generally a rural farm community with a total population of 3,509.

The one middle-income census tract contains 1,068 owner-occupied units. The median housing value in 1990 was \$45,100. The 1997 United States Census and the Department of Housing and Urban Development's estimated median family income for the Elmira MSA is \$38,800. This figure was used to determine the income distribution of borrowers. 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	190	20%
Moderate	233	24%
Middle	236	25%
Upper	296	31%

Elmira has experienced low levels of unemployment in the last year. As of January 1998, the unemployment rate was 4.8 percent. The economic base of the MSA is primarily on the manufacturing of steel products, automobile components, fire apparatus and machine tools. There are 53 business establishments in this portion of the bank's assessment area of which 47 or 89 percent qualify as small businesses.

**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 Dalby. The non-MSA assessment area is a service, retail and farm community with a total population of 15,103.

The BNA's contain 4,284 owner-occupied units. The median housing value in 1990 was \$66,822. The 1997 United States Census and the Department of Housing and Urban Development's estimated median family income for New York State NON-MSAs is \$37,100. This figure was used to determine the income distribution of borrowers.

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	652	16%

Moderate	702	17%
Middle	1,016	25%
Upper	1,722	42%

As of January, 1998, the unemployment rate in Schuyler and Tompkins Counties was eight percent and four percent, respectively. There are 385 business establishments in this portion of the bank's assessment area of which 344 or 90 percent qualify as small businesses.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

The examination of Tioga State Bank covered the period of February 1, 1996 through December 31, 1997. The CRA performance of the bank is "Satisfactory" and is based on the favorable assessment of the bank's core performance criteria.

During the review period, the bank extended 498 housing-related loans reported under the Home Mortgage Disclosure Act (HMDA), 2,499 consumer loans, and 517 commercial loans. For the lending, income, and geographic distribution performance levels, examiners analyzed 498 housing-related loans, 188 consumer loans, and 144 commercial loans. For information relating to the specific performance of the bank within its two MSAs and one NON-MSA, see the section entitled MSA and NON-MSA Borrower Income and Geographic Distribution Analysis.

**Loan-to-Deposit Ratio**

Tioga's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and the competitive lending environment in its assessment area. The loan to deposit ratio has lowered over the last year due to the growth of time deposits by \$12,256,000. The bank's loan-to-deposit ratio adjusted for seasonal variations and based on information contained in the December 31, 1997, Uniform Bank Performance Report for the four most recent quarters ending December 31, 1997, was 51 percent. This is below its local peer group average of 68 percent for banks of similar size and the national peer group average of 72 percent.

As of February 23, 1998, community development lending totaled \$120 thousand and consisted of five loans. Three loans were made to a community development organization that specializes in the development, rehabilitation, and preservation of affordable housing throughout the State of New York. The fourth community development loan was extended to a community development organization that specializes in a broad range of financing to small and mid-sized businesses located throughout New York State. The fifth loan was extended to a not-for-profit corporation that provides rental housing and related facilities for low- and moderate-income senior citizens and handicapped individuals in rural areas of Tompkins County.

Tioga has also committed \$50 thousand towards a home improvement loan program directed at low- and moderate-income home owners in the Village of Waverly. Tioga has committed this money to qualified borrowers at a 6.25 percent interest rate.

**Lending in Assessment Area**

During the review period, Tioga originated a substantial majority of its loans within its assessment area. Classifying the bank's loans into three major product categories shows that a significant majority of housing-related, consumer, and business loans were made within its assessment area, as the following chart demonstrates:

Loan Type	Loans Made Within	Total Loans	% of Loans Within
HMDA	446	498	90%
Consumer	164	188	87%
Small Business	122	144	85%
Total	732	830	88%

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

Tioga's record of lending to borrowers of different income levels (including low- and moderate-income individuals) and small businesses and farms of different sizes is excellent given the demographics of the bank's assessment area.

Of all consumer loans sampled within the assessment area, 61 percent or (100 of 164) loans were made to low- and moderate-income individuals with loans to low-income borrowers representing 32 percent (or 53 out of 164).

Of all HMDA loans sampled within the assessment area, 41 percent or (181 of 446) loans were made to low- and moderate-income individuals with loans to low-income borrowers representing 16 percent or 72 out of 446).

Of all the commercial loans sampled within the assessment area, 95 percent or (116 out of 122 ) were made to small businesses with annual revenues of one million or less.

## **Geographic Distribution of Loans**

Tioga's geographic distribution of loans given the demographics of its assessment area is reasonable. 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. Excellent penetrations in the moderate-income census tracts is noted in the residential loan originations.

## **Community Development Services**

Tioga provides an adequate level of community development services in its assessment area. Tioga developed a Debit Card Program in the Spring of 1996 which can be used for point of sale transactions. In addition, Tioga cashes government checks for non-depositors for a small fee and offers a Basic Banking Checking Account. Working in conjunction with the Cooperative Extension of Tioga County, the bank has developed a School Savings Program for the school districts within its assessment area.

Employees serve on five board of directors of community development organizations including the Spencer/Van Etten Community Services Corp and the School to Careers Partnership of Broome and Tioga Counties. Bank employees also provide technical services to five additional community development organizations such as the Cooperative Extension of Tioga County and the Waverly Business Association.

During the examination period, the bank held two business seminars for small business owners in Tioga County. The seminars covered topics such as unemployment insurance, labor laws, and employment discrimination laws.

## **Investments**



Tioga has committed \$50 thousand as an initial investment in a business investment fund that will provide capital to small businesses located and operating in the Southern Tier Counties, including Tioga, Tompkins, Chemung, Steuben, and Schuyler. In addition, Tioga has made a \$14 thousand investment in another business development fund that provides seed money to small businesses.

In 1996 Tioga contributed \$2,466 to the New York Federal Home Loan Bank's affordable housing program. Tioga has also committed a \$10 thousand matching grant for a medical clinic and retirement housing project in Tioga County. There is currently no medical clinic in the county. Tioga has also contributed \$2,100 in charitable contributions to qualified community development organizations in the bank's assessment area.

### **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 anti-discrimination laws and regulations, including the Equal Credit Opportunity Act (Regulation B), and relevant agency regulations pertaining to nondiscriminatory treatment of credit applicants.

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

### **MSA 0960: Binghamton**

Tioga's record of lending in the portion of its assessment area within the Binghamton 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

	HMDA	Consumer	TOTAL
<b>LOW INCOME:</b> <i>Less Than 50% of Median Income</i>			
Number	70	48	118
Percentage	20%	35%	24%
Amount(\$)	\$1,319,000	\$142,771	\$1,461,770
Percentage	14%	16%	13%
<b>MODERATE INCOME:</b> <i>At least 50% and less than 80% of Median Income</i>			
Number	84	41	125
Percentage	23%	30%	25%
Amount(\$)	\$1,620,000	\$209,229	\$1,829,229
Percentage	17%	23%	18%
<b>MIDDLE INCOME:</b> <i>At least 80% and less than 120% of Median Income</i>			
Number	121	29	150
Percentage	33%	21%	30%
Amount(\$)	\$3,143,000	\$358,467	3,501,467
Percentage	33%	39%	34%
<b>UPPER INCOME:</b> <i>120% or more of Median Income</i>			
Number	88	19	107
Percentage	24%	14%	21%
Amount(\$)	\$3,411,000	\$199,248	\$3,610,248
Percentage	36%	22%	35%

\*HMDA loan originations were analyzed for the period of February 1996 through February 1997. The consumer loan origination sample was analyzed for the period of February 1996 through December 1997.

**TABLE A2**

<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
103	97	94%	\$2,203,884	\$2,083,992	95%

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

**HMDA**

Table A1 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 43 percent (or 154 out of 363) of the HMDA loans sampled in this part of the bank's assessment area, with loans to low-income borrowers representing 20 percent (or 70 out of 363).

**Consumer**

The bank's consumer loan origination to individuals of different income levels is excellent. Table A1 shows that of the sample, 65 percent (or 89 out of 137) were made to borrowers of low- and moderate-income, with loans to low-income borrowers representing 35 percent (or 48 out of 137).

**Small Business and Farm**

Lending to small businesses and farms with revenues of \$1 million or less is excellent. Of the commercial loans sampled, 94 percent (or 97 out of 103) were made to small businesses with annual revenues of one million or less. Of the loans sampled, 44 percent (or 45 out of 103) were made to small businesses and farms with gross annual revenues of \$100 thousand or less.

**Geographic Distribution of Loans**

**HMDA, Consumer, Small Business Loans**

As previously mentioned, there are two moderate-income census tracts and no low-income census tracts in this portion of the assessment area. An analysis of HMDA, consumer, and business loans shows that the bank is lending throughout the Binghamton MSA portion of its assessment area, including the two moderate-income census tracts. Twenty one percent (or 78 out of 363) residential loans were extended in these moderate-income tracts and 10 percent (or 14 out of 137) consumer loans were found within the two moderate-income census tracts. Analysis of the sample of small business and farm loans shows that commercial loans were made throughout this portion of the assessment area. Nine percent of the commercial loans were extended within the moderate-income tracts while these tracts contain 13 percent of all business establishments in the assessment area.

**MSA 2335: Elmira**

Tioga's record of lending in the portion of its assessment area within the Elmira MSA is reasonable. 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

	<b>HMDA</b>	<b>Consumer</b>	<b>TOTAL</b>
<b>LOW INCOME:</b> <i>Less Than 50% of Median Income</i>			
Number	2	4	6
Percentage	7%	36%	15%
Amount(\$)	\$23,000	\$6,800	\$29,800
Percentage	3%	15%	4%
<b>MODERATE INCOME:</b> <i>At least 50% and less than 80% of Median Income</i>			
Number	12	4	16
Percentage	41%	37%	40%
Amount(\$)	\$245,000	\$33,715	\$278,715
Percentage	33%	75%	35%
<b>MIDDLE INCOME:</b> <i>At least 80% and less than 120% of Median Income</i>			
Number	9	3	12
Percentage	31%	27%	30%
Amount(\$)	\$315,000	\$4,279	\$319,279
Percentage	42%	10%	40%
<b>UPPER INCOME:</b> <i>120% or more of Median Income</i>			
Number	6	0	6
Percentage	21%	0%	15%
Amount(\$)	\$164,000	\$0	\$164,000
Percentage	22%	0%	21%

\*HMDA loan originations were analyzed for the period of February 1996 through February 1997. The consumer loan origination sample was analyzed for the period of February 1996 through December 1997.

**TABLE B2**

<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
7	7	100%	\$87,500	\$87,500	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 48 percent (or 14 out of 29) of the HMDA loans sampled, with loans to low-income borrowers representing only seven percent (or 2 out of 29).

**Consumer**

The bank's consumer loan origination to individuals of different income levels is excellent. Table B1 shows that of the sample, 73 percent (or 8 out of 11) were made to borrowers of low- and moderate- income, with loans to low-income borrowers representing 36 percent (or 4 out of 11).

**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, 71 percent (or 5 out of 7) were made to small businesses and farms with gross annual revenues of \$100 thousand or less.

**Geographic Distribution of Loans**

**HMDA, Consumer, Small Business Loans**

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 middle-income census tract.

**NON-MSA**

Tioga's record of lending in the portion of its assessment area within the NON- MSA is reasonable. 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

	<b>HMDA</b>	<b>Consumer</b>	<b>TOTAL</b>
<b>LOW INCOME:</b> <i>Less Than 50% of Median Income</i>			
Number	0	1	1
Percentage	0%	6%	2%
Amount(\$)	0	\$1,500	\$1,500
Percentage	0%	1%	1%
<b>MODERATE INCOME:</b> <i>At least 50% and less than 80% of Median Income</i>			
Number	13	2	15
Percentage	24%	12%	21%
Amount(\$)	\$301,000	\$6,990	\$307,990
Percentage	20%	6%	18%
<b>MIDDLE INCOME:</b> <i>At least 80% and less than 120% of Median Income</i>			
Number	18	10	28
Percentage	33%	63%	40%
Amount(\$)	\$416,000	\$70,230	\$486,230
Percentage	28%	65%	31%
<b>UPPER INCOME:</b> <i>120% or more of Median Income</i>			
Number	23	3	26
Percentage	43%	19%	37%
Amount(\$)	\$762,000	\$30,456	\$792,456
Percentage	52%	28%	50%

\*HMDA loan originations were analyzed for the period of February 1996 through February 1997. The consumer loan origination sample was analyzed for the period of February 1996 through December 1997.

**TABLE C2**

<b>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
12	12	100%	\$497,271	\$497,271	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 moderate 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 24 percent (or 13 out of 54).

**Consumer**

The bank's consumer loan origination to individuals of different income levels is satisfactory. Table C1 shows that of the sample, 18 percent (or 3 out of 14) were made to borrowers of low- and moderate- income, with loans to low-income borrowers representing 6 percent (or 1 out of 16).

**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, 42 percent (or 5 out of 12) were made to small businesses and farms with gross annual revenues of \$100 thousand or less.

**Geographic Distribution of Loans**

**HMDA, Consumer, Small Business Loans**

This portion of the assessment area consists of two middle-income BNAs and one upper-income BNA. An analysis of HMDA loans shows the bank is lending throughout the NON-MSA portion of its assessment area.