



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

November 04, 2010

### COMMUNITY REINVESTMENT ACT (CRA) PERFORMANCE EVALUATION

Ballston Spa National Bank  
Charter Number: 1253

87 Front Street  
Ballston Spa, NY 12020-1780

Office of the Comptroller of the Currency

UPSTATE NEW YORK (SYRACUSE) Field Office  
231 Salina Meadows Parkway Suite 105  
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**NOTE:** This document is an evaluation of this 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. 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.

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

**The Lending Test is rated Satisfactory.**

**The Community Development Test is rated Satisfactory.**

The primary factors supporting the CRA rating are as follows:

- The bank's average loan-to-deposit ratio is more than reasonable when compared to similarly situated institutions.
- A majority of loans are originated within the assessment area (AA).
- The geographic distribution of home loans and business loans indicate a reasonable dispersion across geographies.
- The borrower distribution of home loans and business loans indicate a reasonable penetration across different income and revenue levels, respectively.
- The bank's community development performance demonstrates adequate responsiveness to community development needs.

## **Scope of Examination**

The evaluation period covers October 1, 2007 through November 4, 2010 and represents the time period between the start of the bank's last and current CRA exams. However, our evaluation of the lending performance under the lending test included loans originated between January 1, 2008 and June 30, 2010. During our assessment of the lending activity, we determined loans reported on the Home Mortgage Disclosure Act (HMDA) Loan Application Register (LAR) and business loans to be the bank's primary product types. Loans reported on the HMDA LAR include home purchase, home improvement and refinance loans. The evaluation period for Community Development (CD) loans, investments, and services is October 1, 2007 through November 4, 2010.

## **Description of Institution**

Ballston Spa National Bank ("BSNB") is a \$388 million community bank located in Ballston Spa, New York. BSNB is wholly-owned by Ballston Spa Bancorp, Inc., a one-bank holding company. BSNB operates nine (9) offices in Saratoga County located in Eastern New York State. Since the last CRA evaluation, management has not opened or closed any offices.

BSNB's loan portfolio totals \$241 million, which represents 62% of total assets as of September 30, 2010. Lending is targeted toward small and mid-sized businesses, and individuals through real estate mortgages and consumer loans. The loan portfolio

consists of \$144 million or 60% in residential real estate loans, \$55 million or 23% in commercial loans, \$32 million or 13% in consumer loans, \$10 million or 4% in municipal or other loans, and \$6 million or 3% in multi-family real estate loans. As of September 30, 2010, Tier One Capital totals \$29 million with another \$4.5 million in the reserve for loan and lease losses.

BSNB operates in a highly competitive financial services market with competition from 17 other financial institutions with 76 banking offices, as well as, mortgage companies, and local credit unions. The competing financial institutions include multi-national, regional and local institutions. As of June 30, 2010, BSNB had the third highest deposit market share in Saratoga County with 8.46% of the deposits in the county surpassed only by Adirondack Trust Company with 21.20% and Trustco Bank with 11.41%.

During the examination, we contacted a local economic development organization and an organization providing services to low- and moderate-income individuals. Both contacts identified a need for financial literacy education for both consumers and businesses. One organization also identified small business lending as a community credit need. BSNB is not subject to any known financial, legal or regulatory restrictions that would impede its ability to help meet the credit needs of its AA.

BSNB's performance at the last CRA examination as of October 1, 2006, was rated "Satisfactory."

## **Description of Assessment Area (AA)**

Management identified a single AA consisting of all 45 geographies within Saratoga County. The main office, all branches and deposit-taking ATMs are located in this county. The AA does not reflect any illegal discrimination and does not arbitrarily exclude low- or moderate-income geographies. The AA contains no (0) low-income census tracts, nine (9) moderate-income census tracts (20%), 24 middle-income census tracts (53%), 11 upper-income census tracts (24%), and one (1) census tract with no income designation (2%). The AA has a total population of 200,635 consisting of 54,000 families and 78,226 households. The family distribution in the AA consists of 15.46% low-income families, 18.81% moderate-income families, 23.61% middle-income families, and 42.12% upper-income families. Of the 86,701 housing units in the AA, 65% are owner-occupied, 25% are renter-occupied, and 10% are vacant. Approximately six percent (6%) of the households are below the poverty level. The median housing value in the AA is \$112,624, and the median age of housing stock is 40 years.

Saratoga County is one of five neighboring counties representing the Albany-Schenectady-Troy Metropolitan Statistical Area (MSA) in eastern New York State. This MSA also includes the state capital, Albany, NY. The New York State government is the largest employer in the MSA. Major employers in Saratoga County include Momentive Performance Material, State Farm Insurance, Stewart's Shops Inc, Target Distribution, as well as, state and local governments, school districts and hospitals. According to Moody's Analytics, the area is emerging as a leader in commercially viable

nanotechnology. Global Foundries, Inc., formerly the manufacturing arm of Advanced Micro Devices Inc., is in process of building a \$3 billion computer chip manufacturing plant in Malta, NY, located in Saratoga County. In 2011, the State University of New York at Albany intends to expand its nanotechnology research center and add nearly 1,300 research and science positions in nearby Albany County. Saratoga County also benefits from tourism with the Saratoga Race Course, Saratoga Raceway and Casino, and Saratoga Performing Arts Center located in Saratoga Springs, NY. In September 2010, the unemployment rate in Saratoga County was 5.9%, which is well below the MSA unemployment rate of 6.7%, the state unemployment rate of 8.3% and the national unemployment rate of 9.6%.

The 2000 U. S. Census Median Family Income for the Albany-Schenectady-Troy MSA is \$54,944. This figure is used to determine the income designation of the MSA's census tracts. The Updated Median Family Income for this MSA is \$74,100. This figure was used to evaluate the income level of borrowers. The Updated Median Family Income is based on information from the Department of Housing and Urban Development (HUD).

The table below further describes the distribution of the population, families, and households based on geographic income categories.

<b>Characteristics by Geography</b>					
Geographic Income Category	% Census Tracts	% Population	% Families	% Households	% Owner-Occupied Housing Units
Low	0.00	0.00	0.00	0.00	0.00
Moderate	20.00	12.43	12.45	12.94	12.02
Middle	53.33	58.73	57.00	58.98	57.32
Upper	24.44	28.72	30.55	28.08	30.66
NA	2.23	0.12	0.00	0.00	0.00

## **Conclusions with Respect to Performance Tests**

Our evaluation of the lending performance under the lending test included loans originated between January 1, 2008 and June 30, 2010. During our assessment of the lending activity, we determined loans reported on the Home Mortgage Disclosure Act (HMDA) Loan Application Register (LAR) and business loans to be the bank's primary product types. Business loans are weighted more heavily than HMDA loans as they comprise the majority of the loans. Loans reported on the HMDA LAR include home purchase, home improvement and refinance loans. Our evaluation of community development activities spanned the entire evaluation period, October 1, 2007 through November 4, 2010.

## LENDING TEST

BSNB’s performance under the Lending Test is “Satisfactory.”

### Loan-to-Deposit Ratio

The bank's quarterly average loan-to-deposit ratio (LTD) of 93.07% since the last examination is more than reasonable. Five similarly situated financial institutions are headquartered in the Albany-Schenectady-Troy MSA. The average LTD ratios for those institutions range from 57.22% to 98.35% with the average of all six institutions being 84.46%.

### Lending in the Assessment Area (AA)

BSNB originated a majority of its loans within the bank’s AA. As noted in the table below, 66% of the number and 65% of the amount of loans are within the bank’s AA.

Lending in Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
HMDA	246	58	175	42	421	36,395	65	19,467	35	55,862
Business	255	76	82	24	337	59,907	65	32,307	35	92,214
Totals	501	66	257	34	758	96,302	65	51,774	35	148,076

### Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

The borrower distribution of BSNB’s HMDA and business loans reflects reasonable dispersion among borrowers of different income levels and businesses and farms of different sizes.

HMDA lending to borrowers of different income levels meets the standard for satisfactory performance. Although HMDA lending to low-income families was significantly less than the level of low-income families for home purchase and refinance loans in the AA, our assessment of HMDA lending included a consideration of the affordability of area housing and the 6% area poverty level. The average housing price in Saratoga County is \$113 thousand which makes affordability difficult for the low-income person who is earning less than \$37 thousand per year. HMDA lending to moderate-income families exceeded the level of moderate-income families in the AA for all HMDA product types. Refer to the table below.

<b>Borrower Distribution of Residential Real Estate Loans in AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	15	5	19	30	24	28	42	35
Home Improvement	15	18	19	23	24	32	42	25
Refinance	15	3	19	23	24	27	42	44
Total	15	7	19	26	24	29	42	36

Lending to businesses of different sizes meets the standard for satisfactory performance. BSNB originated 62% of its loans to businesses with \$1 million or less in revenues. In 2008, 61% of businesses reported revenues of \$1 million or less. However, the number of businesses in the AA reporting revenues of \$1 million or less rose to 79% likely reflecting the economic recession.

<b>Borrower Distribution of Loans to Businesses in AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	79	4	17	100%
% of Bank Loans in AA by #	62	38	0	100%
% of Bank Loans in AA by \$	32	68	0	100%

As further support, the bank originated 95% of the number of its loans in amounts \$1 million or less including 59% of the number of its loans in amounts \$100 thousand or less.

<b>Borrower Distribution of Loans to Businesses by Loan Size in AA</b>				
Loan Size	Number of Loans	Percent of Number	Dollar Volume of Loans (000)	Percent of Dollar Volume
\$0 - \$100,000	150	59	6,940	12
\$100,001 - \$250,000	54	21	9,664	16
\$250,001 - \$1,000,000	37	15	20,488	34
Over \$1,000,000	14	5	22,815	38

Bank management recognizes the need to for small business lending and participates in several lending programs to assist small businesses. Specifically, BSNB participates in several SBA sponsored lending programs including the 7A Loan Program, Patriot Express, Rural Lender, Saratoga County ARC, and 504 programs. During the evaluation period, BSNB originated \$162 thousand in loans under these programs which are reported in the business data under the Lending Test. Loans originated under these programs are included in small business lending data. BSNB also has its own Business Development Loan program providing up to \$2 million in reduced rate loans to new or existing businesses located within the geographic boundaries of the

Village of Ballston Spa. During the evaluation period, BSNB originated \$1.5 million in loans under this program which are reported in the business data under the Lending Test.

**Geographic Distribution of Loans**

The geographic distribution of HMDA loans and business loans indicate a reasonable dispersion across geographies. The AA contains no low income census tracts.

HMDA lending to borrowers in moderate-income census tracts meets the standard for satisfactory performance. Collectively, the bank’s HMDA loans in moderate-income geographies represent 11% of total loans, which is near the level of owner-occupied housing that exists in moderate-income geographies in the AA. The bank originated a larger percentage of its home purchase loans in moderate income areas than the level of owner-occupied housing in these areas. The bank originated a lower percentage of its home improvement loans in moderate income areas than the level of owner-occupied housing in these areas. The level of refinances is near the level of owner-occupied housing. Refer to the table below for additional information.

<b>Geographic Distribution of Residential Real Estate Loans in AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0	0	12	14	57	70	31	16
Home Improvement	0	0	12	7	57	70	31	23
Refinance	0	0	12	11	57	69	31	20
Total	0	0	12	11	57	70	31	19

The bank’s business lending activity to borrowers in moderate-income census tracts meets the standard for satisfactory performance. BSNB originated 11% of its loans to businesses in moderate-income geographies, which meets the number of businesses located in moderate-income geographies.

<b>Geographic Distribution of Loans to Businesses in AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business	0	0	11	11	59	60	30	29

**Responses to Complaints**

BSNB did not receive any CRA-related complaints during the evaluation period.

## **COMMUNITY DEVELOPMENT TEST**

BSNB's community development performance demonstrates adequate responsiveness to community development needs in its AA through community development loans, qualified investments, and community development services considering the bank's capacity and the need and availability of such opportunities for community development in the bank's AA.

### **Number and Amount of Community Development Loans**

The number and amount of community development lending reflects adequate responsiveness to community development needs.

During the evaluation period, BSNB originated \$280 thousand in lines of credit to two community-based organizations providing services to low- and moderate-income individuals.

During the evaluation period, BSNB originated a \$50 thousand line of credit to a local economic development fund to provide capital and technical assistance to small businesses in the AA.

During the evaluation period through June 2009, BSNB loaned \$320 thousand in funds to an organization that, with the assistance of other New York State banks, provided \$255 million in financing for low- and moderate-income housing. More recently, BSNB also loaned \$480 thousand toward a \$264 million revolving loan agreement to the same organization. The programs supported by this organization benefit all of New York State, including the bank's AA.

Since 2001, BSNB has had an annually renewable commitment to lend to an organization which provides loans to businesses in New York State to assist with growth and job retention. BSNB's current commitment totals \$110 thousand. The programs supported by this organization benefit all of New York State including the bank's AA.

### **Number and Amount of Qualified Investments**

The number and amount of community development investments reflects adequate responsiveness to community development needs.

In 1999, BSNB invested \$100 thousand in a privately owned loan and investment fund whose purpose is to expand new and existing businesses within New York's 51 participating economic development zones. This investment remains outstanding and benefits a wider geographic area which includes the bank's AA.

### **Extent to Which the Bank Provides Community Development Services**

BSNB provides an adequate level of community development services through its office locations, banking products and services. The bank does not have any offices located



in moderate-income census tracts. The AA does not include any low-income census tracts, agency-designated underserved/distressed nonmetropolitan middle-income census tracts or a designated disaster area. BSNB's involvement with community development organizations in the AA is adequate.

During the evaluation period, BSNB provided donations to numerous community development organizations. Most notably, since 2001, BSNB has annually forgiven \$5 thousand of a \$100 thousand loan originated in 1998 to an organization which provides access to affordable capital to low-income borrowers.

During the evaluation period, a BSNB Vice President serves as a Board member to an organization which provides micro loans to businesses that do not qualify for traditional financing. In his capacity as a Board member, this employee reviews financial information from applicants and makes decisions on loan applications. This employee also recruited personnel from another financial institution to join the organization. This Vice President also served on the Board of a similar organization in a neighboring county outside the bank's AA.

During the evaluation period until February 2010, a BSNB Vice President served as a Board member of an organization with after school, summer, in school and outreach programs targeting girls from low-income families in the Capital Region, including the bank's AA. In February 2010, this Vice President began serving on the organization's Fiscal Oversight Committee.

During the evaluation period, a BSNB employee served as a director and Finance Committee member for an area community group which provides a food pantry, child care services, domestic violence counseling and other programs for seniors and children.

During the evaluation period, three BSNB employees volunteered with a tax assistance program in the AA which provides free assistance to all people including low- and moderate-income people who are unable to afford professional tax filing services.

Since January 2007, a BSNB Assistant Vice President has served as a director and member of the Board's Finance Committee for an organization based in Saratoga County which assists homeless veterans with finding employment and housing.

Since March 2009, a BSNB Vice President has been a member of a state-mandated investment Board required to develop strategies to create and preserve jobs, promote economic recovery, and assist those most impacted by the recession. The funds allocated to the Board for adult assistance are disbursed according to priority need with recipients of public assistance and other low-income individuals receiving the highest priority.

In 2009 and 2010, a BSNB Assistant Vice President served as a mentor for low-income high school students to provide guidance throughout high school and improve the likelihood that he/she will graduate. The school district sponsoring this program serves a town where two of the three census tracts are designated as moderate-income.

From August 2008 through April 2010, a BSNB Branch Manager volunteered with a nonprofit association dedicated to educating entrepreneurs and helping small businesses start, grow, and succeed.

## **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.