

PUBLIC DISCLOSURE

February 1, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Adirondack Trust Company
RSSD No. 645317**

**473 Broadway
Saratoga Springs, NY 12866**

Federal Reserve Bank of New York

**33 Liberty Street
New York, NY 10045**

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.

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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 CRA performance of **The Adirondack Trust Company** 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 1, 1999**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.*

INSTITUTION

INSTITUTION'S CRA RATING: The Adirondack Trust Company is rated “OUTSTANDING.”

The level of compliance of The Adirondack Trust Company ("Adirondack") with the CRA is based on an evaluation of the performance criteria for large retail institutions specified under the CRA with respect to the lending, investment and service tests.

Performance under the lending test is rated “outstanding,” based primarily on the following findings:

- The substantial number of small business loans as well as the adequate number of HMDA-related loans originated by the bank during the examination period shows excellent responsiveness overall to credit needs in the bank's assessment area.
- The overall geographic distribution of HMDA-related loans reflects excellent loan penetration throughout the low- and moderate-income ("LMI") areas of the bank's assessment area.
- The distribution of loans to businesses of different sizes was excellent.
- The distribution of home purchase loans and refinancings to individuals of different income levels was adequate.
- The distribution of home improvement loans to individuals of different income levels was excellent.
- The bank had a high level of community development lending.

Performance under the investment test is rated “high satisfactory” based on the following finding:

- The bank had a significant level of qualified investments in the assessment area.

Performance under the service test is rated “outstanding” based on the following findings:

- The bank's delivery systems were readily accessible to all portions of the bank's assessment area, and service needs are tailored to the convenience of the assessment area.
- The bank was a leader in providing community development services throughout its assessment area.

LENDING, INVESTMENT, SERVICE TESTS TABLE

The following table summarizes the performance level of The Adirondack Trust Company with respect to the lending, investment, and service tests.

PERFORMANCE LEVELS	<u>ADIRONDACK TRUST COMPANY</u>		
	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding	X		X
High Satisfactory		X	
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

* Note: The lending test is weighted more heavily than the investment and service tests in determination of the overall rating.

DESCRIPTION OF INSTITUTION

Adirondack is a full-service commercial bank headquartered in Saratoga Springs, New York. As of September 30, 1998, the bank had total assets of \$379 million, net loans and leases of \$197 million, and total deposits of \$325 million.

Adirondack has seven retail branches located throughout the central portion of Saratoga County in northeastern New York State. The bank's business focus is small business lending, and Adirondack is the market leader with a 56 percent share of all small business loans reported in its assessment area in 1997. For the same year, the bank had a 4 percent market share in its assessment area of all loans reported pursuant to the Home Mortgage Disclosure Act ("HMDA"); namely, home purchase and home improvement loans as well as refinancings of such loans ("refinancings"). The bank's competitors include small banks based in Saratoga County, regional banks and money center banks.

Adirondack's previous CRA examination was conducted as of October 21, 1996, at which time the bank received an overall rating of "outstanding." There are no financial or legal factors that would impede Adirondack in fulfilling its responsibilities under the CRA.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area consists of a portion of Saratoga County located in Metropolitan Statistical Area ("MSA") 0160 (Albany-Schenectady-Troy, NY). The area is rural and consists primarily of middle- and upper-income census tracts. Of the 21 census tracts in the assessment area, 1 is low-income and 3 are moderate-income. The low-income tract (in which Skidmore College is located) has no population and no owner-occupied housing units.

The bank's assessment area, which has not changed since the previous examination, is in compliance with the requirements of Section 228.41 of Regulation BB and does not arbitrarily exclude any LMI geographies.

Performance Context

Demographic Characteristics

In 1990, the assessment area had a population of 92 thousand, which is 50 percent of Saratoga County's population and 11 percent of the MSA's population. According to the 1990 Census, there were 24 thousand families in the assessment area; 3 thousand or 12 percent resided in moderate-income census tracts.

Income Characteristics

The 1990 median family income for the MSA is \$40 thousand, which is the same as the state median. The 1998 HUD-adjusted median family income in this MSA is \$47 thousand. The number of families living below the poverty line totaled 4.8 percent, lower than the statewide

figure of 10 percent. Thirty six percent of the families in the assessment area are LMI. In general, it would be difficult for a low-income family earning \$20 thousand (half of the 1990 MSA median family income) to purchase a home.

Housing Characteristics

The MSA's 1990 median housing value is \$102 thousand. Of the 37 thousand housing units in the assessment area, 24 thousand or 64 percent are owner-occupied. Seventy-three percent of the housing stock consists of single-family, one- to four-unit dwellings. In 1990, rental units constituted 27 percent of the total housing units in the assessment area, which is lower than the MSA's 33 percent figure and the state's 43.9 percent. The gross median rent is \$496, which is higher than the gross median rent of the MSA (\$457). The vacancy rate in the assessment area is 8.9 percent, compared with 8.5 percent for the MSA and 8.1 percent statewide. Thirty percent of the housing stock was built before 1950.

Labor, Employment and Economic Characteristics

Services, government and retail trade are the dominant industries in Saratoga County. Jobs in the service sector increased 4.3 percent during 1994 and 1995. In the same period, government employment declined 1 percent, and retail trade jobs fell .7 percent. Although manufacturing has been decreasing steadily since 1991, it remains the fourth highest employment sector. Of the 3,637 business establishments in Saratoga County in 1994, 3,513 had between 1 and 49 employees, and 115 businesses had 50-499 employees.

In July 1997, the unemployment rate for Saratoga County was 3.4 percent, lower than the 6.5 percent rate for New York State and the 4 percent jobless rate for the MSA. By July 1998, the county's unemployment rate had decreased to 2.7 percent, the lowest rate in the MSA.

Community contacts made as part of this examination indicated that financing for the construction and rehabilitation of affordable owner-occupied and rental housing units are the primary credit needs in the assessment area. Other needs include financing of business expansion that creates jobs, and job training and retraining programs.

Exhibit 1 provides a demographic summary of the bank's assessment area.

The following map illustrates Adirondack's assessment area:

INSERT MAP OF ASSESSMENT AREA

SCOPE OF EXAMINATION

The examination period covers Adirondack's lending activities from September 1, 1996, through September 30, 1998. The bank's performance was evaluated using the *Interagency Procedures and Guidelines for Large Retail Institutions*.

Primary focus was placed on the bank's small business lending activity because, as discussed earlier, Adirondack is a leader in small business lending.

There are 182 HMDA reporters in the bank's assessment area. This group of banks and non-banks represents the aggregate HMDA lenders referred to throughout this report. The 30 small business reporters in the bank's assessment area represent the aggregate small business lenders referred to in the report.

Although the examination period includes activity before and after 1997, peer and aggregate comparisons are based on performance for that entire year.

For the evaluation of the geographic distribution of loans, geographies were classified on the basis of the Census Bureau's 1990 Census. The distribution of loans to borrowers of different income levels was evaluated based on 1997 HUD estimated median family income data.

In evaluating the geographic distribution of HMDA-related loans, a demand-adjusted analysis was performed comparing the proportion of loans per thousand owner-occupied housing units in LMI and non-LMI geographies. For small business loans, a demand-adjusted analysis was performed comparing the proportion of loans per thousand small businesses in LMI and non-LMI geographies.

The bank's HMDA-related and small business loan performance was compared with the aggregate of all lenders reporting mortgage loans under HMDA and small business loans under CRA. This data is reported annually, and the most recent year for which information was available was 1997. That year, there were a total of 182 HMDA reporters and 30 small business reporters in the bank's combined assessment areas.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

Under the lending test, Adirondack's record of meeting the credit needs of its assessment area through its lending activity is rated "outstanding."

Lending Activity

Adirondack's lending activity reflects an excellent response to credit needs in the bank's assessment area. The bank addressed credit needs by offering and originating a substantial volume of small business loans as well as an adequate volume of HMDA-related loans. Adirondack originated 1,560 loans totaling \$98 million during the examination period; 1,200 were small business loans totaling \$66 million, 286 were home purchase loans and refinancings totaling \$31 million, 71 were home improvement loans totaling \$428 thousand, and 3 were multifamily loans totaling \$925 thousand. For details, see Exhibit 2.

On an annualized basis, Adirondack exhibited an increase in loan activity since the previous examination. Small business lending increased 56 percent, and HMDA-related lending increased 16 percent. Increased loan volumes were attributed to an improved economy and lower interest rates.

In 1997, Adirondack originated approximately 4 percent of all HMDA-related loans in its assessment area. The bank had a much stronger position in the small business lending market in the same year, originating 54 percent of all small business loans in its assessment area.

During the examination period, a substantial majority of Adirondack's loans were originated in the bank's assessment area. Of the HMDA-related loan products, 93 percent or 360 loans were originated in the assessment area. Eighty-seven percent or 1,200 small business loans were originated in the assessment area. For details, see Exhibit 2.

Geographic Distribution of Lending

Overall, the analysis demonstrates excellent loan distribution among the moderate-, middle- and upper-income geographies in the bank's assessment area. The one low-income tracts in the bank's assessment area did not contain a permanent population or owner-occupied housing units. For details, see Exhibit 3.

Small Business Loans

There was an excellent distribution of small business loans in Adirondack's assessment area. Overall, the volume of small business loan originations was equivalent in LMI and non-LMI geographies on a demand-adjusted basis.

During the examination period, Adirondack originated 12 percent of its small business loans in LMI geographies, while 12 percent of the business establishments are located in the assessment area's LMI geographies. Of total small business originations, none were in low-income geographies. Only two businesses are located in the low-income geography.

Adirondack's demand-adjusted performance exceeded that of the aggregate of small business lenders in the bank's assessment area in 1997. Adirondack had 1.2 times more originations in non-LMI geographies than LMI geographies, while the aggregate had 1.4 times more originations in non-LMI geographies.

Home Purchase Loans and Refinancings

The geographic distribution of home purchase loans and refinancings reflects excellent distribution throughout the bank's assessment area. On a demand-adjusted basis, the level of loan originations was 1.2 times greater in moderate-income geographies than in non-moderate-income geographies. Penetration of home purchase loans was much stronger than that of refinancings in moderate-income geographies.

During the examination period, 14 percent of home purchase loans and refinancings were originated in moderate-income geographies, while 12 percent of owner-occupied housing units in the assessment area are located in moderate-income geographies.

In 1997, Adirondack outperformed the aggregate of all HMDA reporters in the bank's assessment area on a demand-adjusted basis. While Adirondack had 1.1 times more loan originations in moderate-income geographies than non-moderate-income geographies, the aggregate had 1.7 times more originations in non-moderate-income geographies.

Home Improvement Loans

The geographic distribution of home improvement loans reflects excellent distribution throughout all portions of the bank's assessment area. On a demand-adjusted basis, the level of loan originations was 1.4 times greater in moderate-income geographies than in non-moderate-income geographies.

During the examination period, 15 percent of home improvement loans were originated in moderate-income geographies, while 12 percent of the owner-occupied housing units in the assessment area are located in moderate-income geographies. The bank's level of lending in moderate-income geographies was almost twice that of the aggregate HMDA lenders in the bank's assessment area during 1997.

For 1997, Adirondack's demand-adjusted home improvement loan performance exceeded that of all HMDA reporters in the bank's assessment area. Adirondack originated 1.4 times more loans in moderate-income geographies than non-moderate-income geographies, while the aggregate had 1.5 times more originations in non-moderate-income geographies.

Borrower Characteristics

The overall distribution of loans among borrowers of different income levels and businesses of different sizes was good. For details, see Exhibit 4.

Lending to Small Businesses

Adirondack's record of lending to businesses of different sizes was excellent. Approximately 87 percent of small business loans originated in the assessment area by Adirondack during the examination period were for amounts less than or equal to \$100 thousand. The average size of such loans was \$24 thousand, an amount that would typically meet the credit needs of smaller-sized businesses.

The bank's performance in 1997 exceeded that of the aggregate of other small business lenders in the bank's assessment area. Of Adirondack's reported small business loans, 89 percent were for amounts of \$100 thousand or less, compared with the aggregate's figure of 85 percent.

Approximately 51 percent of the bank's small business loans originated during the examination period were made to businesses with gross annual revenues ("GAR") of \$1 million or less. Another 30 percent of the small business loans were made to businesses where the borrower's GAR was not a factor in the bank's credit decision. This group includes loans where the underwriting decision was based on collateral, the bank's familiarity with the borrower or whether loans were made to startup businesses. Management indicated that these loans are primarily loans to businesses with GAR of \$1 million or less. If these loan originations are included, 81 percent of Adirondack's small business loans were made to businesses with GAR of \$1 million or less. This compares favorably with the fact that 87 percent of business establishments in the assessment area have GAR of \$1 million or less.

Home Purchase Loans and Refinancings

Adirondack's distribution of home purchase loans and refinancings among borrowers of different income levels was adequate. Overall, the bank originated 17 percent of such loans to LMI borrowers, while 36 percent of the families in the assessment area are LMI. Eighty-three percent of home purchase loans and refinancings were made to middle- and upper-income borrowers. In 1997, the bank's level of lending to LMI borrowers was somewhat less than that of the aggregate of HMDA reporters in the bank's assessment area. While Adirondack originated 21 percent of its loans to LMI borrowers, the aggregate originated 25 percent of such loans to LMI borrowers.

Overall, the bank's level of home purchase loans and refinancings to LMI borrowers was the highest among moderate-income borrowers. The bank originated 13 percent of such loans to moderate-income families, who represent 19 percent of the families in the assessment area. In 1997, the bank's level of lending to moderate-income borrowers was slightly less than that of the aggregate of HMDA reporters in the bank's assessment area. While Adirondack originated 17 percent of its loans to moderate-income borrowers, the aggregate originated 20 percent of such loans to this group.

During the examination period, the bank originated 4 percent of its home purchase loans and refinancings to low-income families, who represent 17 percent of the families in the assessment area. In 1997, the bank's level of lending to low-income borrowers was generally consistent with the aggregate of HMDA reporters in the bank's assessment area. While Adirondack originated 4 percent of its loans to low-income borrowers, the aggregate originated 5 percent of such loans to low-income borrowers.

The overall lending to low-income borrowers reflects the gap between income levels and housing costs, as discussed in the performance context on page BB5. The 1990 MSA median family income is \$40 thousand, while the 1990 MSA median housing value is \$102 thousand. In general, it would be difficult for a low-income family earning \$20 thousand (half of the median income) to purchase a home.

Home Improvement Loans

Adirondack's distribution of home improvement loans among borrowers of different income levels was excellent. LMI families represent 36 percent of the families in the assessment area, and the bank originated 37 percent of home improvement loans to LMI borrowers. Sixty-three percent of home improvement loans were made to middle- and upper-income borrowers. In 1997, the bank's level of lending to LMI borrowers exceeded that of the aggregate of HMDA reporters in the bank's assessment area. Adirondack originated 39 percent of its loans to LMI borrowers, while the aggregate originated 25 percent of such loans to LMI borrowers.

The level of home improvement loans to moderate-income borrowers exceeded the level of moderate-income families in the assessment area. The bank originated 22 percent of home improvement loans to moderate-income families, who represent 19 percent of the assessment area's families. In 1997, the bank's level of lending to moderate-income borrowers exceeded that of the aggregate of HMDA reporters in the bank's assessment area. While Adirondack originated 27 percent of its loans to moderate-income borrowers, the aggregate originated 17 percent of such loans to this group.

The bank originated 15 percent of its home improvement loans to low-income borrowers, while low-income families represent 17 percent of the families in the assessment area. In 1997, the bank's level of lending to low-income borrowers exceeded that of the aggregate of HMDA reporters in the bank's assessment area. While Adirondack originated 11 percent of its loans to low-income borrowers, the aggregate originated 8 percent of such loans to this group.

Community Development Lending

Adirondack is a leader in making community development loans. During the examination period, community development loan commitments totaled \$1,998 thousand of which \$1,498 thousand or 75 percent were commitments originated since the previous examination. For details, see Exhibit 5.

Community development lending in support of community services totaled \$1,250 thousand or 63 percent of total activity. Support for affordable housing initiatives totaled \$600 thousand or 30 percent of total activity while economic development lending totaled \$148 thousand or 7 percent of total activity.

Activity was directed primarily toward direct lending initiatives. Of the 36 community development loan commitments outstanding during the examination period, 34 were direct loans totaling \$1,418 thousand or 71 percent of activity.

Innovative or Flexible Lending Practices

Adirondack made use of two flexible lending programs that help meet the credit needs of small businesses. During the examination period, the bank originated 22 loans totaling \$907 thousand under the Small Business Administration's Low Doc Loan Program, and 2 loans totaling \$201 thousand under SBA's 504 Programs. The two SBA 504 Program loans were made in conjunction with the New York Business Development Corporation.

INVESTMENT TEST

Adirondack's performance under the investment test is rated "high satisfactory." The bank had a significant level of qualified investments and exhibited a good level of responsiveness, but it rarely used innovative and/or complex investments to support community development initiatives. For details, see Exhibit 6.

Dollar Amount of Qualified Investments

The bank's level of qualified investments was significant, totaling \$286 thousand at this examination. Total investments consisted of \$62 thousand in investments in two entities engaged in community development activity, \$177 thousand in a municipal bond anticipation note for improvement of a moderate-income census tract, and \$47 thousand in charitable grants and contributions to organizations supporting community development projects and programs.

Responsiveness of Qualified Investments to Credit and Community Development Needs

The bank demonstrated a good level of response to the community development needs of the assessment area. Sixty-two percent of investments, or \$177 thousand, were directed toward activities that revitalize or stabilize LMI geographies. Twenty-five percent of investments, or \$70 thousand, were directed toward activities that promote economic development. Eleven percent of investments, or \$31 thousand, were directed toward community services, and 3 percent of investments or (\$8 thousand) were directed toward activities that promote affordable housing.

Although community contacts noted that affordable housing initiatives were the primary community development need in the bank's assessment area, economic development, revitalization and stabilization initiatives were also cited as community development needs in the bank's assessment area.

Innovative and Complex Investments

Adirondack rarely uses innovative and/or complex investments to support community development initiatives. Qualified investments include investments in a community development corporation and shares in a statewide small business loan corporation. Management is seeking to increase the volume of the bank's innovative and/or complex investment activity. Possible investments include a community development loan fund and a small business investment company ("SBIC").

SERVICE TEST

Adirondack's performance under the service test is rated “outstanding” based on the bank’s record of providing banking services within its assessment area. Retail services and delivery systems were readily accessible to all portions of the bank's assessment areas, and the bank's record of opening and closing branches improved access to its services. In addition, the bank was a leader in providing community development services.

Retail Banking Services

Accessibility of Delivery Systems

During the examination period, the bank's delivery systems were readily accessible to all portions of the bank's assessment area. As of the examination date, the bank operated seven branches in its assessment area. One of the branches, or 14 percent, was located in an LMI geography. This compares favorably with the demographics of the assessment area where 15 percent of the geographies are LMI, and 12 percent of the families in the assessment area reside in LMI geographies.

Record of Opening and Closing Branches

The bank's record of opening and closing branches has improved the accessibility of its delivery systems. During the examination period, the bank opened two branches, one in Saratoga Springs, New York, and one in Ballston Spa, New York. Both are located in middle-income geographies where the population of LMI families is between 34 and 40 percent. No branches were closed. Adirondack's written branch closing policy conforms to the *Joint Interagency Policy Statement Regarding Branch Closings*. The bank's policy provides for timely advance notification to affected customers and regulatory authorities in the event of a branch closing.

Availability and Effectiveness of Alternate Systems for Delivering Retail Banking Services

During the examination period, the bank's alternate delivery systems were readily accessible to all portions of the bank's assessment area. The bank operated 12 24-hour automated teller machines (“ATMs”) throughout its assessment area. Of the total number of ATMs, eight, or 67 percent, were located at Adirondack branch locations, while the remaining off-site ATMs were located at a local hospital, college, insurance company and on a street corner. The South Broadway branch, located in a moderate-income geography, is equipped with an ATM. Of the off-site ATMs, none were located in low-income geographies, but two were located in moderate-income geographies.

Other alternate delivery systems made available by the bank include banking by telephone, personal computer and by mail.

Reasonableness of Business Hours and Services, and the Degree to Which They Meet Assessment Area Needs

Adirondack's business hours and services do not vary in a way that inconveniences certain parts of the bank's assessment area, particularly LMI geographies and/or LMI individuals. All branches offer a wide range of deposit and credit products and services to both retail and commercial customers. All branches offer extended evening and/or early morning hours. All branches are open on Saturdays, with six of the seven branches open all day.

Community Development Services

Adirondack provided a high level of community development services, including seminars and technical assistance, to various community development organizations that are responsive to the affordable housing, community service and economic development needs in the bank's assessment area.

Technical Assistance

Bank management was proactive in providing technical assistance for the support of community development activities. Management and staff served as directors, advisors or committee members to 22 organizations throughout the bank's assessment area. Organizations receiving technical assistance include the Downtown Saratoga Springs Business Association, the Economic Opportunity Council of Saratoga County, the New York Business Development Corporation Regional Loan Committee, the Saratoga Affordable Housing Coalition, the Saratoga Housing Improvement Project, the Saratoga Springs Community Revolving Loan program, the New York Business Development Corporation, Transitional Services, and the City of Saratoga Springs Community Development Advisory Committee, which allocates and distributes funds for the Saratoga Springs Community Development Block Grant program.

Adirondack worked closely with the City of Saratoga Springs Office of Community Development to develop and operate the citywide housing improvement program. This program offers homeowners low-interest loans to finance roof, structural, heating, electrical and plumbing repairs. The bank services the loans at no charge. As of June 30, 1998, 64 loans were being serviced.

In addition, the bank services loans at no charge for the Saratoga Community Religious Institutions Program. This program provides zero-interest loans to LMI individuals for rental deposits and moving expenses with funding provided by a consortium of religious institutions. As of June 30, 1998, there were 87 loans outstanding.

Seminars

During the examination period, the bank sponsored or participated in three affordable housing seminars in conjunction with the Saratoga County Affordable Housing Coalition. Attended by over 400 individuals, the seminars provided information about mortgage loan qualifications, basic budgeting and financial management. The seminars also described government-guaranteed loan products such as those offered by the Federal Housing Administration and the State of New York Mortgage Association (“SONYMA”).

The bank sponsored or participated in three seminars on small business financing in conjunction with the Small Business Administration, the Cornell Cooperative Extension, the Saratoga Springs Office of Community Development, the Saratoga County Chamber of Commerce, and the Saratoga Economic Development Corporation.

A bank representative has been a guest lecturer at Worldwide Education Services. This organization offers courses on interviewing techniques, resumé writing and employer expectations of individuals who have recently been displaced or who are coming off of public assistance. Adirondack also participated in a seminar on banking and budgeting issues with the Saratoga County Department of Social Services. The seminar was directed toward foster children and young adults.

Other Services

Adirondack’s South Broadway branch provides meeting facilities free of charge to local community organizations. The Saratoga Housing Authority; Transitional Services Associations, Inc., a nonprofit group that provides residential support services to mentally challenged individuals; and Unlimited Possibilities, a group that provides vocational training and placement services to mentally challenged individuals, have used the meeting space.

COMPLIANCE WITH FAIR LENDING LAWS

No credit practices were identified that violated the substantive provisions of the antidiscrimination laws and regulations, including the Equal Credit Opportunity Act (Regulation B), the Fair Housing Act and the Home Mortgage Disclosure Act (Regulation C), and all relevant agency regulations pertaining to nondiscriminatory treatment of credit applicants.

EXHIBITS

EXHIBIT 1

Demographic Summary

MSA 0160 (ALBANY-SCHENECTADY-TROY, NY)

	Census Tracts by Income Level				
	Low	Moderate	Middle	Upper	TOTALS
Census Tracts for Analysis*	0	3	15	2	20
% of Tracts for Analysis	0%	15%	75%	10%	100%
Total Population	0	12,857	74,064	5,433	92,354
% of Total Population	0%	14%	80%	6%	100%
Families Residing In	0	2,896	19,888	1,545	24,329
% of Families Residing In	0%	12%	82%	6%	100%
LMI Families Residing In	0	764	3,680	225	4,669
% LMI Families Residing In	0%	16%	79%	5%	100%
Owner-occupied Housing Units	0	2,749	19,305	1,662	23,716
% of Owner-occupied Units	0%	12%	81%	7%	100%
Rental-occupied Housing Units	0	1,700	8,055	350	10,105
% of Rental-occupied Units	0%	17%	80%	3%	100%
Total Business Establishments	2	397	2,788	245	3,432
% of Business Establishments	<1%	12%	81%	7%	100%

* One low-income census tract had no population or housing and was not considered in the HMDA analysis. This tract is considered in the small business and small farm loan analyses.

EXHIBIT 2

Summary of Lending In and Out of Assessment Area

September 1, 1996 – September 30, 1998

Loan Purpose	In Assessment Area				Out of Assessment Area				TOTALS	
	# of Loans	% of Total	\$ Amt. of Loans ('000s)	% of Total	# of Loans	% of Total	\$ Amt. of Loans ('000s)	% of Total	# of Loans	\$ Amt. of Loans ('000s)
Small Business	1,200	87.46	\$65,844	87.90	172	12.54	\$9,066	12.10	1,372	\$74,910
Small Farm	0	NA	0	NA	0	NA	0	NA	0	0
TOTALS Small Business/ Small Farms	1,200	87.46	\$65,884	87.90	172	12.54	\$9,066	12.10	1,372	\$74,910
Home Purchase	134	91.78	\$12,934	92.04	12	8.22	\$1,118	7.96	146	\$14,052
Refinancings ("Refis")	152	92.12	\$18,352	91.40	13	7.88	\$1,727	8.60	165	\$20,079
Home Purchase & Refis	286	91.96	\$31,286	91.66	25	8.04	\$2,845	8.34	311	\$34,131
Home Improvement	71	94.67	\$428	91.65	4	5.33	\$39	8.35	75	\$467
Multifamily	3	100.00	\$925	100.00	0	0	0	0	3	\$925
TOTALS HMDA-related	360	92.54	\$32,639	91.88	29	7.46	\$2,884	8.12	389	\$35,523

INSERT Exhibit 3 HERE

Exhibit 3

INSERT Exhibit 4 HERE

Exhibit 4

EXHIBIT 4 (CONTINUED)

Distribution of Housing Loans by Borrower Income Levels

September 1, 1996 – September 30, 1998

	Home Purchase & Refinancings	Home Improvement	TOTALS
LOW INCOME			
Less than 50% of Median Income			
Number of Loans	11	10	21
Percentage of Total	4	14.71	
Dollar Amount of Loans	\$520,000	\$42,000	\$562,000
Percentage of Total	1.78	10.27	
MODERATE INCOME			
50-79% of Median Income			
Number of Loans	35	15	50
Percentage of Total	12.73	22.06	
Dollar Amount of Loans	\$2,154,000	\$81,000	\$2,235,000
Percentage of Total	7.37	19.8	
MIDDLE INCOME			
80-119% of Median Income			
Number of Loans	63	18	81
Percentage of Total	22.91	26.47	
Dollar Amount of Loans	\$5,113,000	\$90,000	\$5,203,000
Percentage of Total	17.48	22	
UPPER INCOME			
120% or more of Median Income			
Number of Loans	166	25	191
Percentage of Total	60.36	36.76	
Dollar Amount of Loans	\$21,458,000	\$196,000	\$21,654,800
Percentage of Total	73.37	47.92	
TOTALS			
Number of Loans	275	68	343
Dollar Amount of Loans	\$29,245,000	\$409,000	\$29,654,000

EXHIBIT 5

Community Development Lending Activity

Project Description	Commitment ('000s)	Outstanding ('000s)	New Money ('000s)	CD Credit	Housing Units
Indirect Activity					
Affordable Housing					
Line of credit ("LOC") to affordable housing revolving loan fund	\$100	\$0	\$100	\$100	0
Working capital loans to a community preservation corporation	\$480	\$0	\$0	\$480	5
Subtotal Indirect Affordable Housing	\$580	\$0	\$100	\$580	5
TOTAL INDIRECT ACTIVITY	\$580	\$0	\$100	\$580	5

Direct Activity					
Affordable Housing					
Loan to purchase men's homeless shelter	\$20	\$15	\$0	\$20	0
Subtotal Direct Affordable Housing	\$20	\$15	\$0	\$20	0
Community Services					
LOC & term loans to community service organization	\$485	\$114	\$485	\$485	0
Working capital loans to community service organization	\$515	\$20	\$515	\$515	0
LOC to shelter for adults & children	\$250	\$0	\$250	\$250	0
Subtotal Direct Community Services	\$1,250	\$134	\$1,250	\$1,250	0
Economic Development					
LOC, term loans & working capital loans to an econ. dev. corporation	\$250	\$0	\$250	\$250	0
Subtotal Direct Economic Development	\$250	\$0	\$250	\$250	0
TOTAL DIRECT ACTIVITY	\$1,520	\$149	\$1,500	\$1,520	0

Total Activity					
Type of Activity	Commitment ('000s)	Outstanding ('000s)	New Money ('000s)	CD Credit	Housing Units
Affordable Housing	\$600	\$15	\$100	\$600	5
Community Services	\$1,250	\$134	\$1,250	\$1,250	0
Economic Development	\$250	\$0	\$250	\$250	0
TOTALS	\$2,100	\$149	\$1,600	\$2,100	5

EXHIBIT 6

Qualified Investment Activity

Activity by Type

Project Description	Commitment ('000s)	Outstanding ('000s)	New Money ('000s)	CD Credit	Housing Units
Affordable Housing					
Affordable Housing Grants	\$8	\$0	\$8	\$8	0
Subtotal Affordable Housing	\$8	\$0	\$8	\$8	0
Community Services					
Community Services Grants	\$31	\$0	\$31	\$31	0
Subtotal Direct Community Services	\$31	\$0	\$31	\$31	0
Revitalization & Stabilization					
City of Saratoga Springs bond anticipation note for street improvements	\$177	\$0	\$177	\$177	0
Subtotal Revitalization & Stabilization	\$177	\$0	\$177	\$177	0
Economic Development					
Shares in a statewide business development corporation	\$50	\$0	\$50	\$50	0
Investment in an economic development corporation	\$12	\$0	\$12	\$12	0
Economic Development Grants	\$8	\$0	\$8	\$8	0
Subtotal Economic Development	\$70	\$0	\$70	\$70	0

Total Activity

Type of Activity	Commitment ('000s)	Outstanding ('000s)	New Money ('000s)	CD Credit	Housing Units
Affordable Housing	\$8	\$0	\$8	\$8	0
Community Services	\$31	\$0	\$31	\$31	0
Revitalization & Stabilization	\$177	\$0	\$177	\$177	0
Economic Development	\$70	\$0	\$70	\$70	0
TOTALS	\$286	\$0	\$286	\$286	0

CRA APPENDICES

CRA APPENDIX A

SCOPE OF EXAMINATION

The examination period covers activities of Adirondack from September 1, 1996, through September 30, 1998. The bank's performance was evaluated using the *Interagency Procedures and Guidelines for Large Retail Institutions*.

SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED		9/1/96 to 9/30/98	
FINANCIAL INSTITUTION			PRODUCTS REVIEWED
Adirondack Trust Company Saratoga Springs, NY			<ul style="list-style-type: none"> • Small Business Loans • Home Purchase Loans • Refinancings • Home Improvement Loans
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
NEW YORK MSA 0160 Albany-Schenectady-Troy	On-site	473 Broadway Saratoga Springs, NY	

CRA APPENDIX B

GLOSSARY

ANNUALIZED: Conversion of an average monthly figure (for example, number of loan originations) to an annual basis in order to simplify comparisons with previous years.

AREA MEDIAN INCOME: (1) The median family income for the MSA, if a person or geography (block numbering area or census tract) is located in an MSA; or (2), if a person or geography (census tract or block numbering area) is located outside an MSA, the statewide non-metropolitan median family income.

ATM: Automated teller machine.

CDC: A community development corporation, or community development company, which can be organized under banks, bank holding companies, or independent nonprofit neighborhood or government-sponsored organizations. CDCs offer various services and implement various projects focusing on community improvement, housing development and job development, particularly for LMI persons.

COMMUNITY DEVELOPMENT: (1) Affordable housing including multifamily rental housing for low- or moderate-income individuals; (2) community services targeted to low- or moderate-income individuals; (3) activities that promote economic development by financing businesses or farms that meet the size eligibility standards of 13 CFR 121.802 (a)(2) or have gross annual revenues of \$1 million or less; or (4) activities that revitalize or stabilize low- or moderate-income geographies.

CRA: Community Reinvestment Act.

DEMAND-ADJUSTED: Proportion of mortgage loans per thousand owner-occupied housing units in an area, or proportion of small business loans per thousand small business establishments in an area, as applicable.

GAR: Gross annual revenues.

GEOGRAPHY: A census tract or a block numbering area delineated by the United States Bureau of the Census in the most recent decennial census (1990).

HMDA: Home Mortgage Disclosure Act.

HMDA-RELATED LOANS: Loans reported by the bank under Regulation C, Home Mortgage Disclosure Act. They include home purchase mortgage loans, home improvement loans, and refinancings of such loans.

HUD: The United States Department of Housing and Urban Development.

LMI: Low- and moderate-income, as in LMI census tracts.

LOW-INCOME: An individual income that is less than 50 percent of the area median income (i.e., of the median family income for the MSA, if the individual is located in an MSA, or, if the individual is located outside an MSA, of the statewide non-metropolitan median family income), or a BNA or census tract median family income that is less than 50 percent of the area median income. Accordingly, a low-income census tract is one in which the median family income is less than 50 percent of the area median income.

MIDDLE-INCOME: An individual income that is at least 80 percent and less than 120 percent of the area median income, or a BNA or census tract median family income that is at least 80 percent and less than 120 percent of the area median income.

MODERATE-INCOME: An individual income that is at least 50 percent and less than 80 percent of the area median income, or a BNA or census tract median family income that is at least 50 percent and less than 80 percent of the area median income.

MSA: A metropolitan statistical area as defined by the director of the Office of Management and Budget.

NEW YORK BUSINESS DEVELOPMENT CORPORATION: This program provides financing for small businesses throughout New York State. For every \$30 thousand of financing, one job is created or preserved. The lender takes a subordinate position if required.

PERFORMANCE CONTEXT: The economic and demographic characteristics of a bank's assessment area(s). The following information is considered to help understand the context in which an institution's performance should be evaluated: (1) the economic and demographic characteristics of the assessment area(s); (2) lending, investment, and service opportunities in the assessment area(s); (3) the institution's product offerings and business strategy; (4) the institution's capacity and constraints; (5) the prior performance of the institution, and in appropriate circumstance, the performance of similarly situated institutions; and (6) other relevant information.

QUALIFIED INVESTMENT: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

REFINANCINGS: Refinancings of HMDA-reportable home purchase and/or home improvement loans.

SMALL BUSINESS ADMINISTRATION 504 LOAN PROGRAM: Provides growing businesses with long-term, fixed-rate financing for major fixed assets, such as land and buildings. For each \$35 thousand of funds borrowed from the 504 Loan Program, one full-time permanent private job is retained or created, or there is an alternative explicit economic impact on the local economy.

SMALL BUSINESS ADMINISTRATION. LOW DOC PROGRAM: The SBA's quick and easy program for providing a guaranty on small business loans of \$150 thousand or less. SBA will guarantee up to 80 percent of the loan if it is for \$100 thousand or less and 75 percent on loans of more than \$100 thousand.

SMALL BUSINESS INVESTMENT COMPANY: Provides equity capital, long-term loans, debt-equity investments and management assistance to all types of manufacturing, distribution and service businesses with a net worth of \$18 million or less and net income of not more than \$6 million. The SBIC makes these venture capital investment with its own funds plus funds obtained by borrowing at favorable rates with an SBA guarantee. SBICs are privately owned and managed profit-motivated investment firms.

SMALL BUSINESS LOANS: Such loans are defined in Regulation BB, Section 228.12 (u) with reference to the definition of such loans in the instructions for preparation of the Consolidated Report of Condition and Income. These instructions define small business loans as loans with original amounts of \$1 million or less that have been reported in Schedule RC-C, Part 1, (1.e)(4) of the report.

SMALL FARM LOANS: A loan for agricultural purposes with an origination amount of \$100 thousand or less; a loan with an origination amount of \$500 thousand or less made to a farm with gross annual revenues of \$1 million or less.

SONYMA: State of New York Mortgage Association.

UPPER-INCOME: An individual income that is 120 percent or more of the median family income in an MSA or a census tract in which the median family income is 120 percent or more of the median family income in an MSA.