



REQUEST TO TESTIFY

**THE NEW YORK STATE BANKING DEPARTMENT (NYSBD)
HEARINGS ON THE BANKING DEVELOPMENT DISTRICT PROGRAM**

Hearings are scheduled from 1:00 p.m. to 4:00 p.m. on the following days:

Thursday, April 2, 2009 at the Adam Clayton Powell Building

Monday, April 6, 2009 in Syracuse at the Oncenter Complex Center

Wednesday, April 8, 2009 in Saratoga at the Saratoga County Arts Council

Monday, April 13, 2009 in Buffalo at the True Bethel Baptist Church

Oral testimony will be limited to eight (8) minutes in duration. **Persons testifying must submit an electronic copy of their written testimony to the NYSBD by the following dates:**

New York City hearing by March 25, 2009;

Syracuse and Saratoga hearings by April 1, 2009, and;

Buffalo hearing by April 7, 2009.

Documents can be sent by mail: 1 State Street, Consumer Services Division, New York, NY 10004-1511; by email: ConsumerAffairs@banking.state.ny.us; or by fax: (212) 709-3582.

Please call Ivy Cones at 212-709-1621 with questions.

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HEARING YOU ARE ATTENDING: <i>(check one)</i>	<input type="checkbox"/> NYC <input type="checkbox"/> Buffalo <input checked="" type="checkbox"/> Syracuse <input type="checkbox"/> Saratoga

PLEASE BRING FIVE COPIES OF YOUR TESTIMONY TO THE HEARING.



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March 27, 2009

New York State Banking Department
1 State Street
Consumer Services Division
New York, New York 10004-1511

Honorable Richard H. Neiman,

Opening Statement

We opened our Banking Development District Office in Jordan, New York in July of 2000. While it has yet to make a financial profit, we are pleased to have an office there. With the State's continued support and our staff's concerted effort to grow the office, we are confident that we will reach our profitability goals. But while financial profitability is extremely important for a "going concern", it is not the sole goal of or reason why community banks like Lyons National Bank partner with communities like Jordan. Promoting and ensuring the continuation of quality of life issues in the many municipalities within our footprint is at the heart of the mission of most community/Main Street banks. Our staffs not only work among their neighbors, in most cases they live in the communities where they work. They socialize with their neighbors; their children attend the local school and they attend services at the local churches. They buy goods and services from other local businesses and they contribute to many charitable and civic causes. It is for these reasons, among others, that we at Lyons National believe the Banking Development Program has been a success for not only the Bank and the surrounding Jordan area but also the State itself. Every dollar that private businesses and citizens generate to support the various levels of municipal governments or worthwhile charitable causes is one less the State needs to contribute. Therefore, we encourage the State to continue the program and expand it as appropriate.

Responses to Questions

Should a newly proposed BDD be allowed to overlap geographically with a currently existing BDD?

In rural areas such as Jordan allowing more than one financial institution to open a BDD office within the same geographic area does not make sense economically. As was pointed out earlier, our branch has been open almost ten years and we have yet to turn a profit. Having another bank compete for the same business would not be in either institution's best interest.

Should a bank purchasing a BDD branch be entitled to assume the BDD program benefits enjoyed by the previous bank owner?

Again, in rural areas where there is only one BDD branch ownership of the branch should not matter. In fact, if for some reason we decided to sell our Jordan Branch, I don't believe we could unless the benefits of a BDD transferred to the new owner. Furthermore, the ultimate loser would not be the financial institutions but rather the community that no longer has a local bank in its midst.

Should the initial subsidy of two years be extended?

For all the reasons mentioned in our opening statement we believe strongly that the initial subsidy should be extended beyond the two year time frame. The State is a benefactor in the BDD program as well as the local municipalities and the financial institution – sort of a three-way partnership.

Should there be a limit on the number of times a BDD branch may seek to renew BDD deposits?

Limiting the number of times a BDD branch may seek to renew below market rate deposits runs the risk of ultimate closure of the branch if it is not profitable. While we haven't run the numbers, we are confident that the State's \$100,000 lost investment opportunity (\$10 million times 1%) is returned in the form of sales, franchise, property and income taxes generated by the financial institution and the multiplying effect of those dollars.

Should banks already located in a BDD area receive below market rate deposits, and if so, under what circumstances and pursuant to what standards?

We can only speak to our experience in Jordan and there are no other financial institutions in the area. Therefore, the question is mute.

Should there be a financial literacy component required for BDD branches?

The events of the last few years point out the need for greater financial literacy for all consumers. We are in favor of making this a component of a BDD branch. Community banks have been at the forefront of literacy programs for years (i.e. school deposit programs, classroom visitations and instructions, etc.).

Should the BDD program be extended to credit unions, and if so, pursuant to what standards?

At Lyons National Bank we believe ALL financial institutions should operate under the same regulatory and taxation rules. Therefore, if credit unions are granted the same banking powers as community banks, then they should be subject to the same regulatory and taxation guidelines as community banks. We at LNB have put together the professional staff, operating systems, policies and procedures, and capital that allows us to compete with anyone – provide we are all playing by the same rules!

Are BDDs meeting the financial needs of the under-banked and un-banked residents within the District?

Yes. A good percentage of the local residents of the Jordan community are senior citizens who either have no or limited means of transportation. The convenience of having a bank in the community makes it possible for these people to cash checks, make

deposits and apply for loans locally. In the absence of a bank in the Village, these citizens would have to travel (if they could) to Elbridge or Weedsport which are 3 to 5 miles away. There is no public transportation in the area. In addition, there are a large number of local consumers and businesses that rely on the Jordan branch for all their banking needs. Without a bank in the Village residents would be forced to again travel outside the community to do their banking; losing the local connection. Finally, if there was not a bank in Jordan, the Village would lose most of the headway it has gained in the last eight years in becoming more lively and vibrant.

From the bank and community perspective, what are the benefits of having a BDD in the community?

From a bank perspective, being in a small community with limited resources and in light with today's economy, the BDD designation allows the Bank to be more competitive with other financial institutions in neighboring towns and villages. Without the State's subsidized deposit, the Bank would not have been opened.

From the community perspective, as stated previously, the Village of Jordan would have a large void in its business district. The Village, Town and School District, as well as the residents would suffer the resulting consequences.

Closing remarks

From the twenty thousand foot view if Jordan, New York did not have a local community bank branch within its midst, only the 4,000 residents of the Village would notice. From the ground floor view, 4,000 New York State residents would take a step backward as it relates to many quality of life issues. Subsequently, a few or more may decide the "grass is greener" somewhere else. As we have seen too many times in the past, that "somewhere else" usually means out-of-State.

Thank you for the opportunity to present our ideas and thoughts on the benefits of having a Banking Development District branch.

Sincerely,



Robert A. Schick
President and CEO