

# *Savannah Bank, N.A.*

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TO: Ivy Cones  
FROM: Joseph Vitale  
DATE: April 7, 2009  
RE: BDD Testimony

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In June of 2006 Savannah Bank received \$10,000,000 NYS BDD Deposit to assist with the opening of our new Port Byron Office. The office was established to fill the void that was created when HSBC closed the only office in town on December 16, 2005. Savannah Bank did not close or relocate any of their existing offices with the Port Byron Office opening.

With the HSBC Bank closing, there was no local bank presence for its residents. At that time there was only two local ATM's that were not available 24-hours. The closest financial institution was a 10-15 minute drive away.

The Port Byron Office offers the community a full service bank that is open six days a week, has drive up services and 24/7 ATM service. The Branch offers a full range of consumer and business accounts as well as CD's, money markets, online banking, telephone banking and Safe Deposit Boxes. The Bank offers residential mortgages, home equity loans, home equity lines of credit, auto loans and debt consolidation loans. Commercial loans available include commercial mortgages, term loans, lines of credit, equipment lines of credit, letters of credit and SBA guaranteed loans w/the participation of the NYBDC.

Total money market, savings and checking accounts opened to date is 708. The Bank has also opened 176 Certificate of Deposit accounts. The Bank has approximately \$8 million in deposits without the BDD monies. Total loans currently on the books are 110, of which 102 are consumer loans and eight are commercial. Total loans are \$1.3 million.

The Bank actively pursues commercial loans in the community, making numerous customer calls. However, as in most rural communities, commercial development is very stagnant. The Bank stands ready and willing to offer a multitude of commercial financing.

The BDD program has allowed the Bank to participate and sponsor various programs within the community in a great way. It has helped us reach out to the community members, local businesses and municipalities in the area. The Bank is involved in the Port Byron Middle

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Schools, Historical Society, Senior Citizens Assoc, PB Central School Play, No Magic in Drugs Program, etc.

Donations have been made to the PB Heritage Days Annual Event to sponsor the entertainment. The Bank sponsored the Senior Citizen's Group Grand Opening. The Bank has donated approximately \$47K to the community in 2008. The Branch Manager serves on the Heritage Days Committee which is held once a year and over the course of one weekend. The event brings together local groups, musicians, crafters and provides for a weekend of family fun and entertainment. The Branch hosts several raffles throughout the year to help raise funds to host the annual PB Heritage Days.

The Bank has also financed the purchase and/or improvements to various properties in the community. The Bank has also been involved in various community events to include Town of Mentz Bicentennial, a larger sponsor of the Senior Center and the Branch Manager has outreached to all local businesses offering bank products to them.

Should a newly proposed BDD be allowed to overlap geographically with a currently existing BDD? – I feel that this is not a yes or no answer. The theory behind the program, I believe, is to entice a financial institution to invest in a new office for an underserved location. Now an underserved location can be a rural community such as the Town of Mentz/Port Byron or a larger metropolis area. I feel that for a rural community, one BDD designation is sufficient and overlapping should not be allowed. However, overlapping in a more populous area could be beneficial. Much more due diligence should be involved in allowing such an occurrence.

Should a Bank purchasing a BDD branch be entitled to assume the BDD program benefits enjoyed by the previous bank owner? – I feel that it should. The theory behind the program is not what financial institution is awarded the BDD, but the community that is benefiting from the local office. Taking away the BDD designation may force or coerce the purchasing bank to close said location.

Should the initial subsidy of two years be extended? – I feel that the current time period and renewal requests are sufficient.

Should there be a limit on the number of times a BDD branch may seek to renew the BDD deposits? – I would not put time constraints on the renewal requests. It is always up to the State to decide whether the financial institution provides a sufficient case for renewal. If the State concludes it is not warranted the renewal should be denied. Putting arbitrary time constraints could hamper the program in the event of out of the ordinary occurrences.

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Should Banks already located in a BDD area receive below market rate deposits, and if so, under what circumstances and pursuant to what standards? – I feel that Banks already in the BDD area should be able to apply for BDD monies. I would only support it for a financial institution that is the only office in the BDD area. HYPOTHETICALLY, for example, we have our main office in Savannah NY. If Savannah Bank decided to close said office, all of our customers would be forced to find another Bank or go to one of our 4 other offices. Savannah Bank could be enticed to stay in Savannah longer if we could obtain BDD monies to offset some of our costs in operating in the rural and stagnant area. Please note that we are not considering the above, this is just an example of what I mean.

Should there be a financial literacy component required for BDD branches? – I do not feel there should be. It would be an undue requirement for the Bank to undergo. Savannah Bank customers know that they can always meet with a bank representative to discuss their financial situation at their request.

Should the BDD program be extended to credit unions? – ABSOLUTELY NOT! The BDD program is funded thru tax dollars. Credit Unions already enjoy a zero tax base which should be sufficient incentive for them to operate in underserved areas. It would be unfair and unjust to allow such a thing to happen.

Is BDD's meeting the financial needs of the under-banked and unbanked residents within the district? – I feel that the program is meeting the needs in our case. The Bank has pursued researching other under-banked or unbanked areas to open an Office. No suitable location has been found. Without the availability of the BDD program these potential locations most likely would not have been sought.

From the Bank a community perspective, what are the benefits of having a BDD in the community? – I spoke of that earlier. The Bank feels that rural community banking is our niche. We are very happy to be in the Town of Mentz and consider the Port Byron Office a success. We could not have accomplished this without the continued assistance of the BDD program. The Bank ran into several hurdles prior to opening our permanent office. We had to operate out of a temporary banking trailer. In doing so, the local community was hesitant to open their accounts with Savannah Bank due to what just occurred with HSBC. We are slowly but surely moving towards our initial goal of \$15 million in deposits. We are halfway there and again, we could not have done it without participation in the BDD program.

How to improve the program? – The only suggestions I would have is to notify the financial institution of renewal approval 15-30 days prior to CD maturity. A smaller financial institution such as Savannah Bank, NA would appreciate the lead time to gather the \$10 million that would

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need to be paid back. Another suggestion would be to accept FHLB Bonds as collateral. It seems that if the State accepts FHLB Letter of Credit, it could accept their Bonds. It is only an additional cost to the Bank to pledge its FHLB Bonds to FHLB to obtain the FHLB Letter of Credit for collateral.

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