



**NEW YORK STATE
DEPARTMENT OF FINANCIAL SERVICES
FINANCIAL FRAUD AND CONSUMER PROTECTION DIVISION**

One State Street
New York, NY 10004

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: December 31, 2010

Institution: Bank of Cattaraugus
24 Main Street
Cattaraugus, NY 14719

Note: This evaluation is not an assessment of the financial condition of this institution. The rating assigned does not represent an analysis, conclusion or opinion of the New York State Department of Financial Services concerning the safety and soundness of this financial institution.

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GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of Bank of Cattaraugus (“BOC”) prepared by the New York State Banking Department (now the Department of Financial Services). The evaluation represents the Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of December 31, 2010.

Section 28-b of the New York State Banking Law, as amended, requires that when evaluating certain applications, the Superintendent of Banks shall assess a banking institution’s record of helping to meet the credit needs of its entire community, including low- and moderate-income (“LMI”) areas, consistent with safe and sound operations.

Part 76 of the General Regulations of the Banking Board implements Section 28-b and further requires that the Department assess the CRA performance records of regulated financial institutions. Part 76 establishes the framework and criteria by which the Department will evaluate the performance. Section 76.5 further provides that the Department will prepare a written report summarizing the results of such assessment and will assign to each institution a numerical CRA rating based on a 1 to 4 scoring system. The numerical scores represent an assessment of CRA performance as follows:

- (1) Outstanding record of meeting community credit needs;
- (2) Satisfactory record of meeting community credit needs;
- (3) Needs to improve record of meeting community credit needs; and
- (4) Substantial noncompliance in meeting community credit needs.

Section 76.5 further requires that the CRA rating and the written summary be made available to the public (“Evaluation”). Evaluations of banking institutions are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Sections 76.8 through 76.13. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York State Banking Law.

For an explanation of technical terms used in this report, please consult the **GLOSSARY** at the back of this document.

OVERVIEW OF INSTITUTION'S PERFORMANCE

BOC is evaluated according to the small bank performance criteria pursuant to Part 76.12 of the General Regulations of the Banking Board. This assessment period included calendar years 2007, 2008, 2009 and 2010. BOC is rated "1," indicating an "Outstanding" record of helping to meet community credit needs.

The rating is based on the following factors:

- **Loan-to-Deposit (LTD) Ratio and Other Lending-Related Activities:** "Satisfactory"

BOC's average LTD ratio was reasonable considering its size, business strategy, financial condition, aggregate and peer group activity.

BOC's community development lending related activities demonstrated an excellent responsiveness to the community development needs of its assessment area by purchasing investments totaling \$1.1 million during the evaluation period.

- **Assessment Area Concentration:** "Outstanding"

During the evaluation period, for HMDA-reportable lending, BOC originated 88.9% by number and 86.8% by dollar value of its loans within the assessment area. This substantial majority of lending inside of its assessment area is an "Outstanding" record of lending within BOC's assessment area.

- **Distribution by Borrowers Characteristics:** "Satisfactory"

The distribution of loans based on borrower characteristics demonstrated a reasonable penetration rate of lending among individuals of different income levels

In 2007, BOC's HMDA-reportable lending penetration rate, based on number of loans to LMI borrowers, exceeded the aggregate rate. However, in 2008 and 2009 BOC trailed the aggregate penetration rates.

- **Geographic Distribution of Loans:** "Outstanding"

The distribution of HMDA-reportable loans based on the income level of the geography demonstrated an excellent penetration of lending. BOC originated all, or 100%, of its HMDA-reportable loans in middle-income tracts designated as distressed.

- **Action Taken in Response to Written Complaints With Respect to CRA:**

Since the previous CRA evaluation as of December 31, 2006, neither BOC nor the New York State Banking Department has received any written complaints regarding

BOC's CRA performance.

This evaluation was conducted based on a review of the 12 assessment factors set forth in Section 28-b of the New York State Banking Law and Part 76 of the General Regulations of the Banking Board.

PERFORMANCE CONTEXT

Institution Profile:

Founded in 1882, Bank of Cattaraugus (“BOC”) is one of the oldest banks in New York State. BOC is a small, independent, commercial bank located in the Village of Cattaraugus, in Cattaraugus County.

As per the Consolidated Report of Condition (“Call Report”) as of December 31, 2010, filed with the Federal Deposit Insurance Corporation (“FDIC”), BOC reported total assets of \$14.6 million, of which \$7.7 million were net loans and lease finance receivables. It also reported total deposits of \$12.9 million, resulting in a loan-to-deposit ratio of 59.9%. According to the latest available comparative deposit data as of June 30, 2010, BOC obtained a market share of 1.6% or \$12.9 million in a market of \$831.1 million inside its market, ranking it 8th among 9 deposit-taking institutions in Cattaraugus County.

The following is a summary of BOC’s loan portfolio, based on Schedule RC-C of BOC’s December 31, 2007, 2008, 2009 and December 31, 2010’s Call Reports:

TOTAL GROSS LOANS OUTSTANDING								
Loan Type	2007		2008		2009		2010	
	\$000's	%	\$000's	%	\$000's	%	\$000's	%
1-4 Family Res. Mtge Loans	6,666	77.8	6,204	76.8	6,182	75.8	5,871	75.1
Comm. & Indus. Loans	538	6.3	428	5.3	411	5.0	329	4.2
Commercial Mortgage Loans	196	2.3	186	2.3	220	2.7	288	3.7
Multifamily Mortgages	0	0.0	0	0.0	0	0.0	0	0.0
Consumer Loans	1,022	11.9	1,079	13.4	1,212	14.9	1,224	15.7
Agricultural Loans		0.0		0.0		0.0	0	0.0
Construction Loans	112	1.3	149	1.8	112	1.4	105	1.3
Obligations of States & Muni.		0.0		0.0		0.0	0	0.0
Other Loans	37	0.4	28	0.3	15	0.2	0	0.0
Lease financing		0.0		0.0		0.0		0.0
Total Gross Loans	8,571		8,074		8,152		7,817	

As illustrated in the above chart, BOC is primarily a residential real estate lender with 75.1% of its loan portfolio in 1-4 family residential mortgage loans, followed by consumer loans at 15.7%. While residential mortgage loans declined by 11.9% between year-end 2007, and year-end 2010, consumer loans increased by 19.8% during the same period. Overall, BOC’s lending portfolio declined by 8.8% from 2007 to 2010.

BOC is a one office commercial bank located in the Village of Cattaraugus. Supplementing the banking office is a non-deposit taking automated teller machine

("ATM") and a night deposit drop; both are available 24 hours per day.

There are no known financial or legal impediments that adversely impacted the bank's ability to meet the credit needs of its community.

Assessment Area:

BOC's assessment area is comprised of three middle-income census tracts in Cattaraugus County, including the towns of New Albion, Leon, East Otto, and South Dayton. These three census tracts have all been designated as distressed due to population loss. A designation of middle-income distressed is defined as a middle-income tract located in a non-metropolitan geography with ten percent or more between the previous and most recent decennial census or a net migration loss of five percent or more over the five year period preceding the most recent census.

Assessment Area Census Tracts by Income Level									
County	N/A	Low	Mod	Middle	Upper	Total	LMI %	Dis-tressed & Under-served	LMI & Dis-tressed %
Cattaraugus*				3		3	0.0	3	100%
Total	0	0	0	3	0	3	0.0	3	100%

**Partial County*

The assessment area appears reasonable based upon the location of BOC's offices and its lending patterns. There is no evidence that LMI areas have been arbitrarily excluded.

Demographic & Economic Data

The assessment area had a population of 13, 661 during the examination period. About 11.6% of the population were over the age of 65 and 26.9% were under the age of 16.

Of the 3,544 families in the assessment area, 18.1% were low-income, 22.0% were moderate-income, 24.8% were middle-income, and 35.0% were upper-income families. There were 4,885 households in the assessment area, of which 11.1% had income below the poverty level and 2.3% were on public assistance.

The MSA median family income within the assessment area was \$41,800¹. The U.S. Department of Housing and Urban Development ("HUD") estimated median family income for the area was \$55,300 in 2010.

¹ Numbers under one million are rounded to the nearest hundred.

There were 6,169 housing units within the assessment area, of which 81.1% were one- to four-family units, and 2.4% were multifamily units. A majority (64.9 %) of the area's housing units were owner-occupied, while 14.5% were rental units. Of the 4,004 owner-occupied housing units, all or 100.0% were in middle-income census tracts. The median age of the housing stock was 53 years and the median home value in the assessment area was \$60 thousand.

There were 718 non-farm businesses in the assessment area. Of these, 79.5% were businesses with reported revenues of less than or equal to \$1 million, 2.7% reported revenues of more than \$1 million and 17.8% did not report their revenues. Of all the businesses in the assessment area, 89.8% were businesses with less than fifty employees while 91.5% operated from a single location. The largest industries in the area were Services (44.3%), followed by Agriculture, Forestry and Fishing (13.6%) and Retail Trade (11.4%), while 4.3% of businesses in the assessment area were not classified.

According to the New York State Department of Labor, the average unemployment rates for New York State and Cattaraugus County went up significantly during the evaluation period. New York State's unemployment rate almost doubled from 4.5% in 2007 to 8.6% in 2010, while Cattaraugus County's unemployment rate, which was higher than the state-wide rate in all four years of the evaluation period, increased from 5.2% to 9.1% during the same period.

Assessment Area Unemployment Rate		
	Statewide	Cattaraugus
2007	4.5	5.2
2008	5.3	6.1
2009	8.4	8.8
2010	8.6	9.1

Community Information

BOC is located in the Village of Cattaraugus, approximately 16 and 36 miles from the larger cities of Salamanca and Olean. The largest employer in the village is the Cattaraugus-Little Valley Central School. There is also a manufacturing factory located in the village.

The community contacts interviewed, made positive comments about the local banks, specifically, BOC. A town supervisor noted that BOC has provided immediate and long term banking and credit needs in the surrounding towns and villages for many years, and indicated that BOC's personnel have deep roots in the village and the surrounding area. Another community contact, a representative of a nonprofit organization specializing in helping and assisting small businesses in Cattaraugus

County, noted that BOC is well respected in both the community and in the banking industry.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

BOC was evaluated under the small banking institution's performance standards in accordance with Parts 76.7 and 76.12 of the General Regulations of the Banking Board. BOC performance was evaluated according to the small bank performance criteria, which consists of the lending test including (1) loan-to-deposit ratio and other lending-related activities; (2) assessment area concentration; (3) distribution by borrower characteristics; (4) geographic distribution of loans; and (5) action taken in response to written complaints regarding CRA. The following factors were also considered in assessing the bank's record of performance: the extent of participation by the board of directors or board of trustees in formulating CRA policies and reviewing CRA performance; any practices intended to discourage credit applications, evidence of prohibited discriminatory or other illegal credit practices; record of opening and closing offices and providing services at offices; and process factors, such as activities to ascertain credit needs and the extent of marketing and special credit related programs. Finally, the evaluation considered other factors as delineated in Section 28-b of the Banking Law that reasonably bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community.

Statistics employed in this evaluation were derived from various sources. Bank-specific information was submitted by the bank both as part of the examination process and on its Call Report submitted to the Federal Deposit Insurance Corporation ("FDIC"). Aggregate lending data were obtained from the Federal Financial Institutions Examination Council ("FFIEC") and deposit data were obtained from the FDIC. Loan-to-deposit ratios were calculated from information shown in the bank's Uniform Bank Performance Report ("UBPR") as submitted to the FDIC.

The demographic data referred to in this report were derived from the 2000 U.S. Census and the U.S. Department of Housing and Urban Development ("HUD"). Business demographic data used in this report provide information on US businesses, enhanced by Dun & Bradstreet reports and updated annually. Unemployment data were obtained from the New York State Department of Labor. Some non-specific bank data are only available on a county-wide basis, and were used even where the institution's assessment area includes partial counties.

The assessment period included calendar years 2007, 2008, 2009 and 2010.

The vast majority of BOC's loan portfolio consisted of 1-4 family residential loans. As a result, examiners considered BOC's HMDA-reportable loans in evaluating factors (2), (3) and (4) of the lending test as noted above.

All data analyses and the quantitative evaluation of this examination were based on BOC's HMDA-reportable loans.

BOC received a rating of "1" reflecting an "Outstanding" record of helping to meet

community credit needs at its **prior** Performance Evaluation conducted by the New York State Banking Department as of December 31, 2006.

Current CRA Rating: “Outstanding”

Lending Test: “Outstanding”

BOC’s HMDA-reportable and other community development activities are more than reasonable in light of aggregate and peer group activity and demographics.

Loan-to-Deposit Ratio and other Lending-Related Activities: “Satisfactory”

Loan-to-Deposit Ratio:

BOC’s average LTD ratio was reasonable considering its size, business strategy, financial condition, aggregate and peer group activity.

During the evaluation period, BOC’s LTD ratios fluctuated from a high of 76.2% in the fourth quarter of 2008, to a low of 54.9%, during the first quarter of 2010. However, overall, BOC’s average LTD ratio of 66.2% was slightly higher than its peer’s average LTD ratio of 65.1%.

The chart below shows BOC’s LTD ratios in comparison with the peer group’s ratios for the 16 quarters since the prior evaluation.

Loan-to-Deposit Ratios																	
	2007 Q1	2007 Q2	2007 Q3	2007 Q4	2008 Q1	2008 Q2	2008 Q3	2008 Q4	2009 Q1	2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Q4	Avg.
Bank	70.7	81.0	71.0	70.9	56.5	64.4	61.7	76.2	68.7	69.6	63.9	73.7	54.9	59.7	55.7	59.9	66.2
Peer	66.0	68.3	68.0	66.0	63.2	65.5	67.5	65.9	63.7	65.3	66.2	63.8	62.3	63.9	63.6	61.8	65.1

Community Development Lending Related Activities¹:

BOC’s community development activities demonstrated an excellent responsiveness to the community development needs of its assessment area by purchasing investments totaling \$1.1 million during the evaluation period. These community development investments involved the local governments of the Village of Cattaraugus and the Town of Albion; both located in BOC’s assessment area, for the primary purpose of revitalization and stabilization. These two local governments are located in nonmetropolitan, middle-income geographies designated as distressed, as previously

¹ Community development investment activity is included in the review of lending related activities.

discussed. The following are the summaries of these investments:

- *Village of Cattaraugus* – \$763,500:

In 2007 and 2008, BOC purchased two Revenue Anticipation Notes (“RAN”) and two Statutory Installment Bonds (“SIB”) totaling \$763,500. These funds were used to finance public projects including relocation of water lines in the village, construction of a public water utility building and other public improvements which helped promote revitalization of the distressed census tracts..

- *Town of Albion* – \$341,300:

In 2008 and 2009, BOC purchased two RANs totaling \$341,300 to finance the completion of a salt and sand storage building to be used by the town which will help stabilize the community.

Assessment Area Concentration: “Outstanding”

During the evaluation period, for HMDA-reportable lending, BOC originated 88.9% by number and 86.8% by dollar value of its loans within the assessment area. This substantial majority of lending inside of its assessment area is an “Outstanding” record of lending within BOC’s assessment area.

The following table shows the percentages of BOC’s HMDA-reportable loans originated inside and outside of the assessment area

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Loans in Dollars (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
HMDA-Reportable										
2007	22	100.0%	-	0.0%	22	938	100.0%	-	0.0%	938
2008	14	93.3%	1	6.7%	15	573	92.0%	50	8.0%	623
2009	15	78.9%	4	21.1%	19	805	79.9%	202	20.1%	1,007
2010	5	71.4%	2	28.6%	7	153	55.2%	124	44.8%	277
Grand Total	56	88.9%	7	11.1%	63	2,469	86.8%	376	13.2%	2,845

Distribution by Borrower Characteristics: “Satisfactory”

The distribution of loans based on borrower characteristics demonstrated a reasonable penetration rate of lending among individuals of different income levels

In 2007, BOC’s HMDA-reportable lending penetration rate, based on number of loans to LMI borrowers, exceeded the aggregate rate. However, in 2008 and 2009 BOC trailed

the aggregate penetration rates.

Overall, during the four year evaluation period, BOC originated 56 loans, of which 30.4% by number and 26.3% by dollar value were to LMI borrowers. These percentages were below the aggregate rate by number (35.2%), above the aggregate rate by dollar value (23.1%), and below the family demographic of 40.1%.

The downward trend in BOC's penetration rate is a reflection of the housing market crisis, the nationwide recession, and the high unemployment rate during the evaluation period. These factors, along with the decline in population in the assessment area, resulting in middle-income tracts being designated as distressed, contributed to the decreased demand for residential mortgage loans, in the assessment area; not just from LMI borrowers, but from all income groups. This was most evident in 2010 when BOC originated only five loans.

The following chart provides a summary of the HMDA-reportable lending distribution based on borrower income.

Distribution of HMDA-Reportable Lending by Borrower Income									
2007									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	3	13.6%	93	9.9%	21	8.0%	786	4.3%	18.1%
Moderate	5	22.7%	209	22.3%	60	23.0%	3,002	16.6%	22.0%
LMI	8	36.4%	302	32.2%	81	31.0%	3,788	21.0%	40.1%
Middle	4	18.2%	151	16.1%	90	34.5%	5,668	31.4%	24.8%
Upper	9	40.9%	479	51.1%	84	32.2%	8,241	45.6%	35.0%
Unknown	1	4.5%	6	0.6%	6	2.3%	376	2.1%	0.0%
Total	22		938		261		18,073		
2008									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	18	9.9%	555	4.9%	18.1%
Moderate	4	28.6%	213	37.2%	56	30.8%	2,946	25.9%	22.0%
LMI	4	28.6%	213	37.2%	74	40.7%	3,501	30.8%	40.1%
Middle	6	42.9%	228	39.8%	61	33.5%	3,656	32.2%	24.8%
Upper	3	21.4%	108	18.8%	44	24.2%	4,012	35.3%	35.0%
Unknown	1	7.1%	24	4.2%	3	1.6%	202	1.8%	0.0%
Total	14		573		182		11,371		
2009									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	1	6.7%	58	7.2%	17	10.4%	535	4.3%	18.1%
Moderate	2	13.3%	35	4.3%	45	27.6%	2,099	16.9%	22.0%
LMI	3	20.0%	93	11.6%	62	38.0%	2,634	21.2%	40.1%
Middle	7	46.7%	344	42.7%	42	25.8%	3,171	25.5%	24.8%
Upper	5	33.3%	368	45.7%	54	33.1%	6,305	50.6%	35.0%
Unknown	0	0.0%	0	0.0%	5	3.1%	342	2.7%	0.0%
Total	15		805		163		12,452		
2010									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	1	20.0%	30	19.6%	15	10.1%	386	3.3%	18.1%
Moderate	1	20.0%	11	7.2%	34	22.8%	2,095	17.9%	22.0%
LMI	2	40.0%	41	26.8%	49	32.9%	2,481	21.2%	40.1%
Middle	2	40.0%	50	32.7%	40	26.8%	2,748	23.5%	24.8%
Upper	1	20.0%	62	40.5%	54	36.2%	5,961	51.0%	35.0%
Unknown		0.0%		0.0%	6	4.0%	504	4.3%	0.0%
Total	5		153		149		11,694		
GRAND TOTAL									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	5	8.9%	181	7.3%		9.4%		4.2%	
Moderate	12	21.4%	468	19.0%		25.8%		18.9%	
LMI	17	30.4%	649	26.3%		35.2%		23.1%	
Middle	19	33.9%	773	31.3%		30.9%		28.4%	
Upper	18	32.1%	1,017	41.2%		31.3%		45.8%	
Unknown	2	3.6%	30	1.2%		2.6%		2.7%	
Total	56		2,469						

Geographic Distribution of Loans: "Outstanding"

The distribution of HMDA-reportable loans based on the income level of the geography demonstrated an excellent penetration of lending.

BOC originated all, or 100%, of its HMDA-reportable loans in middle-income tracts designated as distressed.

Action Taken In Response to Written Complaints With Respect to CRA: "Satisfactory"

Since the previous CRA evaluation as of December 31, 2006, neither BOC nor the New York State Banking Department has received any written complaints regarding BOC's CRA performance.

Additional Factors

The extent of participation by the banking institution's board of directors or board of trustees in formulating the banking institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act

BOC has a CRA Committee consisting of all officers and directors of the bank. The committee monitors the needs of the communities it serves on a continuing basis. The President of BOC acts as the CRA officer. He presides over meetings of the CRA Committee and is responsible for recommending revisions and re-approval of BOC's CRA Policy and CRA Statement on an annual basis. BOC also conducts a CRA self assessment annually, which is presented to the board of directors. CRA projects are discussed at each BOC board of directors meeting.

Any practices intended to discourage applications for types of credit set forth in the banking institution's CRA Public File.

New York State Banking Department noted no practices that were intended to discourage applications for the types of credit offered by the institution.

Evidence of prohibited discriminatory or other illegal credit practices.

New York State Banking Department noted no evidence of prohibited discriminatory or other illegal practices.

Record of opening and closing offices and providing services at offices

BOC did not open or close any offices during the evaluation period, and intends to remain a one-office bank.

BOC is the only bank in the Town of Albion, the Village of Cattaraugus and its neighboring towns. The closest bank is approximately seven miles away.

Process Factors

- *Activities conducted by the banking institution to ascertain the credit needs of its community, including the extent of the banking institution's efforts to communicate with members of its community regarding the credit services being provided by the banking institution.*

BOC ascertains the credit needs of its community through active participation and involvement of its board members, bank management and personnel, in local, civic and religious organizations such as the American Legion, St. Mary's RC Church, United Methodist Church, Historic Cattaraugus Corporation, Historic Southwestern New York Foundation, Cattaraugus-Little Valley CSD Foundation, Cattaraugus Historical Society, New York State Business Development Corporation, and Salamanca Chamber of Commerce. BOC's CRA officer and the senior loan officer travel throughout BOC's assessment area to understand the credit needs of its community.

- *The extent of the banking institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the banking institution*

BOC's marketing efforts rely mostly on BOC personnel's community involvement in various local, civic and religious memberships and BOC's sponsorships of local activities such as the annual fundraising event for the Amish community called the "Amish Auction".

Other factors that in the judgment of the Superintendent and Banking Board bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community

BOC is deeply rooted in the community it serves. BOC created and initially funded two nonprofit organizations that directly benefit the Village of Cattaraugus and the Town of Albion. These two organizations are the Historic Cattaraugus Corporation ("HCC") and the Historic Southwestern New York Foundation ("HSWNYF"). HSWNYF's mission is to promote an appreciation of the history of Southwestern New York State by acquiring, restoring and preserving buildings, collecting oral and written history and artifacts that

have a special historical significance and commissioning or assisting in educational projects and publications relating to the history of the Southwestern New York area. One HCC project, accomplished with the help of the Federal Home Loan Bank of New York, was the renovation of an abandoned 1894 hotel into a seven unit apartment building for low-income inhabitants, with a storefront which employs four people. Through these efforts, BOC helps to maintain the history of the community, and promote tourism in the assessment area.

In addition, BOC's assessment area includes part of a local Amish community. BOC has created a special Amish loan program to meet the special needs of this community. For instance, loans of up to \$10,000 are usually made in confidence without collateral, because Amish loans are in principal and practice, guaranteed by the entire membership of the Amish community.

GLOSSARY

Aggregate Penetration Rate

The number of loans originated and purchased by all reporting lenders in specified categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the assessment area.

Community Development

The term “community development” is defined to mean:

1. Affordable housing (including multifamily housing) for low- or moderate-income (“LMI”) individuals;
2. Community services targeted to LMI individuals;
3. Activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the United States Small Business Administration (“SBA”) Development Company or Small Business Investment Company programs, or have gross annual incomes of \$1 million or less;
4. Activities that revitalize or stabilize LMI geographies; and
5. Activities that seek to prevent defaults and/or foreclosures in loans included in (1) and (4) above.

A “community development loan” is defined as a loan that has as its *primary purpose* community development. This includes but is not limited to loans to:

- Borrowers for affordable housing rehabilitation and construction, including construction and permanent financing for multifamily rental property serving low or moderate income (“LMI”) persons;
- Nonprofit organizations serving primarily LMI or other community development needs;
- Borrowers to construct or rehabilitate community facilities that are located in LMI areas or that primarily serve LMI individuals;
- Financial intermediaries including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds or pools, micro-finance institutions, and low-income or community development credit unions that primarily lend or facilitate lending to promote community development;
- Local, state and tribal governments for community development activities; and
- Borrowers to finance environmental clean up or redevelopment of an industrial site as part of an effort to revitalize the LMI community in which the property is located.

A “qualified investment” is defined as a lawful investment, deposit, membership share or grant that has as its *primary purpose* community development. This includes but is not limited to investments, deposits, membership shares or grants in or to:

- Financial intermediaries (including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds, micro-finance institutions and low-income or community development credit unions) that primarily lend or facilitate lending in LMI areas or to LMI individuals in order to promote community development;
- Organizations engaged in affordable housing rehabilitation and construction;
- Organizations, including, for example, small business investment corporations that promote economic development by financing small businesses;
- Facilities that promote community development in LMI areas or LMI individuals, such as youth programs, homeless centers, soup kitchens, health care facilities, battered women’s centers, and alcohol and drug recovery centers;
- Projects eligible for low-income housing tax credits;
- State and municipal obligations, such as revenue bonds that specifically support affordable housing or other community development needs;
- Organizations serving LMI housing or other community development needs, such as counseling for credit, home ownership, home maintenance, and other financial services education; and
- Organizations supporting activities essential to the capacity of LMI individuals or geographies to utilize credit to sustain economic development, such as day care operations and job training programs that facilitate access to permanent jobs.

A “community development service” is defined as a service that has as its *primary purpose* community development, is related to the provision of financial services, and has not been considered in the evaluation of the banking institution's retail banking services. This includes but is not limited to:

- Providing technical assistance on financial matters to nonprofit, tribal or government organizations serving LMI housing or economic revitalization and development needs;
- Providing technical assistance on financial matters to small businesses or community development organizations;
- Lending employees to provide financial services for organizations facilitating affordable housing construction and rehabilitation or development of affordable housing;
- Providing credit counseling, home buyers and home maintenance counseling, financial planning or other financial services education to promote community development and affordable housing;
- Establishing school savings programs for LMI individuals;
- Providing seminars for LMI persons on banking and bank account record-keeping;
- Making ATM “Training Machines” available for extended periods at LMI community sites or at community facilities that serve LMI individuals; and
- Technical assistance activities to community development organizations such as:
 - ❖ Serving on a loan review committee;
 - ❖ Developing loan application and underwriting standards;
 - ❖ Developing loan processing systems;

- ❖ Developing secondary market vehicles or programs;
- ❖ Assisting in marketing financial services, including the development of advertising and promotions, publications, workshops and conferences;
- ❖ Furnishing financial services training for staff and management;
- ❖ Contributing accounting/bookkeeping services; and
- ❖ Assisting in fund raising, including soliciting or arranging investments.

Home Mortgage Disclosure Act (“HMDA”)

The Home Mortgage Disclosure Act, enacted by Congress in 1975, and subsequently amended, requires institutions to annually report data about applications for residential (including multifamily) financing.

Income Level

The income level of the person, family or household is based on the income of person, family or household. A geography’s income is categorized by median family income for the geography. In both cases, the income is compared to the MSA or statewide nonmetropolitan median income.

Income level of individual or geography	% of the area median income
Low-income	Less than 50
Moderate-income	At least 50 and less than 80
Middle-income	At least 80 and less than 120
Upper-income	120 or more

Loans to Small Businesses

Small business loans to businesses with gross annual revenues (“GAR”) of \$1 million or less (“< = \$ 1MM”).

Low or Moderate Income (“LMI”) Geographies

Those census tracts or block numbering areas (“BNAs”), where according to the 2000 US Census, the median family income is less than 80% of the area median family income. In the case of tracted areas that are part of a Metropolitan Statistical Area (“MSA”) or Primary Metropolitan Statistical Area (“PMSA”), this would relate to the median family income for the MSA or PMSA in which the tracts are located. In the case of BNAs and tracted areas that are not part of a MSA or PMSA, the area median family income would be the statewide non-metropolitan median family income.

LMI Borrowers

Borrowers whose income, as reported on the loan application which the lender relied upon in making the credit decision, is less than 80% of the area median family income. In the case where the residential property is located in a MSA or PMSA, this would

relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure borrower income levels are updated annually by the U.S. Department of Housing and Urban Development (“HUD”).

LMI Individuals/Persons

Individuals or persons whose income is less than 80% of the area median family income. In the case where the individual resides in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure individual income levels are updated annually by HUD.

LMI Penetration Rate

A number that depicts the percentage of a bank’s total loans (for a particular product) that was extended to LMI geographies or borrowers. For example, an LMI penetration rate of 20% would indicate that the bank made 20 out of a total of 100 loans in LMI geographies or to LMI borrowers.

Small Business Loans

Loans to businesses with original amounts of \leq \$1MM.