



**NEW YORK STATE BANKING DEPARTMENT  
CONSUMER SERVICES DIVISION**

One State Street  
New York, NY 10004

**PUBLIC SUMMARY**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**Date of Evaluation:** January 1, 2002

**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 Banking Department 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. The evaluation represents the Banking Department's current assessment and rating of the institution's CRA performance based on an evaluation conducted as of January 1, 2002.

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 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 Banking 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 Banking 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 are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Sections 76.8 – 76.13. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York State Banking Law.

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

## OVERVIEW OF INSTITUTION'S PERFORMANCE

Bank of Cattaraugus is rated "1", indicating an outstanding record of helping to meet community credit needs. This rating is based on the following factors:

- ***Loan-to-Deposit Ratio:*** The bank's loan-to-deposit ("LTD") ratio is considered reasonable given the bank's size and financial condition. Based on the Uniform Bank Performance Reports ("UBPR"), the bank's average LTD ratio for the four quarters ended December 31, 2001 was 64.27%, which is slightly below its nationwide peer group average of 65.2%.
- ***Assessment Area Concentration:*** The bank's percentage of lending in its assessment area is outstanding. Based on sampling of loans originated by the bank, a substantial majority of HMDA-related, small business and consumer loans were originated in the assessment area. In 2001, the bank originated 90%, 62.5% and 88.6% of HMDA-related, small business and consumer loans, respectively, inside the assessment area.
- ***Geographic Distribution:*** The bank's geographic distribution of lending within its assessment area is considered outstanding, given the composition of its assessment area. A substantial majority of the loans were originated in the Village of Cattaraugus, where the bank is located.
- ***Borrower's Profile:*** The bank's record of lending within the assessment area reflects excellent penetration among individuals of different income levels and businesses of different sizes. The bank extended 70.3% of the number of loans and 60.4% of the dollar volume of HMDA-related loans to LMI borrowers inside the assessment area. For consumer loans, the bank extended 79.1% in terms of the number of loans and 70.5% of dollar volume to LMI borrowers. All small business loans were originated in amounts less than \$100 thousand and provided to small businesses with gross revenues of less than \$250 thousand.
- ***Response to Complaints:*** Since the prior evaluation, neither the bank nor the New York State Banking Department received any written complaints regarding the bank'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's Profile:**

Founded in 1882, the Bank of Cattaraugus ("BOC") is a single office commercial bank located in the Village of Cattaraugus, Town of New Albion in Cattaraugus County (Western New York Region). It is the oldest independent bank in Western New York and the third oldest in New York State. Supplementing the banking office is a 24-hour automated teller machine (ATM).

The bank's home county provides 100% of the bank's deposits, according to comparative deposit data as of June 30, 2001. BOC ranked ninth out of the 10 depository institutions in the county, with a 1.56% market share of the county's total deposits.

As of January 1, 2002, the bank reported total assets of \$11.8 million, of which net loans equaled \$7 million and investment securities totaled \$1.8 million. Total deposits were \$10.3 million, resulting in a LTD ratio of 67.8%. This percentage compares favorably with its nationwide peer group ratio of 63.67%. BOC is primarily a residential real estate lender. The bank reported 74.2% of its loan portfolio in real estate loans, 14.5% in consumer loans and 10.2% in commercial & industrial loans.

The institution offers the following lending products:

- 1-4 family residential mortgages
- Home improvement loans
- Home equity loans
- Small business loans
- Consumer loans

Based on the bank's Consolidated Report of Condition as of December 31, 2001, the following table illustrates that the bank is primarily a residential mortgage lender.

TOTAL GROSS LOANS OUTSTANDING		
LOAN TYPE	12/31/01	
	\$000	%
Residential Mortgage Loans	5,270	74.2
Consumer Loans	1,027	14.5
Commercial & Industrial Loans	725	10.2
Construction Loans	72	1.0
Other Loans	7	0.1
<b>Total Gross Loans</b>	<b>7,101</b>	<b>100.0</b>

In 2001, the bank originated 46 HMDA related loans amounting to \$1.7 million, 92 small business loans amounting to \$731 thousand and 176 consumer loans amounting to \$774 thousand.

The bank does not participate in any governmentally insured, guaranteed or subsidized loan programs for housing, small business or small farms.

The bank is not part of a holding company and it is not affiliated with any other institution.

BOC received a rating of "1" at its last Performance Evaluation conducted by the New York State Banking Department on December 31, 2000, indicating an "outstanding" record of helping to meet community credit needs.

*This evaluation did not reveal any legal or financial impediments that would prevent the bank from helping to meet the credit needs of the assessment area.*

**Assessment Area:**

The bank's assessment area includes the towns of New Albion, Leon, East Otto, Ashford, Little Valley and Mansfield in Cattaraugus County. The assessment area is not part of a metropolitan statistical area and consists of three middle-income Block Numbering Areas (BNAs 9603, 9605 and 9606).

According to the U.S. Census Bureau, the assessment area had a population of 12,797 in 1990, of which 11.4%<sup>1</sup> were over 65 years in age and 28.4% were under

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<sup>1</sup> Please note that while percentage figures are based on exact numbers, absolute numbers pertaining to population and housing characteristics have been rounded to the nearest decimal point.

16 years old. Cattaraugus County had a population of 84,234 in 1990, which declined by 0.3% to 83,955 in 2000.

There were 3,370 families in the assessment area, of which 21.2% were low-income, 23.3% were moderate-income, 24.6% were middle-income and 30.9% were upper-income.

There were 4,357 households in the assessment area, of which 12.85% had incomes below the poverty level. The assessment area had a total of 5,576 housing units, of which 81.1% were 1-4 family, 15.6% were mobile homes or trailers and 1% were multifamily units. Owner-occupied units accounted for 64.2% of the housing units and 21.7% of all units were vacant or boarded up. The median housing value was \$39.2 thousand and the median age of the housing was 42 years.

According to the New York State Department of Labor, Cattaraugus County's average unemployment rates were 6.7% in 2001 and 7.5% in the first half of 2002. The county's average unemployment rates were higher than New York State's average rate of 4.9% in 2001 and 6.1% in the first half of 2002.

The assessment area appears reasonable based upon the bank's location and lending patterns. There is no evidence that LMI areas were arbitrarily excluded.

## PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

BOC's performance for the year 2001 was evaluated under the small bank performance criteria, which include the following: (1) Loan-to-Deposit Ratio and other Lending-Related Activities; (2) Proportion of Lending in the Assessment Area; (3) Geographic Distribution of Lending; (4) Distribution of Lending according to Borrower Characteristics; and (5) Action Taken in Response to Written Complaints Regarding CRA.

The evaluation of performance under factors 2,3 and 4, above, is based on a sample containing HMDA-related, small business and consumer loans. The demographic data referred to in this report was obtained from the 1990 U.S. Census, with 2001 estimated income figures provided by the United States Department of Housing and Urban Development ("HUD").

- **Loan-to-Deposit Analysis – "Satisfactory"**

The bank's LTD ratio is considered reasonable given the bank's size and financial condition. Based on the UBPR, the bank's average LTD ratio for the four quarters ended December 31, 2001 was 64.27%, which is slightly below its nationwide peer group average ratio of 65.2%. However, the bank's LTD ratio exhibits an upward trend from 57.07% in the first quarter of 2001 to 67.8% in the fourth quarter of 2001.

- **Proportion of Lending Within Assessment Area – "Outstanding"**

BOC's assessment area concentration is outstanding. Based on a sample of originated loans, a substantial majority of HMDA-related, small business and consumer loans were originated in the assessment area. The percentages for HMDA-related and consumer loans were very high, while the percentage for small business loans was moderate.

The table below shows the level of the bank's loan originations in the assessment area, based on loans sampled.

<b>Assessment Area Lending – 2001</b>						
<b>Geography</b>	<b>HMDA Related</b>		<b>Small Business</b>		<b>Consumer</b>	
	<b>#</b>	<b>\$000's</b>	<b>#</b>	<b>\$000's</b>	<b>#</b>	<b>\$000's</b>
All Areas	30	951.4	16	234.4	70	363.0
Assessment Area	27	906.3	10	81.8	62	253.7
<b>% In Assessment Area</b>	<b>90.0%</b>	<b>95.3%</b>	<b>62.5%</b>	<b>34.9%</b>	<b>88.6%</b>	<b>69.9%</b>

- **Geographic Distribution of Lending – “Outstanding”**

The bank’s geographic distribution of lending within its assessment area is considered outstanding given the demographics of its assessment area. A substantial majority of the loans were originated in the Village of Cattaraugus, where the bank is located. As noted above, all three BNAs that comprise BOC’s assessment area are middle-income areas.

- **Borrower Distribution of Lending – “Outstanding”**

The bank’s record of lending within the assessment area reflects an excellent distribution of loans to individuals of different income levels, including LMI borrowers, and businesses of different sizes.

#### HMDA Related and Consumer Loans

Based on a sample of loans extended in 2001, the bank extended 19 (70.3%) of its HMDA related loans to LMI borrowers inside the assessment area. The bank extended 49 (79.1%) of its consumer loans to LMI borrowers. The bank’s LMI penetration represented 60.4% and 70.5%, respectively, of the total dollar volume of loans extended.

The following table reflects the distribution of lending by income level of borrower.

<b>Borrower Income Level Distribution of Loans</b>								
<b>Borrower Income Level</b>	<b>HMDA Related Loans</b>				<b>Consumer Loans</b>			
	<b>#</b>	<b>%</b>	<b>\$ (000)</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$ (000)</b>	<b>%</b>
Low	7	25.9%	277.6	30.6%	28	45.2%	82.4	32.5%
Moderate	12	44.4%	270.4	29.8%	21	33.9%	96.5	38.0%
Middle	5	18.5%	285.7	31.5%	9	14.5%	47.6	18.8%
Upper	3	11.1%	72.6	8.0%	4	6.5%	27.2	10.7%
<b>Total</b>	<b>27</b>	<b>100.0%</b>	<b>906.3</b>	<b>100.0%</b>	<b>62</b>	<b>100.0%</b>	<b>253.7</b>	<b>100.0%</b>

As noted in the Performance Context, above, 44.5% of families in the bank’s assessment area are LMI.

#### Small Business Loans

The bank’s borrower distribution of lending inside the assessment area is considered outstanding. Based on the loans sampled, all small business loans inside the assessment area were originated in amounts of less than \$100 thousand and to small businesses with gross revenues of less than \$250 thousand.

- **Action Taken In Response to Written Complaints With Respect to CRA**

Neither the bank nor the New York State Banking Department have received any written complaints about CRA performance since the prior evaluation, which was conducted as of December 31, 2000.

- **Discrimination or Other Illegal Practices**

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

Examiners 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.**

The most recent regulatory compliance report concurrent with this assessment indicates satisfactory adherence to antidiscrimination or other applicable laws and regulations. No evidence of prohibited discriminatory or other illegal credit practices was noted.

- **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.**

The bank ascertains the credit needs of its assessment area through contacts by its directors, senior officers and employees with local businesses, local government officials, community leaders and various community and civic organizations.

**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.**

Since there is are no local newspapers or radio stations that serve the market area, the bank markets its products through direct contacts by the board of directors and officers with various community organizations. Efforts include lectures in local school district classrooms and at Rotary Club, Cattaraugus Civic League, Cattaraugus Area Historical Society and AARP meetings.

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

The members of the board of directors comprise the bank's CRA Committee. The board meets quarterly and a portion of each meeting is dedicated to CRA.

- **Other Factors**

**Other factors that in the judgement 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.**

The bank recently established a foundation, Historic Cattaraugus Corporation, a non-profit corporation with primary purpose of seeking to preserve historic buildings, neighborhoods, artifacts and history throughout southwestern New York State. The foundation's significant goal is "to find ways where, through the education of the public, the historic efforts can be adapted to projects that will create jobs, promote tourism and have positive effects on the regional economy".

## GLOSSARY

### Aggregate

The cumulative lending by all HMDA-reporting lenders in the same geographic area under evaluation.

### 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 business 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 (3), 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.

### **Demand-Adjusted Penetration Rate**

The number of owner-occupied loans made by the institution (or aggregate as appropriate) in a geographic area per thousand owner-occupied housing units in that area. Mathematically, it is arrived at by dividing the number of owner-occupied housing units into the number of loans made and then multiplying by 1,000.

### **Demand-Adjusted Penetration Ratio**

A ratio that depicts geographic penetration of loans by comparing demand-adjusted lending in LMI areas with non-LMI areas. Mathematically, it is arrived at by dividing the demand-adjusted penetration rate in non-LMI areas into the demand-adjusted penetration rate in LMI areas and then expressed as a percentage.

A ratio of 100% means that the institution (or aggregate as appropriate) made an equal number of loans proportionally in LMI and non-LMI areas. Less than 100 percent would indicate less lending in LMI areas on the same basis compared to non-LMI areas, whereas over 100 percent would indicate a greater level of lending in LMI areas versus non-LMI areas.

### **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.

### **Loans to Small Businesses**

Small business loans to businesses with gross annual revenues of \$1 million or less.

### **Low or Moderate Income ("LMI") Geographies**

Those census tracts or block numbering areas ("BNAs"), where according to the 1990 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 nonmetropolitan 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 nonmetropolitan 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**

Those individuals, 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 nonmetropolitan median family income. In all instances, the area median family incomes used to measure individual income levels are updated annually by HUD.

### **Small Business Loans**

Loans to businesses with original amounts of \$1 million or less.