



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

1 State Street  
New York, NY 10004

**PUBLIC SUMMARY**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

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

**Institution:** Cattaraugus County Bank  
116 – 120 Main Street  
Little Valley, NY 14755

**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.

## TABLE OF CONTENTS

	Section
General Information .....	1
Overview of Institution's Performance.....	2
Performance Context.....	3
Institution's Profile	
Assessment Area	
Performance Standards and Assessment Factors .....	4
Loan-to-Deposit Analysis and Other	
Lending-Related Activities	
Proportion of Lending Within Assessment Area	
Geographic Distribution of Lending	
Borrower Distribution of Lending	
Action Taken in Response to Written Complaints	
With Respect to CRA	
Discrimination or Other Illegal Practices	
Process Factors	
Other Factors	
Glossary .....	5

## GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of Cattaraugus County Bank (“CCB”) 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 (“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 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

CCB is rated "2", indicating a satisfactory record of helping to meet community credit needs. This rating is based on the following factors:

- *Loan-to Deposit ("LTD") Ratio and other Lending-Related Activities:* CCB's average LTD ratio for the eight consecutive quarters ended December 31, 2001 was 70.73%. Though below the peer average of 77.53%, the ratio is considered reasonable given the bank's size, financial condition, and credit needs of the bank's assessment area. Enhancing credit availability in its community, the bank extended \$1.5 million in community development loans.
- *Assessment Area Concentration:* CCB provided a substantial majority of its Home Mortgage Disclosure Act ("HMDA")-reportable loans within the assessment area, with approximately 87% and 90% of its loans originated in the assessment area in 2000 and 2001, respectively.
- *Geographic Distribution:* The bank's geographic distribution of lending is considered excellent. In both 2000 and 2001, the bank's percentages of lending in LMI geographies substantially exceeded those of the aggregate. Whether based on number or dollar volume, CCB outperformed the aggregate by approximately 200% in 2000 and over 300% in 2001.
- *Borrower Characteristics:* The bank's distribution of lending according to borrower characteristics reflects reasonable penetration among borrowers of different income levels. In 2000 and 2001, the bank extended 31.8% and 31.3% of its assessment area originations, respectively, to LMI borrowers. The comparable aggregate LMI penetration rates were 32.6% and 26.8%, respectively.
- The New York State Banking Department has not received any CRA-related complaints since the previous evaluation.

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:**

Chartered in 1902, CCB is a commercial bank located in Little Valley, New York. The bank operates five branches, including a main office and three other branches in Cattaraugus County, and one branch in Erie County.

As of December 31, 2001, CCB's assets totaled \$111.7 million, including loans of \$71.8 million, and investments of \$25.7 million. CCB's major source of funds is its deposits, which totaled \$93.3 million.

Market share data for June 30, 2001 showed that in Cattaraugus County, CCB ranked fifth among all banks in terms of total deposits. Total deposits for all banks within the county stood at approximately \$689.7 million, with CCB's share accounting for about 11% or approximately \$78.3 million of the total. For its entire assessment area basis, CCB ranked 14<sup>th</sup> among twenty banks, with approximately 0.53% of total deposits or \$89.1 million.

CCB's principal line of business continues to be the origination of 1 – 4 family residential mortgage loans. According to the December 31, 2001 Consolidated Report of Condition, residential mortgages comprised 54.9% of the loan portfolio.

The following schedule shows the breakdown of the loan portfolio as of December 31, 2001 and December 31, 2000.

<b>Loan Portfolio Composition</b>				
<b>Loan Type</b>	<b>12/31/2001</b>		<b>12/31/2000</b>	
	<b>\$ ('000)</b>	<b>%</b>	<b>\$ ('000)</b>	<b>%</b>
Residential	39,412	54.9	36,332	55.6
Commercial Real Estate	12,175	16.9	9,243	14.2
Multifamily	550	0.8	286	0.4
Construction	383	0.5	1,477	2.3
Individual	11,104	15.5	10,584	16.2
Commercial & Industrial	7,914	11.0	7,009	10.7
Agricultural	57	0.1	52	0.1
Secured by Farmland	140	0.2	204	0.3
Other Loans	95	0.1	103	0.2
<b>Gross Loans</b>	<b>71,830</b>	<b>100.0</b>	<b>65,290</b>	<b>100.0</b>

CCB offers a variety of credit products, including residential mortgages, construction loans, home improvement and rehabilitation loans, consumer installment loans, automobile loans, agricultural loans and commercial loans.

CCB participates in the U.S. Department of Agriculture/Rural Revitalization Corporation's ("RRC") Low Income Home Ownership Program. There were no loans originated under this program during the evaluation period.

CCB was awarded a rating "2" at its last CRA Performance Evaluation by the Banking Department on June 30, 2000, reflecting a satisfactory record of helping to meet community credit needs.

A review of the December 31, 2001 Consolidated Report of Income showed net income to be \$1.2 million. Based on this and other financial indicators there appeared to be no financial or legal issues that could negatively impact CCB's ability to meet the credit needs of its assessment area.

**Assessment Area:**

CCB's assessment area includes portions of Cattaraugus and Erie Counties. In Erie County (MSA 1280), the area includes the townships of Golden, Holland, Concord, Sardinia and Collins. In Cattaraugus County, a non-MSA, the assessment area includes the entire county, with the exception of Allegany, Hinsdale, Olean and Portville.

The assessment area is comprised of eight census tracts in Erie County and 15 block numbering areas ("BNAs") in Cattaraugus County. The distribution of census tracts/BNAs is shown below:

<b>Distribution of Census Tracts/BNAs by Income Level</b>						
County	<b>Geography Income Level</b>					LMI %
	Low	Moderate	Middle	Upper	Total	
Cattaraugus	2	2	11	0	15	26.7
Erie	1	0	7	0	8	12.5
<b>Total</b>	<b>3</b>	<b>2</b>	<b>18</b>	<b>0</b>	<b>23</b>	<b>21.7</b>
<b>% Total</b>	<b>13.0</b>	<b>8.7</b>	<b>78.3</b>	<b>0</b>	<b>100</b>	

**Demographics**

According to the 1990 U.S. Census, the assessment area had a population of 77.6 thousand and the weighted average median income for the area was \$32.6 thousand. According to estimates by the United States Department of Housing and Urban Development ("HUD"), the median income figure for the MSA increased to \$43.8 thousand in 2001. Of the 23 census tracts/BNAs in the assessment area, 21.7% are considered LMI areas. There were 32.7

thousand housing units in 1990, of which 81.5% were 1 – 4 family dwellings, 3.5% were multifamily and 13.2% were mobile homes. Approximately 18% of the total housing units were vacant, 21% were rental and 62% were owner-occupied. The weighted average median housing value in 1990 was \$47.9 thousand. Approximately 18% of the rental units were located in LMI tracts.

*The assessment area, which is predominantly rural, appears reasonable based upon the location of the bank's branches and its lending patterns. There is no evidence that LMI areas were arbitrarily excluded.*

## **PERFORMANCE STANDARDS AND ASSESSMENT FACTORS**

CCB's performance was evaluated according to 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 period covers calendar years 2000 and 2001 and focused on the bank's HMDA-reportable loans. The volumes of consumer and farm loan originations were relatively low, and therefore were not included in the evaluation.

### **LTD Analysis and Other Lending-Related Activities:** "Satisfactory"

The average LTD ratio for the eight consecutive quarters ended December 31, 2001 was 70.73%. While proportionally almost 9% lower than the peer average of 77.53%, the ratio is considered reasonable given the bank's size, financial condition, strength and the credit needs of its assessment area.

#### *Community Development Lending*

Enhancing credit availability in its assessment area, CCB has a strong record of participating in local community development projects. As of December 31, 2001, the bank had three community development loans outstanding with a combined balance of \$1.5 million. Following are brief descriptions of CCB's community development loans:

- In 2001, CCB extended a new \$379 thousand mortgage loan to Southern Tier West Business Resource Center, Inc. ("STWBRC"), a not-for-profit entity. This organization provides loans to start-up or existing small businesses located in Allegany, Cattaraugus, and Chautauqua Counties. STWBRC's assistance helps these businesses develop or expand their products or services. The resource center is also used to provide training services to the region's business community and labor force.

The bank also has a balance outstanding of \$335 thousand on an existing \$350 thousand term loan that was used to help fund the construction of the premises from which STWBRC provides its services.

- In 2000, CCB was the lead bank in a \$1.5 million line of credit to New Directions Youth and Family Services, Inc. ("New Directions"). The bank participated out 50% of the credit, retaining the remaining \$750 thousand of the line. New Directions is a not-for-profit agency offering programs that include clinical case management, crisis intervention and parenting training. A wide array of services including foster care, adoption services, non-secure detention and community group homes are also provided.

**Proportion of Lending Within Assessment Area: “Outstanding”**

A substantial majority of CCB’s HMDA-reportable loans was originated in the assessment area. During the 24-month assessment period, approximately 88% by number and 82% by dollar volume of loans were originated in the bank’s assessment area. In 2000, CCB originated 158 HMDA-reportable loans, of which 138 loans (87%) totaling \$4.8 million (78%) were originated in the bank’s assessment area. In 2001, the bank originated 146 HMDA-reportable loans, of which 131 loans (90%) totaling \$4.3 million (87%) were originated in the assessment area.

**Geographic Distribution of Lending: “Outstanding”**

The bank’s geographic distribution of HMDA loans reflects an excellent dispersion throughout the assessment area.

In 2000, the bank extended 16.7%(23 loans) of its HMDA-reportable loans in LMI tracts in the assessment area, well above the aggregate penetration rate of 5.7%. The bank’s LMI penetration rate of 12.4%, based on dollar volume, was also well above the aggregate’s 3.6% penetration rate. Whether based on number or dollar volume, CCB outperformed the aggregate by about 200%.

In 2001, the bank maintained excellent LMI area penetration. CCB’s LMI penetration rates, by number and dollar volume, exceeded the aggregate by 312% and 586%, respectively.

Geography	Geographic Distribution of HMDA-reportable Loans							
	2000							
	Number Volume				Dollar Volume			
	Bank		Aggregate		Bank		Aggregate	
	#	%	#	%	\$(000)	%	\$(000)	%
Low	0	0.0	1	0.1	0	0.0	30	0.1
Moderate	23	16.7	70	5.6	591	12.4	2,049	3.5
Middle	115	83.3	1,168	94.3	4,161	87.6	57,069	96.4
Upper	0	0.0		0.0	0	0.0	0	0.0
N/A	0	0.0		0.0	0	0.0	0	0.0
Total AA	138	100.0	1,239	100.0	4,752	100.0	59,148	100.0

Geography Income Level	Geographic Distribution of HMDA-reportable Loans							
	2001							
	Number Volume				Dollar Volume			
	Bank		Aggregate		Bank		Aggregate	
	#	%	#	%	\$(000)	%	\$(000)	%
Low	0	0	2	0.1	0	0	147	0.1
Moderate	27	20.6	82	4.9	831	19.2	2,755	2.7
Middle	104	79.4	1,593	95.0	3,486	80.8	101,118	97.2
Upper	0	0	0	0	0	0	0	0
N/A	0	0	0	0	0	0	0	0
Total AA	131	100.0	1,677	100.0	4,317	100.0	104,020	100.0

### **Borrower Distribution of Lending: "Satisfactory"**

The bank's distribution of lending based on borrower characteristics reflects reasonable penetration among individuals of different income levels. The charts below provide a summary of CCB's lending distribution for 2000 and 2001, respectively.

In 2000, the bank provided 44 HMDA-reportable loans totaling \$975 thousand to LMI borrowers in the assessment area. The resulting LMI penetration rate of 31.8%, based on the number of loans, was close to the aggregate's penetration rate of 32.6%. However, CCB's LMI penetration rate of 20.5%, based on dollar volume, was proportionally 12.8% lower than the aggregate's penetration.

In 2001, the bank extended 31.3% of its total loans to LMI individuals, proportionally 16.8% higher than the aggregate's LMI penetration rate. In contrast, the bank's LMI penetration rate based on dollar volume significantly exceeded that of the aggregate rate by 55.2%.

Borrower Income Level	Distribution of HMDA-reportable Loans by Borrower Income Levels							
	2000							
	Number Volume				Dollar Volume			
	Bank		Aggregate		Bank		Aggregate	
	#	%	#	%	\$(000)	%	\$(000)	%
Low	10	7.2	108	8.7	190	4.0	3,024	5.1
Moderate	34	24.6	296	23.9	785	16.5	10,883	18.4
Middle	34	24.6	360	29.1	1,014	21.3	16,670	28.2
Upper	60	43.6	435	35.1	2,763	58.1	26,676	45.1
N/A	0	0	40	3.2	0	0	1,895	3.2
Total AA	138	100.0	1,239	100.0	4,752	100.0	59,148	100.0

Borrower Income Level	Distribution of HMDA-reportable Loans by Borrower Income Levels							
	2001							
	Number Volume				Dollar Volume			
	Bank		Aggregate		Bank		Aggregate	
	#	%	#	%	\$(000)	%	\$(000)	%
Low	13	9.9	116	6.9	333	7.7	3,085	3.0
Moderate	28	21.4	334	19.9	759	17.6	13,811	13.3
Middle	30	22.9	479	28.6	871	20.2	26,302	25.3
Upper	60	45.8	705	42.0	2,354	54.5	57,545	55.3
N/A	0	0	43	2.6	0	0	3,277	3.1
Total AA	131	100.0	1,677	100.0	4,317	100.0	104,020	100.0

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

No CRA-related complaints were received by the New York State Banking Department since the previous evaluation. Additionally, a review of the bank's CRA public file did not indicate the presence of any complaints pertaining to CRA.

### **Discrimination or Other Illegal Practices**

Examiners noted no practices intended to discourage applications for the types of credit offered by the institution.

### **Evidence of prohibited discriminatory or other illegal credit practices.**

The regulatory compliance and fair lending examination reports made concurrently with this evaluation indicate 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.**

CCB's board of directors and officers are very active in community affairs. Many of the bank's directors own businesses in the assessment area, thereby allowing for direct contact with the local communities. According to management, these informal contacts enable the bank to assess the concerns, suggestions and needs of its customers.

Additionally, many of the directors, officers, and staff members belong to local service organizations, social clubs, local government and other community groups. Through these

memberships, the bank maintains regular contact with community organizations and individuals in the assessment area.

**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.**

CCB uses print and electronic media, as well as informal channels of communication, such as direct community involvement, to make members of the community aware of credit products offered.

The bank advertises in the Salamanca Press, The Chronicle, The Randolph Register, Ellicottville Events, and The Springville Journal. Additionally, local print media is used at each branch to advertise the bank's products.

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

CCB's board of directors actively participates in formulating the bank's CRA policies and reviewing its performance with respect to the purpose of CRA. To aid in their knowledge of community credit needs, CCB's directors are active in community affairs, contributing in various capacities in local government, social services and other community service groups.

**Other Factors**

None noted.

## 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.

### **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.

### **LMI Penetration Rate**

A number that depicts the percentage of a bank’s total loans 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 to LMI geographies or borrowers.

### **Small Business Loans**

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