



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: December 31, 2003

Institution: Chemung Canal Trust Company
One Chemung Canal Plaza
Elmira, NY 14902-1522

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 Tests and Assessment Factors	4
Lending Test	
Investment Test	
Service Test	
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 Chemung Canal Trust Company (“CCTC”) 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 December 31, 2003.

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 an institution’s 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 (“Evaluation”) be made available to the public. 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. These 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

Overall Rating

Chemung Canal Trust Company is rated "1," indicating an outstanding record of helping to meet the credit needs of its community. This rating is based on the following factors:

Lending Test: "Outstanding"

- CCTC's lending activity reflects excellent responsiveness to the credit needs of its assessment area. During the evaluation period, the bank originated 2,086 loans within its assessment area, including 1,360 (65.2%) HMDA-reportable loans and 726 (34.8%) small business loans. In 2002, CCTC ranked 2nd among all mortgage lenders and 5th among all small business lenders in the assessment area.
- During the evaluation period, CCTC originated a substantial majority of its loans inside its assessment area. The bank originated a minimum of 95% of its HMDA-reportable and small business loans inside the assessment area.
- Overall, the geographic distribution of loans originated by CCTC within its assessment area is good, reflecting a good dispersion of HMDA-reportable loans and an excellent dispersion of small business loans.
 - CCTC made 11.1% of its total number of HMDA-reportable originations in LMI areas during 2002. The corresponding ratio based on dollar volume is 7.6%. By comparison, the market aggregate originated 8.6% and 6.6% of its loans in LMI areas based on number of loans and dollar volume, respectively.

In 2003, the bank's LMI-area penetration rate for HMDA-reportable loans decreased to 4.9% based on number of loans and 2.2% based on dollar volume. Additionally, the number of loans that CCTC originated in LMI geographies during 2003 declined 48.6% from the previous year. This decrease is largely, if not entirely, attributable to events beyond the bank's control. Most notably, updated data from the 2000 Census were introduced during 2003 and resulted in the reclassification of three census tracts in Tioga and Steuben Counties from LMI to non-LMI areas. These reclassifications contributed to a 50% drop in the number of owner-occupied housing units in LMI census tracts within CCTC's assessment area.

- During 2002, the bank originated 26% of its small business loans by number and 26.9% by dollar volume to firms in LMI geographies. This performance exceeded the aggregate's ratios of 13.6% by number of loans and 21% by dollar volume. In 2003, the bank's LMI-area penetration ratios increased to 35.2% by number of loans and 40.2% based on dollar volume.

- The overall distribution of CCTC's loans among customers of different income levels and businesses of different sizes was good, reflecting a good dispersion of HMDA-reportable loans and an excellent dispersion of small business loans.
 - In 2002, 29.5% of the bank's HMDA-reportable loans were originated to LMI borrowers, exceeding the aggregate's ratio of 25.6%. In 2003, the bank's LMI borrower penetration rate increased to 31.8%.
 - In 2002, CCTC originated 42.6% of its small business loans to firms with revenues of \$1 million or less, which compares favorably to the aggregate's ratio of 32.6%. In 2003, 39.5% of the bank's small business loans went to firms with gross annual revenues of \$1 million or less.
- The bank's level of community development lending was excellent. For the current evaluation period, CCTC reported community development loans totaling \$11.7 million, including \$11.5 million in new commitments. This level of activity represents a 24.5% (\$2.3 million) increase over the prior evaluation period.
- The bank uses innovative and flexible credit products. The bank offers a variety of products designed to help low-income families and first-time homebuyers. In addition, CCTC offers a product that helps people with no credit history or a troubled credit history establish and maintain a positive borrowing record.

Investment Test: "Outstanding"

- CCTC had an excellent level of qualified community development investments and grants. Investments totaled \$10.9 million, which represents a 29.8% (\$2.5 million) increase from the prior evaluation. Included within the overall total is \$7.4 million (68.2%) in new money.

Service Test: "Outstanding"

- The bank's delivery systems are readily accessible to all portions of the assessment areas. CCTC operates a network of 14 full-service banking offices in four counties. One office is located in an LMI area, and three are located in census tracts adjacent to an LMI area.
- Each branch has an ATM and the bank operates 10 additional ATMs at offsite locations. The offsite ATMs do not accept deposits. Six of the offsite ATMs (60%) were located within or adjacent to LMI census tracts.
- CCTC offers banking by mail, telephone and the Internet.
- The bank has tailored its business hours and retail services to the convenience and needs of its assessment area. All branches offer extended hours and 10 branches offer Saturday hours.

- The bank is a leader in providing community development services within its assessment area. Many of the bank's officers and employees provide technical assistance to nonprofit organizations that support affordable housing, small business development and economic development. In addition, CCTC sponsors and/or attends numerous mortgage fairs and loan workshops.

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 Elmira in 1833, Chemung Canal Trust Company ("CCTC") is a full-service commercial bank with full trust powers. The bank's sole subsidiary, CCTC Funding Corporation, is a real estate investment trust company formed in 1999 to hold the majority of the bank's mortgage loans.

CCTC is a wholly owned subsidiary of Chemung Financial Corporation ("CFC"), a one-bank holding company headquartered in Elmira, New York. CFC also owns a non-bank subsidiary, CFS Group ("CFS"), which commenced operations in 2001 as a financial services company.

As of the evaluation date, CCTC operated 14 full-service banking offices and 24 ATMs. Each banking office has one ATM, while the remaining ATMs are located offsite and do not accept deposits. In addition, CCTC maintains a trust office in Binghamton, New York.

As of December 31, 2003, the bank reported total assets of \$744.3 million, including net loans of \$380.5 million. Total deposits amounted to \$551.8 million, resulting in a loan-to-deposit ratio of 69.0%.

As of June 30, 2003, CCTC was the leading bank in its assessment area, with a deposit market share of 23.22%.

CCTC offers a wide variety of credit products including:

- Commercial Loans
 - Term and Working Capital Loans
 - Commercial Mortgage Loans
 - Farm and Industrial Equipment Loans
 - Business Credit Cards and Lines of Credit
 - Small Business Administration ("SBA") Guaranteed Loans
 - Domestic Letters of Credit

- Residential Real Estate Mortgages
 - Fixed- and Adjustable-Rate Residential Mortgages
 - Affordable Housing Programs

- Consumer Loans
 - Home Improvement Loans
 - Mobile Home Loans
 - Credit Builder Loans
 - Personal Loans and Credit Lines
 - Credit Cards

The following table summarizes CCTC's loan portfolio as of year-end 2002 and 2003:

Loan Portfolio Summary (Dollar Amounts Shown in Thousands)				
Loan Type	12/31/02		12/31/03	
	\$	%	\$	%
1-4 Family Residential Mortgage Loans	154,568	35.7	141,818	36.3
Multifamily Mortgages	493	0.1	451	0.1
Commercial Mortgage Loans	41,911	9.7	41,386	10.6
Consumer Loans	82,659	19.1	74,085	19.0
Commercial & Industrial Loans	140,796	32.5	121,184	31.0
Agricultural Loans	29	0.0	24	0.0
Construction Loans	1,229	0.3	1,495	0.4
Obligation of States & Municipalities	8,161	1.9	7,092	1.8
Lease financing	20	0.0	6	0.0
Other Loans	2,780	0.6	2,987	0.8
Gross Loans	432,646	100.0	390,528	100.0

Source: CCTC's Call Reports for 12/31/02 and 12/31/03, as filed with the FDIC.

CCTC's loan portfolio shrank 9.7% between year-end 2002 and year-end 2003. During that same period, the bank's total assets declined by less than 0.5%.

As shown in the table above, 1- to 4-Family Residential Mortgage Loans accounted for the largest percentage of the bank's portfolio, at approximately 36% of gross loans. The next largest category of lending was Commercial & Industrial Loans, at 31.0% of gross loans as of year-end in 2003.

At its CRA prior performance evaluation, conducted by the New York State Banking Department as of December 31, 2001, CCTC received a rating of "1," reflecting an outstanding record of helping to meet the credit needs of its assessment area.

Assessment Area:

CCTC has defined its assessment area to include the eastern portion of Steuben County and all of Schuyler, Tioga and Chemung Counties. Steuben and Schuyler Counties are non-MSA areas, whereas Tioga County is part of MSA 0960 and Chemung County represents MSA 2335 in its entirety. All portions of the assessment area are located in the Southern Tier region of New York State.

According to data from the 1990 Census, CCTC's assessment area contains 54 census tracts, including one (1.8%) low-income, seven (13.0%) moderate-income, 36 (66.6%) middle-income, seven (13.0%) upper-income and three (5.6%) zero-income tracts.

Based on updated data from the 2000 Census, the assessment area now contains 53 census tracts, including two (3.8%) low-income, four (7.5%) moderate-income, 38 (71.7%) middle-income, and eight (15.1%) upper-income tracts, as well as a single (1.9%) zero-income tract.

Between the 1990 and 2000 Censuses, the population of the assessment area declined by 2.3% to 212.6 thousand residents. During that same ten-year period, the number of families within the assessment area fell by 2.7% to 56.6 thousand.

According to data from the 2000 Census, 15.1% of the assessment area's population was over the age of 65 and another 22.1% of the population was under the age of 16.

The number of housing units in the assessment area increased from 88.3 thousand in 1990 to 91.8 thousand in 2000. Despite this increase, the distribution of housing among 1- to 4-family, multifamily and mobile home units remained relatively stable.

In 2000, the weighted average median family income for the entire assessment area was \$43.9 thousand. The U.S. Department of Housing and Urban Development's ("HUD") updated estimate of the assessment area's weighted average median family income for 2003 was \$47.7 thousand.

As of 2002, there were 322,700 jobs in the Southern Tier of New York. Nearly half of these jobs were located in the region's two MSAs. MSA 0960, which encompasses Broome and Tioga counties, accounted for 115.4 thousand, or 35.8%, of the region's total jobs. MSA 2335, which is limited to Chemung County, accounted for an additional 41.2 thousand (12.8%) jobs. Steuben County had 40.6 thousand (12.6%) jobs, while Schuyler County had only 4.6 thousand (1.4%) of the region's jobs.

After posting a record level of employment in 2001, the Southern Tier suffered a first drop in employment the following year. In 2002, the area's employment level fell for the first time in 10 years as manufacturing jobs left the area. The loss of manufacturing jobs in 2002 was particularly severe in Steuben County, where manufacturing employment fell by 13.6%. The area was also hit by a loss of professional and business service jobs, which declined by 10.9%. These employment losses were only partially offset by gains in health, education, leisure and hospitality services.

The assessment area appears reasonable based on the bank's lending patterns and the location of its branches. There is no evidence to indicate that LMI areas have been arbitrarily excluded from the assessment area.

Details of the Assessment Area

Chemung County

Chemung County contains 23 census tracts. Based on the 1990 Census, these 23 tracts included one (4.4%) low-income, four (17.4%) moderate-income, 14 (60.9%) middle-income, and three (13.0%) upper-income tracts, as well as one (4.3%) zero-income tract.

Based on the 2000 Census, the income characteristics of the county's 23 census tracts

changed to the following composition: two (8.7%) low-income tracts, four (17.4%) moderate-income tracts, 13 (56.5%) middle-income tracts, three (13.0%) upper-income tracts and one (4.3%) zero-income tract.

Tioga County

Based on the 1990 Census, there were 11 census tracts in Tioga County, including two (18.2%) moderate-income, five (45.4%) middle-income, two (18.2%) upper-income and two (18.2%) zero-income tracts.

According to the 2000 Census, Tioga County now has only 10 census tracts. These 10 tracts fall into one of two income categories: eight (80%) are middle-income tracts and two (20%) are upper-income tracts. The county no longer contains any LMI census tracts.

Schuyler County

All five of the census tracts in Schuyler County are middle-income tracts.

Steuben County

Steuben County contains 30 census tracts; however, only 15 of these tracts are included within CCTC's assessment area. The 15 tracts that are located within the assessment area comprise the eastern portion of the county, including the city of Corning and the townships of Wayne, Bradford, Bath, Urbana, Campbell, Hornby, Erwin, Corning, Lindley and Caton.

Based on the 1990 census, the Steuben County section of the assessment area included one (6.7%) moderate-income, 12 (80%) middle-income and two (13.3%) upper-income tracts. According to the 2000 Census, these 15 tracts fall into one of two income categories: 12 (80%) are middle-income tracts and three (20%) are upper-income tracts.

Please refer to the following charts for additional details of demographics for each county or partial county in the assessment area:

Chart #1 – Population and Income Characteristics by County

Chart #2 – Housing Characteristics by County

Chart #3 – Business Demographics by County

CHART # 1

CHEMUNG CANAL TRUST COMPANY - CRA 2003																								
ASSESSMENT AREA POPULATION AND INCOME CHARACTERISTICS BY COUNTY*																								
COUNTY	Total Population		Age 66 and over		Age 15 and less		Median Family Income(MFI)	HUD MSA MFI	Total Households		# of HH below poverty level		Total Families		Low income		Moderate income		Middle income		Upper income		LMI families in LMI tracts	
	#	#	%	#	%	\$	\$	#	#	%	#	#	%	#	%	#	%	#	%	#	%	#	%	
TIOGA	51,784	6,785	13.1	12,490	24.1	45,698	49,100	19,779	1,581	8.0	14,369	2,281	15.9	2,748	19.1	3,656	25.4	5,684	39.6	0	0.0			
CHEMUNG	91,070	14,222	15.6	19,501	21.4	43,994	47,400	35,076	4,531	12.9	23,461	4,334	18.5	4,391	18.7	5,499	23.4	9,237	39.4	2,223	25.5			
SCHUYLER	19,224	2,815	14.6	4,203	21.9	42,946	47,300	7,375	779	10.6	5,204	1,005	19.3	1,046	20.1	1,228	23.6	1,925	37.0	0	0.0			
STEBEN**	50,509	8,262	16.4	10,822	21.4	42,946	47,300	20,745	2,174	10.5	13,540	2,313	17.1	2,433	18.0	2,898	21.4	5,896	43.5	0	0.0			
TOTAL A/A***	212,587	32,084	15.1	47,016	22.1	43,920	47,683	82,975	9,065	10.9	56,574	9,933	17.6	10,618	18.8	13,281	23.5	22,742	40.2	2,223	10.8			

* Based on 2000 U.S. Census Data

** Partial County

*** Assessment Area

CHART # 2

CHEMUNG CANAL TRUST COMPANY - CRA 2003 ASSESSMENT AREA HOUSING CHARACTERISTICS BY COUNTY*																				
COUNTY	Total Housing Units		1-4 family Units		Multifamily Units		Owner-Occupied Units (O-O)		O-O Units in Low-income Tracts		O-O Units in Mod-income Tracts		O-O Units in Mid-income Tracts		O-O Units in Upp-income Tracts		Rental Units		Vacant Units	
	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%
TIOGA	21,410	79.4	16,993	79.4	713	3.3	15,347	71.7	0	0.0	0	0.0	11,642	75.9	3,705	24.1	4,973	23.2	1,685	7.9
CHEMUNG	37,745	85.2	32,140	85.2	3,323	8.8	24,159	64.0	106	0.4	2,351	9.7	15,310	63.4	6,390	26.5	12,346	32.7	2,696	7.1
SCHUYLER	9,181	77.3	7,099	77.3	205	2.2	5,691	62.0	0	0.0	0	0.0	5,691	100.0	0	0.0	1,870	20.4	1,807	19.7
STEUBEN**	23,502	77.0	18,105	77.0	2,058	8.8	14,674	62.4	0	0.0	0	0.0	11,132	75.9	3,542	24.1	6,756	28.7	2,825	12.0
TOTAL A/A***	91,838	80.9	74,337	80.9	6,299	6.9	59,871	65.2	106	0.2	2,351	3.9	43,774	73.1	13,637	22.8	25,945	28.3	9,013	9.8

* Based on 2000 U.S. Census Data

** Partial County

*** Assessment Area

CHART # 3

CHEMUNG CANAL TRUST COMPANY - CRA 2003 ASSESSMENT AREA BUSINESS DEMOGRAPHICS BY COUNTY*

COUNTY	Number of Businesses	Businesses with Rev. of \$1 million or less		Businesses with Rev. of more than \$1 million		Businesses with no revenues reported		Businesses with less than 50 employees		Operating from a single location	
		#	#	%	#	%	#	%	#	%	#
TIOGA	2,455	1,696	69.1	91	3.7	668	27.2	1,987	80.9	2,175	88.6
CHEMUNG	4,559	2,842	62.3	286	6.3	1,431	31.4	3,666	80.4	3,606	79.1
SCHUYLER	946	656	69.3	44	4.7	246	26.0	783	82.8	828	87.5
STEUBEN**	2,803	1,802	64.3	134	4.8	867	30.9	2,240	79.9	2,295	81.9
TOTAL A/A***	10,763	6,996	65.0	555	5.2	3,212	29.8	8,676	80.6	8,904	82.7

* Based on 2000 U.S. Census Data

** Partial County

*** Assessment Area

PERFORMANCE TESTS AND ASSESSMENT FACTORS

The Banking Department assesses a large bank's CRA performance by evaluating its lending, investment and service activities using the lending, investment and service tests described in Sections 76.8, 76.9 and 76.10 of the General Regulations of the Banking Board.

This performance evaluation is based on a review of CCTC's lending, investment and service activities within its assessment area during 2002 and 2003. Products considered as part of this evaluation include residential mortgages and small business loans.

Statistics contained in this report were derived from several sources. Bank-specific loan information was submitted by CCTC. Aggregate lending data for HMDA-reportable and small business loans were obtained from the Federal Financial Institution Examination Council ("FFIEC") and PCi Corporation's CRA Wiz ® software. Demographic data were taken from the 1990 and 2000 U.S. Censuses. Updated estimates of local median family income levels were obtained from HUD.

At the time this evaluation was conducted, aggregate lending data from 2003 were not yet available for comparison purposes.

I. Lending Test: "Outstanding"

The bank's lending performance was evaluated pursuant to the following criteria: (1) Lending Activity, (2) Assessment Area Lending, (3) Geographic Distribution of Loans, (4) Borrower Characteristics, (5) Community Development Lending and (6) Innovative or Flexible Lending Practices.

Lending Activity: "Outstanding"

CCTC's lending levels reflect excellent responsiveness to the credits needs of its assessment area.

HMDA-Reportable Loans

In 2002, the bank originated 627 HMDA-reportable loans totaling \$27.0 million within the assessment area. The following year, CCTC originated 733 HMDA-reportable loans totaling \$33.8 million. The bank's lending activity in 2003 represents an increase of 16.9% by number of loans, and 25.3% by dollar volume, over its lending levels in 2002.

According to a market share report covering all mortgage lenders in the assessment area, CCTC ranked 2nd by number of loans and 6th by dollar volume during 2002.

The following tables show the distribution of CCTC's HMDA-reportable loans by county and product type.

Distribution of HMDA-Reportable Loans by Product Type (\$ Shown in Thousands)								
Loan Type	2002				2003			
	#	% by #	\$	% by \$	#	% by #	\$	% by \$
Home Purchase	140	22.3	10,678	39.6	147	20.1	10,397	30.7
Refinancing	196	31.3	12,351	45.8	268	36.6	19,189	56.7
Home Improvement	291	46.4	3,963	14.7	318	43.4	4,247	12.6
Total	627	100.0	26,992	100.0	733	100.0	33,833	100.0

Distribution Of HMDA-Reportable Loans By County (\$ Shown in Thousands)								
County	2002				2003			
	#	% by #	\$	% by \$	#	% by #	\$	% by \$
Tioga	64	10.2	1,869	6.9	72	9.8	2,715	8.0
Chemung	427	68.1	17,919	66.4	493	67.3	22,354	66.1
Schuyler	62	9.9	2,273	8.4	96	13.1	4,545	13.4
Steuben	74	11.8	4,931	18.3	72	9.8	4,219	12.5
Total	627	100.0	26,992	100.0	733	100.0	33,833	100.0

Small Business Loans

In 2002, CCTC originated 397 small business loans totaling \$59.4 million inside the assessment area. The following year, the bank originated 329 loans for a total of \$50.7 million. The bank's lending during 2003 represents a decline of 7.1% by number of loans and 14.7% by dollar volume compared to 2002 levels.

A market share report for small business lenders shows that CCTC ranked 5th by number of loans and 1st by dollar volume within its assessment area during 2002.

The following chart shows the distribution of CCTC's small business loans by county:

Distribution Of Small Business Loans By County (\$ Shown in Thousands)								
County	2002				2003			
	#	% by #	\$	% by \$	#	% by #	\$	% by \$
Tioga	23	5.8	2,961	5.0	21	6.4	3,120	6.2
Chemung	315	79.3	47,178	79.5	253	76.9	38,480	76.0
Schuyler	25	6.3	2,663	4.5	27	8.2	2,797	5.5
Steuben	34	8.6	6,575	11.1	28	8.5	6,256	12.4
Total	397	100.0	59,377	100.0	329	100.0	50,653	100.0

Assessment Area Lending: "Outstanding"

CCTC originated a substantial majority of its loans inside the assessment area.

In both years of the evaluation period, the bank originated more than 95% of its small business and HMDA-reportable loans inside the assessment area. The chart below illustrates CCTC's distribution of loans within and beyond its assessment area:

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Dollar Amount (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
HMDA-Reportable Loans										
2002	627	95.7	28	4.3	655	26,992	95.0	1,430	5.0	28,422
2003	733	95.2	37	4.8	770	33,833	94.5	1,976	5.5	35,809
Subtotal	1,360	95.4	65	4.6	1,425	60,825	94.7	3,406	5.3	64,231
Small Business Loans										
2002	397	97.5	10	2.5	407	59,377	96.2	2,366	3.8	61,743
2003	329	97.6	8	2.4	337	50,653	95.9	2,155	4.1	52,808
Subtotal	726	97.6	18	2.4	744	110,030	96.1	4,521	3.9	114,551
Total	2,086	96.2	83	3.8	2,169	170,855	95.6	7,927	4.4	178,782

Geographic Distribution of Lending: “High Satisfactory”

An analysis of CCTC’s loan originations within the assessment area revealed a good geographic dispersion of HMDA-reportable and small business loans.

HMDA-Reportable Loans

Overall, the geographic distribution of CCTC’s HMDA-reportable loans is good when compared to the market aggregate and the demographic profile of its assessment area.

In 2002, CCTC outperformed the aggregate’s lending penetration rates for LMI areas. To be specific, LMI-area lending accounted for 11.1% of CCTC’s total originations based on number of loans and 7.6% based on dollar volume. By comparison, the aggregate originated 8.6% and 6.6% of its loans in LMI areas, respectively.

In 2003, CCTC originated 4.9% of its number and 2.2% of its dollar volume of loans in moderate-income geographies. Although CCTC did not originate any loans in low-income census tracts during 2003, this outcome reflects a scarcity of opportunity rather a lack of effort. For example, during 2002, loans in low-income areas accounted for less than one-quarter of 1% of all HMDA-reportable lending in the assessment area. During that year, there were only 12 loans made in low-income census tracts by all lenders combined.

While the number of loans originated in LMI geographies declined 48.6% between 2002 and 2003 (from 70 loans to 34 loans), the number of owner-occupied housing units in LMI areas within the assessment area declined by more than 50% between 1990 and 2000. The drop in LMI-area owner-occupied housing was caused by the re-classification of three tracts in Tioga and Steuben Counties. These tracts had been categorized as LMI areas based on 1990 Census data, but were re-designated as non-LMI areas in 2003 following the release 2000 Census data.

During the evaluation period, CCTC originated approximately two-thirds of its HMDA-reportable loans in Chemung County, and the geographic distribution of these loans is adequate when compared to housing demographics in this county.

The chart below illustrates the geographic distribution of CCTC’s HMDA-reportable loans within its assessment area during the evaluation period:

Distribution of HMDA-Reportable Loans by Geography Income Level (\$ Shown in Thousands)								
2002								
Geography Income Level	Bank				Aggregate			
	#	% by #	\$	% by \$	#	% by #	\$	% by \$
Low	2	0.3	30	0.1	12	0.2	402	0.1
Moderate	68	10.8	2,031	7.5	509	8.4	27,298	6.5
Middle	428	68.3	16,330	60.5	3,816	62.8	238,113	56.7
Upper	129	20.6	8,601	31.9	1,743	28.7	153,760	36.6
N/A	0	0.0	0	0.0	1	0.0	10	0.0
Total	627	100.0	26,992	100.0	6,081	100.0	419,583	100.0
2003								
Geography Income Level	Bank				Aggregate			
	#	% by #	\$	% by \$				
Low	0	0.0	0	0.0				
Moderate	36	4.9	749	2.2				
Middle	529	72.2	21,388	63.2				
Upper	168	22.9	11,696	34.6				
N/A	0	0.0	0	0.0				
Total	733	100.0	33,833	100.0				

Small Business Loans

The geographic dispersion of CCTC’s small business loans is excellent.

In 2002, the bank’s LMI penetration rate for small business loans was 26% based on number of loans and 26.9% based on dollar volume. By comparison, the aggregate’s LMI penetration rate was 13.6% based on number of loans and 21% based on dollar volume.

In 2003, the bank’s LMI penetration rate increased to 35.2% based on number of loans and 40.2% based on dollar volume.

The table below illustrates the geographic distribution of CCTC’s small business loan originations within its assessment area during the evaluation period.

Distribution of Small Business Loans by Geography Income Level								
2002								
Geography Income Level	Bank				Aggregate			
	#	# %	\$(000's)	\$ %	#	# %	\$(000's)	\$ %
Low	19	4.8	3,596	6.1	55	1.4	6,562	4.3
Moderate	84	21.2	12,366	20.8	479	12.2	25,715	16.7
Middle	221	55.7	33,311	56.1	2,616	66.7	91,776	59.5
Upper	73	18.4	10,104	17.0	773	19.7	30,092	19.5
N/A	0	0.0	0	0.0	0	0.0	0	0.0
Total	397	100.0	59,377	100.0	3,923	100.0	154,145	100.0
2003								
Geography Income Level	Bank				Aggregate			
	#	# %	\$(000's)	\$ %				
Low	29	8.8	5,937	11.7				
Moderate	87	26.4	14,443	28.5				
Middle	151	45.9	20,478	40.4				
Upper	62	18.8	9,795	19.3				
N/A	0	0.0	0	0.0				
Total	329	100.0	50,653	100.0				

Borrower Characteristics: "High Satisfactory"

CCTC has achieved a good distribution of HMDA-reportable loans and an excellent distribution of small business loans to borrowers of different income levels.

HMDA-Reportable Loans

In 2002, CCTC originated 29.5% of its loans to LMI borrowers, exceeding the aggregate's ratio of 25.6%. In 2003, the bank's LMI borrower penetration rate increased to 31.8%. The table below illustrates CCTC's distribution of HMDA-reportable loans by borrower income level:

Distribution of HMDA Reportable Loans by Borrower Income Level (\$ Shown in Thousands)								
2002								
Borrower Income Level	Bank				Aggregate			
	#	% by #	\$	% by \$	#	% by #	\$	% by \$
Low	66	10.5	1,018	3.8	403	6.6	13,158	3.1
Moderate	119	19.0	2,936	10.9	1,154	19.0	50,322	12.0
Middle	182	29.0	6,397	23.7	1,529	25.1	85,539	20.4
Upper	244	38.9	15,772	58.4	2,758	45.4	246,081	58.6
N/A	16	2.6	869	3.2	237	3.9	24,483	5.8
Total	627	100.0	26,992	100.0	6,081	100.0	419,583	100.0
2003								
Borrower Income Level	Bank				Aggregate			
	#	% by #	\$	% by \$				
Low	85	11.6	1,529	4.5				
Moderate	148	20.2	4,373	12.9				
Middle	199	27.1	7,504	22.2				
Upper	276	37.7	19,452	57.5				
N/A	25	3.4	975	2.9				
Total	733	100.0	33,833	100.0				

Small Business Loans

On a percentage basis, CCTC outperformed the aggregate in originating small business loans to firms with gross annual revenues of \$1 million or less.

In 2002, CCTC originated 42.6% of its small business loans to companies with gross annual revenues of \$1 million or less, compared to 32.6% for the aggregate.

In 2003, CCTC made 39.5% of its small business loans to firms with revenues of \$1 million or less. As mentioned elsewhere in this report, aggregate data for 2003 was not available for comparison at the time this evaluation was prepared.

The following chart summarizes CCTC's lending to businesses with gross annual revenues of \$1 million or less. All percentages expressed below were calculated based on the total number and dollar volume of small business loans originated by the bank or the aggregate, as appropriate, in the given year.

Small Business Lending to Firms with Gross Annual Revenues <=\$1 million								
Year	Bank				Aggregate			
	#	% by #	\$	% by \$	#	% by #	\$	% by \$
2002	169	42.6	15,128	25.5	1,278	32.6	64,373	41.8
2003	130	39.5	12,720	25.1				

Community Development Lending: "Outstanding"

CCTC's level of community development lending was excellent. During the evaluation period, CCTC's community development loans totaled \$11.7 million, including \$11.5 million in new commitments. Community development lending has increased 24.5% (\$2.3 million) since the previous evaluation.

The distribution of CCTC's community development loans can be summarized as follows: 55.6% originated in Chemung County, 29.0% in Steuben County, 12.8% in Schuyler County and 2.6% in Tioga County.

Approximately 90% of the bank's community development loans supported organizations that focus on providing community services. The following paragraphs provide examples of CCTC's community development lending activity during the evaluation period:

- \$2.1 million extended to a nonprofit organization that provides services to mentally and developmentally disabled individuals in Chemung County.
- \$2 million extended to an organization that provides services to developmentally disabled individuals in Chemung County.

- \$2.5 million extended to an agency that operates residential, day treatment, family support, childcare, home service and respite programs for developmentally disabled individuals and their families.
- \$200 thousand extended to a nonprofit organization that provides evaluation, training and employment to individuals with disabilities.
- \$570 thousand extended to a nonprofit corporation that operates a 120-bed nursing facility.
- \$828 thousand extended to a nonprofit organization that provides a broad range of support services to children and their families. These services include: providing alternative living arrangements for adolescents' who have difficult family lives; developing foster homes and related placement services; providing early-stage intervention services for family problems; and offering respite care for families facing emergency or crisis situations.
- \$138 thousand extended to an organization that operates a residential treatment program in Bath, New York (Steuben County). The program provides vocational and educational programs for teenage boys in need of supervision.
- \$100 thousand extended to a nonprofit organization that provides a broad range of social and occupational services for visually handicapped clients in the Southern Tier region.
- \$350 thousand extended to an organization whose mission is to foster economic growth in Tioga County.

Flexible or Innovative Lending Practices: "High Satisfactory"

CCTC is a member of the Federal Home Loan Bank's First Home Club. This program helps low-income families become first-time homebuyers by matching the funds they save towards purchasing a house. Eligible homebuyers can earn up to \$5 thousand toward their down payment and closing costs. Under this program, CCTC originated nine loans totaling \$246 thousand in 2002 and eight loans totaling \$197 thousand in 2003.

The bank also participates in the City of Elmira's grant program for first-time homebuyers. Under this program, CCTC provides mortgages to LMI borrowers and covers certain closing costs. Through this program, the bank originated 123 loans totaling \$3.5 million in 2002 and 135 loans totaling \$4 million in 2003.

CCTC offers a "Credit Builder" loan product that assists individuals who either have damaged credit or have not borrowed before and lack a co-signer. This product gives borrowers a chance to develop a good credit history. The bank originated 18 Credit Builder loans totaling \$21 thousand in 2002 and another 18 loans totaling \$26 thousand in 2003.

II. Investment Test: “Outstanding”

The investment test evaluates a banking institution’s record of helping to meet the credit needs of its assessment area through qualified investments. Qualified investments are evaluated based on dollar volume, innovativeness, complexity, responsiveness to community development needs, and the degree to which the investment is not routinely provided by private investors.

CCTC has an excellent level of qualified community development investments. Since the prior evaluation, the bank’s level of qualified investments has increased by \$2.5 million (29.8%) to \$10.9 million. A high percentage (68.2%) of this total represents new money. All of CCTC’s qualified investments support community service activities and various community organizations in Chemung, Tioga and Steuben Counties. Qualifying grants totaling \$145 thousand are included within the investment total.

III. Service Test: “Outstanding”

The service test evaluates a banking institution’s record of helping to meet the credit needs of its assessment area through its retail banking network. Performance considerations include the availability and effectiveness of the institution’s retail banking services as well as the extent and innovativeness of the bank’s community development services.

Retail Banking Services: “Outstanding”

Accessibility of Delivery Systems

The bank’s delivery systems are readily accessible to all portions of its assessment area.

As of December 31, 2003, CCTC operated a network of 14 full-service banking offices, distributed as follows: seven branches in Chemung County, three in Steuben County, two in Schuyler County and two in Tioga County.

One branch office (7.1%) is located in a low-income census tract, nine branches (64.3%) are located in middle-income census tracts and four branches (28.6%) are located in upper-income tracts. Three of the bank’s 13 non-LMI area branches are located in census tracts adjacent to LMI areas.

CCTC maintains at least one ATM at each branch, and operates 10 off-site non-deposit-taking ATMs (nine in Chemung County and one in Steuben County). Approximately one-third (30%) of the bank’s offsite ATMs are located in LMI census tracts and another 30% are located in areas adjacent to LMI tracts.

Alternative Delivery Systems

The bank's onsite ATMs are available 24 hours a day, 7 days a week. By comparison, only four of CCTC's 10 offsite ATMs are accessible 24 hours a day, and only two of those four machines are accessible to the public.

Except for the ATM at the Oswego branch in Tioga County, CCTC's onsite ATMs are located in drive-up facilities. In contrast, all 10 offsite ATMs are housed in walk-up facilities.

To enhance its branch and ATM network, the bank offers banking by mail and provides self-addressed envelopes at no charge to customers. CCTC also offers a drop box at each branch office for after-hours transactions.

Telephone banking services are available to all customers via two methods: (1) a tele-servicing department that is available from 8:30 a.m. to 4:30 p.m. Monday through Friday, and (2) "CC Answer 24," a telephone banking service that is available 24 hours a day, 7 days a week. Customers can use these services to make various inquiries, transfer funds, pay loans, verify deposits and withdrawals and make investment calculations.

CCTC also offers Internet banking services that allow customers to retrieve balances, transfer funds, print statements, e-mail the bank, access account histories, view check images, make bill payments online, apply for consumer loans, request real estate loan applications, make credit card and other loan payments and perform financial calculations.

Changes in Branch Locations

The bank has not opened or closed any branches during the evaluation period.

Reasonableness of Business Hours and Services in Meeting Assessment Area Needs

CCTC's hours and services are tailored to the convenience and needs of its assessment area. All branch offices are open from 9:00 a.m. to 4:30 p.m. Monday through Friday, with the exception of the Bath office, which is open until 5:00 p.m. on Friday. Ten of the 14 branches offer Saturday hours.

CCTC employs a mortgage originator who is available after hours to take applications at consumers' residences or places of business.

Community Development Services: "Outstanding"

CCTC is recognized as a leader in providing community development services within its assessment area. During the evaluation period, nearly 75 bank officers and employees provided technical assistance to nonprofit community organizations that support affordable housing, small business development and economic development. Some of the groups served include Elmira Downtown Development, Glove House and Community Progress

Incorporated.

The bank sponsors and/or participates in numerous mortgage fairs and loan workshops throughout the year. CCTC also provides homebuyer seminars and credit counseling services in partnership with several local community groups. In addition, the bank has participated in various educational presentations and seminars, most of which have focused on financial literacy and first time home buying.

One particularly noteworthy activity is CCTC's ongoing support of the Chemung County Home Improvement Program. CCTC applied for and received a \$100 thousand subsidy grant from the Federal Home Loan Bank (FHLB). This award enabled CCTC to subsidize 20 housing rehabilitation projects for LMI families as part of the \$400 thousand Chemung County Home Improvement Program.

In 2003, various officers of the bank served more than 20 community development organizations as board members or financial advisors. In addition, several staff members served six other community development organizations as board members, treasurers, or both. Furthermore, over each of the past several years, CCTC has provided administrative assistance to the United Way of the Southern Tier's annual fundraising campaign.

- CCTC's president and CEO is chairman of the Arnot Ogden Medical Center Board of Managers. He is also the immediate past chairman of the Chemung County Chamber of Commerce and serves on its executive committee. Furthermore, he serves as vice chairman of the board for Southern Tier Economic Growth, an economic development organization dedicated to attracting businesses to and retaining businesses within Chemung County.
- A senior vice president serves on the board and as treasurer of Chemung County ARC, a not-for-profit organization that assists individuals with developmental disabilities. An executive vice president also assisted this organization by serving on its finance committee.
- The bank's chief financial officer serves on the board and as treasurer of Southern Tier Hospice.
- A senior vice president is the leadership chairman for the United Way of the Southern Tier.

CCTC supports the area's public school programs, including those that create partnerships between schools and local businesses. In addition, officers and staff from the bank serve as tutors in the "Reading is Fundamental" program and conduct financial education programs through Junior Achievement. Furthermore, several bank officers provide financial literacy and credit counseling services to adults through local church organizations and area Girl Scout and Boy Scout troops.

IV. 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.

There were no practices noted 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 a satisfactory performance in terms of adherence to antidiscrimination or other applicable laws and regulations. No evidence of prohibited discrimination or other illegal credit practices was noted.

V. 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.

CCTC ascertains the credit needs of its community through direct involvement with various businesses, civic, economic, community and religious organizations. CCTC's management and staff participate in a variety of community development organizations, which promote financial service education within its community. These organizations include Catholic Charities Homeowners' Association, SCORE, Small Business Development Center, Career Development Council, Junior Achievement of the Twin Tiers, Cornell Cooperative Extension, Tri-County Housing Council and the Chamber of Commerce.

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.

CCTC's marketing and advertising program reaches all parts of the assessment area. The bank primarily markets its credit and deposit services through advertisements in newspapers, on television, over the radio and via the Internet. In addition, the bank advertises through lobby posters, direct mailings, billboards and bus signs.

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.

The board of directors takes an active interest in CRA activities and is committed to meeting the credit needs of the local community. The board also maintains ongoing contact with community leaders and local residents to ensure that CCTC remains aware of and responsive to their needs.

VI. 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 uses Freddie Mac's "Loan Prospector" system to obtain instant credit evaluations and provide a quick response to area homebuyers. CCTC keeps its Loan Prospector system up-to-date to ensure that customers benefit from the latest and most efficient product delivery available.

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 tracked 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 tracked 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

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 non-metropolitan 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.