



**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, 2005

**Institution:** Chemung Canal Trust Company  
One Chemung Canal Plaza  
P.O. Box 1522  
Elmira, NY. 14902

**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
Lending Test	
Loan-to-Deposit Analysis	
Assessment Area Concentration	
Geographic Distribution of Loans	
Distribution by Borrowers Characteristics	
Action Taken in Response to Written Complaints With Respect to CRA	
Community Development Test	
Community Development Lending	
Investments	
Services	
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, 2005.

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 of small banking institutions are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Section 76.12. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York State Banking Law.

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

---

## **OVERVIEW OF INSTITUTION'S PERFORMANCE**

Chemung Canal Trust Company rated "1," indicating an outstanding record in meeting the credit needs of the community. The rating is based on the following factors:

### **I. Lending Test: "Satisfactory"**

- CCTC's loan to deposit ("LTD") ratio is reasonable given its size, financial condition and the credit needs of its assessment area.
- CCTC originated a substantial majority of its loans within the assessment area during the evaluation period. Of the total loans originated by CCTC, 89.9% were originated inside the assessment area.
- The geographic distribution of CCTC's HMDA-reportable and small business loans reflected an excellent dispersion throughout the assessment area. CCTC's LMI penetration rates for HMDA-reportable and small business loans were higher than those of the aggregate in terms of both number and dollar volume extended in LMI areas.
- The borrower characteristics of CCTC's HMDA-reportable and small business loans reflected a reasonable dispersion among borrowers of different incomes and businesses of different revenue sizes. CCTC's LMI penetration rates for HMDA-reportable and small business loans are comparable to those of the market aggregate.

### **II. Community Development Test: Outstanding**

- During the evaluation period, CCTC's community development loans and commitments totaled \$18.4 million, including \$7.8 million in new money.
- CCTC's qualified investments and grants during the evaluation period totaled \$7.9 million.
- CCTC provides a high level of community development services in its assessment area. CCTC's officers and employees assist several local organizations by serving on their respective boards of directors.

Neither the CCTC nor the New York State Banking Department received any written complaints with respect to its CRA performance during the evaluation period.

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:

Established in 1833, CCTC is a commercial bank chartered by New York State. In 1902, it was reorganized as a trust company under the name Elmira Trust Company. The name was changed to its current name, Chemung Canal Trust Company in 1903.

CCTC is a wholly owned subsidiary of Chemung Financial Corporation ("CFC"). CFC, incorporated in 1985 under the laws of the State of New York was organized for the purpose of acquiring CCTC. CFC became a financial holding company in 2000 and operates with two subsidiaries, namely CCTC and CFS Group, Inc., a subsidiary offering non-traditional financial services such as mutual funds, annuities, brokerage services and insurance.

As of December 31, 2005, CCTC reported total assets of \$715.2 million, consisting of net loans of \$408.9 million. According to the 2004 market share report for HMDA-reportable lending, CCTC ranked first among 201 mortgage lenders in its assessment area with a market share of 10.1% based on number of loans and 6.4% based on dollar volume.

According to the Deposit Market Share report dated June 30, 2005, CCTC had deposits totaling \$525.7 million, of which 64% were generated from Chemung County, 10.1% came from Schuyler County, 14.8% from Steuben County, and 11.1% from Tioga County. CCTC is ranked number one with the highest deposits at \$525.7 million and a market share of 22% among 16 deposit taking institutions operating in its assessment area, which generated \$2.4 billion total deposits.

As of the evaluation date, CCTC had 14 full-service banking offices and 25 ATM locations. Each banking office has ATMs, which provide various services including withdrawal and transfer of funds, deposit taking and payments. The remaining eleven ATM locations provide withdrawal and funds transfer services only.

The chart below shows the number of branches in each county, number of census tracts as of December 31, 2005, and amount of deposits from the four counties in the assessment area as of June 30, 2005. It will be noted that Chemung County accounts for 50.0% of the branches, 43.4% of the census tracts and 64.0% of total deposits.

Counties	# of Branches	# of Census Tracts	Amount of Deposits	
			\$000	%
Chemung	7	23	336.2	64.0
Schuyler	2	5	53.4	10.1
Steuben	3	15	77.9	14.8
Tioga	2	10	58.2	11.1
Total	14	53	525.7	100.0

The following is a summary of CCTC's gross loan portfolio based on Schedule RC-C of the Federal Deposit Insurance Corporation's ("FDIC") Consolidated Report of Condition for the years ending 2003, 2004 and 2005.

<b>TOTAL GROSS LOANS OUTSTANDING</b>						
LOAN TYPE	12/31/2003		12/31/2004		12/31/2005	
	\$000	%	\$000	%	\$000	%
1-4 Residential Mortgage Loans	141,818	36.3	143,861	37.4	154,879	37.0
Commercial & Industrial Loans	121,184	31.0	111,911	29.1	132,213	31.6
Commercial Mortgage Loans	41,386	10.6	41,636	10.8	38,349	9.2
Mutifamily Mortgages	451	0.1	415	0.1	367	0.1
Consumer Loans	74,085	19.0	76,244	19.8	83,926	20.0
Agricultural Loans	24	0.0	5	0.0	38	0.0
Construction Loans	1,495	0.4	1,188	0.3	2,756	0.7
Obligations of states & municipalities	7,092	1.8	6,783	1.8	3,765	0.9
Other Loans	2,993	0.8	2,910	0.8	2,667	0.6
<b>Total Gross Loans</b>	<b>390,528</b>	<b>100.0</b>	<b>384,953</b>	<b>100.0</b>	<b>418,960</b>	<b>100.0</b>

CCTC is primarily a mortgage lender, with 1-4 residential mortgage loans account for 37.% of its loan portfolio.

CCTC participates in governmentally insured, guaranteed or subsidized program for housing and small business loans. CCTC participated in the following affordable housing programs: First Home Club Program offered by Federal Home Loan Bank ("FHLB"), City of Elmira First Time Home Buyers and Tri-County Housing Council ("TCHC"). As of the evaluation date, there were six loans totaling \$130.4 thousand under the Federal Home Loan Bank ("FHLB") programs, 122 loans totaling \$3.2 million under the City of Elmira First time, and 25 loans totaling \$1.2 million under the Tri-County Housing Council program. CCTC also participates in the U.S. Small Business Administration loan guaranty program. As of evaluation date, CCTC had 27 SBA loans outstanding totaling \$3.5 million.

CCTC received a rating of "1," reflecting an outstanding record of helping to meet community credit needs at its prior performance evaluation conducted by the New York State Banking Department as of December 31, 2003. Its performance was evaluated, using the tests applicable to large banks.

There are no legal financial impediments that adversely affect the institution's ability to meet the credit needs of its assessment area.

### **Assessment Area:**

CCTC's assessment area includes the whole of Chemung, Schuyler, and Tioga Counties, and major part of Steuben Country. Of the total 53 census tracts, six were in LMI areas representing 11.3% of the total census tracts while middle-income tract has 37 census tracts representing 69.8% of the total.

<b>Distribution of Assessment Area Census Tracts by Income Level</b>						
<b>County</b>	<b>Low</b>	<b>Moderate</b>	<b>Middle</b>	<b>Upper</b>	<b>Not Available</b>	<b>Total</b>
Chemung	2	4	13	3	1	23
Schuyler	-	-	5	-	-	5
Steuben	-	-	11	4	-	15
Tioga	-	-	8	2	-	10
<b>Total</b>	<b>2</b>	<b>4</b>	<b>37</b>	<b>9</b>	<b>1</b>	<b>53</b>
<b>Percent</b>	<b>3.8%</b>	<b>7.5%</b>	<b>69.8%</b>	<b>17.0%</b>	<b>1.9%</b>	<b>100%</b>

**Details of the Assessment Area:**

According to the 2000 census data, the assessment area has total population of approximately 212.6 thousand people. There are 56.6 thousand families and 83.0 thousand households with 91.8 thousand housing units. The weighted average of median family income is \$45.7 thousand and the weighted average of HUD updated MSA median family income is \$50.5 thousand. The median housing value is \$68.4 thousand with a median average age of housing of 43 years.

In 2005, there were 11.8 thousand businesses in the assessment area. Below is the breakdown of businesses for each county.

Chemung County – Of the 4.9 thousand businesses in the county, 37.9% were service providers, 19.3% retail trade; 7.4% construction; 5.9% finance, insurance and real estate, 11.4% non-classifiable establishments, and 18.1% minor industries.

Schuyler County - Of the 1.1 thousand businesses in the county, 33% were service providers, 17.8% retail trade, 7.4% construction, 6.7% agriculture, forestry & fishing, 14.2% non-classifiable establishments, 20.9% minor industries.

Steuben County – Of the 3.0 thousand businesses in the county in 2005, 39.5% were service providers, 17.7% retail trade, 6.8% construction, 6.4% finance, insurance & real estate, 13.5% non-classifiable establishments, and 16% in other minor industries.

Tioga County – Of the 2.8 thousand businesses, 34.2% were service providers, 16.7% retail trade, 8.9% construction, 7.4% agriculture, forestry & fishing, 15.7% non-classifiable establishments, and 17.1% other minor industries.

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

---

The following charts provide additional demographic information about the assessment area:

*Chart #1: Shows population and income.*

*Chart #2: Shows housing demographics.*

*Chart #3: Shows business demographics*

### **Unemployment Rates**

According to New York Department of Labor, the annual average unemployment rates for Chemung, Schuyler and Steuben Counties were higher than the State's average in 2004 and 2005, respectively, except for Tioga County.

The following chart shows the annual average unemployment rates for the State of New York and the four counties in the CCTC's assessment area:

<b>Unemployment Rates</b>		
<b>Area</b>	<b>2004</b>	<b>2005</b>
State of New York	5.8%	5.0%
Chemung County	6.0%	5.4%
Schuyler Country	5.9%	5.4%
Steuben County	6.4%	5.8%
Tioga County	5.2%	4.8%

CHART # 1

<b>ASSESSMENT AREA POPULATION AND INCOME CHARACTERISTICS BY COUNTY*</b>																					
COUNTY	Total Population**	Persons over 65		Persons under age 16		MFI**	HUD MSA MFI**	# of Households	# of HH below poverty level		Total Families	Low income		Moderate income		Middle income		Upper income		LMI families in LMI tracts	
		#	%	#	%				#	%		#	%	#	%	#	%	#	%	#	%
CHEMUNG	91,070	14,222	15.6	19,501	21.4	45,119	51,150	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	41,566	48,650	7,375	779	10.6	5,204	966	18.6	1,017	19.5	1,223	23.5	1,998	38.4	-	0.0
STEBEN****	50,509	8,262	16.4	10,822	21.4	46,952	48,550	20,745	2,174	10.5	13,540	2,228	16.5	2,357	17.4	2,900	21.4	6,055	44.7	-	0.0
TIOGA	51,784	6,785	13.1	12,490	24.1	46,937	53,100	19,779	1,581	8.0	14,639	2,291	15.6	2,756	18.8	3,660	25.0	5,662	38.7	-	0.0
TOTAL A/A***	212,587	32,084	15.1	47,016	22.1	45,693	50,537	82,975	9,065	10.9	56,574	9,819	17.4	10,521	18.6	13,282	23.5	22,952	40.6	2,223	10.9

\*Based on 2000 U.S. Census Data

\*\*MFI-Median Family Income

\*\*\*Assessment Area

\*\*\*\*Partial County

CHART # 2

<b>ASSESSMENT AREA HOUSING CHARACTERISTICS BY COUNTY*</b>																			
<b>COUNTY</b>	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/ Boarded-up Units	
		#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%
		<b>CHEMUNG</b>	37,745	32,140	85.2	3,323	8.8	24,159	64.0	108	0.4	2,351	9.7	15,310	63.4	6,390	26.4	12,346	32.7
<b>SCHUYLER</b>	9,181	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
<b>STEUBEN***</b>	23,502	18,105	77.0	2,058	8.8	14,674	62.4	0	0.0	0	0.0	10,448	71.2	4,226	28.8	6,756	28.7	2,825	12.0
<b>TIOGA</b>	21,410	16,993	79.4	713	3.3	15,347	71.7	0	0.0	0	0.0	11,648	75.9	3,699	24.1	4,973	23.2	1,685	7.9
<b>TOTAL A/A**</b>	91,838	74,337	80.9	6,299	6.9	59,871	65.2	108	0.2	2,353	3.9	43,083	72.0	14,327	23.9	25,945	28.3	9,013	9.8

\* Based on 2000 U.S. Census Data

\*\* Assessment Area

\*\*\* Partial Country

**CHART # 3**

<b>BUSINESS DEMOGRAPHICS BY COUNTY*</b>											
<b>COUNTY AND ASSESSMENT AREA(A/A)</b>	Number of Businesses	Businesses with Rev. of \$1 million or less		Businesses with Rev. of more than \$1 million		Bussinesses with no revenues reported		Businesses with less than 50 employees		Operating from a single location	
		#	%	#	%	#	%	#	%	#	%
<b>CHEMUNG</b>	4,751	2,889	60.8	272	5.7	1,590	33.5	3,913	82.4	3,961	83.4
<b>SCHUYLER</b>	1,063	662	62.3	45	4.2	356	33.5	886	83.3	1,014	95.4
<b>STEUBEN***</b>	2,877	1,756	61.0	119	4.1	993	34.5	2,320	80.6	2,492	86.6
<b>TIOGA</b>	2,547	1,624	63.8	81	3.2	842	33.1	2,113	83.0	2,474	97.1
<b>Total A/A**</b>	11,238	6,940	61.8	517	4.6	3,781	33.6	9,232	82.1	9,941	88.5

\* Based on 2000 U.S. Census Data

\*\* A/A - Assessment Area

\*\*\* Partial County

---

## **PERFORMANCE STANDARDS AND ASSESSMENT FACTORS**

*The Banking Department assesses an intermediate Small Bank's CRA performance under the Lending and Community Development test. The Lending Test is evaluated according to the following criteria: (1) Loan-to-Deposit Ratio; (2) Assessment Area Concentration; (3) Geographic Distribution of Loans; (4) Distribution by Borrower Characteristics; and (5) Action taken in Response to Written CRA Complaints.. The Community Development Test is evaluated according to the following criteria: (1) community development loans, (2) Qualified Investments and (3) Community Development Services. These two tests are pursuant to part 76.11 and 76.12 of the General Regulations of the Banking Board.*

The evaluation period for this report covers calendar years 2004 and 2005. Aggregate loan data for 2004 was obtained from the Federal Financial Institutions Examination Council ("FFIEC") and PCi Corporation's CRA Wiz<sup>®</sup> software. Aggregate data for 2005 was not yet available for comparison. The demographic data referenced in this evaluation were obtained from the 2000 U.S. Census. Updated median family income ("MFI") figures for 2004 and 2005 were obtained from the U.S. Department of Housing and Urban Development ("HUD").

Examiners considered both HMDA-reportable loans and small business loans in evaluating factors (2), (3) and (4) of the Lending Test.

### **I. Lending Test: "Satisfactory"**

CCTC's HMDA-reportable and small business lending activities are reasonable in light of the assessment area's credit needs.

#### **Loan-to-Deposit Ratio Analysis: "Satisfactory"**

The "LTD" ratio is considered reasonable given CCTC's size, financial condition, and the credit needs of the assessment area. As of December 31, 2005, CCTC's LTD ratio was 77.8%. However, the average "LTD" ratio for the eight consecutive quarters ending December 31, 2005 was 72.8%. This is below the peer group average ratio of 84.7%.<sup>1</sup>

---

<sup>1</sup> These ratios were calculated from information shown in the bank's Uniform Bank Performance Report ("UBPR") as prepared by the FDIC. The bank's peer group includes all insured commercial banks having assets between \$300 million and \$1 billion. The UBPR peer group is a national peer group and includes banks that may be operating in very different economic environments.

The following table shows quarterly LTD ratios of CCTC and the peer group during the evaluation period:

<b>Loan-to-Deposit Ratios</b>									
	<b>2004 (Q1)</b>	<b>2004 (Q2)</b>	<b>2004 (Q3)</b>	<b>2004 (Q4)</b>	<b>2005 (Q1)</b>	<b>2005 (Q2)</b>	<b>2005 (Q3)</b>	<b>2005 (Q4)</b>	<b>Average</b>
Bank	68.4	70.9	72.0	72.0	73.0	75.0	73.3	77.8	72.8
Peer	82.2	83.6	84.5	85.0	84.9	86.0	85.9	85.5	84.7

### **Assessment Area Concentration: “Outstanding”**

CCTC originated a substantial majority of its loans HMDA-reportable and small business loans within the assessment area. During the evaluation period, CCTC originated an average of 89.9% and 87.9% of its loans inside the assessment area, by number and dollar volume, respectively. Details are provided in the table below:

<b>Distribution of Loans Inside and Outside of the Assessment Area</b>										
<b>Loan Type</b>	<b>Number of Loans</b>					<b>Loans in Dollars (in thousands)</b>				
	<b>Inside</b>		<b>Outside</b>		<b>Total</b>	<b>Inside</b>		<b>Outside</b>		<b>Total</b>
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$000</b>	<b>%</b>	<b>\$000</b>	<b>%</b>	
2004 HMDA	601	88.5	78	11.5	679	26,898	88.0	3,674	12.0	30,572
2005 HMDA	659	87.7	92	12.3	751	28,793	80.0	7,209	20	36,002
<b>Sub-Total HMDA</b>	<b>1,260</b>	<b>88.1</b>	<b>170</b>	<b>11.9</b>	<b>1,430</b>	<b>55,691</b>	<b>83.7</b>	<b>10,883</b>	<b>16.3</b>	<b>66,574</b>
2004 SBL*	285	93.8	19	6.2	304	44,171	90.7	4,530	9.3	48,701
2005 SBL*	309	94.2	19	5.8	328	48,303	90.7	4,948	9.3	53,251
<b>Sub-Total SBL</b>	<b>594</b>	<b>94.0</b>	<b>38</b>	<b>6.0</b>	<b>632</b>	<b>92,474</b>	<b>90.7</b>	<b>9,478</b>	<b>9.3</b>	<b>101,952</b>
<b>Total</b>	<b>1,854</b>	<b>89.9</b>	<b>208</b>	<b>10.1</b>	<b>2,062</b>	<b>148,165</b>	<b>87.9</b>	<b>20,361</b>	<b>12.1</b>	<b>168,526</b>

\*SBL – Small Business Loans

### **Geographic Distribution of Loans: “Outstanding”**

CCTC’s geographic distribution of HMDA-reportable and small business loans reflected an excellent dispersion of loans to census tracts of various income levels throughout the assessment area.

#### HMDA-Reportable

In 2004, of the total HMDA-reportable loans originated by CCTC within the assessment

area, 6.0% by number and 2.8% by dollar volume were extended in LMI areas. These ratios were higher than the aggregate's LMI penetration rates of 4.3% by number and 2.6% by dollar volume.

In 2005, CCTC's performance in LMI improved, increasing its ratio to 7.5% while the percentage of lending in middle-income area remained at the same level.

The following chart provides details of the HMDA-reportable loans originated CCTC within the assessment area:

Distribution of HMDA-reportable Loans by Geographic Income Level*								
Geography Income Level	2004							
	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
Low	1	0.2	7	0.0	13	0.2	741	0.2
Moderate	35	5.8	766	2.8	244	4.1	10,290	2.4
Middle	436	72.5	17,973	66.8	4,072	68.6	259,243	61.7
Upper	128	21.3	8,008	29.8	1,599	26.9	149,056	35.5
N/A	1	0.2	144	0.5	12	0.2	810	0.2
<b>Total</b>	<b>601</b>	<b>100.0</b>	<b>26,898</b>	<b>100.0</b>	<b>5,940</b>	<b>100.0</b>	<b>420,140</b>	<b>100.0</b>
Geography Income Level	2005							
	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
Low	3	0.5	15	0.1	Not Available			
Moderate	46	7.0	1,023	3.6				
Middle	477	72.4	20,040	69.6				
Upper	133	20.2	7,715	26.8				
<b>Total</b>	<b>659</b>	<b>100.0</b>	<b>28,793</b>	<b>100.0</b>				

\* Geography income level is based upon 2000 Census data on median family income figure for the MSA of the mortgaged property. Low-income is defined as <50% of the MSA median, moderate-income is 50% to <80% of the MSA median income, middle-income is 80% to <120%, and upper-income is at least 120%.

\*\* Not Available

The following chart provides details of HMDA- reportable loans by product type originated by CCTC during the evaluation period

Distribution of HMDA-Reportable Loans by Product Type								
Loan Type	2004				2005			
	#	%	\$000	%	#	%	\$000	%
Home Purchase	170	28.3	13,849	47.6	182	27.6	14,097	49.0
Refinancing	148	24.6	8,693	28.6	136	20.6	8,659	30.0
Home Improvement	283	47.1	4,356	23.8	341	51.8	6,037	21.0
<b>Total</b>	<b>601</b>	<b>100.0</b>	<b>26,898</b>	<b>100.0</b>	<b>659</b>	<b>100.0</b>	<b>28,793</b>	<b>100.0</b>

As illustrated in the table below, CCTC originated majority of its HMDA-reportable loans in Chemung County.

Distribution of HMDA-Reportable Loans by County								
County	2004				2005			
	#	%	\$000	%	#	%	\$000	%
Chemung	402	67.0	16,894	62.8	444	67.4	17,400	60.4
Schuyler	72	11.9	2,771	10.3	97	14.7	4,873	16.9
Steuben	71	11.8	4,896	18.2	65	9.9	4,302	15.0
Tioga	56	9.3	2,337	8.7	53	8.0	2,218	7.7
<b>Total</b>	<b>601</b>	<b>100.0</b>	<b>26,898</b>	<b>100.0</b>	<b>659</b>	<b>100.0</b>	<b>28,793</b>	<b>100.0</b>

### Small Business Loans

During the evaluation period, CCTC's percentage of small business lending in LMI areas outperformed the aggregate based on both number and dollar volume of loans. In 2004, CCTC originated 31.6% of its small business loans in LMI areas compared to 14.0% for the aggregate. CCTC's small business lending in LMI areas further improved to 34.3% in 2005.

The following chart shows the geographic distribution of CCTC's small business loans during the evaluation period:

Distribution of Small Business Loans by Geographic Income Level*								
Geography	2004							
	Bank				Aggregate			
Income Level	#	%	\$000	%	#	%	\$000	%
Low	20	7.0	2,524	5.7	178	4.5	7,462	5.6
Moderate	70	24.6	11,874	26.9	375	9.5	27,055	20.2
Middle	142	49.8	22,283	50.4	2,559	65.1	72,641	54.1
Upper	53	18.6	7,490	17.0	819	20.8	27,072	20.2
N/A***	0	0.0	0	0.0	2	0.1	13	0.0
<b>Total</b>	<b>285</b>	<b>100.0</b>	<b>44,171</b>	<b>100.0</b>	<b>3,933</b>	<b>100.0</b>	<b>134,243</b>	<b>100.0</b>
Geography	2005							
	Bank				Aggregate			
Income Level	#	%	\$000	%	#	%	\$000	%
Low	37	12.0	8,469	17.5				
Moderate	69	22.3	11,248	23.3				
Middle	151	48.9	20,896	43.3				
Upper	52	16.8	7,690	15.9				
N/A***	0	0.0	0	0.0				
<b>Total</b>	<b>309</b>	<b>100.0</b>	<b>48,303</b>	<b>100.0</b>				

\* Geography income level is based upon 2000 Census data on median family income figure for the MSA of the mortgaged property. Low-income is defined as <50% of the MSA median, moderate-income is 50% to <80% of the MSA median income, middle-income is 80% to <120%, and upper-income is at least 120%.

\*\* Not Available

## Distribution by Borrower Characteristics: “Satisfactory”

The borrower characteristics of CCTC’s HMDA-reportable and small business loans reflected a reasonable penetration among borrowers of different income levels and businesses of different revenue sizes.

### HMDA-reportable

In 2004, of the total HMDA loans originated by CCTC within the assessment area, 33.3% were extended to LMI borrowers, which was slightly higher than the aggregate’s 31.9%. CCTC enhanced its level of lending to LMI borrowers in 2005, increasing its LMI penetration rate to 36.8%, which is comparable to the percentage of LMI families within the assessment area.

The following chart summarizes the geographic distribution of CCTC’s HMDA-reportable loans to borrowers of different income level.

Distribution of HMDA Loans by Borrower Income Level*								
2004								
Borrower	Bank				Aggregate			
Income Level	#	%	\$000	%	#	%	\$000	%
Low	69	11.5	1,311	4.9	569	9.6	20,737	4.9
Moderate	131	21.8	4,100	15.2	1,324	22.3	67,986	16.2
Middle	192	31.9	7,583	28.2	1,586	26.7	98,603	23.5
Upper	186	30.9	12,445	46.3	2,162	36.4	207,918	49.5
N/A***	23	3.8	1,459	5.4	299	5.0	24,896	5.9
<b>Total</b>	<b>601</b>	<b>100.0</b>	<b>26,898</b>	<b>100.0</b>	<b>5,940</b>	<b>100.0</b>	<b>420,140</b>	<b>100.0</b>
2005								
Borrower	Bank				Aggregate			
Income Level	#	%	\$000	%	#	%	\$	%
Low	86	13.1	1,664	5.8	Not available			
Moderate	156	23.7	4,532	15.7				
Middle	187	28.4	7,715	26.8				
Upper	198	30.0	13,349	46.4				
N/A***	32	4.9	1,533	5.3				
<b>Total</b>	<b>659</b>	<b>100.0</b>	<b>28,793</b>	<b>100.0</b>				

\* Geography income level is based upon 2000 Census data on median family income figure for the MSA of the mortgaged property. Low-income is defined as <50% of the MSA median, moderate-income is 50% to <80% of the MSA median income, middle-income is 80% to <120%, and upper-income is at least 120%.

\*\* Not Available

### Small Business Loans

The distribution of CCTC’s small business loans is not consistent with business demographics in the assessment area. In 2004, CCTC extended 35.8% by number and 19.7% by dollar volume of its small business loans to businesses with revenue of \$1million

or less. In comparison, the market aggregate's rates were 27.1% and 26.2%, respectively.

In 2005, CCTC level of small business lending to businesses with revenue of \$1 million or less increased to 42.7%

The following chart provides a summary of CCTC's small business lending distribution based on borrower revenues:

Distribution of Small Business Loans by Business Revenue Size								
Revenue Size	2004							
	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
\$1 million or less	102	35.8	8,709	19.7	1,066	27.1	35,164	26.2
Over \$1 million	142	49.8	33,100	74.9	2,867	72.9	99,079	73.8
No Revenue Info	41	14.4	2,362	5.3	0	0.0	0	0.0
<b>Total</b>	<b>285</b>	<b>100.0</b>	<b>44,171</b>	<b>100.0</b>	<b>3,933</b>	<b>100.0</b>	<b>134,243</b>	<b>100.0</b>
Revenue Size	2005							
	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
\$1 million or less	132	42.7	9,681	20.0				
Over \$1 million	145	46.9	36,215	75.0				
No Revenue Info	32	10.4	2,407	5.0				
<b>Total</b>	<b>309</b>	<b>100.0</b>	<b>48,303</b>	<b>100.0</b>				

As illustrated in the following table, Chemung County has the biggest share in CCTC's small business loans.

Distribution of Small Business Loan by County								
County	2004				2005			
	#	%	\$000	%	#	%	\$000	%
Chemung	216	75.8	33,208	75.2	233	75.4	38,757	80.3
Schuyler	24	8.4	1,929	4.4	28	9.1	1,465	3.0
Steuben	22	7.7	4,578	10.3	29	9.4	3,684	7.6
Tioga	23	8.1	4,456	10.1	19	6.1	4,397	9.1
<b>Total</b>	<b>285</b>	<b>100.0</b>	<b>44,171</b>	<b>100.0</b>	<b>309</b>	<b>100.0</b>	<b>48,303</b>	<b>100.0</b>

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

Neither CCTC nor the New York State Banking Department has received any written complaints regarding the bank's CRA performance since the latest CRA evaluation conducted as of December 31, 2003.

## II. Community Development Test: "Outstanding"

CCTC's community development performance demonstrates an excellent responsiveness to community development needs in its assessment area through community development loans, qualified investments, and community development services.

---

## Community Development Loans

As of the evaluation date, CCTC's community development loans totaled \$18.4 million, of which \$7.8 million were new money. These loans increased by 57.3% from \$11.7 million at the prior evaluation. Approximately 98% of the loans and commitments were granted to organizations engaged in providing community development services. Some of the community development loans made by CCTC are described below:

- \$8.1 million term loans extended to three not-for-profit organizations in Chemung and Schuyler Counties, which provide services to mentally and developmentally disabled individuals for them to move forward for self-improvement and increased community inclusion.
- \$2.9 million term loan and line of credit extended to a not-for-profit organization that operates residential, day treatment, family support, childcare, home service, and pre-school programs whose financial support is mainly coming from Medicaid and the State of New York.
- \$2.7 million term loan and line of credit extended to a not-for profit organization which carries out community action programs under grants from the State of New York and agencies of the U.S. government.
- \$830 thousand term loan and line of credit extended to a not-for-profit organization which develops foster homes and places children in these homes, provides preventive services for family problems at early stages and provides alternative living arrangements to adolescents' home environments. This organization receives funding from the State of New York and county government.
- \$800 thousand line of credit extended to a community based organization working for social justice and providing various human care programs.
- \$800 thousand line of credit extended to a not-for-profit organization which provides eye examination, in-house care, adaptive equipment, and training for visually impaired individuals. Financial support comes from workshop sales, fees for services extended to government, contributions, and investment income.
- \$715 thousand term loan extended to a not-for-profit organization which operates 120-bed nursing facility. It receives 50% of its revenues from Medicaid.
- \$655 thousand term loan extended to a not-for profit organization which provides grants and services to libraries and reading centers.

## Qualified Investment

CCTC made a total commitment of \$7.9 million in qualified investments including grants.

---

Qualified investments were primarily municipal bonds issued by Towns, Villages and City of Elmira and investments in small business corporations that provide community service within the assessment area. CCTC's grants and donations were given to charitable and non-profit organizations providing community service, affordable housing and economic developments.

### Community Development Services

CCTC is a leader in providing community development services within its assessment area. A number of bank officers and employees provided technical assistance with their services on the boards and committees of nonprofit and charitable institutions that support affordable housing, small business development and economic development in the communities it has been serving for years.

CCTC sponsors and participates in numerous mortgage fairs and loan workshops throughout each year. In partnership with several local community groups and organizations, CCTC provided homebuyer seminars and credit counseling services. Also, CCTC participated in several educational presentation and seminars which focused on financial education for first time home buyers. Some of CCTC's community development services are listed below:

- Chemung County Home Improvement Program – CCTC applied for and won \$100 thousand subsidy grant from the Federal Home Loan Bank for Community Progress Inc., to subsidize 20 rehabilitation projects for LMI families. Community Progress, Inc., the project sponsor, provides partial home improvement grants to very low, low and moderate-income homeowners for the purpose of addressing several rehabilitation needs.
- New York State Affordable Housing Corporation - CCTC participates in a grant program with this corporation through the City of Elmira which received a \$300 thousand grant for the targeted neighborhood home improvement program. The grant will pay 60% of the eligible improvement and the homeowner will be responsible for funding the other 40%. CCTC is partnering with the Department of Community Development in Elmira to provide loans for eligible borrowers.
- Corning Community College Learn to Earn Program – An organization that targets community services for low- and moderate-income individuals or revitalizes or stabilizes LMI areas. CCTC's officers presented to students of the Learn to Earn Program in April 2005 a program designed for LMI individuals or who are receiving public assistance to pursue education and workforce development activities geared toward the shortest route for employment.

During the evaluation period, various officers of CCTC served in over twenty community development organization as board members, treasurers, fiscal management reviewer, president, finance committee member and credit counselor.

- 
- A senior vice president of CCTC serves as finance chair for St. Joseph's Hospital Foundation and on the board of St. Joseph Hospital, Inc.,
  - Another CCTC's SVP serves as treasurer and board member of Chemung County ARC, a not-for-profit organization that assists developmentally disabled persons.
  - CCTC' executive vice president, treasurer and CFO serves as board member of Southern Tier Hospice and Pallative Care, a not-for profit organization that provides leadership in the development and application of hospice and its philosophy of care.
  - A senior vice president of CCTC serves on the finance committee of Glove House, Inc., a not-for-profit corporation that empowers children and families to live successfully within their neighborhoods. In addition, he serves as a board member of Bethany Village Inc., a multi-level healthcare facility for the elderly.
  - CCTC's vice president provides introductory financial services education to local students through the Career Development Council and the area school districts. He presently serves as member of the Town of Elmira Recreation Commission Board. He is also the president of Corning Community College Development Foundation and president of the Chemung County Habitat for Humanity.
  - Two officers of CCTC participated in "Marketplace Village", an event presented in April 2005 as a collaborative effort of JATTI, Elmira College Student SIFE Program, and Twin Tiers Young Professional for elementary students. These officers presented and discussed with the students the mechanics of checking accounts and loan application process.

- **Discrimination and other Illegal Practices**

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

The fair lending & compliance 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 compliance and fair lending examinations concurrently conducted with this CRA evaluation indicate satisfactory adherence to anti-discrimination and 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.**

CCTC ascertains the credit needs of its community through direct involvement with various businesses, civic, economic, community and religious organizations. CCTC is committed to help meet the credit needs of the local community by providing financing to various organizations and participating in their activities. Some of these institutions include: Cephas Capital Partners LP (Small Business Investment Corporation); Southern Tier Business Development Fund, LLC; the Elmira Economic Development Zone Program; Tri County Housing Council Grant Program; FHLB Chemung County Home Improvement Program; FHLB First Home Club Program; Catholic Charities' First Time Homebuyer's Grant Program; purchase of stock of the New York Business Development Corporation, and participation in the U.S. Small Business Administration's Certified Lender Program.

**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.**

The Product Development Committee of CCTC meets periodically to discuss new product ideas, including loan products. The committee is comprised of lenders, upper management, operations staff and marketing officers to ensure full input as to customer needs and product feasibility. CCTC also strives to represent all ethnic, socio-economic and age groups in its advertising. Marketing and advertising of its products and services are made through the following: Internet web banking; newspaper ads; various local publication such as pennysavers; radio advertising in four counties it is serving; advertising in the WSKG-Cable TV station; direct mailing to promote bank products and services, especially consumer and home equity loans; and telephone automatic voice response system which answers customers on inquiry concerning checking, savings, CD's, IRA, or loan.

**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.**

Policies and programs concerning CRA are discussed and formulated by CCTC's board of directors and delegated to various committees and management members for implementation. The board subsequently reviews and monitors periodically CCTC's performance covering CRA programs and activities. All CRA activities are recorded in the board's minutes to help in the monitoring and review of these activities. Information was provided by the CRA Officer John Kravec.

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

### **LMI Borrowers**

Borrowers whose income, as reported on the loan application which the lender relied upon in making the credit decision, is less than 80% of the area median family income. In the case where the residential property is located in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure borrower income levels are updated annually by the U.S. Department of Housing and Urban Development (“HUD”).

### **LMI Individuals/Persons**

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.

**LMI Penetration Rate**

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

**Small Business Loans**

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