



**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, 2006

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

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

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## **GENERAL INFORMATION**

This document is an evaluation of the Community Reinvestment Act ("CRA") performance of Bank of Cattaraugus ("BOC") prepared by the New York State Banking Department. The evaluation represents the Banking Department's current assessment and rating of the institution's CRA performance based on an evaluation conducted as of December 31, 2006.

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.

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## OVERVIEW OF INSTITUTION'S PERFORMANCE

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

- **Loan-to-Deposit ("LTD") Ratio:** BOC's LTD ratio is reasonable in light of its size, financial condition and the credit needs of its assessment area. BOC's average LTD ratio for the twelve quarters ending December 31, 2006 was 70.2%.
- **Assessment Area Concentration:** BOC extended a substantial majority of its loans in the assessment area. During the evaluation period, BOC extended 96.1% of the number and 96.6% of the dollar volume of its consumer, small business and HMDA-type loans within its assessment area.
- **Distribution by Borrowers Characteristics:** BOC's lending within its assessment area reflects an excellent penetration among individuals of different income levels and businesses of different revenue sizes.

BOC extended 69.6% and 61.1% of its consumer loans to LMI borrowers during 2005 and 2006, respectively.

BOC extended 100% of its small business loans to businesses with gross annual revenue of \$1 million or less. Additionally, all small business loans were originated in amounts of \$100 thousand or less.

- **Geographic Distribution of Loans:** BOC's lending across geographies of different income levels was evaluated because the assessment area contains only middle-income census tracts.
- Neither BOC nor the Banking Department received any written complaints with respect to the bank's 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.

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## PERFORMANCE CONTEXT

### Institution's Profile:

Founded in 1882, BOC is a single-office commercial bank located in the Village of Cattaraugus, New York. It is the oldest independent bank in Western New York and the third oldest in New York State. BOC's service network is supplemented by an onsite 24-hour automated teller machine ("ATM"). It has neither opened nor closed any branches since its inception.

According to the Federal Deposit Insurance Corporation ("FDIC") deposit data dated June 30, 2006, BOC obtained a market share of 1.48% or \$11.2 million out of \$759.0 million deposits inside its market, ranking it eighth among eight deposit-taking institutions in Cattaraugus County.

BOC competes against larger institutions with more resources and more branches inside its assessment area. The three largest banks inside its assessment areas had a combined deposit of \$542.9 million with a market share of 71.5%.

According to its December 31, 2006 Consolidated Report of Condition "Call Report" filed with the FDIC, BOC reported total assets of \$12.4 million, of which \$8.4 million were net loans and lease finance receivables. It also reported total deposits of \$10.9 million resulting in a loan-to-deposit ratio of 77.1%.

The following chart illustrates BOC's loan portfolio based on Schedule RC-C of its 2004, 2005 and 2006 Call Reports:

<b>GROSS LOANS OUTSTANDING</b>								
LOAN TYPE	2003		2004		2005		2006	
	\$000	%	\$000	%	\$000	%	\$000	%
1-4 Residential Mortgage Loans	6,150	79.0	6,562	80.1	6,223	79.9	6,604	77.8
Commercial & Industrial Loans	629	8.1	254	3.1	308	4.0	469	5.5
Commercial Mortgage Loans	0	0.0	244	3.0	217	2.8	267	3.2
Consumer Loans	990	12.7	1,100	13.4	928	11.9	991	11.7
Construction Loans	0	0.0	27	0.3	43	0.6	95	1.1
Other Loans	16	0.2	5	0.1	67	0.8	58	0.7
Total Gross Loans	7,785	100.0	8,192	100.0	7,786	100.0	8,484	100.0

BOC is primarily a 1-4 family residential mortgage lender. As of December 31, 2006, it had 77.8% of its loan portfolio in 1-4 family residential mortgage loans. Other significant categories include consumer loans (11.7%).

The type of credit products offered by BOC includes the following:

- Residential mortgages on 1-4 family dwellings
- Home Improvement Loans
- Home Equity Loans

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- Consumer Loans
  - Small Business Loans
  - Education Loans
  - Checking and Savings Accounts
  - Certificates of Deposits

BOC does not currently participate in any government guaranteed or sponsored loan programs.

BOC received a rating of “1,” reflecting an outstanding record of helping to meet community credit needs at its prior Performance Evaluation conducted by the New York State Banking Department as of January 1, 2004.

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

**Assessment Area:**

BOC’s assessment area comprised of the towns of New Albion, Leon, East Otto, Ashford, Little Valley and Mansfield in Cattaraugus County. The area contains three middle-income census tracts. Each tract is located in a non-metropolitan area. There are neither low-income nor upper income tracts in the assessment area.

**Details of Assessment Area**

*Population:* According to the 2000 U.S. Census Bureau, the assessment area has a population of 13,631 thousand. About 11.6% of the population was over the age of 65 and 26.9% was under the age of 16.

*Families/Households:* The assessment area contained 3,544 families including 643 (18.4%) low-income, 780 (22.3%) moderate-income, 880 (25.1%) middle-income and 1,241 (35.5%) upper-income families. Of the 4,885 households in the assessment area, 542 (11.0%) lived below the poverty level. Of the 1,423 LMI families living in the assessment area, 100% reside in middle -income geographies.

*Income:* According to the 2000 Census, the median family income within the assessment area was \$39,757. The U.S. Department of Housing and Urban Development (“HUD”) estimated median family income for the area was \$49,600.

*Housing:* There were 6,169 housing units within the assessment area, including 6,019 (98.0%) one- to four-family units and 150 (2.0%) multifamily units. A majority (65.0%) of the area’s housing units were owner-occupied, while 15.0% were rental units. Within the assessment area, another 15.0% of the housing units were located in mobile homes or trailers. Occupied housing units accounted for 79.0% of the area’s housing units, while 21.0% of units were vacant.

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The median housing value within the assessment area is approximately \$60,174 and the median age of the housing stock is 33 years.

*Businesses:* There were 859 businesses in the assessment area. Of these, 55.5% were businesses with revenues of less than or equal to \$1 million, 2.8% with revenues of more than \$1 million and 41.7% did not report revenues. Of all the businesses in the assessment area, 91.3% operated from a single location. The largest industries in the area were service providers (21.4%), followed by retail trade companies (12.8%) and Agriculture, Forestry & Fishing (10.4%), while non-classified establishments accounted for 30.4% of the businesses in the assessment area.

*Unemployment Rate:* According to the U. S. Department of Labor, Bureau of Labor Statistics, Cattaraugus County's average unemployment rate was 5.3% in 2005 and 5.1% in 2006. In comparison, the average unemployment rate in New York State was 5.0% in 2005 and 4.5% in 2006.

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

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## **PERFORMANCE STANDARDS AND ASSESSMENT FACTORS**

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

The evaluation period covers calendar years 2005 and 2006. The examiner considered samples of BOC's HMDA-related, small business and consumer loans in evaluating the assessment area concentration. The examiner took a sample of 207 loans out of the 310 loans originated by BOC in 2005 and 2006. In evaluating BOC's performance, the examiner placed the greatest emphasis on BOC's consumer lending because this activity accounted for the highest percentage of its loan volume.

BOC's distribution of loans by borrower characteristics was based on samples of consumer and small business loans. BOC is not subject to the Home Mortgage Disclosure Act ("HMDA") Reporting and borrower income data was not readily available for comparison, therefore HMDA-related loans were not included in evaluating this performance factor.

The examiner did not evaluate the geographic distribution of loans because BOC's assessment area only contains middle-income census tracts.

The demographic data referred to in this report was obtained from the 2000 U.S. Census. Updated median family income figures for 2005 and 2006 were obtained from the U. S. Department of Housing and Urban Development ("HUD").

- **Loan-to-Deposit Ratio and other Lending-Related Activities: "Satisfactory"**

BOC's LTD ratio is reasonable considering its size, financial condition and the credit needs of the assessment area.

BOC's LTD ratios reflect a generally upward trend. Its average LTD ratio of 70.2% for the twelve quarters ending December 31, 2006 was well above the peer group's average of 66.3%. The peer group is comprised of FDIC insured commercial banks located nationwide with assets of \$55 million or less. These ratios were calculated from information shown in the Uniform Bank Performance Report ("UBPR") prepared by the FDIC. While BOC's average LTD ratio was higher than the peer's average, it was significantly below the 82.4% average of a similarly sized local bank whose assessment area overlapped with BOC's assessment area.

Loan-to-Deposit Ratios													
	3/31/04	6/30/04	9/30/04	12/31/04	3/31/05	6/30/05	9/30/05	12/31/05	3/31/06	6/30/06	9/30/06	12/31/06	Aver.* LTD
Bank	65.6	70.9	68.5	71.6	66.9	64.8	74.1	70.9	65.3	72.3	74.7	76.8	70.2
Peer	62.2	64.7	66.2	64.2	63.7	66.8	68.6	66.2	66.5	69.0	70.1	67.2	66.3
Local Bank	77.7	82.0	85.0	83.2	82.4	85.5	85.2	84.9	79.8	79.7	82.6	81.3	82.4

\* Average

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

As shown in the table below, BOC originated a substantial majority of its loans within its assessment area.

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Loans in Dollars (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Consumer										
2005	56	94.9	3	5.1	59	292	94.8	16	5.2	308
2006	54	96.4	2	3.6	56	388	97.5	10	2.5	398
<b>Subtotal</b>	<b>110</b>	<b>95.7</b>	<b>5</b>	<b>4.3</b>	<b>115</b>	<b>680</b>	<b>96.3</b>	<b>26</b>	<b>3.7</b>	<b>706</b>
Small Business										
2005	25	100	0	0	25	270	100	0	0	270
2006	23	100	0	0	23	447	100	0	0	447
<b>Subtotal</b>	<b>48</b>	<b>100</b>	<b>0</b>	<b>0</b>	<b>48</b>	<b>717</b>	<b>100</b>	<b>0</b>	<b>0</b>	<b>717</b>
HMDA-Related										
2005	10	90.9	1	9.1	11	455	97.8	10	2.2	465
2006	31	93.9	2	6.1	33	1,237	94.5	72	5.5	1,309
<b>Subtotal</b>	<b>41</b>	<b>93.2</b>	<b>3</b>	<b>6.8</b>	<b>44</b>	<b>1,692</b>	<b>95.4</b>	<b>82</b>	<b>4.6</b>	<b>1,774</b>
<b>Total</b>	<b>199</b>	<b>96.1</b>	<b>8</b>	<b>3.9</b>	<b>207</b>	<b>3,089</b>	<b>96.6</b>	<b>108</b>	<b>3.4</b>	<b>3,197</b>

### Consumer Loans

During 2005, BOC originated 94.9% of the total consumer loans within its assessment area. In 2006, the number of consumer loans originated by BOC declined but the percentage originated within its assessment area increased to 96.4%.

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### Small Business Loans

In 2005, BOC originated 100% of the small business loans within its assessment area. In 2006, despite the decline in BOC's total small business loan originations, lending within its assessment area remained at 100.0%.

### HMDA-Related Loans

In 2005, BOC made 90.9% of its HMDA-related loans within its assessment area. In 2006, BOC's volume of HMDA-related loans originated within its assessment area increased to 93.9%.

- **Geographic Distribution of Loans: "Not Rated"**

The geographic distribution of BOC's loans was not rated because its assessment area only contains middle-income census tracts.

- **Distribution by Borrower Characteristics: "Outstanding"**

The distribution of loans based on borrower characteristics reflects an excellent penetration among individuals of different income levels and businesses of different sizes.

### Consumer Loans

During 2005, BOC originated 69.6% of its consumer loans to LMI borrowers. In 2006, BOC's penetration to LMI borrowers for consumer loans decreased to 61.1%.

The following chart provides a summary of BOC's consumer lending distribution during the evaluation period:

<b>Distribution of Consumer Loans by Borrower Income Level*</b>								
<b>Borrower Income Level</b>	<b>2005</b>				<b>2006</b>			
	<b>#</b>	<b>%</b>	<b>\$000</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000</b>	<b>%</b>
Low	27	48.2	86	29.5	18	33.3	88	22.7
Moderate	12	21.4	84	28.8	15	27.8	62	16.0
Middle	6	10.7	27	9.2	10	18.5	75	19.3
Upper	9	16.1	93	31.8	11	20.4	163	42.0
N/A	2	3.6	2	0.7	0	0.0	0	0.0
<b>Total</b>	<b>56</b>	<b>100.0</b>	<b>292</b>	<b>100.0</b>	<b>54</b>	<b>100.0</b>	<b>388</b>	<b>100.0</b>

Borrower income level is based upon HUD's annual estimate of median family income ("MFI") figure for the MSA. Low-income is defined as <50% of the MSA MFI, moderate-income is 50% to <80%, middle-income is 80% to <120%, and upper-income is at least 120%.

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## Small Business Loans

The distribution of BOC's small business loans based on borrower characteristics is excellent. During the evaluation period, BOC made 100.0% of its small business loans to businesses with gross annual revenues of \$1 million or less. Additionally, all small business loans originated by BOC were \$100 thousand or less in amount.

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

Since the latest CRA evaluation as of January 1, 2004, neither BOC nor the New York State Banking Department has received any written complaints regarding the bank's CRA performance.

- **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.**

Examiner noted no practices that were intended to discourage applications for the types of credit offered by BOC.

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

The most recent regulatory compliance and fair lending examinations conducted concurrently with this evaluation found that the bank adhered to anti-discrimination and other applicable laws and regulations. No evidence of prohibited discriminatory or other illegal credit practices noted.

- **Process Factors**

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

BOC's president and its officers are officers and members of local government, community groups, and other organizations, which give them opportunities to communicate BOC's services as well as to ascertain needs of the community. These groups includes: American Legion Post, Village of Cattaraugus, Town of New Albion, St. Mary's Church, Cattaraugus United Methodist Church, Dayton Farmers Sportmen, Preserve, Cattaraugus Cemetery Association and others..

**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 bank**

BOC's marketing efforts are primarily through word of mouth via BOC's officers and staff.

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In addition, BOC disperses brochures during events and fund raising activities.

**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**

BOC's president serves as chairperson of the CRA Committee and members of the board of trustees sit on the committee. The committee receives updates on BOC's CRA activities during monthly board meetings.

- **Other Factors**

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

None.

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## **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:

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- 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;

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- ❖ 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

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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.