



**NEW YORK STATE
DEPARTMENT OF FINANCIAL SERVICES
FINANCIAL FRAUDS AND CONSUMER PROTECTION DIVISION**

One State Street
New York, NY 10004

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: December 31, 2017

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 Department of Financial Services 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 Department of Financial Services (“DFS” or the “Department”). This evaluation represents the Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of December 31, 2017.

Section 28-b of the New York Banking Law, as amended, requires that when evaluating certain applications, the Superintendent of Financial Services 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 Superintendent (“GRS”) implements Section 28-b and further requires that the Department assess the CRA performance records of regulated financial institutions. Part 76 establishes the framework and criteria by which the Department will evaluate institutions’ performance. Section 76.5 further provides that the 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 in 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 of banking institutions are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Sections 76.8 through 76.13. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York 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

The Department evaluated BOC according to the small banking institution performance criteria pursuant to Sections 76.7 and 76.12 of the GRS. The assessment period included calendar years 2011, 2012, 2013, 2014, 2015, 2016, and 2017. BOC is rated “**Outstanding**” or “1.” This rating means BOC has an outstanding record of helping to meet community credit needs.

The rating is based on the following factors:

Lending Test: “Outstanding”

Loan-to-Deposit Ratio and Other Lending-Related Activities: “Satisfactory”

BOC’s average loan-to-deposit (“LTD”) ratio and other lending activities were reasonable considering its size, business strategy, financial condition and peer group activity.

BOC’s average LTD ratio for the current evaluation period was 46.6%, trailing its peers’ average LTD ratio of 59.9%. During the evaluation period BOC’s total deposit growth of 37.0% exceeded its loan growth of 11.4%. While deposit growth outpaced loan growth, deposit growth included an increase in municipal deposits, which must be pledged against and are not available for lending resulting in a lower LTD ratio.

Assessment Area Concentration: “Outstanding”

During the evaluation period, BOC originated 89.8% by number and 84.4% by dollar value of its total small business and consumer loans within the assessment area. This substantial majority of lending inside of its assessment area reflects an excellent concentration of lending within BOC’s assessment area.

Distribution by Borrower Characteristics: “Outstanding”

BOC’s small business lending demonstrated an excellent distribution of loans among businesses with different revenue sizes. This criterion was evaluated solely on small business lending because consumer loans submitted did not contain borrower income.

BOC’s average rates of lending to businesses with revenue of less than or equal to \$1 million for the evaluation period were 100% by number and 100% by dollar value of loans. This was well above the aggregate’s rates of 53.5% by number 46.6% by dollar value of loans.

Geographic Distribution of Loans: “Not Rated”

The geographic distribution criterion was not rated as BOC’s assessment area is comprised of only middle-income census tracts (3). This was also the case in the prior evaluation period; however, at that time the three middle-income census tracts that make up BOC’s assessment area were designated as distressed.

Action Taken in Response to Written Complaints with Respect to CRA: "N/A"

Neither DFS nor BOC received any written complaints regarding BOC's CRA performance during the evaluation period.

Other factors that in the judgment of the Superintendent bear upon the extent to which Bank of Cattaraugus is helping to meet the credit needs of its entire community.

Although BOC as a small bank is not subject to the community development test, it made \$375,030 in new community development investments and \$72,000 in community development grants.

This evaluation was conducted based on a review of the 12 assessment factors set forth in Section 28-b of the New York Banking Law and GRS Part 76.

PERFORMANCE CONTEXT

Institution Profile

Bank of Cattaraugus (“BOC”), founded in 1882, is a small state-chartered commercial bank with one banking office in the Village of Cattaraugus, Cattaraugus County, New York.

BOC offers traditional banking services and products including telephone banking, checking, savings, certificates of deposit, personal loans, residential and commercial mortgage loans, and commercial loans.

Per the Consolidated Report of Condition (the Call Report) as of December 31st, 2017, filed with the Federal Deposit Insurance Corporation (“FDIC”), BOC reported total assets of \$19.5 million, of which \$8.7 million were net loans and lease finance receivables. It also reported total deposits of \$17.7 million, resulting in a loan-to-deposit ratio of 48.6%. According to the latest available comparative deposit data as of June 30th, 2017, BOC obtained a market share of 1.94%, or \$18.7 million, in a market of \$959.8 million, ranking it seventh among nine deposit-taking institutions in Cattaraugus County.

The following is a summary of the bank’s loan portfolio, based on Schedule RC-C of the bank’s December 31, 2011, 2012, 2013, 2014, 2015, 2016, and 2017 Call Reports:

TOTAL GROSS LOANS OUTSTANDING														
Loan Type	2011		2012		2013		2014		2015		2016		2017	
	\$000's	%	\$000's	%	\$000's	%	\$000's	%	\$000's	%	\$000's	%	\$000's	%
1-4 Family Residential Mtg Loans	5,064	66.3	4,413	57.1	4,839	61.2	4,561	55.8	3,946	50.1	3,500	44.3	4,030	46.3
Commercial & Industrial Loans	296	3.9	416	5.4	228	2.9	569	7.0	631	8.0	896	11.4	1,091	12.5
Commercial Mortgage Loans	470	6.1	607	7.8	760	9.6	887	10.8	993	12.6	1,082	13.7	943	10.8
Consumer Loans	1,252	16.4	1,566	20.2	1,313	16.6	1,225	15.0	1,320	16.8	1,563	19.8	1,754	20.1
Construction Loans	170	2.2	133	1.7	118	1.5	91	1.1	109	1.4	184	2.3	182	2.1
Agricultural Loans	391	5.1	600	7.8	648	8.2	834	10.2	873	11.1	665	8.4	709	8.1
Other Loans	0	0.0	0	0.0	0	0.0	11	0.1	0	0.0	4	0.1	3	0.0
Total Gross Loans	7,643		7,735		7,906		8,178		7,872		7,894		8,712	

The above table shows that one-to-four family residential mortgage loans made up 46.3% of BOC’s gross loan portfolio at the end of the evaluation period; however, residential mortgage loans declined by 31.4% during the evaluation period. Commercial loans and consumer loans made up 23.3% and 20.1%, respectively, of the loan portfolio at the end of the evaluation period, but increased by 229.7% and 43.3%, respectively, during the evaluation period. Thus, BOC’s gross loan portfolio increased 11.4%.

BOC operates one banking office located in the Village of Cattaraugus. The banking office is supplemented by a 24-hour accessible non-deposit taking automated teller machine (“ATM”). The banking office also has a night-deposit drop box.

Examiners did not find evidence of financial or legal impediments that had an adverse impact on BOC’s ability to meet the credit needs of its community.

Assessment Area

BOC’s assessment area is comprised of three middle-income census tracts in Cattaraugus County. These census tracts include the towns of New Albion, Leon, East Otto, and South Dayton. While for 2011 all three census tracts in BOC’s assessment area were designated as distressed middle-income nonmetropolitan census tracts, they were no longer designated as distressed after 2011.

All census tracts adjacent to the assessment area are middle-income except for one moderate-income census tract that is located approximately fifteen miles from BOC’s one branch. This moderate-income census tract is serviced by several financial institutions.

Assessment Area Census Tracts by Income Level							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
Cattaraugus*				3		3	0.0
Total				3		3	0.0

* Partial county

Demographic & Economic Data

The assessment area had a population of 13,548 during the examination period. Approximately 15.1% of the population were over the age of 65 and 22.5% were under the age of sixteen.

Of the 3,597 families in the assessment area 23.1% were low-income, 20.2% were moderate-income, 23.8% were middle-income, and 32.9% were upper-income. There were 5,155 households in the assessment area, of which 14.3% had income below the poverty level and 2.1% were on public assistance.

The weighted average median family income in the assessment area was \$54,264.

There were 6,467 housing units within the assessment area, of which 86.7% were one-to-four family units, and 2.6% were multifamily units. A majority (63.4%) of the area’s housing units were owner-occupied, while 16.4% were rental-occupied units. Of the 4,097 owner-occupied housing units, 100% were in middle-income census tracts. The median age of the housing stock was 60 years, and the median home value in the assessment area was \$92,140.

There were 560 non-farm businesses in the assessment area. Of these, 79.1% were businesses with reported revenues of less than or equal to \$1 million, 4.1% reported revenues of more than \$1 million, and 16.8% did not report their revenues. Of all the businesses in the assessment area, 97.5% were businesses with less than fifty employees while 87.4% operated from a single location. The largest industries in the area were Services (35.4%), followed by Agriculture, Forestry & Fishing (13.7%) and Retail Trade (11.6%); 6.3% of businesses in the assessment area were not classified.

Per the New York State Department of Labor, the annual average unemployment rate for Cattaraugus County was higher than the annual average state-wide unemployment rate for each year of the evaluation period. Both unemployment rates have steadily declined, except the 2017 unemployment rate for Cattaraugus County.

Assessment Area Unemployment Rate		
	NY State	Cattaraugus*
2011	8.3	9.3
2012	8.5	9.3
2013	7.7	8.5
2014	6.3	7.0
2015	5.3	6.3
2016	4.8	5.9
2017	4.6	6.0
7 Year Avg	6.5	7.5

* Partial County

Community Information

As a part of the evaluation, examiners interviewed two community contacts from two different organizations. One of the organizations is in Little Valley, NY and works to improve communities in Cattaraugus County through retention and expansion of employment, as well as encouraging private sector investment and promoting tourism in the area. The other organization’s mission is to improve the quality of life of the residents of the Southern Tier West Region’s and ensure that they have access to adequate occupational, educational, and recreational opportunities, as well as health care services, housing, public safety, and transportation.

Both interviewees indicated the need for more flexible loan products tailored to small businesses and LMI individuals and families, financing to renovate “zombie” properties, and financial education for small businesses. It was also noted that small businesses face challenges in securing financing as local banks have been taking a conservative lending approach.

The interviewees also indicated that the economic condition of Cattaraugus County is slightly improving and population loss has stabilized; however, local farmers continue to struggle. Cattaraugus County consists mainly of middle-income census tracts; however, there are LMI families and individuals throughout the county.

There are job opportunities in the area but a low supply of skilled workers to fill the vacancies, indicating a need for training. A major employer in the area is the casino in Salamanca. It generates an estimated \$2 million in tourism annually for the area as noted by one of the interviewees, while Allegany State Park and the Village of Ellicottville generate an estimated \$1.5 million each annually.

One of the contacts mentioned local banks overall have been mostly receptive to the community and specifically mentioned BOC as being very involved in the community.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

The Department evaluated BOC under the small banking institution performance standards in accordance with Sections 76.7 and 76.12 of the GRS, which consist of the following lending test criteria:

- 1. Loan-to-deposit ratio and other lending-related activities;*
- 2. Assessment area concentration;*
- 3. Distribution of loans by borrower characteristics;*
- 4. Geographic distribution of loans; and*
- 5. Action taken in response to written complaints regarding CRA.*

DFS also considered the following factors in assessing the bank's record of performance:

- 1. The extent of participation by the board of directors or board of trustees in formulating CRA policies and reviewing CRA performance;*
- 2. Evidence of practices intended to discourage credit applications;*
- 3. Evidence of prohibited discriminatory or other illegal credit practices;*
- 4. The institution's record of opening and closing offices and providing services at offices; and*
- 5. Process factors, such as activities to ascertain credit needs and the extent of marketing and special credit related programs.*

Finally, DFS considered other factors as delineated in Section 28-b of the New York Banking Law that reasonably bear upon the extent to which BOC helps meet the credit needs of its entire community.

DFS derived statistics employed in this evaluation from various sources. BOC submitted bank-specific information both as part of the examination process and on its Call Report submitted to the FDIC. DFS obtained aggregate lending data from the Federal Financial Institutions Examination Council ("FFIEC") and deposit data from the FDIC. DFS calculated LTD ratios from information shown in the Bank's Uniform Bank Performance Report submitted to the FDIC.

DFS derived the demographic data referred to in this report from the 2010 U.S. Census and the FFIEC. DFS based business demographic data on Dun & Bradstreet reports, which Dun & Bradstreet updates annually. DFS obtained unemployment data from the New York State Department of Labor. Some non-specific bank data are only available on a county-wide basis, and DFS used this information even though BOC's assessment area includes only a portion of Cattaraugus County.

The evaluation period included calendar years 2011, 2012, 2013, 2014, 2015, 2016, and 2017.

Because the number of one-to-four family residential mortgage loans (20 loans) BOC originated during the evaluation period was too low for a meaningful analysis, DFS only considered BOC's small business and consumer loans in evaluating factors (2) and (3) of the lending test noted above. DFS did not evaluate BOC for factor (4) of the lending test because its assessment area is made up of only middle-income census tracts.

Small business and consumer loan data evaluated in this performance evaluation represented actual originations.

At its **prior** Performance Evaluation, as of December 31, 2010, DFS assigned BOC a rating of "1," reflecting an "Outstanding" record of helping to meet the credit needs of BOC's communities.

Current CRA Rating: "Outstanding"

Lending Test: "Outstanding"

BOC's small business and consumer loan activities were excellent considering its size, business strategy, and financial condition, as well as aggregate and peer group activity and the demographic characteristics and credit needs of its assessment area.

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

BOC's average LTD ratio and other lending activities were reasonable considering its size, business strategy and financial condition and peer group activity.

BOC's average LTD ratio for the current evaluation period was 46.6%, trailing its peers' average LTD ratio of 59.9%. BOC is a one branch bank and to ensure sufficient liquidity at all times and to meet unforeseen demand, its liquidity and contingency funding policy limits the LTD ratio to a maximum of 60%.

During the evaluation period BOC's total deposit growth of 37% exceeded its loan growth of 11.4%. While deposit growth outpaced loan growth, deposit growth included an increase in municipal deposits, which must be pledged against and are not available for lending resulting in a lower LTD ratio. These deposits are also seasonal and fluctuate throughout the year. As shown in the table below, BOC's average quarterly LTD ratios for the 1st quarter of every year were always the lowest, the 2nd quarter ratios always increased, while the 3rd quarter ratios again decreased and the 4th quarter ratios were always the highest.

The table below shows BOC's LTD ratios in comparison with the peer group's ratios for the 28 quarters since the prior evaluation.

Loan-to-Deposit Ratios																													
	2011	2011	2011	2011	2012	2012	2012	2012	2013	2013	2013	2013	2014	2014	2014	2014	2015	2015	2015	2015	2016	2016	2016	2016	2017	2017	2017	2017	Avg.
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Bank	45.2	56.9	51.1	59.5	41.6	52.5	49.4	61.2	41.8	49.2	47.2	52.8	38.9	50.7	47.0	52.9	38.2	45.6	42.4	46.7	32.1	39.7	39.9	46.2	36.6	45.3	44.8	48.6	46.6
Peer	58.5	60.0	60.1	59.3	54.8	57.8	57.1	56.1	53.2	55.9	57.4	57.9	55.5	58.4	59.7	60.8	58.5	61.5	63.6	62.5	62.0	64.2	65.2	63.3	62.2	63.9	63.9	63.4	59.9

Assessment Area Concentration: “Outstanding”

During the evaluation period, BOC originated 89.8% by number and 84.4% by dollar value of its total small business and consumer loans within the assessment area. This substantial majority of lending inside of its assessment area reflects an excellent concentration of lending.

Small Business Loans

BOC originated 90.3% by number and 80.8% by dollar value of its small business loans within the assessment area. This majority of lending inside of its assessment area reflects an excellent record of lending.

Consumer Loans

BOC originated 89.6% by number and 87.4% by dollar value of its small business loans within the assessment area. This substantial majority of lending inside its assessment area reflects an excellent record of lending.

The following table shows the percentages of BOC’s small business and consumer loans originated inside and outside of the 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
	#	%	#	%		\$	%	\$	%	
Small Business										
2011	8	100.0%	0	0.0%	8	85	100.0%	0	0.0%	85
2012	25	100.0%	0	0.0%	25	284	100.0%	0	0.0%	284
2013	39	97.5%	1	2.5%	40	549	82.6%	116	17.4%	665
2014	44	91.7%	4	8.3%	48	560	85.9%	92	14.1%	652
2015	27	87.1%	4	12.9%	31	369	82.6%	78	17.4%	447
2016	28	80.0%	7	20.0%	35	605	76.7%	184	23.3%	789
2017	43	86.0%	7	14.0%	50	1,176	75.0%	392	25.0%	1,568
Subtotal	214	90.3%	23	9.7%	237	3,628	80.8%	862	19.2%	4,490
Consumer										
2011	87	88.8%	11	11.2%	98	650	83.2%	131	16.8%	781
2012	105	92.9%	8	7.1%	113	956	93.2%	70	6.8%	1,026
2013	80	90.9%	8	9.1%	88	607	84.7%	110	15.3%	717
2014	62	81.6%	14	18.4%	76	401	81.8%	89	18.2%	490
2015	72	90.0%	8	10.0%	80	548	83.4%	109	16.6%	657
2016	72	92.3%	6	7.7%	78	478	91.7%	43	8.3%	521
2017	75	89.3%	9	10.7%	84	944	89.7%	108	10.3%	1,052
Subtotal	553	89.6%	64	10.4%	617	4,584	87.4%	660	12.6%	5,244
Grand Total	767	89.8%	87	10.2%	854	8,212	84.4%	1,522	15.6%	9,734

Distribution by Borrower Characteristics: "Outstanding"

BOC's small business lending demonstrated an excellent distribution of loans among businesses with different revenue sizes.

This criterion was evaluated solely on small business lending because consumer loans submitted for evaluation by BOC did not contain borrower income; therefore, distribution of consumer loans by borrower income could not be analyzed.

Small Business

BOC's average rates of lending to businesses with revenue of less than or equal to \$1 million for the evaluation period were 100% by number and 100% by dollar value of loans. This was well above the aggregate's rates of 53.5% by number 46.6% by dollar value of loans. BOC's rates of lending also exceeded the percentage of businesses (business demographics) with revenue of \$1 million and less located within the assessment area for each year of the evaluation period.

The following table provides a summary of the distribution of BOC's small business loans by revenue of the small business borrower.

Distribution of Small Business Lending by Revenue Size of Business									
2011									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	8	100.0%	85	100.0%	68	46.3%	2,949	48.3%	73.8%
Rev. > \$1MM	-	0.0%	0	0.0%	79	53.7%	3,159	51.7%	1.6%
Rev. Unknown	-	0.0%	0	0.0%	0	0.0%	0	0.0%	24.6%
Total	8		85		147		6,108		
2012									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	25	100.0%	284	100.0%	57	44.2%	1,643	40.6%	75.4%
Rev. > \$1MM	-	0.0%	0	0.0%	72	55.8%	2,403	59.4%	2.4%
Rev. Unknown	-	0.0%	0	0.0%	0	0.0%	0	0.0%	22.2%
Total	25		284		129		4,046		
2013									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	39	100.0%	549	100.0%	68	56.7%	2,403	52.9%	75.1%
Rev. > \$1MM	-	0.0%	0	0.0%	52	43.3%	2,138	47.1%	2.8%
Rev. Unknown	-	0.0%	0	0.0%	0	0.0%	0	0.0%	22.1%
Total	39		549		120		4,541		
2014									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	44	100.0%	560	100.0%	78	54.5%	2,756	50.4%	74.1%
Rev. > \$1MM	-	0.0%	0	0.0%	65	45.5%	2,714	49.6%	2.9%
Rev. Unknown	-	0.0%	0	0.0%	0	0.0%	0	0.0%	23.0%
Total	44		560		143		5,470		
2015									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	27	100.0%	369	100.0%	87	53.7%	3,225	44.7%	81.1%
Rev. > \$1MM	-	0.0%	0	0.0%	75	46.3%	3,987	55.3%	3.1%
Rev. Unknown	-	0.0%	0	0.0%	0	0.0%	0	0.0%	15.8%
Total	27		369		162		7,212		
2016									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	28	100.0%	605	100.0%	98	64.5%	3,082	43.5%	82.2%
Rev. > \$1MM	-	0.0%	0	0.0%	54	35.5%	4,005	56.5%	3.5%
Rev. Unknown	-	0.0%	0	0.0%	0	0.0%	0	0.0%	14.3%
Total	28		605		152		7,087		
2017									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	43	100.0%	1,176	100.0%	-	-	-	-	81.7%
Rev. > \$1MM	-	0.0%	0	0.0%	-	-	-	-	3.7%
Rev. Unknown	-	0.0%	0	0.0%	-	-	-	-	14.6%
Total	43		1,176						
GRAND TOTAL									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	214	100.0%	3,628	100.0%	456	53.5%	16,058	46.6%	
Rev. > \$1MM	-	0.0%	-	0.0%	397	46.5%	18,406	53.4%	
Rev. Unknown	-	0.0%	-	0.0%	-	0.0%	-	0.0%	
Grand Total	214		3,628		853		34,464		

Geographic Distribution of Loans: “Not Rated”

The geographic distribution criterion was not rated as BOC’s assessment area is comprised of only middle-income census tracts (3). This was also the case in the prior evaluation period; however, at that time the three middle-income census tracts that make up BOC’s assessment area were designated as distressed.

Action Taken in Response to Written Complaints with Respect to CRA: N/A

Neither DFS nor BOC received any written complaints during the evaluation period regarding BOC's CRA performance.

Additional Factors

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

BOC CRA committee is made up of all executive officers and directors of the bank. The president of BOC is the CRA officer. The committee monitors the bank’s CRA performance as a part of its periodic meetings. The committee also reviews the CRA self-assessment which is completed annually. The committee also makes recommendations and reviews and approves the CRA statement and policy at least annually.

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

DFS examiners did not note any practices by BOC intended to discourage applications for the types of credit offered by BOC.

Evidence of prohibited discriminatory or other illegal credit practices.

DFS examiners did not note evidence by BOC of prohibited discriminatory or other illegal practices.

Record of opening and closing offices and providing services at offices

BOC did not open or close any banking offices during the evaluation period. The current office is located in a middle-income census tract within the bank’s assessment area.

BOC is the only bank in the Village of Cattaraugus in the northeast part of the Town of Albion. The nearest bank is approximately seven miles away.

Distribution of Branches within the Assessment Area								
County	N/A #	Low #	Moderate #	Middle #	Upper #	Total #	LMI %	LMI and Distressed or Underserved
*Cattaraugus		-	-	1		1	0%	0%
Total	-	-	-	1	-	1	0%	0%

*Partial County

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.*

BOC ascertains the credit needs of its community through active participation and involvement of its board members, management, and personnel in local organizations such as St. Mary's Church, Historic Cattaraugus Corporation, Historic Southwestern New York Foundation, American Legion, New York State Business Development Corporation, Village of Cattaraugus, Cattaraugus Women's Civic League, United Methodist Church, and the Cattaraugus-Little Valley Central School District Foundation. Bank personnel are quite active in the community and travel throughout the bank's assessment area to obtain an understanding of credit needs.

- *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*

BOC does not have an official marketing/advertising policy. Its marketing efforts are mostly limited to BOC's employees' involvement in various local organizations as noted above.

Other factors that in the judgment of the Superintendent bear upon the extent to which Bank of Cattaraugus is helping to meet the credit needs of its entire community.

A major component of BOC's mission as a community bank is to preserve and/or restore the historic component of the local community and in so doing, create job opportunities and restore buildings that meet revitalization/stabilization needs. BOC is accomplishing this mission through two non-profit organizations that directly benefit the Village of Cattaraugus and the Town of Albion in these endeavors. These two organizations are the Historic Cattaraugus Corporation ("HCC") and the Historic Southwestern New York Foundation ("HSWNYF"). Projects have been focused thus far on restoring the downtown historic section of the Village of Cattaraugus.

Although BOC is not subject to the community development test because it is a small bank, BOC made \$375,030 in new community development investments and \$72,000 in community development grants. Below is a summary of BOC's community development investments and grants:

- BOC purchased five Public Improvement Refunding (Serial) Bonds, 2015 in the total amount of \$375,030. These bonds were a part of 18 such bonds issued by the Village of Cattaraugus for refunding all or a portion of the outstanding amount of the Village's two water improvement bonds (combined original principal amount of \$1,117,600) and a statutory installment bond (original principal amount of \$300,000).
- BOC made various donations for a total of \$69,700 to a nonprofit organization based in Cattaraugus. The organization's mission is to create jobs through preservation and revitalization and it also engages in work force development.

GLOSSARY

Aggregate Penetration Rate

The number of loans originated and purchased by all reporting lenders in specified categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the assessment area.

Community Development

“Community development”:

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.

Community Development Loan

A loan that has 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.

Community Development Service

Service that has community development as its *primary purpose*, 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.

Geography

A census tract delineated by the United States Bureau of the Census in the most recent decennial census

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.

Income Level

The income level for borrowers is based on household or family income. A geography's income is categorized by median family income for the geography. In both cases, the income is compared to the MSA or statewide nonmetropolitan median income.

Income level of individual or geography	% of the area median income
Low-income	Less than 50
Moderate-income	At least 50 and less than 80
Middle-income	At least 80 and less than 120
Upper-income	120 or more

Small Business Loan

A small business loan is a loan less than or equal to \$1 million.

Low or Moderate Income (“LMI”) Geographies

Those census tracts or block numbering areas where, according to the 2000 U.S. 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 cases 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

Individuals or persons 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 represents 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 in LMI geographies or to LMI borrowers.

Low-Income Housing Tax Credit (LIHTC)

A dollar for dollar tax credit for affordable housing, created under the Tax Reform Act of 1986, that provides incentives to invest in projects for the utilization of private equity in the development of affordable housing aimed at low income Americans. It is also more commonly called Section 42 credits in reference to the applicable section of the IRC. The tax credits are more attractive than tax deductions as they provide a dollar for dollar reduction in a taxpayer's federal income tax. It is more commonly attractive to corporations since the passive loss rules and similar tax changes greatly reduced the value of tax credits and deductions to individual taxpayers.

New Markets Tax Credit (NMTC)

The New Markets Tax Credits (NMTC) Program was established by Congress in December 2000 to stimulate economic and community development and job creation in low-income communities. It permits individual and corporate taxpayers to receive a credit against federal income taxes for making qualified equity investments in Community Development Entities (CDEs). The credit provided to the investor totals 39% of the cost of the investment and is claimed over a 7-year period. CDEs must use substantially all of the taxpayer's investments to make qualified investments in low-income communities. The Fund is administered by the US Treasury Department's Community Development Financial Institutions Fund (CDFI).

Qualified Investment

A lawful investment, deposit, membership share or grant that has community development as its *primary purpose*. 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.