



**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, 2015

**Institution:** Catskill Hudson Bank  
95 Schwenk Drive  
Kingston, NY 12401

**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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## TABLE OF CONTENTS

	Section
General Information .....	1
Overview of Institution's Performance .....	2
Performance Context.....	3
Institution Profile	
Assessment Area	
Demographic & Economic Data	
Community Information	
Performance Standards and Assessment Factors .....	4
Lending Test	
Loan-to-Deposit Ratio and Other Lending-Related Activities	
Assessment Area Concentration	
Distribution by Borrower Characteristics	
Geographic Distribution of Loans	
Action Taken in Response to Written Complaints with Respect to CRA	
Community Development Test	
Community Development Loans	
Community Development Investments	
Community Development Services	
Additional Factors	
Glossary .....	5

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## **GENERAL INFORMATION**

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of Catskill Hudson Bank (“CHB”) 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, 2015.

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 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 the 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.

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

DFS evaluated CHB according to the intermediate small bank performance criteria pursuant to Part 76.7 and Part 76.12 of the General Regulations of the Superintendent ("GRS"). This assessment period included calendar years 2013, 2014 and 2015. CHB is rated "2," indicating a "Satisfactory" record of helping to meet community credit needs.

The rating is based on the following factors:

**Lending Test:** "Satisfactory"

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

CHB's average loan-to-deposit ratio was reasonable considering its size, business strategy, financial condition and peer group activity.

CHB average loan-to-deposit ratio ("LTD") of 53.1% was significantly lower than its peer group ratio of 76.9%, but just slightly below its ratio of 57.3% for the prior evaluation period. CHB's high level of municipal deposits are the primary reason for its low LTD ratios. Municipal deposits accounted for an average of 35.6% of its deposits during the evaluation period.

**Assessment Area Concentration:** "Satisfactory"

During the evaluation period, CHB originated 77.6% in number and 59.8% by dollar value of its small business loans within the assessment area. This majority of lending inside CHB's assessment area reflected a reasonable concentration of lending within the assessment area.

**Distribution by Borrower Characteristics:** "Satisfactory"

CHB's small business lending demonstrated a reasonable distribution of loans among businesses of different revenue sizes.

CHB's average rate of lending for the evaluation period to businesses with gross annual revenue of \$1.0 million or less was 26.1% by number and 28.8% by dollar value of loans. While this was below the aggregate's rate of 43.2% by number it was comparable to the aggregate's rate of 29.4% by dollar value.

**Geographic Distribution of Loans:** "Satisfactory"

CHB's origination of small business loans in census tracts of varying income levels demonstrated a reasonable distribution of lending.

CHB's rate of lending in LMI geographies trailed the aggregate's rate during the evaluation. However, while CHB rate of lending in low-income census tracts trailed the aggregate's rate, its performance in moderate-income census tracts was comparable to

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its aggregate's. CHB's assessment area prior to 2014 did not contain any low-income census tracts; therefore, it is reasonable that its rate of lending to small businesses in low-income geographies may trail its aggregate's rate as they are established in these areas.

Action Taken in Response to Written Complaints with Respect to CRA: "Not Rated"

Neither DFS nor CHB received any CRA related complaints during the evaluation period.

**Community Development Test: "Satisfactory"**

CHB's community development performance demonstrated reasonable responsiveness to the community development needs of its assessment area through community development loans, investments and services, considering CHB's capacity and the need for and availability of opportunities for community development in its assessment area.

Community Development Lending: "Satisfactory"

During the evaluation period, CHB originated \$3.1 million in new community development loans and had \$3.1 million outstanding from prior evaluation periods. This demonstrated a reasonable level of community development lending over the course of the evaluation period.

CHB's level of community development lending increased \$1.9 million or 44.2% from the prior evaluation period.

Community Development Qualified Investments: "Satisfactory"

CHB made \$1.9 million in new community development investments, and had \$1.7 million outstanding from prior evaluation periods. In addition, CHB made \$52,226 in community development grants.

While this demonstrated a reasonable level of community development investments over the course of the evaluation period it represented a decreased of \$10.1 million or 73.3% from the prior period. As a result, DFS downgraded CHB's rating for community development investments to satisfactory from the prior period's rating of outstanding.

Community Development Services: "Satisfactory"

CHB demonstrated a reasonable level of community development services over the course of the evaluation period.

CHB's executives and senior bank personnel are active committee members and/or board members of various community, nonprofit and grassroots civic organizations in the assessment area. CHB also offers free tax collection services to various municipalities and free banking services to school districts and fire districts in its assessment area.

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Responsiveness to Community Development Needs:

CHB demonstrated reasonable level of responsiveness to credit and community development needs.

*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.*

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## PERFORMANCE CONTEXT

### Institution Profile:

Catskill Hudson Bank (“CHB”), incorporated in 1993, is a commercial bank headquartered in the City of Kingston in Ulster County, New York. CHB does not have any affiliates and is wholly owned subsidiary of Catskill Hudson Bancorp, Inc., a one-bank holding company.

CHB offers mainly traditional banking products, such as personal and business checking accounts, savings accounts, and certificate of deposits and individual retirement accounts. CHB also offers online and mobile banking. While CHB’s main lending products are commercial mortgage and small business loans, it also offers consumer loans, home equity loans and lines of credit.

Per the Consolidated Report of Condition (the “Call Report”) as of December 31, 2015, filed with the Federal Deposit Insurance Corporation (“FDIC”), CHB reported total assets of \$449.3 million, of which \$223.7 million were net loans and lease financing receivables. It also reported total deposits of \$415.7 million, resulting in a loan-to-deposit ratio of 53.8%. Per the latest available comparative deposit data as of June 30, 2015, CHB obtained a market share of 1.9%, or \$375.2 million in a market of \$19.4 billion, ranking it 17<sup>th</sup> among 43 deposit-taking institutions in the assessment area.

The following is a summary of CHB’s loan portfolio, based on Schedule RC-C of its December 31, 2013, 2014 and 2015’s Call Reports:

<b>TOTAL GROSS LOANS OUTSTANDING</b>						
Loan Type	2013		2014		2015	
	\$000's	%	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	20,435	10.1	19,422	9.2	17,750	7.8
Commercial & Industrial Loans	53,306	26.5	53,137	25.2	48,739	21.4
Commercial Mortgage Loans	114,319	56.8	124,099	58.9	140,975	61.8
Multifamily Mortgages	4,104	2.0	3,740	1.8	3,787	1.7
Consumer Loans	1,027	0.5	1,219	0.6	7,348	3.2
Agricultural Loans	1,427	0.7	1,365	0.6	855	0.4
Construction Loans	6,578	3.3	7,619	3.6	7,522	3.3
Loans to non depository financial institutions	0	0.0	0	0.0	1,000	0.4
Other Loans	69	0.0	74	0.0	57	0.0
Lease financing receivables	111	0.1	15	0.0		0.0
<b>Total Gross Loans</b>	<b>201,376</b>		<b>210,690</b>		<b>228,033</b>	

As illustrated in the above table, CHB is primarily a commercial lender, with 61.8% of its loan portfolio in commercial mortgage loans, 21.4% in commercial and industrial loans, 7.8% in residential loans and 1.7% in multifamily loans.

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CHB operates 12 branches: seven are in Sullivan County, two in Ulster County and one branch each in Dutchess, Orange and Saratoga counties. Supplementing the branch offices is an automated teller machine (“ATM”) network consisting of one ATM in each branch. All ATMs are deposit-taking.

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

**Assessment Area:**

CHB’s assessment area is comprised of Sullivan County in its entirety and the partial counties of Albany, Dutchess, Orange, Saratoga and Ulster. While CHB does not have a branch in Albany County, it has included 51 census tracts from this county, of which 23 are low- and moderate-income (“LMI”) census tracts, in its assessment area.

CHB’s assessment area is comprised of 191 census tracts, this represents a significant increase from the 68 census tracts that made up the assessment area during the prior evaluation period. The change in the assessment area was due to the opening of two branches, in 2014, located in Poughkeepsie, Dutchess County and Malta, Saratoga County. CHB, during the evaluation period closed three branches due to low business volume; two were in Sullivan County and one in Ulster County. The closure of these branches did not result in a change to the assessment area as CHB continues to service these counties with its other branches.

The 191 census tracts consist of 16 low-income, 32 moderate-income, 94 middle-income, 48 upper-income and one tract with no income indicated. Nearly half (47.9%) of the LMI income tracts are in Albany County, added in 2014.

Assessment Area Census Tracts by Income Level							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
*Albany	0	11	12	16	12	51	45.1
*Dutchess	0	5	6	21	5	37	29.7
*Orange	0	0	1	7	10	18	5.6
*Ulster	0	0	5	18	3	26	19.2
*Saratoga	1	0	4	20	10	35	11.4
Sullivan	0	0	4	12	8	24	16.7
Total	1	16	32	94	48	191	25.1

*\*Partial County*

**Demographic & Economic Data**

The assessment area had a population of 759,911 during the examination period. About 13.4% of the population were over the age of 65 and 18.7% were under the age of sixteen.

Of the 185,407 families in the assessment area 20.5% were low-income, 17.5% were moderate-income, 21.6% were middle-income and 40.5% were upper-income families. There were 297,016 households in the assessment area, of which 10.9% had income below the poverty level and 2.2% were on public assistance.

The weighted average of median family income in the assessment area was \$75,806. The weighted average of Federal Financial Institutions Examination Council (“FFIEC”) updated MSA median family income was \$80,174.

There were 342,810 housing units within the assessment area, of which 79.7% were one-to-four family units and 15.5% were multifamily units. A majority (54.7%) of the area’s housing units were owner-occupied, while 32.0% were rental units. Of the owner-occupied housing units, 15.6% were in low- and moderate-income census tracts while 84.4% were in middle- and upper-income census tracts. The median age of the housing stock was 53 years, and the median home value in the assessment area was \$224,837.

There were 51,044 non-farm businesses in the assessment area. Of these, 73.9% were businesses with reported revenues of less than or equal to \$1 million, 6.1% reported revenues of more than \$1 million and 20.1% did not report their revenues. Of all the businesses in the assessment area, 86.4% were businesses with less than fifty employees while 86.2% operated from a single location. The largest industries in the area were services with 49.7%, followed by retail trade with 14.8% and construction with 7.7%, while 4.5% of businesses in the assessment area were not classified.

According to the New York State Department of Labor, the unemployment rates for New York State and the five counties in the assessment area steadily decreased during the evaluation period. Sullivan County’s unemployment rates were consistently the highest and peaked in 2013 at 8.1%, while Albany County’s consistently had the lowest unemployment rates.

<b>Assessment Area Unemployment Rate</b>						
	Statewide	Albany	Dutchess	Orange	Sullivan	Ulster
2013	7.7%	6.1%	6.7%	6.8%	8.1%	7.1%
2014	6.3%	4.9%	5.3%	5.5%	6.6%	5.7%
2015	5.3%	4.4%	4.6%	4.7%	5.5%	4.9%
Avg 3 yrs	6.4%	5.1%	5.5%	5.7%	6.7%	5.9%

**Community Information**

Examiners met and interviewed the executive director of a nonprofit organization operating in Ulster County that supports affordable housing and a county government official in Sullivan County.

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Examiners inquired into the banking and financial needs of the residents and businesses, as well as, the overall economic condition of the area. Both interviewees noted improvements in the economic conditions in Ulster County, while Sullivan County continues to struggle with higher unemployment and poverty rates. One interviewee noted that Sullivan County is one of five counties in the United States designated as a Rural Economic Area Partnership Program or “REAP” zone, eligible for federal funding from the United States Department of Agriculture.

They also cited a need for affordable housing and financial literacy for LMI families and individuals in Ulster and Sullivan counties. Both provided positive feedback on local community banks for getting involved in community development projects with a special mention to CHB, which provided a loan to finance a project for one of the contacts.

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## **PERFORMANCE STANDARDS AND ASSESSMENT FACTORS**

*DFS evaluated CHB under the intermediate small banking institution's performance standards in accordance with Parts 76.7 and 76.12 of the General Regulations of the Superintendent, which consist of the lending test and the community development test.*

*The lending test includes:*

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

*The community development test includes:*

- 1. Community development lending;*
- 2. Community development investments;*
- 3. Community development services; and*
- 4. Responsiveness to community development needs*

*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. Any practices intended to discourage credit applications,*
- 3. Evidence of prohibited discriminatory or other illegal credit practices;*
- 4. 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*

DFS derived statistics employed in this evaluation from various sources. CHB 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 loan-to-deposit ratios from information shown in the Bank's Uniform Bank Performance Report as 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 data on Dun & Bradstreet ("D&B") reports, which D&B 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 where the institution's assessment area includes partial counties.

The assessment period included calendar years 2013, 2014 and 2015.

Examiners considered small business loans in evaluating factors (2), (3) and (4) of the lending test noted above. Small business loan data evaluated in this performance evaluation represented actual originations.

At its **prior** Performance Evaluation, as of December 31, 2012, DFS assigned CHB a rating of “2”, reflecting a “Satisfactory” record of helping to meet community credit needs

**Current CRA Rating: “Satisfactory”**

**Lending Test: “Satisfactory”**

CHB’s small business activities were reasonable considering CHB’s size, business strategy, and financial condition, as well as aggregate and peer group activity and the demographic characteristics and credit needs of the assessment area.

CHB’s assessment area increased from 68 census tracts at the previous evaluation to 191 census tracts during the current evaluation period. CHB changed the assessment area due to the opening of two branches in 2014 (discussed earlier and again below). The change significantly increased the number of low-income census tracts (0 to 16) and the number of moderate-income census tracts (12 to 32) within CHB’s assessment area. As CHB entered these markets recently, it is reasonable that the bank’s rate of lending to small businesses in LMI geographies trail its aggregate’s rate as they are established in the areas.

**Loan-to-Deposit (“LTD”) Ratio and other Lending-Related Activities: “Satisfactory”**

CHB’s average LTD ratio was reasonable considering its size, business strategy, financial condition and peer group activity.

CHB’s average LTD ratio for the evaluation period was 53.1% well below its peer group’s average ratio of 76.9%. Still, CHB’s ratio was just below its average LTD ratio of 57.3% for the prior evaluation period. As with previous evaluations CHB’s low LTD ratios were mainly due to its high level of municipal deposits. During the evaluation period municipal deposits averaged 35.6% of the bank’s total deposits.

The table below shows CHB’s quarterly LTD ratios in comparison with its peer group’s ratios for the 12 quarters since the prior evaluation.

<b>Loan-to-Deposit Ratios</b>													
	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2015 Q1	2015 Q2	2015 Q3	2015 Q4	Avg.
Bank	53.2	53.0	48.6	53.6	54.5	61.9	50.4	54.2	50.4	53.4	49.9	53.8	53.1
Peer	73.2	74.8	75.1	75.8	74.8	77.0	77.6	78.3	77.4	79.3	79.8	80.1	76.9

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Assessment Area Concentration: “Satisfactory”

During the evaluation period, CHB originated 77.6% in numbers, and 59.8% in dollar value of its small business loans within the assessment area. This majority of lending inside of its assessment area reflected a reasonable concentration of lending within CHB’s assessment area.

The following table shows the percentages of CHB’s small business 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										
2013	143	79.9%	36	20.1%	179	17,191	60.9%	11,017	39.1%	28,208
2014	147	76.2%	46	23.8%	193	20,571	60.3%	13,538	39.7%	34,109
2015	136	76.8%	41	23.2%	177	19,059	58.3%	13,634	41.7%	32,693
Grand Total	426	77.6%	123	22.4%	549	56,821	59.8%	38,189	40.2%	95,010

Distribution by Borrower Characteristics: “Satisfactory”

CHB’s small business lending demonstrated a reasonable distribution of loans among businesses of different revenue sizes.

CHB’s average rates of lending to businesses with gross annual revenue of \$1.0 million or less during the evaluation period were 26.1% by number and 28.8% by dollar value of loans. This was comparable to the aggregate’s rate of 29.4% by dollar value but was well below the aggregate’s rate of 43.2% by number of loans.

The following table provides a summary of the CHB’s small business lending distribution based on revenue size during the evaluation period:

<b>Distribution of Small Business Lending by Revenue Size of Business</b>									
<b>2013</b>									
<b>Rev. Size</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Rev. <= \$1MM	31	21.7%	4,934	28.7%	1,343	44.1%	24,688	31.7%	72.9%
Rev. > \$1MM	111	77.6%	12,244	71.2%					4.2%
Rev. Unknown	1	0.7%	13	0.1%					22.1%
<b>Total</b>	<b>143</b>		<b>17,191</b>		<b>3,046</b>		<b>77,858</b>		
<b>2014</b>									
<b>Rev. Size</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Rev. <= \$1MM	44	29.9%	6,174	30.0%	4,532	40.0%	130,351	26.9%	70.0%
Rev. > \$1MM	101	68.7%	14,305	69.5%					5.8%
Rev. Unknown	2	1.4%	92	0.4%					24.2%
<b>Total</b>	<b>147</b>		<b>20,571</b>		<b>11,324</b>		<b>484,811</b>		
<b>2015</b>									
<b>Rev. Size</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Rev. <= \$1MM	36	26.5%	5,261	27.6%	5,327	46.0%	166,034	31.4%	73.9%
Rev. > \$1MM	100	73.5%	13,798	72.4%					6.1%
Rev. Unknown		0.0%		0.0%					20.1%
<b>Total</b>	<b>136</b>		<b>19,059</b>		<b>11,589</b>		<b>528,004</b>		
<b>GRAND TOTAL</b>									
<b>Rev. Size</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Rev. <= \$1MM	111	26.1%	16,369	28.8%	11,202	43.2%	321,073	29.4%	
Rev. > \$1MM	312	73.2%	40,347	71.0%					
Rev. Unknown	3	0.7%	105	0.2%					
<b>Total</b>	<b>426</b>		<b>56,821</b>		<b>25,959</b>		<b>1,090,673</b>		

### Geographic Distribution of Loans: "Satisfactory"

CHB's origination of small business loans in census tracts of varying income levels demonstrated a reasonable distribution of lending.

CHB's average rates of lending in LMI geographies was below the aggregate's rates for the evaluation period. However, CHB outperformed its aggregate in moderate-income census tracts while it trailed its aggregate in low-income census tracts. CHB's assessment area prior to 2014 did not contain any low-income census tracts; therefore, it is considered reasonable that its rate of lending to small businesses in low-income geographies trail its aggregate's rates as they are established in these areas.

The following table provides a summary of the distribution of CHB's small business lending based on the income level of the geography.

Distribution of Small Business Lending by Geographic Income of the Census Tract									
2013									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	20	14.0%	4,994	29.1%	557	18.3%	12,422	16.0%	19.7%
LMI	20	14.0%	4,994	29.1%	557	18.3%	12,422	16.0%	19.7%
Middle	104	72.7%	9,886	57.5%	1,708	56.1%	44,971	57.8%	57.0%
Upper	19	13.3%	2,311	13.4%	781	25.6%	20,465	26.3%	23.4%
Unknown		0.0%		0.0%	0	0.0%	0	0.0%	
<b>Total</b>	<b>143</b>		<b>17,191</b>		<b>3,046</b>		<b>77,858</b>		
2014									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	730	6.4%	48,017	9.9%	7.3%
Moderate	28	19.0%	3,611	17.6%	1,732	15.3%	60,099	12.4%	19.0%
LMI	28	19.0%	3,611	17.6%	2,462	21.7%	108,116	22.3%	26.3%
Middle	96	65.3%	11,922	58.0%	5,631	49.7%	259,334	53.5%	47.1%
Upper	23	15.6%	5,038	24.5%	3,230	28.5%	117,331	24.2%	26.6%
Unknown		0.0%		0.0%	1	0.0%	30	0.0%	0.0%
<b>Total</b>	<b>147</b>		<b>20,571</b>		<b>11,324</b>		<b>484,811</b>		
2015									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	1	0.7%	100	0.5%	804	6.9%	46,614	8.8%	14.5%
Moderate	21	15.4%	2,344	12.3%	1,819	15.7%	82,287	15.6%	26.2%
LMI	22	16.2%	2,444	12.8%	2,623	22.6%	128,901	24.4%	40.7%
Middle	93	68.4%	12,315	64.6%	5,696	49.2%	260,627	49.4%	34.0%
Upper	21	15.4%	4,300	22.6%	3,270	28.2%	138,476	26.2%	25.3%
Unknown		0.0%		0.0%		0.0%		0.0%	
<b>Total</b>	<b>136</b>		<b>19,059</b>		<b>11,589</b>		<b>528,004</b>		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	1	0.2%	100	0.2%		5.9%		8.7%	
Moderate	69	16.2%	10,949	19.3%		15.8%		14.2%	
LMI	70	16.4%	11,049	19.4%		21.7%		22.9%	
Middle	293	68.8%	34,123	60.1%		50.2%		51.8%	
Upper	63	14.8%	11,649	20.5%		28.0%		25.3%	
Unknown	-	0.0%	-	0.0%		0.0%		0.0%	
<b>Total</b>	<b>426</b>		<b>56,821</b>		<b>25,959</b>		<b>1,090,673</b>		

Action Taken in Response to Written Complaints with Respect to CRA: "Not Rated"

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

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**Community Development Test: “Satisfactory”**

CHB’s community development performance demonstrated reasonable responsiveness to the community development needs of its assessment area through community development loans, investments and services, considering CHB’s capacity and the need and availability of such opportunities for community development in its assessment area.

During the evaluation period, CHB originated \$3.1 million in new community development loans, and had \$3.1 million outstanding from prior evaluation periods. CHB also made \$1.9 million in new community development investments and had \$1.7 million outstanding from prior evaluation periods. In addition, CHB made \$52,226 in community development grants.

**Community Development Lending: “Satisfactory”**

During the evaluation period, CHB originated \$3.1 million in new community development loans, and had \$3.1 million outstanding from prior evaluation periods. This demonstrated a reasonable level of community development lending over the course of the evaluation period.

CHB’s qualified community development loans of \$6.2 million for the evaluation period represented a \$1.9 million or 44.2% increase from the prior evaluation period, as well as, 0.5% of CHB’s annualized average assets.

<b>Community Development Loans</b>				
Purpose	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Loans	\$000	# of Loans	\$000
Affordable Housing	4	1,644		
Economic Development				
Community Services	4	880	2	744
Revitalize and Stabilize	5	534	9	2,405
<b>Total</b>	<b>13</b>	<b>3,058</b>	<b>11</b>	<b>3,149</b>

Below are highlights of CHB’s community development lending.

*Affordable Housing*

- CHB originated two lines-of-credit (“LOC”) in the amounts of \$750,000 and \$150,000, respectively, to a private real estate development and construction company based in Kingston, NY. The company constructs affordable housing for seniors, workforce families and veterans. The funds were utilized for pre-development costs and related expenses for six local community housing projects all in the assessment area.

- CHB refinanced a \$530,000 commercial mortgage for a nonprofit organization in Ulster County. This organization provides and supports affordable housing in Ulster County by building new homes or rehabilitating existing homes. Most of the work is completed by volunteers. The commercial building securing this mortgage contains a Restore, which sells donated materials such as furniture, home improvement products and building material. While donations are the organization’s primary source of funding, revenue generated by the Restore provides another source of funding.

*Community Services*

- CHB refinanced a \$400,000 commercial mortgage secured by a property that is occupied by a nonprofit organization and utilized to provide housing to people who suffer from mental illness and/or substance addiction. The organization also operates a food pantry.

Community Development Investments: “Satisfactory”

During the evaluation period, CHB made \$1.9 million in new community development investments, and had \$1.7 million outstanding from prior evaluation periods. In addition, CHB made \$52,226 in community development grants. While this demonstrated a reasonable level of community development investments over the course of the evaluation period it represented a decrease of 73.3% or \$10.1 million from the prior evaluation period. As a result, the rating for community development investments was downgraded to satisfactory from the prior period’s rating of outstanding.

Annualized community development investments as a percent of average assets declined from 0.9% for the prior evaluation period to 0.3% for the current evaluation period. CHB’s community development investments were bonds issued by local municipalities and/or fire departments located in Sullivan and Ulster counties with a primary purpose of revitalization and stabilization.

Community Development Investments and Grants				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Inv.	\$000	# of Inv.	\$000
CD Investments				
Affordable Housing				
Economic Development				
Community Services				
Revitalize/Stabilize	12	1920	10	1,734
<b>Total</b>	<b>12</b>	<b>1920</b>	<b>10</b>	<b>1,734</b>
CD Grants	# of Grants	\$000	Not Applicable	
Affordable Housing	2	5		
Economic Development	32	23		
Community Services	100	24		
Other (Please Specify)				
<b>Total</b>	<b>134</b>	<b>52</b>		

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Below are highlights of CHB's community development investments.

*Revitalize/Stabilize*

- CHB invested a total of \$420,000 in three municipal bonds issued by a local town in Sullivan County. Per the latest census report 54.4% of the town's population were moderate-income. The funds were used to pay for various sewer and other municipal projects.
- CHB purchased eight municipal bonds totaling \$1.4 million. The bonds were issued by a village in Ulster County. The village is in a moderate-income census tract and 64.0% and 51% of its students received reduced or free lunches in 2013 and 2014, respectively. The funds were used to purchase heavy equipment and pay for the cost of various village improvement projects.

Below are highlights of CHB's community development grants.

*Affordable Housing*

- CHB donated a total of \$4,949 to the Federal Home Loan Bank of New York's Affordable Housing Program. The program supports the creation and preservation of affordable housing for low-income families.

*Economic Development*

- CHB made grants in various amounts totaling \$4,647 to seven business organizations. Their primary purpose is to help local businesses and promote tourism in the assessment area.
- CHB also provided grants totaling \$8,460 to support a local partnership, an economic development corporation and two chambers of commerce in their mission to attract and retain businesses and jobs in the area.

Community Development Services: "Satisfactory"

CHB demonstrated a reasonable level of community development services over the course of the evaluation period.

CHB's executive and senior bank personnel are active committee members and/or board members of various community, nonprofit and grassroots civic organizations operating in the assessment area. As part of its community services, CHB also offers free tax collection services to various municipalities and free banking services to school districts and fire districts in its assessment area.

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Below are highlights of CHB's community development services.

- An executive vice president of CHB is the chairman of the board of a local nonprofit organization providing affordable housing. The organization buys and rehabilitates houses for low- and moderate-income individuals and families. The organization also operates a Restore in the assessment area, which sells donated overstock building materials, used furniture and home fixtures.
- Another director of CHB is the chairman of a county-level workforce development program. The program's main mission is to support the growth of the local economy by assisting local businesses with their employment needs. It helps to connect local businesses with training providers and job seekers and its website contains job listings and other helpful information.
- An assistant vice president of the bank is a board member of a local city development corporation whose primary purpose is to stimulate investment within the city. The corporation promotes and assist in the growth and development of businesses by encouraging expansion of industrial, manufacturing and commercial capacity, as well as, retaining and creating local job opportunities.
- A director of CHB is a member of the board of a business improvement district organization that is involved in promoting, restoring and maintaining downtown Albany.
- During the evaluation period CHB's branches provided lobby space for collection of non-perishable food items and toys for local food pantries.

### **Innovativeness of Community Development Investments:**

CHB made no use of innovative investments to support community development.

### **Responsiveness to Community Development Needs:**

CHB demonstrated a reasonable level of responsiveness to credit and community development needs. While CHB did not make innovative community development investments it made a number of investments to a village with one of the highest poverty rate in New York State.

### **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 CRA.**

The CRA officer conducts an annual review of CHB's CRA performance and activities. The board discusses CRA issues such as the most recent CRA audit, the annual assessment and community participation, quarterly.

### 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.*

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

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

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

### Record of opening and closing offices and providing services at offices

During the evaluation period, CHB closed the branch in Livingston Manor (April 2013); the branch in Youngsville (July 2015) and the Neversink branch (May 2015). These branches were in middle-income census tracts in Sullivan County and were closed due to low business volume. CHB did not amend its assessment area due to these closures as the areas continue to be serviced by its other branches.

In 2014, CHB opened two branches both in middle-income census tracts: one in Poughkeepsie, in Dutchess County and the other in the Town of Malta, in Saratoga County. CHB amended its assessment area due to the opening of these branches. As of the end of the evaluation period CHB operated twelve full service branches as noted in the table below.

Distribution of Branches within the Assessment Area							
County	N/A #	Low #	Moderate #	Middle #	Upper #	Total #	LMI %
Dutchess*			1			1	100%
Orange*					1	1	0%
Saratoga*				1		1	0%
Sullivan			1	5	1	7	14%
Ulster*			1	1		2	50%
<b>Total</b>	-	-	3	7	2	12	25%

\* Partial County

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## 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.

CHB's directors, senior bank officers and other bank employees are active members of various nonprofit, civic and community based organizations. Their involvement in these community organizations assist CHB to ascertain the credit needs of its community. It also provides CHB with the opportunity to make the community aware of the type of products and services it offers.

- 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

CHB utilizes a variety of media outlets to market its products and services to the public including advertising in local and regional newspapers. CHB also subscribes and advertises in local nonprofit publications and newsletter. It also engages in direct mailings.

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

DFS examiners noted no other factors.

## 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.

<b>Income level of individual or geography</b>	<b>% of the area median income</b>
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.