NEW YORK STATE
DEPARTMENT OF FINANCIAL SERVICES
CONSUMER PROTECTION AND FINANCIAL ENFORCEMENT DIVISION

One State Street
New York, NY 10004

PUBLIC SUMMARY

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Date of Evaluation: December 31, 2019

Institution: Bank of Richmondville
857 East Main Street
Cobleskill, NY 12043

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 Richmondville ("BOR" or the "Bank") 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 BOR's CRA performance based on an evaluation conducted as of December 31, 2019.

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 evaluation 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

DFS evaluated BOR according to the small banking institution performance standards pursuant to Sections 76.7 and 76.12 of the GRS. The assessment period included calendar years 2017, 2018 and 2019. BOR 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

BOR's average loan-to-deposit ("LTD") ratio was reasonable considering its size, business strategy, financial condition, peer group, demographic characteristics and credit needs of its assessment area.

BOR's average LTD ratio of 65.9% for the evaluation period was below the peer's average LTD ratio of 80.3%, mainly due to municipal deposits held by the Bank during the evaluation period.

Assessment Area Concentration: Outstanding

During the evaluation period, BOR originated 90.3% by number and 86.1% by dollar value of its total HMDA-reportable and small business loans within the assessment area demonstrating an excellent concentration of lending.

Distribution by Borrower Characteristics: Satisfactory

BOR's HMDA-reportable and small business lending demonstrated a reasonable distribution of loans among individuals of different income levels and businesses of different revenue sizes.

Geographic Distribution of Loans: Outstanding

BOR's origination of loans in census tracts of varying income levels demonstrated an excellent distribution of lending.

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

Neither DFS nor BOR received any written complaints regarding 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 Banking Law and GRS Part 76.

PERFORMANCE CONTEXT

Institution Profile

Established in 1882 as a privately-owned bank, BOR was chartered by New York State in 1893 as a commercial bank. The Bank is headquartered in Cobleskill, Schoharie County, New York.

BOR operates three branch offices in Schoharie County. The Cobleskill main office and the Schoharie branch are both located in middle-income census tracts, while the Richmondville branch is located in a moderate-income tract. Supplementing the branch offices are three automated teller machines ("ATM"), one at each branch. The ATM's do not have deposit taking capabilities.

BOR offers traditional banking products such as deposit accounts for consumers and businesses including checking, savings, money market deposit accounts, certificates of deposit, and individual retirement accounts. Loan products offered include personal loans, residential mortgage loans, home equity loans, commercial term loans, commercial mortgage loans and lines of credit. The Bank also offers the following banking services: bank by mail, mobile banking, telephone banking and online banking ("NetTeller") services, which include bill-payment and direct deposit services.

In its Consolidated Report of Condition (the "Call Report") as of December 31, 2019, filed with the Federal Deposit Insurance Corporation ("FDIC"), BOR reported total assets of $141.9 million, of which $86.3 million were net loans and lease financing receivables. It also reported total deposits of $121.8 million, resulting in a LTD ratio of 70.9%. According to the latest available comparative deposit data as of June 30, 2020, BOR had a market share of 2.7%, or $137 million in a market of $5.6 billion, ranking it 10th among 16 deposit-taking institutions in Schoharie, Schenectady and Otsego counties.

The following is a summary of BOR's loan portfolio, based on Schedule RC-C of the Bank's December 31, 2017, 2018 and 2019 Call Reports:

TOTAL GROSS LOANS OUTSTANDING						
	2017		2018		2019	
Loan Type	$000's	%	$000's	%	$000's	%
1-4 Family Residential Mortgage Loans	58,602	67.1	54,729	65.5	53,082	60.8
Commercial & Industrial Loans	4,815	5.5	4,330	5.2	4,277	4.9
Commercial Mortgage Loans	12,298	14.1	11,831	14.2	12,912	14.8
Multifamily Mortgages	2,972	3.4	1,885	2.3	1,919	2.2
Consumer Loans	2,647	3.0	5,394	6.5	10,610	12.1
Agricultural Loans		0.0		0.0		0.0
Construction Loans	5,684	6.5	5,028	6.0	4,300	4.9
Obligations of States & Municipalities		0.0		0.0		0.0
Loans Secured by Farmland	317	0.4	305	0.4	241	0.3
Lease financing		0.0		0.0		0.0
Total Gross Loans	87,335		83,502		87,341	

As illustrated in the above table, as of December 31, 2019, BOR is primarily a residential real estate lender, with 60.8% of its loan portfolio in one-to-four family residential real estate loans, followed by 14.8% in commercial mortgage loans.

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

Assessment Area

The Bank's assessment area is comprised of Schoharie County, and portions of Otsego and Schenectady counties.

There are 11 census tracts in the assessment area, of which four are moderate-income, six are middle-income, and one tract has no income indicated. The assessment area does not have any low- or upper-income census tracts.

Assessment Area Census Tracts by Income Level							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
Schoharie	1	0	4	3	0	8	50.0
Schenectady*	0	0	0	1	0	1	0.0
Otsego*	0	0	0	2	0	2	0.0
Total	1	0	4	6	0	11	36.4

**Partial county*

Demographic & Economic Data

The assessment area had a population of 44,113 during the examination period. Approximately 16.8% of the population was over the age of 65 and 16.5% was under the age of 16.

Of the 11,211 families in the assessment area 24.6% were low-income, 21.5% were moderate-income, 25.7% were middle-income and 28.2% were upper income. There were 16,857 households in the assessment area, of which 12.0% had income below the poverty level and 1.6% were on public assistance.

The weighted average median family income in the assessment area was $66,741.

There were 23,386 housing units within the assessment area, of which 83.8% were one-to-four family units and 4% were multifamily units. A majority (56.4%) of the area's housing units were owner-occupied, while 16.4% were rental units and 27.9% of the housing units were vacant.

Of the 13,199 owner-occupied housing units, 42.3% were in moderate-income census tracts while 57.7% were in middle-income census tracts. The median age of the housing stock was 49 years, and the median home value in the assessment area was $150,745.

There were 2,177 non-farm businesses in the assessment area. Of these, 83.4% were businesses with reported revenues of $1 million or less, 3.5% reported revenues of more than $1 million and 13.1% did not report their revenues. Of all the businesses in the assessment area, 97.3% were businesses with less than fifty employees while 88.8% operated from a single location. The largest industries in the area were services (35.9%), followed by retail trade (12.7%) and construction (9.4%); 12.1% of businesses in the assessment area were not classified.

According to the statistics from the New York State Department of Labor, the average annual unemployment rates for New York State and the counties within the Bank's assessment area steadily declined over the three-year evaluation period. Schoharie County consistently had the highest annual average unemployment rates and Schenectady County consistently had the lowest rates.

Assessment Area Unemployment Rate				
	Statewide	Schoharie	Schenectady	Otsego
2017	4.7%	5.5%	4.5%	5.0%
2018	4.1%	4.8%	4.0%	4.4%
2019	4.0%	4.7%	3.8%	4.2%
Average if Years Above	**4.3%**	**5.0%**	**4.1%**	**4.5%**

Community Information

DFS examiners conducted community contact interviews to get insights and perspectives on the general economy and credit and banking needs, including the performance and participation of the local financial institutions within the bank's assessment area. DFS examiners interviewed directors of two nonprofit organizations: one related to economic development and the other related to affordable housing.

The counties in which these two organizations operate are largely rural in nature. The local economy is primarily based on agriculture, tourism and some manufacturing activities which are dwindling, resulting in poor economic conditions for their communities.

The interviewees noted that local banks are generally supportive but noted that financial institutions should expand their offering of residential mortgage products with flexible underwriting standards targeting LMI individuals and nonprofit organizations. In addition, banks can conduct more financial literacy and first-time homebuyer's seminars for LMI individuals.

Aside from access to credit, the LMI population are also confronted with shortage of affordable housing which is exacerbated by the migration of people from other areas resulting in increasing housing prices.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

The Department evaluated BOR 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 BOR helps meet the credit needs of its entire community.

DFS derived statistics employed in this evaluation from various sources. BOR 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 obtained LTD ratios from information shown in the Bank's Uniform Bank Performance Report, compiled by the FFIEC from Call Report data.

DFS derived the demographic data referred to in this report from the 2010 U.S. Census and the FFIEC. DFS based business data on reports published annually by Dun & Bradstreet and 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 when BOR's assessment area includes partial counties.

The evaluation period included calendar years 2017, 2018, and 2019.

Examiners considered BOR's HMDA-reportable and small business loans in evaluating factors (2), (3), and (4) of the lending test noted above.

BOR is not required to report small business loan data, so BOR's small business lending is not included in the aggregate data. The aggregate data are shown only for comparative purposes.

Examiners gave greater weight to BOR's HMDA-reportable lending in this evaluation, as it comprised 70.9% by number and 87.6% by dollar value of all HMDA and small business loans originated by the bank within its assessment area during the evaluation period.

At its prior Performance Evaluation, as of December 31, 2014, DFS assigned BOR a rating of "2" reflecting a "Satisfactory" record of helping to meet community credit needs.

Current CRA Rating: Satisfactory

Lending Test: Satisfactory

BOR's HMDA-reportable and small business lending activities were reasonable in light of 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

BOR's average LTD ratio was reasonable considering its size, business strategy, and financial condition, as well as the lending activity of its peer group and the demographic characteristics and credit needs of its assessment area.

BOR's average LTD ratio of 65.9% for the evaluation period trailed the peer average ratio of 80.3% and also was a decline from the Bank's prior evaluation period's average ratio of 69.4%. BOR's lower LTD ratios are mainly due to its municipal deposits, which are subject to regulatory requirements that limit the funds from being used for lending. The amount of municipal deposits held by the Bank is also primarily responsible for the fluctuation in the Bank's quarterly average LTD ratio during the evaluation period from a low of 59.6% to a high of 73.1%.

The table below shows the Bank's and its peer group's LTD ratios for the 12 quarters of the evaluation period.

Loan-to-Deposit Ratios

	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2	2019 Q3	2019 Q4	Avg.
Bank	64.5	69.1	65.4	73.1	66.5	66.8	64.8	66.3	61.2	63.0	59.6	70.9	65.9
Peer	77.9	79.6	80.0	80.1	79.7	81.0	81.7	81.4	80.4	80.9	80.8	80.2	80.3

Assessment Area Concentration: Outstanding

During the evaluation period, BOR originated 90.3% by number and 86.1% by dollar value of its total HMDA-reportable and small business loans within the assessment area, demonstrating an excellent concentration of lending.

HMDA-Reportable Loans

BOR originated 89.7% by number and 85.8% by dollar value of its HMDA-reportable loans within the assessment area. This substantial majority of lending inside of its assessment area reflects an excellent concentration of lending within BOR's assessment area.

Small Business Loans

BOR originated 91.9% by number and 88.3% by dollar value of its small business loans within the assessment area. This substantial majority of lending inside of its assessment area reflects an excellent concentration of lending within BOR's assessment area.

The following table shows the percentages of BOR's HMDA-reportable and 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
	#	%	#	%		$	%	$	%	
HMDA-Reportable										
2017	42	84.0%	8	16.0%	50	4,749	81.0%	1,117	19.0%	5,866
2018	58	90.6%	6	9.4%	64	4,660	84.8%	836	15.2%	5,496
2019	66	93.0%	5	7.0%	71	7,847	89.7%	898	10.3%	8,745
Subtotal	166	89.7%	19	10.3%	185	17,256	85.8%	2,851	14.2%	20,107
Small Business										
2017	18	90.0%	2	10.0%	20	506	85.5%	86	14.5%	592
2018	21	87.5%	3	12.5%	24	894	80.8%	212	19.2%	1,106
2019	29	96.7%	1	3.3%	30	1,039	97.7%	24	2.3%	1,063
Subtotal	68	91.9%	6	8.1%	74	2,439	88.3%	322	11.7%	2,761
Grand Total	234	90.3%	25	9.7%	259	19,695	86.1%	3,173	13.9%	22,868

Distribution by Borrower Characteristics: Satisfactory

BOR's one-to-four family HMDA-reportable and small business lending demonstrated a reasonable distribution of loans among individuals of different income levels and businesses of different revenue sizes. This rating reflects greater weight given to HMDA-reportable lending.

One-to-Four Family HMDA-Reportable Loans

BOR's one-to-four family HMDA-reportable lending demonstrated a reasonable distribution of loans among individuals of different income levels.

The Bank's overall rates of lending to LMI borrowers of 41.7% by number and 27.9% by dollar value of loans just trailed the aggregate's rates of 43% and 34.6%, respectively. The Bank's rates of lending to LMI borrowers in 2017 was well below the aggregate's rates, while in 2018 the Bank's rates exceeded the aggregate's rates, and in 2019 the rates were comparable. This improvement after 2017 was due in part to BOR, in 2018, starting to offer a five-year adjustable-rate mortgage ("ARM") loan for one-to-four family residential properties.

The following table provides a summary of the distribution of BOR's 1-4 family loans by borrower income.

Distribution of 1-4 Family Loans by Borrower Income									
2017									
Borrower	**Bank**				**Aggregate**				**Fam.Dem.**
Income	#	%	$000's	%	#	%	$000's	%	%
Low	1	2.6%	20	0.4%	74	11.9%	6,279	7.7%	24.6%
Moderate	8	21.1%	579	12.8%	176	28.3%	19,528	23.9%	21.5%
LMI	9	23.7%	599	13.3%	250	40.1%	25,807	31.6%	46.1%
Middle	9	23.7%	1,017	22.5%	160	25.7%	22,541	27.6%	25.7%
Upper	17	44.7%	2,617	58.0%	189	30.3%	30,316	37.2%	28.2%
Unknown	3	7.9%	282	6.2%	24	3.9%	2,930	3.6%	
Total	**38**		**4,515**		**623**		**81,594**		
2018									
Borrower	**Bank**				**Aggregate**				**Fam.Dem.**
Income	#	%	$000's	%	#	%	$000's	%	%
Low	9	15.8%	352	7.7%	124	14.2%	9,640	9.0%	24.6%
Moderate	20	35.1%	1,560	34.3%	259	29.6%	28,105	26.3%	21.5%
LMI	29	50.9%	1,912	42.1%	383	43.7%	37,745	35.3%	46.1%
Middle	13	22.8%	1,195	26.3%	223	25.5%	27,975	26.2%	25.7%
Upper	12	21.1%	1,174	25.8%	251	28.7%	39,125	36.6%	28.2%
Unknown	3	5.3%	265	5.8%	19	2.2%	2,115	2.0%	
Total	**57**		**4,545**		**876**		**106,960**		
2019									
Borrower	**Bank**				**Aggregate**				**Fam.Dem.**
Income	#	%	$000's	%	#	%	$000's	%	%
Low	11	18.0%	519	8.8%	121	14.2%	10,005	9.1%	24.6%
Moderate	16	26.2%	1,139	19.4%	258	30.2%	29,820	27.1%	21.5%
LMI	27	44.3%	1,658	28.2%	379	44.4%	39,825	36.2%	46.1%
Middle	17	27.9%	1,481	25.2%	221	25.9%	27,945	25.4%	25.7%
Upper	14	23.0%	2,500	42.5%	225	26.4%	38,725	35.2%	28.2%
Unknown	3	4.9%	247	4.2%	28	3.3%	3,620	3.3%	
Total	**61**		**5,885**		**853**		**110,115**		
GRAND TOTAL									
Borrower	**Bank**				**Aggregate**				**Fam.Dem.**
Income	#	%	$000's	%	#	%	$000's	%	%
Low	21	13.5%	891	6.0%		13.6%		8.7%	
Moderate	44	28.2%	3,278	21.9%		29.5%		25.9%	
LMI	65	41.7%	4,169	27.9%	1,012	43.0%	103,377	34.6%	
Middle	39	25.0%	3,693	24.7%		25.7%		26.3%	
Upper	43	27.6%	6,290	42.1%		28.3%		36.2%	
Unknown	9	5.8%	793	5.3%		3.0%		2.9%	
Total	**156**		**14,945**						

Small Business Loans

BOR's small business lending demonstrated an excellent distribution of loans among businesses of different revenue sizes.
The Bank originated 100% of its small busines loans to businesses with gross annual revenues of $1 million or less during the evaluation period, well above the aggregate's rates of lending of 59% by number and 48.3% by dollar value. BOR's rates of lending also exceeded the business demographics (approximately 83% of businesses in the assessment area have gross annual revenues of $1 million or less).

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

Distribution of Small Business Lending by Revenue Size of Business									
2017									
Rev. Size	**Bank**				**Aggregate**				**Bus.Dem.**
	#	%	$000's	%	#	%	$000's	%	%
Rev. < = $1MM	18	100.0%	506	100.0%	291	58.8%	7,232	59.8%	82.7%
Rev. > $1MM	-	0.0%	0	0.0%					3.6%
Rev. Unknown	-	0.0%	0	0.0%					13.8%
Total	**18**		**506**		**495**		**12,095**		
2018									
Rev. Size	**Bank**				**Aggregate**				**Bus.Dem.**
	#	%	$000's	%	#	%	$000's	%	%
Rev. < = $1MM	21	100.0%	894	100.0%	291	59.8%	4,961	41.5%	82.2%
Rev. > $1MM		0.0%		0.0%					3.9%
Rev. Unknown		0.0%		0.0%					14.0%
Total	**21**		**894**		**487**		**11,964**		
2019									
Rev. Size	**Bank**				**Aggregate**				**Bus.Dem.**
	#	%	$000's	%	#	%	$000's	%	%
Rev. < = $1MM	29	100.0%	1,039	100.0%	323	58.6%	5,340	43.6%	83.4%
Rev. > $1MM		0.0%		0.0%					3.5%
Rev. Unknown		0.0%		0.0%					13.1%
Total	**29**		**1,039**		**551**		**12,247**		
GRAND TOTAL									
Rev. Size	**Bank**				**Aggregate**				**Bus.Dem.**
	#	%	$000's	%	#	%	$000's	%	%
Rev. < = $1MM	68	100.0%	2,439	100.0%		59.0%		48.3%	
Rev. > $1MM	-	0.0%	-	0.0%					
Rev. Unknown	-	0.0%	-	0.0%					
Total	**68**		2,439						

<u>Geographic Distribution of Loans</u>: Outstanding

BOR's origination of loans in census tracts of varying income levels demonstrated an excellent distribution of lending.

HMDA-Reportable Loans

The distribution of BOR’s HMDA-reportable loans among census tracts of varying income levels was excellent.

BOR’s rates of HMDA-reportable lending in LMI geographies of 59% by number and 61.3% by dollar value of loans was well above the aggregate’s rates of 38.4% and 35.4%, respectively. Furthermore, the Bank’s rates exceeded the aggregate’s rates for lending in LMI geographies each year of the evaluation period.

BOR’s HMDA-reportable lending rates in LMI geographies also exceeded the assessment area’s owner-occupied housing unit demographics of 42.3%.

The following table provides a summary of the distribution of BOR’s HMDA-reportable loans by the income level of the geography where the property was located.

Distribution of HMDA-Reportable Lending by Geographic Income of the Census Tract									
2017									
Geographic	Bank				Aggregate				OO Hus
Income	#	%	$000's	%	#	%	$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	30	71.4%	3,461	72.9%	252	37.1%	31,693	35.6%	42.3%
LMI	30	71.4%	3,461	72.9%	252	37.1%	31,693	35.6%	42.3%
Middle	12	28.6%	1,288	27.1%	427	62.9%	57,282	64.4%	57.7%
Upper	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	**42**		**4,749**		**679**		**88,975**		
2018									
Geographic	Bank				Aggregate				OO Hus
Income	#	%	$000's	%	#	%	$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	31	53.4%	2,277	48.9%	340	38.7%	37,680	34.6%	42.3%
LMI	31	53.4%	2,277	48.9%	340	38.7%	37,680	34.6%	42.3%
Middle	27	46.6%	2,383	51.1%	538	61.3%	71,190	65.4%	57.7%
Upper	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	**58**		**4,660**		**878**		**108,870**		
2019									
Geographic	Bank				Aggregate				OO Hus
Income	#	%	$000's	%	#	%	$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	37	56.1%	4,844	61.7%	335	39.0%	41,185	36.1%	42.3%
LMI	37	56.1%	4,844	61.7%	335	39.0%	41,185	36.1%	42.3%
Middle	29	43.9%	3,003	38.3%	525	61.0%	72,855	63.9%	57.7%
Upper	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	**66**		**7,847**		**860**		**114,040**		
GRAND TOTAL									
Geographic	Bank				Aggregate				OO Hus
Income	#	%	$000's	%	#	%	$000's	%	%
Low	0	0.0%	0	0.0%		0.0%		0.0%	
Moderate	98	59.0%	10,582	61.3%		38.4%		35.4%	
LMI	98	59.0%	10,582	61.3%	927	38.4%	110,558	35.4%	
Middle	68	41.0%	6,674	38.7%		61.6%		64.6%	
Upper	-	0.0%	-	0.0%		0.0%		0.0%	
Unknown	-	0.0%	-	0.0%		0.0%		0.0%	
Total	**166**		**17,256**						

Small Business Loans

The distribution of BOR's small business loans among census tracts of varying income levels was excellent.

BOR's rates of small business lending in LMI geographies of 63.2% by number and 54.6% by dollar value of loans were well above the aggregate's rates of 35.5% and 30.5%, respectively. The Bank's rates of lending in LMI geographies for this evaluation period were also a significant improvement from its rates of 24.9% by number and 19.6% by dollar value of loans for the prior evaluation period.

BOR's small business rates of lending in LMI geographies also exceeded the aggregate's rates for each year of the evaluation period, as well as the business demographics (approximately 35% of businesses in the assessment area are located in LMI geographies).

The following table provides a summary of the distribution of BOR's small business loans by the income level of the geography where the businesses were located.

Distribution of Small Business Lending by Geographic Income of the Census Tract									
2017									
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	15	83.3%	431	85.2%	167	33.7%	3,372	27.9%	34.2%
LMI	15	83.3%	431	85.2%	167	33.7%	3,372	27.9%	34.2%
Middle	3	16.7%	75	14.8%	325	65.7%	8,716	72.1%	64.8%
Upper	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Unknown	0	0.0%	0	0.0%	3	0.6%	7	0.1%	0.9%
Total	**18**		**506**		**495**		**12,095**		
2018									
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	13	61.9%	366	40.9%	179	36.8%	4,463	37.3%	34.6%
LMI	13	61.9%	366	40.9%	179	36.8%	4,463	37.3%	34.6%
Middle	8	38.1%	528	59.1%	307	63.0%	7,493	62.6%	64.4%
Upper	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Unknown	0	0.0%	0	0.0%	1	0.2%	8	0.1%	0.9%
Total	**21**		**894**		**487**		**11,964**		
2019									
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	15	51.7%	535	51.5%	198	35.9%	3,227	26.3%	35.7%
LMI	15	51.7%	535	51.5%	198	35.9%	3,227	26.3%	35.7%
Middle	13	44.8%	484	46.6%	351	63.7%	9,010	73.6%	63.3%
Upper	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Unknown	1	3.4%	20	1.9%	2	0.4%	10	0.1%	1.0%
Total	**29**		**1,039**		**551**		**12,247**		
GRAND TOTAL									
Geographic Income	**Bank**				**Aggregate**				**Bus.Dem.**
	#	%	$000's	%	#	%	$000's	%	%
Low	0	0.0%	0	0.0%		0.0%		0.0%	
Moderate	43	63.2%	1,332	54.6%		35.5%		30.5%	
LMI	43	63.2%	1,332	54.6%	544	35.5%	11,062	30.5%	
Middle	24	35.3%	1,087	44.6%		64.1%		69.5%	
Upper	-	0.0%	-	0.0%		0.0%		0.0%	
Unknown	1	1.5%	20	0.8%		0.4%		0.1%	
Total	**68**		**2,439**						

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

Neither DFS nor BOR received any written complaints during the evaluation period regarding BOR'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

The board of directors reviews and approves the CRA policy annually and is kept abreast of the Bank's CRA progress via various reports, which include the LTD ratio and loan concentration reports prepared by the CRA officer on a quarterly basis.

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 BOR intended to discourage applications for the types of credit offered by BOR.

Evidence of prohibited discriminatory or other illegal credit practices.

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

Record of opening and closing offices and providing services at offices

BOR did not open or close any branch offices during the evaluation period. The Bank operates three branch offices in Schoharie County, all of which are accessible by public transportation. One branch is located in a moderate-income census tract and the other two are in middle-income census tracts. Hours of operation are 9:00 a.m. to 4:00 p.m. Monday to Thursday and 9:00 a.m. to 6:00 p.m. on Friday. The Cobleskill and Schoharie branches have drive-thru services and offer Saturday hours of 8:30 a.m. to 11:30 a.m. The Richmondville branch offers a walk-up window for customers. Each branch has one non-deposit taking ATM.

Distribution of Branches within the Assessment Area							
County	N/A #	Low #	Moderate #	Middle #	Upper #	Total #	LMI %
Schoharie			1	2		3	33%
Schenectady*						-	-
Otsego*						-	-
Total	**-**	**-**	**1**	**2**	**-**	**3**	33%

** 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.*

BOR's employees, officers, and directors participate in local activities, and in community events as a way to give back and to promote the Bank's products and services, and to ascertain the credit needs of the community. As a result of local engagement, the Bank began offering mortgage loans for single family homes with a loan-to-value up to 85% and a longer-term ARMs product of 5-years.

- *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*

  BOR advertises through local radio stations and in local circulars and newspapers that are distributed throughout the assessment area. The Bank also posts flyers in its branches advertising its small dollar unsecured loan program.

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

DFS examiners noted no other factors.

GLOSSARY

Aggregate Lending

“Aggregate lending” means 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.

Banking Development District (“BDD”) Program

The BDD Program is a program designed to encourage the establishment of bank branches in areas across New York State where there is a demonstrated need for banking services, in recognition of the fact that banks can play an important role in promoting individual wealth, community development, and revitalization. Among others, the BDD Program seeks to reduce the number of unbanked and underbanked New Yorkers and enhance access to credit for consumers and small businesses. More information about the program, may be found at https://www.dfs.ny.gov and search for the BDD Program.

Community Development

“Community development” means:

- Affordable housing (including multifamily housing) for LMI individuals;
- Community services targeted to LMI individuals;
- 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;
- Activities that revitalize or stabilize LMI geographies, designated disaster areas, or distressed or underserved metropolitan middle-income geographies designated by the Board of Governors of the federal Reserve System, FDIC and the Office of Comptroller of the Currency; and
- Activities that seek to prevent defaults and/or foreclosures in loans included in the first and third bullet points above.

Community Development Loan

“Community development loan” means 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 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

"Community development service" means a 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.

Community Development Financial Institution ("CDFI")

A CDFI is a financial institution that provides credit and financial services to underserved markets and populations and has a primary mission of community development, serves a target market, is a financing entity, provides development services, remains accountable to its community, and is a non-governmental entity. CDFIs are certified as such by United States Treasury Department's CDFI Fund.

Geography

"Geography" means 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 Metropolitan Statistical Area ("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.

LMI Geographies

"LMI geographies" means those census tracts or block numbering areas where, according to the most current 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 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 Block Numbering Areas ("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

"LMI borrowers" means 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 Federal Financial Institutions Examination Council ("FFIEC").

LMI Individuals/Persons

"LMI individuals" or "LMI persons" means 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 the FFIEC.

LMI Penetration Rate

"LMI penetration rate" means the percentage of a bank's total loans (for a particular product) that was extended to LMI geographies or borrowers. For example, if a bank made 20 out of a total of 100 loans in LMI geographies or to LMI borrowers, the penetration rate would be 20%.

Low-Income Housing Tax Credit ("LIHTC")

LIHTC were 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. The tax credits 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.

Minority Depository Institutions ("MDIs")

An MDI is defined as a federal insured depository institution for which (1) 51 percent or more of the voting stock is owned by minority individuals; or (2) a majority of the board of directors is minority and the community that the institution serves is predominantly minority. For more of MDIs, go to FDIC.gov (Minority Depository Institutions Program) including list of MDIs.

New Markets Tax Credit ("NMTC")

The NMTC Program was established by Congress in December 2000 to stimulate economic and community development and job creation in low-income communities. It permits 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 CDFI Fund, an agency of the United States Department of the Treasury.

Qualified Investment

"Qualified investment" means 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.