



## **PUBLIC SUMMARY**

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION OF CATTARAUGUS COUNTY BANK**

**AS OF DECEMBER 31, 2021**

New York State Department of Financial Services  
Consumer Protection and Financial Enforcement Division  
One State Street, New York NY 10004

**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.

**TABLE OF CONTENTS**

**Sections**

- I. General Information**
- II. Overview of Institution’s Performance**
- III. Performance Context**
  - A. Institution Profile
  - B. Assessment Area
  - C. Demographic & Economic Data
  - D. Community Information
- IV. Performance Standards and Assessment Factors**
  - A. Lending Test
  - B. Additional Factors
- V. Glossary**

# CATTARAUGUS COUNTY BANK – CRA PERFORMANCE EVALUATION

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## I - GENERAL INFORMATION

This document is an evaluation (the “Evaluation”) of the Community Reinvestment Act (“CRA”) performance of Cattaraugus County Bank (“CCB 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 institution’s CRA performance based on an evaluation conducted as of December 31, 2021.

Section 28-b of the New York Banking Law, as amended, requires that when evaluating certain applications, the Superintendent of Financial Services shall assess a banking institution’s record of helping to meet the credit needs of its entire community, including low- and moderate-income (“LMI”) areas, consistent with safe and sound operations.

Part 76 of the General Regulations of the Superintendent (“GRS”) implements Section 28-b and further requires that the Department assess the CRA performance records of regulated financial institutions. Part 76 establishes the framework and criteria by which the Department will evaluate institutions’ performance. Section 76.5 further provides that the Department will prepare a written report summarizing the results of such assessment and will assign to each institution a numerical CRA rating based on a 1 to 4 scoring system. The numerical scores represent an assessment of CRA performance as follows:

- (1) Outstanding record of meeting community credit needs;
- (2) Satisfactory record of meeting community credit needs;
- (3) Needs to improve in meeting community credit needs; and
- (4) Substantial noncompliance in meeting community credit needs.

Section 76.5 further requires that the CRA rating and the 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 evaluation.

# CATTARAUGUS COUNTY BANK – CRA PERFORMANCE EVALUATION

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## II - OVERVIEW OF INSTITUTION'S PERFORMANCE

The Department evaluated CCB according to the small banking institution performance standards pursuant to Sections 76.7 and 76.12 of the GRS. The evaluation period included calendar years 2018, 2019, 2020 and 2021. CCB is rated “2,” indicating a “Satisfactory” record of helping to meet community credit needs.

The rating is based on the following factors:

### A. Lending Test: Satisfactory

#### 1. Loan-to-Deposit Ratio and Other Lending-Related Activities: Satisfactory

CCB's average loan-to-deposit (“LTD”) ratio was satisfactory considering its size, business strategy, financial condition and peer group activity.

CCB's average LTD ratio of 80% for the evaluation period exceeded the peer's average LTD ratio of 75.1%.

#### 2. Assessment Area Concentration: Outstanding

During the evaluation period, CCB originated 93.7% by number and 89.4% by dollar value of its total HMDA-reportable and small business loans within the assessment area, demonstrating an outstanding concentration of lending.

#### 3. Distribution by Borrower Characteristics: Needs to Improve

CCB's HMDA-reportable lending demonstrated a less than satisfactory distribution of loans among individuals of different income levels. CCB's small business lending which consisted of PPP loans was not evaluated for this criterion, as borrower income for PPP loans is not required to be reported.

#### 4. Geographic Distribution of Loans: Outstanding

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

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

Neither DFS nor CCB received any written complaints regarding CCB'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.*

# CATTARAUGUS COUNTY BANK – CRA PERFORMANCE EVALUATION

## III - PERFORMANCE CONTEXT

### A. Institution Profile

Established in 1902, CCB is a commercial bank headquartered in the village of Little Valley, Cattaraugus County, NY. The Bank is a wholly-owned subsidiary of C.C. Bancorp, Inc., a one-bank holding company. CCB Insurance Services, a subsidiary of CCB, offers insurance products to consumers.

CCB operates seven banking offices, located in the following counties: Four in Cattaraugus, two in Chautauqua and one in Erie. Supplementing the banking offices is an automated teller machine (“ATM”) network consisting of seven deposit-taking ATMs one at each branch.

CCB offers traditional commercial and consumer banking products and services, including commercial and agricultural loans, home mortgage loans, home equity loans, personal installment loans, credit cards, a variety of personal and business checking and savings accounts. In addition, the Bank offers various online services including mobile banking, and online banking allowing customers to view account balances, transfer funds, and pay bills.

In its Consolidated Report of Condition (the “Call Report”) as of December 31, 2021, filed with the Federal Deposit Insurance Corporation (“FDIC”), CCB reported total assets of \$331.8 million, of which \$183.3 million were net loans and lease financing receivables. It also reported total deposits of \$288.2 million, resulting in a LTD ratio of 63.6%. In the latest available comparative deposit data as of June 30, 2021, the Bank had a market share of 0.41%, or \$288.3 million in a market of \$70.1 billion, ranking it 13th among 20 deposit-taking institutions in its assessment area.

The following is a summary of the Bank’s loan portfolio, based on Schedule RC-C of the Bank’s December 31, 2018, 2019, 2020 and 2021 call Reports:

<b>TOTAL GROSS LOANS OUTSTANDING</b>								
Loan Type	2018		2019		2020		2021	
	\$000's	%	\$000's	%	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	61,235	31.8	59,094	29.4	52,659	26.3	49,444	26.5
Commercial & Industrial Loans	27,602	14.4	27,409	13.6	29,446	14.7	15,579	8.4
Commercial Mortgage Loans	74,408	38.7	72,619	36.1	74,487	37.3	91,218	48.9
Multifamily Mortgages	12,481	6.5	23,637	11.7	21,726	10.9	17,238	9.2
Consumer Loans	1,793	0.9	2,629	1.3	2,308	1.2	2,300	1.2
Agricultural Loans	5,083	2.6	4,565	2.3	4,683	2.3	4,961	2.7
Construction Loans	8,118	4.2	10,110	5.0	13,409	6.7	4,340	2.3
Obligations of States & Municipalities	1,190	0.6	985	0.5	912	0.5	835	0.4
Other Loans	358	0.2	293	0.1	171	0.1	519	0.3
Lease financing	0	0.0	0	0.0	73	0.0	73	0.0
Total Gross Loans	192,268		201,341		199,874		186,507	

As illustrated in the above table, CCB is primarily a commercial mortgage lender with 48.9% of its loan portfolio in commercial mortgage loans and 9.2% in multifamily mortgage loans as of December 31, 2021.

## CATTARAUGUS COUNTY BANK – CRA PERFORMANCE EVALUATION

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

### **B. Assessment Area**

The Bank's assessment area is comprised of the entire counties of Cattaraugus and Chautauqua and the southern portion of Erie County.

There are 71 census tracts in the Bank's assessment area, of which three are low-income, seven are moderate-income, fifty-six are middle-income, two are upper-income, and three are tracts with no income indicated.

<b>Assessment Area Census Tracts by Income Level</b>							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
Cattaraugus	1	1	2	17	0	21	14.3
Chautauqua	1	2	4	27	2	36	16.7
Erie*	1	0	1	12	0	14	7.1
<b>Total</b>	<b>3</b>	<b>3</b>	<b>7</b>	<b>56</b>	<b>2</b>	<b>71</b>	<b>14.1</b>

\* Partial county

### **C. Demographic & Economic Data**

The assessment area had a population of 255,318 during the evaluation period. Approximately 17.1% of the population were over the age of 65 and 18.7% were under the age of 16.

Of the 64,565 families in the assessment area, 23.2% were low-income, 18.7% were moderate-income, 22.3% were middle-income and 35.9% were upper-income. There were 102,059 households in the assessment area, of which 16% had income below the poverty level and 3.5% were on public assistance.

The weighted average median family income in the assessment area was \$57,037.

There were 126,694 housing units within the assessment area, of which 85.2% were one- to four-family units, and 6.4% were multifamily units. A majority (58%) of the housing units were owner-occupied, while 22.5% were rental-occupied units. Of the 73,527 owner-occupied housing units, 8.6% were in LMI census tracts while 91.4% were in middle- and upper-income census tracts. The median age of the housing stock was 66 years, and the median home value in the assessment area was \$91,603.

There were 15,378 non-farm businesses in the assessment area. Of these, 80.8% were businesses with reported revenues of less than or equal to \$1 million, 5.3% reported revenues of more than \$1 million and 13.9% did not report their revenues.

Of all the businesses in the assessment area, 96.4% were businesses with less than fifty employees, and 86.9% operated from a single location. The largest industries in the area were services (36.8%), retail trade (14.4%) and finance, insurance & real estate (7%), while 14.4% of businesses in the assessment area were not classified.

## CATTARAUGUS COUNTY BANK – CRA PERFORMANCE EVALUATION

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According to the New York State Department of Labor, the four-year average unemployment rate for each of the three counties in the Bank’s assessment area were lower than the statewide average rate during the evaluation period. With the onset of the COVID-19 pandemic, unemployment rates in 2020 were the highest statewide and for the three counties in the Bank’s assessment area. In 2021, unemployment rates declined both statewide and for the assessment area in particular.

	Statewide	Cattaraugus	Chautauqua	Erie*
2018	4.10%	5.30%	5.00%	4.40%
2019	3.80%	4.90%	4.50%	4.10%
2020	9.90%	9.10%	8.50%	9.10%
2021	6.90%	5.30%	5.60%	5.50%
Average	6.18%	6.15%	5.90%	5.78%

*\*The Bank’s assessment area includes part of this county, but the percentages in the table represent the entire county.*

### **D. Community Information**

DFS examiners interviewed two chief executive officers (“CEO”) of two nonprofit organizations headquartered in the Bank’s assessment area. The organizations’ mission focus on the economic health of the area, its communities, and its residents. The interviewees highlighted the largely rural nature and high poverty levels in Cattaraugus and Chautauqua counties. The COVID-19 pandemic significantly impacted the financial health of the region as it relies heavily on tourism, which declined significantly during the onset of the pandemic. As a result, the CEO stated that there was a need for personal and business loan programs and products that provide access to funds and financing.

One CEO stated that banks, in general, did not provide much needed direct financing to individuals and families in need, nor did the banks participate in nonprofit networks which would have informed them of these needs. The CEO stated that some families were living in unsafe housing facilities and without the funds needed to repair their homes, others and others were without water and lack the funds to drill a well. Furthermore, local bank branch hours were reduced drastically during the pandemic, making it more difficult for consumers to access their services or funds.

The other CEO stated that banks responded well to the needs of local businesses, especially by means of federal programs such as the Paycheck Protection Program (“PPP”). The CEO mentioned the following banks and credit unions as being specifically helpful to local businesses: Cattaraugus County Bank, Five Star Bank, Teachers Federal Credit Union, and the Seneca Nation Federal Credit Union. The CEO stated that affordable housing is a critical need, as affordable housing units are limited, especially in the town of Salamanca, in which a waitlist has been established for affordable housing units.

## CATTARAUGUS COUNTY BANK – CRA PERFORMANCE EVALUATION

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### IV - PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

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

DFS derived statistics employed in this Evaluation from various sources. CCB submitted bank-specific information both as part of the evaluation process and in 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 demographic data on Dun & Bradstreet reports, which are updated 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 (Erie County).

The evaluation period included calendar years 2018, 2019, 2020 and 2021.

Examiners considered CCB's small business and HMDA-reportable loans in evaluating factors (2), and (4) of the lending test noted above. Small business loans were not evaluated for (3) distribution by borrower characteristics, as they are all PPP loans where reporting of borrower income is not required.

## CATTARAUGUS COUNTY BANK – CRA PERFORMANCE EVALUATION

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Examiners gave greater weight to CCB’s HMDA-reportable lending in this evaluation. HMDA-reportable loans accounted for 61.5% by number and 71.8% by dollar value of its total loans considered for this evaluation. CCB originated all of its small business loans under the Paycheck Protection Program<sup>1</sup> (“PPP”) in support of businesses affected by the COVID-19 pandemic during years 2020 and 2021.

In its prior Community Reinvestment Act Performance Evaluation as of December 31, 2017, DFS assigned CCB a rating of “2” or a “Satisfactory”.

### **Current CRA Rating: Satisfactory**

#### **A. Lending Test:** Satisfactory

CCB’s small business and HMDA-reportable lending activities were satisfactory 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.

##### 1. Loan-to-Deposit Ratio and other Lending-Related Activities: Satisfactory

CCB’s average LTD ratio was satisfactory 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.

CCB’s average LTD ratio of 80% was higher than the peer group’s ratio of 75.1% during the evaluation period. This was an increase, compared to the Bank’s prior evaluation period’s average ratio of 71.8%.

From 2018 to 2020, CCB’s quarterly LTD ratios consistently exceeded its peer group’s ratios. However, starting in 2021, the Bank’s quarterly ratios trended lower than the peer group’s ratios. Bank management attributed the decline to the Covid-19 pandemic impact on the economy within the Bank’s assessment area.

The table below shows CCB’s LTD ratios in comparison with the peer group’s ratios for the sixteen quarters of the evaluation period.

Loan-to-Deposit Ratios																	
	2018	2018	2018	2018	2019	2019	2019	2019	2020	2020	2020	2020	2021	2021	2021	2021	Avg.
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Bank	87.8	89.3	88.9	85.6	84.8	85.0	87.8	88.8	86.7	80.6	78.9	74.6	67.0	67.1	64.0	63.6	80.0
Peer	76.6	78.9	79.8	78.8	77.5	79.1	78.9	77.5	76.7	74.4	73.8	69.3	72.3	70.9	69.4	67.9	75.1

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<sup>1</sup>Refer to the Glossary Section of this report for more information on Payment Protection Program.

## CATTARAUGUS COUNTY BANK – CRA PERFORMANCE EVALUATION

### 2. Assessment Area Concentration: Outstanding

During the evaluation period, CCB originated 93.7% by number and 89.4% by dollar value of its total HMDA-reportable and small business loans within the assessment area, demonstrating an outstanding concentration of lending.

#### *i. HMDA-Reportable Loans:*

CCB originated 91.9% by number and 86.8% by dollar value of its HMDA-reportable loans within the assessment area. This substantial majority of lending inside of its assessment area reflects an outstanding concentration of lending.

#### *ii. Small Business Loans:*

CCB originated 96.8% both by number and dollar value of its small business loans within the assessment area. This substantial majority of lending inside of its assessment area reflects an outstanding concentration of lending.

The following table shows the percentages of CCB’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
	#	%	#	%		\$	%	\$	%	
<b>HMDA-Reportable</b>										
Year 2018	80	93.0%	6	7.0%	86	10,512	90.0%	11,671	99.9%	11,681
Year 2019	86	95.6%	4	4.4%	90	9,286	92.7%	10,003	99.9%	10,013
Year 2020	119	90.8%	12	9.2%	131	19,688	84.6%	23,259	99.9%	23,279
Year 2021	101	89.4%	12	10.6%	113	16,044	84.5%	18,968	99.9%	18,984
<b>Subtotal</b>	<b>386</b>	<b>91.9%</b>	<b>34</b>	<b>8.1%</b>	<b>420</b>	<b>55,530</b>	<b>86.8%</b>	<b>63,901</b>	<b>99.9%</b>	<b>63,957</b>
<b>Small Business</b>										
Year 2020	126	94.7%	7	5.3%	133	11,495	94.9%	623	5.1%	12,118
Year 2021	116	99.1%	1	0.9%	117	10,344	99.0%	102	1.0%	10,446
<b>Subtotal</b>	<b>242</b>	<b>96.8%</b>	<b>8</b>	<b>3.2%</b>	<b>250</b>	<b>21,839</b>	<b>96.8%</b>	<b>725</b>	<b>3.2%</b>	<b>22,564</b>
<b>Grand Total</b>	<b>628</b>	<b>93.7%</b>	<b>42</b>	<b>6.3%</b>	<b>670</b>	<b>77,369</b>	<b>89.4%</b>	<b>64,626</b>	<b>74.7%</b>	<b>86,521</b>

### 3. Distribution by Borrower Characteristics: Needs to Improve

CCB’s one-to-four family HMDA-reportable lending demonstrated a less than satisfactory distribution of loans among individuals of different income levels. Small business lending was not rated for this criterion, as small business loans consisted entirely of PPP loans for which borrower income is not required to be reported.

## CATTARAUGUS COUNTY BANK – CRA PERFORMANCE EVALUATION

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### a. One-to-Four Family HMDA-Reportable Loans

CCB's one-to-four family HMDA-reportable lending demonstrated a less than satisfactory distribution of loans among individuals of different income levels.

During the evaluation period, CCB originated 22.6% by number of loans and 11.5% by dollar value of its one-to-four family HMDA-reportable loans to LMI borrowers. These rates were significantly lower than the aggregate's rates of lending of 33.5% and 22.5%, respectively. While CCB's rates of lending to LMI borrowers trailed the aggregate's rates in 2019 and 2020, the Bank's rates declined well below the aggregate's rates in 2021. Both the aggregate and the Bank's rates of lending to LMI borrowers were substantially lower than the 41.9% of LMI families (family demographics) living in the Bank's assessment area during the evaluation period.

The following table provides a summary of the distribution of CCB's one-to-four family loans by borrower income.

**CATTARAUGUS COUNTY BANK – CRA PERFORMANCE EVALUATION**

<b>Distribution of One-to-Four Family Loans by Borrower Income</b>									
<b>2018</b>									
<b>Borrower</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Fam.Dem.</b>
<b>Income</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	6	8.5%	370	5.4%	398	11.2%	24,100	6.5%	23.2%
Moderate	13	18.3%	825	12.0%	901	25.4%	71,895	19.3%	18.7%
LMI	19	26.8%	1,195	17.4%	1,299	36.6%	95,995	25.8%	41.9%
Middle	18	25.4%	1,110	16.1%	938	26.5%	89,370	24.0%	22.3%
Upper	34	47.9%	4,570	66.5%	1,215	34.3%	176,085	47.4%	35.9%
Unknown	0	0.0%	0	0.0%	94	2.7%	10,340	2.8%	
<b>Total</b>	<b>71</b>		<b>6,875</b>		<b>3,546</b>		<b>371,790</b>		
<b>2019</b>									
<b>Borrower</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Fam.Dem.</b>
<b>Income</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	10	12.2%	315	4.4%	433	11.7%	27,185	6.5%	23.2%
Moderate	16	19.5%	869	12.1%	833	22.6%	72,255	17.3%	18.7%
LMI	26	31.7%	1,184	16.5%	1,266	34.3%	99,440	23.8%	41.9%
Middle	20	24.4%	1,440	20.0%	993	26.9%	100,035	23.9%	22.3%
Upper	36	43.9%	4,573	63.5%	1,269	34.4%	201,375	48.1%	35.9%
Unknown	0	0.0%	0	0.0%	165	4.5%	17,795	4.3%	
<b>Total</b>	<b>82</b>		<b>7,197</b>		<b>3,693</b>		<b>418,645</b>		
<b>2020</b>									
<b>Borrower</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Fam.Dem.</b>
<b>Income</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	2	1.7%	82	0.5%	355	8.2%	24,475	4.2%	23.2%
Moderate	16	13.9%	1,456	8.3%	958	22.1%	90,400	15.3%	18.7%
LMI	18	15.7%	1,538	8.8%	1,313	30.2%	114,875	19.5%	41.9%
Middle	24	20.9%	2,733	15.6%	1,067	24.6%	124,215	21.1%	22.3%
Upper	69	60.0%	12,521	71.7%	1,729	39.8%	316,135	53.7%	35.9%
Unknown	4	3.5%	677	3.9%	232	5.3%	33,860	5.7%	
<b>Total</b>	<b>115</b>		<b>17,469</b>		<b>4,341</b>		<b>589,085</b>		
<b>2021</b>									
<b>Borrower</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Fam.Dem.</b>
<b>Income</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	9	9.0%	450	3.0%	530	10.2%	40,050	5.4%	23.2%
Moderate	11	11.0%	958	6.4%	1,214	23.3%	125,320	17.1%	18.7%
LMI	20	20.0%	1,408	9.4%	1,744	33.5%	165,370	22.5%	41.9%
Middle	26	26.0%	2,742	18.4%	1,276	24.5%	159,530	21.7%	22.3%
Upper	49	49.0%	9,962	66.8%	1,935	37.2%	378,085	51.4%	35.9%
Unknown	5	5.0%	793	5.3%	249	4.8%	31,995	4.4%	
<b>Total</b>	<b>100</b>		<b>14,905</b>		<b>5,204</b>		<b>734,980</b>		
<b>GRAND TOTAL</b>									
<b>Borrower</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Fam.Dem.</b>
<b>Income</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	27	7.3%	1,217	2.6%		10.2%		5.5%	
Moderate	56	15.2%	4,108	8.8%		23.3%		17.0%	
LMI	83	22.6%	5,325	11.5%		33.5%		22.5%	
Middle	88	23.9%	8,025	17.3%		25.5%		22.4%	
Upper	188	51.1%	31,626	68.1%		36.6%		50.7%	
Unknown	9	2.4%	1,470	3.2%		4.4%		4.4%	
<b>Total</b>	<b>368</b>		<b>46,446</b>						

## CATTARAUGUS COUNTY BANK – CRA PERFORMANCE EVALUATION

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### 4. Geographic Distribution of Loans: Outstanding

CCB's origination of loans in census tracts of varying income levels demonstrated an outstanding distribution of lending. This rating reflects the greater weight given to HMDA lending as noted above in the report.

#### *a. HMDA-Reportable Loans*

The distribution of CCB's HMDA-reportable loans among census tracts of varying income levels was outstanding.

During the evaluation period, CCB originated 8.8% by number of loans and 6.5% by dollar value of its HMDA-reportable loans in LMI census tracts. These rates of lending exceeded the aggregate's 5.1% and 3.8 %, respectively.

CCB's rates of lending in LMI census tracts consistently outperformed the aggregate's rates of lending, in both number and dollar value of loans. In addition, CCB's average rate of lending in LMI census tracts by number of loans exceeded the 8.6% of LMI owner-occupied housing units (owner-occupied demographics) within the Bank's assessment area during the evaluation period.

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

## CATTARAUGUS COUNTY BANK – CRA PERFORMANCE EVALUATION

<b>Distribution of HMDA-Reportable Lending by Geographic Income of the Census Tract</b>									
<b>2018</b>									
<b>Geographic Income</b>	<b>Bank</b>				<b>Aggregate</b>				<b>OO Hus</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	0	0.0%	0	0.0%	19	0.5%	755	0.2%	0.8%
Moderate	9	11.3%	1,228	11.7%	181	5.1%	12,125	3.2%	7.8%
LMI	9	11.3%	1,228	11.7%	200	5.6%	12,880	3.4%	8.6%
Middle	70	87.5%	9,190	87.4%	3,318	93.0%	362,940	94.7%	89.7%
Upper	1	1.3%	93	0.9%	48	1.3%	7,490	2.0%	1.6%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
<b>Total</b>	<b>80</b>		<b>10,511</b>		<b>3,566</b>		<b>383,310</b>		
<b>2019</b>									
<b>Geographic Income</b>	<b>Bank</b>				<b>Aggregate</b>				<b>OO Hus</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	0	0.0%	0	0.0%	11	0.3%	645	0.2%	0.8%
Moderate	8	9.3%	396	4.3%	189	5.1%	12,355	2.9%	7.8%
LMI	8	9.3%	396	4.3%	200	5.4%	13,000	3.0%	8.6%
Middle	78	90.7%	8,890	95.7%	3,449	93.0%	407,825	95.3%	89.7%
Upper	0	0.0%	0	0.0%	55	1.5%	6,675	1.6%	1.6%
Unknown	0	0.0%	0	0.0%	3	0.1%	455	0.1%	0.0%
<b>Total</b>	<b>86</b>		<b>9,286</b>		<b>3,707</b>		<b>427,955</b>		
<b>2020</b>									
<b>Geographic Income</b>	<b>Bank</b>				<b>Aggregate</b>				<b>OO Hus</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	0	0.0%	0	0.0%	19	0.4%	1,865	0.3%	0.8%
Moderate	6	5.0%	1,079	5.5%	185	4.2%	18,515	3.0%	7.8%
LMI	6	5.0%	1,079	5.5%	204	4.7%	20,380	3.4%	8.6%
Middle	110	92.4%	18,359	93.2%	4,084	93.5%	578,180	95.2%	89.7%
Upper	3	2.5%	250	1.3%	80	1.8%	8,680	1.4%	1.6%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
<b>Total</b>	<b>119</b>		<b>19,688</b>		<b>4,368</b>		<b>607,240</b>		
<b>2021</b>									
<b>Geographic Income</b>	<b>Bank</b>				<b>Aggregate</b>				<b>OO Hus</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	1	1.0%	124	0.8%	22	0.4%	15,180	2.0%	0.8%
Moderate	10	9.9%	783	4.9%	239	4.6%	20,275	2.7%	7.8%
LMI	11	10.9%	907	5.7%	261	5.0%	35,455	4.7%	8.6%
Middle	89	88.1%	14,919	93.0%	4,881	93.4%	712,065	94.0%	89.7%
Upper	1	1.0%	219	1.4%	85	1.6%	9,555	1.3%	1.6%
Unknown	0	0.0%	0	0.0%	1	0.0%	85	0.0%	0.0%
<b>Total</b>	<b>101</b>		<b>16,045</b>		<b>5,228</b>		<b>757,160</b>		
<b>GRAND TOTAL</b>									
<b>Geographic Income</b>	<b>Bank</b>				<b>Aggregate</b>				<b>OO Hus</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	1	0.3%	124	0.2%	71	0.4%	18,445	0.8%	
Moderate	33	8.5%	3,486	6.3%	794	4.7%	63,270	2.9%	
LMI	34	8.8%	3,610	6.5%	865	5.1%	81,715	3.8%	
Middle	347	89.9%	51,358	92.5%	15,732	93.3%	2,061,010	94.7%	
Upper	5	1.3%	562	1.0%	268	1.6%	32,400	1.5%	
Unknown	-	0.0%	-	0.0%	4	0.0%	540	0.0%	
<b>Total</b>	<b>386</b>		<b>55,530</b>		<b>16,869</b>		<b>2,175,665</b>		

### *b. Small Business Loans*

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

## CATTARAUGUS COUNTY BANK – CRA PERFORMANCE EVALUATION

During the evaluation period, CCB originated 16.5% by number of loans and 21% by dollar value of its small business loans in LMI census tracts. These rates exceeded the aggregate’s 13.1% and 19%, respectively. In addition, CCB’s average rates of lending both by number and dollar value of loans were comparable to the assessment area’s 15.4% (business demographics) of businesses with revenue of \$1 million or less within the Bank’s assessment area during the evaluation period.

In 2020, CCB’s rates of lending by number of loans in LMI census tracts were significantly higher than those of the aggregate, as well as the assessment area’s business demographics. In 2021, CCB’s rates of lending both by number and dollar value of loans in LMI census tracts declined sharply from the Bank’s 2020 rates.

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

<b>Distribution of Small Business Lending by Geographic Income of the Census Tract</b>									
<b>2020</b>									
<b>Geographic Income</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>
Low	10	7.9%	557	4.8%	174	5.0%	18,490	8.5%	5.8%
Moderate	17	13.5%	2,635	22.9%	287	8.2%	23,868	11.0%	9.6%
LMI	27	21.4%	3,192	27.8%	461	13.2%	42,358	19.6%	15.4%
Middle	99	78.6%	8,303	72.2%	2,949	84.7%	167,936	77.6%	82.3%
Upper	0	0.0%	0	0.0%	66	1.9%	5,812	2.7%	2.2%
Unknown	0	0.0%	0	0.0%	4	0.1%	360	0.2%	0.1%
<b>Total</b>	<b>126</b>		<b>11,495</b>		<b>3,480</b>		<b>216,466</b>		
<b>2021</b>									
<b>Geographic Income</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>
Low	5	4.3%	695	6.7%	168	4.9%	11,884	7.2%	5.6%
Moderate	8	6.9%	704	6.8%	280	8.1%	18,467	11.2%	9.8%
LMI	13	11.2%	1,399	13.5%	448	12.9%	30,351	18.4%	15.4%
Middle	101	87.1%	8,145	78.7%	2,945	85.1%	131,073	79.3%	82.4%
Upper	2	1.7%	800	7.7%	66	1.9%	3,725	2.3%	2.2%
Unknown		0.0%		0.0%	1	0.0%	89	0.1%	0.1%
<b>Total</b>	<b>116</b>		<b>10,344</b>		<b>3,460</b>		<b>165,238</b>		
<b>GRAND TOTAL</b>									
<b>Geographic Income</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>
Low	15	6.2%	1,252	5.7%	342	4.9%	30,374	8.0%	
Moderate	25	10.3%	3,339	15.3%	567	8.2%	42,335	11.1%	
LMI	40	16.5%	4,591	21.0%	909	13.1%	72,709	19.0%	
Middle	200	82.6%	16,448	75.3%	5,894	84.9%	299,009	78.3%	
Upper	2	0.8%	800	3.7%	132	1.9%	9,537	2.5%	
Unknown	-	0.0%	-	0.0%	5	0.1%	449	0.1%	
<b>Total</b>	<b>242</b>		<b>21,839</b>		<b>6,940</b>		<b>381,704</b>		

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

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

## CATTARAUGUS COUNTY BANK – CRA PERFORMANCE EVALUATION

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### **B. Additional Factors**

1. 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

CCB’s board of directors appoints the CRA officer and reviews and approves the CRA policy annually (most recently in October 2021). The board is kept abreast of the Bank’s CRA lending activities and community development activities through management meetings and via an annual CRA self-assessment. CCB performs an annual CRA self-assessment which includes all CRA lending test criteria related activities, community development loans and qualified investments, and CCB’s performance in meeting the credit needs of its assessment area.

2. Discrimination and other illegal practices

As part of the evaluation, DFS examiners sought to identify any practices intended to discourage applications for types of credit set forth in the banking institution’s CRA statements, and any evidence of prohibited discriminatory or other illegal credit practices.

DFS examiners did not note any evidence that CCB engaged in prohibited discriminatory or other illegal practices.

3. Record of opening and closing offices and providing services at offices

On August 31, 2018, CCB closed the Franklinville branch, which was in a middle-income census tract. As of the end of the evaluation, CCB operated seven full-service banking offices, one in a moderate-income census tract, five in middle-income tracts, and one in an upper-income tract.

Distribution of Branches within the Assessment Area							
County	N/A #	Low #	Moderate #	Middle #	Upper #	Total #	LMI %
Cattaraugus			1	3		4	25%
Chautauqua				1	1	2	0%
Erie*				1		1	0%
<b>Total</b>	-	-	1	5	1	7	14%

\* Partial County

CCB’s branches offer service hours as follows: Monday from 9:00 A.M. to 4:00 P.M., Tuesday and Thursday from 9:00 A.M. to 3:00 P.M.; Wednesday from 9:00 A.M. to 1:00 P.M.; and Friday from 9:00 A.M. to 5:00 P.M. The Bank offers no Saturday hours. All CCB’s branches are supplemented by full-service automated teller machines (“ATMs”).

CCB customers can avail of a variety of banking services through alternative channels such as online and mobile banking. Customers can use online banking to pay bills, view account information, and perform remote check deposits and internal account transfers.

## CATTARAUGUS COUNTY BANK – CRA PERFORMANCE EVALUATION

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### 4. 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.*

CCB's management and employees ascertain the credit needs of its community through ordinary course of business. In addition, some of the Bank's officers and employees are board members of local nonprofit community organizations, business organizations, and foundations which serve LMI individuals and small businesses. These board members help management ascertain the credit needs of these organizations and the communities they serve.

- *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*

While CCB markets its loan and deposit products and services primarily through its website and with signage in its branches, it also advertised by means of print ads and email blasts to the Bank's current customer base. Ads featured free reward accounts, electronic banking options, and residential lending products, which were promoted throughout the Bank's market area.

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

As a small bank, CCB is not evaluated under the community development test. However, in addition to the PPP loans that the Bank originated in support of businesses affected by the Covid-19 pandemic, the Bank also made the following community development loans, qualified investments and community services during the evaluation period:

- CCB extended a \$100,000 working capital line of credit, renewed each year of the four-year evaluation period, to a regional planning agency serving Allegany, Cattaraugus, and Chautauqua counties, the mission of which agency is to help coordinate and enhance planning and development activities in the region.
- The Bank made three investments totaling \$5 million in mortgage-backed securities ("MBS") from a Community Development Financial Institution. The underlying securities for these investments are one-to-four family properties for low- and moderate-income borrowers and other housing projects providing housing in underserved communities.
- CCB participated in several community development services during the evaluation period by serving on boards, loan review finance and audit committees of nonprofit and community organizations within the local community. These organizations provided services to LMI individuals and families, and small businesses in the assessment area. A total of eight management staff served as board members or committee members to six nonprofit and community-based organizations.

## V - 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

## CATTARAUGUS COUNTY BANK – CRA PERFORMANCE EVALUATION

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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.

## CATTARAUGUS COUNTY BANK – CRA PERFORMANCE EVALUATION

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### **Fair Market Rents (“FMRs”)**

Fair Market Rents are published and developed annually by the US Department of Housing and Urban Development (“HUD”) and used to determine rent payments for affordable housing projects such as Section 8 contracts in defined metropolitan statistical areas (“MSAs”) nationwide. For easy reference of annual FMRs in New York MSAs or counties, go to [www.huduser.gov/portal/datasets/fmr.html](http://www.huduser.gov/portal/datasets/fmr.html)

### **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.

<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

### **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

## CATTARAUGUS COUNTY BANK – CRA PERFORMANCE EVALUATION

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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. 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](http://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.

## CATTARAUGUS COUNTY BANK – CRA PERFORMANCE EVALUATION

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### **Paycheck Protection Program (“PPP”) Loans**

The Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) temporarily permits the U.S. Small Business Administration (“SBA”) to guarantee 100% of 7(a) loans under a new program titled the “Paycheck Protection Program”. The intent of the PPP is to help small business cover payroll costs providing for forgiveness of up to the full principal of qualifying loans guaranteed under the PPP subject to certain rules including how much or percentage of the loan proceeds a borrower spends on payroll costs. A small business owner can apply through any existing SBA 7(a) lender or through any federally insured depository institution, federally insured credit union, and Farm Credit System institution that is participating. Any amount of the PPP loan that is not forgiven shall be repaid over a 5-year term at a fixed interest rate of 1%. The program officially ended May 31, 2021.

### **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.

### **Small Business Loan**

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