



PUBLIC SUMMARY

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION OF BANK OF CATTARAUGUS

AS OF DECEMBER 31, 2022

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.

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BANK OF CATTARAUGUS – CRA PERFORMANCE EVALUATION

I - GENERAL INFORMATION

This document is an evaluation (the “Evaluation”) of the Community Reinvestment Act (“CRA”) performance of Bank of Cattaraugus (“BOC” 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 Bank’s CRA performance based on an evaluation conducted as of December 31, 2022.

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.

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II - OVERVIEW OF INSTITUTION'S PERFORMANCE

The Department evaluated BOC 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, 2021 and 2022 for lending activities. The Department assigned BOC a rating of “2,” 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

BOC'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.

BOC's average LTD ratio of 40.5% was below its peer average LTD ratio of 59.2% and also represented a decline from the average LTD ratio of 46.6% for the prior evaluation period. The Bank's low LTD ratio is in large part due to its holding of municipal deposits, for which collateral must be pledged; therefore, these funds are not available for lending.

2. Assessment Area Concentration: Satisfactory

During the evaluation period, BOC originated 83.5% by number and 75.4% by dollar value of its total small business and consumer loans within the assessment area, demonstrating a reasonable concentration of lending.

3. Distribution by Borrower Characteristics: Outstanding

BOC's small business lending demonstrated an excellent distribution of loans among individuals of different income levels and businesses of different revenue sizes.

4. Geographic Distribution of Loans: “Not Rated”

The geographic distribution of loans criterion was not rated as BOC's assessment area consists of three middle income census tracts.

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

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

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

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III - PERFORMANCE CONTEXT

A. Institution Profile

Chartered in 1882, BOC is a state-chartered commercial bank with one banking office in the Village of Cattaraugus, Cattaraugus County, New York.

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

In its Consolidated Report of Condition (the “Call Report”) as of December 31, 2022, filed with the Federal Deposit Insurance Corporation (“FDIC”), BOC reported total assets of \$30.4 million, of which \$12.8 million were net loans and lease financing receivables. It also reported total deposits of \$27.8 million, resulting in an LTD ratio of 45.9%. According to the latest available comparative deposit data as of June 30, 2022, BOC obtained a market share of 1.76%, or \$26.6 million in a market of \$1.5 billion, ranking it 6th among 8 deposit-taking institutions in Cattaraugus County.

The following is a summary of the Bank’s loan portfolio, based on Schedule RC-C of the Bank’s December 31, 2018, December 31, 2019, December 31, 2020, December 31, 2021, and December 31, 2022 Call Reports:

TOTAL GROSS LOANS OUTSTANDING										
Loan Type	2018		2019		2020		2021		2022	
	\$000's	%	\$000's	%	\$000's	%	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	3,896	47.0	4,515	45.1	3,762	38.2	3,539	35.1	3,937	30.4
Commercial & Industrial Loans	1,225	14.8	1,745	17.4	1,708	17.3	1,881	18.7	2,502	19.3
Commercial Mortgage Loans	842	10.2	1,160	11.6	1,622	16.5	1,936	19.2	3,643	28.2
Consumer Loans	1,564	18.9	1,668	16.7	1,959	19.9	2,042	20.3	2,162	16.7
Agricultural Loans	693	8.4	868	8.7	683	6.9	462	4.6	302	2.3
Construction Loans	74	0.9	52	0.5	116	1.2	209	2.1	385	3.0
Other Loans	1	0.0	4	0.0	2	0.0	2	0.0	5	0.0
Total Gross Loans	8,295		10,012		9,852		10,071		12,936	

As illustrated in the above table, BOC is primarily a commercial lender, with 28.2% of its loan portfolio in commercial mortgage loans and 19.3% in commercial and industrial loans, for a total of 47.5% of the loan portfolio. All of the Bank’s 1-4 family residential loans originated subsequent to January 1, 2018 were secured by investor-owned, non-owner-occupied properties.

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

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B. Assessment Area

The Bank's assessment area consists of three census tracts in Cattaraugus County and include the towns of New Albion, Leon, East Otto, and South Dayton. All three census tracts are middle-income, and none are categorized as distressed or underserved.

Assessment Area Census Tracts by Income Level						
County	N/A	Low	Mod	Middle	Upper	Total
Cattaraugus*				3		3
Total	0	0	0	3	0	3

* Partial county

C. Demographic & Economic Data

The assessment area had a population of 12,575 during the evaluation period. Approximately 17.4% of the population was over the age of 65 and 15.8% was under the age of 16.

Of the 3,480 families in the assessment area 19.9% were low-income, 21.1% were moderate-income, 23.0% were middle-income and 36.0% were upper income. There were 5,265 households in the assessment area, of which 13.5% had income below the poverty level and 2.4% were on public assistance.

The weighted average median family income in the assessment area was \$63,893.

There were 6,716 housing units within the assessment area, of which 83.2% were one-to-four family units and 3.3% were multifamily units. A majority (63.7%) of the housing units were owner-occupied, while 14.7% were rental units, while 21.6% of housing units were vacant.

Of the 4,279 owner-occupied housing units, 100.0% were in middle-income census tracts. The median age of the housing stock was 58 years. The median home value in the assessment area was \$104,266.

There were 665 non-farm businesses in the assessment area. Of these, 80.3% were businesses with reported revenues of less than or equal to \$1 million, 3.5% reported revenues of more than \$1 million and 16.2% did not report revenue. Of all the businesses in the assessment area, 96.7% were businesses with less than fifty employees. 89.0% operated from a single location. The largest industries in the area were Services (31.4%), Agriculture, Forestry & Fishing (12.6%) and Retail Trade (10.5%), while 13.0% of businesses in the assessment area were not classified.

According to the New York State Department of Labor, the average annual unemployment rates in both New York State and Cattaraugus County increased significantly in 2020 with the onset of the COVID-19 pandemic. However, while the annual unemployment rates for Cattaraugus County at the beginning of the evaluation period exceeded the statewide level, Cattaraugus County's annual unemployment rates for 2020 were below the statewide rates and remained so for 2021 and 2022, as the county's economy proved to be more resilient during the pandemic than that of the rest of the state.

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Assessment Area Unemployment Rate		
	Statewide	Cattaraugus
2018	4.1	5.3
2019	3.9	4.8
2020	9.8	9.1
2021	7.0	5.3
2022	4.3	4.0
Average of Years above	5.8	5.7

D. Community Information

Examiners interviewed representatives of two community organizations in the Bank’s assessment area. The first organization focuses on economic development and revitalization by helping start-up businesses and encouraging existing businesses to expand and/or relocate to Cattaraugus County, while the second organization oversees several federal and New York State government housing grant programs, striving to ensure that they are administered fairly and inclusively. This organization also offers a home improvement program for LMI individuals and also assists other development efforts such as community gardens, seeking to ensure access to healthy food and lifestyle choices.

The representative of the first organization stated that the county’s economy has been relatively resilient during the COVID-19 pandemic. Since that time, several new manufacturing facilities have recently begun construction (the manufactured products range from foodstuffs to structural steel to solar panels), while the tourism industry has also rebounded, aided by the resumption of international travel and by remote work, which enables people to work while staying at local resorts. As a result, the demand for employees has been increasing, while finding employees to fill jobs has reportedly been challenging. The organization’s representative stated that overall, financial institutions have been very active and materially helpful by making loans and offering other products and services that help the community. However, some financial institutions had recently consolidated their local community development staff, reducing their opportunities to obtain direct knowledge of community development needs.

To the contrary, the representative of the second organization stated that the economy was static and cited inflation as a problem and opined that more jobs and employment were needed in the community. This interviewee also speculated that increases in market interest rates were probably affecting the ability of individuals to obtain mortgage loans. Furthermore, the representative perceived credit needs to be a general economic issue and not a banking-specific one.

The representative also indicated that LMI residents in the area had an ongoing need for home repairs, and that the organization therefore had a consistent, steady flow of work to help those individuals. This representative declined to offer an opinion as to the degree of help being provided by financial institutions.

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IV - PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

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

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

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

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

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

DFS derived statistics employed in this Evaluation from various sources. BOC submitted bank-specific information both as part of the 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 and 2020 U.S. Census reports and the FFIEC. DFS based business demographic data on Dun & Bradstreet reports, which Dun & Bradstreet updates annually. DFS obtained unemployment data from the New York State Department of Labor. Some non-specific bank data are only available on a county-wide basis, and DFS used this information even where the institution's assessment area includes partial counties.

The evaluation period included calendar years 2018, 2019, 2020, 2021 and 2022.

Examiners considered BOC's small business and consumer loans in evaluating factor (2) and small business loans only for factor (3) of the lending test noted above. DFS did not evaluate BOC for factor (4) of the lending test, as the Bank's assessment area contains only middle-income census tracts.

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

Consumer loan data evaluated in this Evaluation represented actual originations, while small business loan data evaluated in this evaluation period represented random samples of 30 loans for each of the following years 2018, 2019, 2020, 2021 and a sample of 39 loans for 2022.

In its prior Community Reinvestment Act Performance Evaluation as of December 31, 2017, DFS assigned BOC a rating of “1,” reflecting an “Outstanding” compliance with regulatory standards.

Current CRA Rating: Satisfactory

A. Lending Test: Satisfactory

BOC’s small business and consumer 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.

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

BOC’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.

BOC’s average LTD ratio of 40.5% was below its peer average LTD ratio of 59.2% and also represented a decline from the average LTD ratio of 46.6% for the prior evaluation period. The Bank’s low LTD ratio is in large part due to its holding of municipal deposits, for which collateral must be pledged; therefore, these funds are not available for lending.

As shown in the table below, the Bank’s lowest quarterly LTD ratios for the evaluation period of 33.5%, 32.1%, 37.8%, 34.1% and 35.2%, respectively, occurred in the 1st quarter of each year of the evaluation period. This trend corresponded with the Bank’s highest level of municipal deposits, which also occurred during the 1st quarter of each year of the evaluation period.

The table below shows BOC’s LTD ratios in comparison with the peer group’s ratios for the 20 quarters of this evaluation period.

Loan-to-Deposit Ratios																					
	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4	Avg
Bank	33.5	39.1	39.0	42.3	32.1	40.9	44.0	50.1	37.8	48.0	43.8	45.2	34.1	37.4	37.4	42.3	35.2	43.0	38.8	45.9	40.5
Peer	61.9	64.9	66.1	64.6	64.1	65.7	65.5	63.7	62.4	61.5	60.7	56.7	52.8	53.5	54.4	55.0	51.1	52.5	52.7	55.3	59.2

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2. Assessment Area Concentration: Satisfactory

During the evaluation period, BOC originated 83.5% by number and 75.4% by dollar value of its total small business and consumer loans within the assessment area, demonstrating a reasonable concentration of lending.

i. Small Business Loans:

During the evaluation period, BOC originated 74.8% by number and 68.5% by dollar value of its small business loans within the assessment area. This majority of lending inside of its assessment area reflects a reasonable concentration of lending.

The Bank’s low concentration of 41% by number and 31.6% by dollar value of small business loans originated within its assessment area in 2022 negatively impacted the Bank’s overall concentration of small business loans within its assessment area. This trend was due to the Bank continuing to lend to several longstanding business customers that relocated their businesses outside of the Bank’s assessment area.

ii. Consumer Loans:

During the evaluation period, BOC originated 86.9% by number and 83.4% by dollar value of its consumer loans within the assessment area. This majority of lending inside of its assessment area reflects an excellent concentration of lending.

The following table shows the percentages of the Bank’s small business and consumer loans originated inside and outside of the assessment area.

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Loans in Dollars (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Small Business										
2018	26	86.7%	4	13.3%	30	489	85.6%	82	14.4%	571
2019	27	90.0%	3	10.0%	30	688	80.8%	164	19.2%	852
2020	26	86.7%	4	13.3%	30	576	81.4%	132	18.6%	708
2021	24	80.0%	6	20.0%	30	1,219	85.2%	211	14.8%	1,430
2022	16	41.0%	23	59.0%	39	457	31.6%	988	68.4%	1,445
Subtotal	119	74.8%	40	25.2%	159	3,429	68.5%	1,577	31.5%	5,006
Consumer										
2018	62	89.9%	7	10.1%	69	369	90.7%	38	9.3%	407
2019	93	91.2%	9	8.8%	102	900	91.6%	83	8.4%	983
2020	63	82.9%	13	17.1%	76	682	72.9%	253	27.1%	935
2021	51	86.4%	8	13.6%	59	538	78.8%	145	21.2%	683
2022	76	83.5%	15	16.5%	91	1,136	84.8%	203	15.2%	1,339
Subtotal	345	86.9%	52	13.1%	397	3,625	83.4%	722	16.6%	4,347
Grand Total	464	83.5%	92	16.5%	556	7,054	75.4%	2,299	24.6%	9,353

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** For small business lending, DFS analyzed a sample of 30 loans in 2018, 2019, 2020, 2021 and 39 loans in 2022. DFS based its analysis of consumer lending on actual loans.*

3. Distribution by Borrower Characteristics: Outstanding

BOC's small business lending demonstrated an excellent distribution of loans to businesses of different revenue sizes. The analysis of this criterion was based solely on small business lending, as consumer loans submitted for evaluation by BOC did not contain borrower income.

The Bank's average rates of lending to businesses with revenue of \$1 million or less for the evaluation period were 100% by number and by dollar value of loans, significantly exceeding the aggregates average rates of 54.3% and 54%, respectively. Aggregate data for 2022 was not available at time of the evaluation.

BOC's rates of lending for each year of the evaluation period, also exceeded the percentages of small businesses (business demographics) with revenue of \$1 million or less that were located within the Bank's assessment area.

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

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Distribution of Small Business Lending by Revenue Size of Business									
2018									
Rev. Size	Bank				Aggregate				Bus Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	26	100.0%	489	100.0%	90	65.7%	3,078	67.1%	80.4%
Rev. > \$1MM	-	0.0%	0	0.0%					4.2%
Rev. Unknown	-	0.0%	0	0.0%					15.4%
Total	26		489		137		4,589		
2019									
Rev. Size	Bank				Aggregate				Bus Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	27	100.0%	688	100.0%	61	51.7%	2,015	60.1%	81.6%
Rev. > \$1MM	-	0.0%	0	0.0%					3.9%
Rev. Unknown	-	0.0%	0	0.0%					14.5%
Total	27		688		118		3,352		
2020									
Rev. Size	Bank				Aggregate				Bus Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	26	100.0%	576	100.0%	53	39.0%	1,504	29.6%	81.9%
Rev. > \$1MM	-	0.0%	0	0.0%					3.8%
Rev. Unknown	-	0.0%	0	0.0%					14.3%
Total	26		576		136		5,081		
2021									
Rev. Size	Bank				Aggregate				Bus Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	24	100.0%	1,219	100.0%	95	59.4%	3,036	63.1%	83.0%
Rev. > \$1MM	-	0.0%	0	0.0%					3.2%
Rev. Unknown	-	0.0%	0	0.0%					13.8%
Total	24		1,219		160		4,809		
2022									
Rev. Size	Bank				Aggregate				Bus Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	16	100.0%	457	100.0%	Data not available at time of evaluation.				82.5%
Rev. > \$1MM		0.0%		3.2%					
Rev. Unknown		0.0%		14.3%					
Total	16		457						
GRAND TOTAL									
Rev. Size	Bank				Aggregate				Bus Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	119	100.0%	3,429	100.0%	299	54.3%	9,633	54.0%	
Rev. > \$1MM	-	0.0%	-	0.0%					
Rev. Unknown	-	0.0%	-	0.0%					
Total	119		3,429		551		17,831		

4. Geographic Distribution of Loans: Not Rated

DFS did not evaluate or rate this criterion, as BOC's assessment area is comprised of only middle-income (3) census tracts, none of which were categorized as underserved or distressed.

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

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

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

BOC’s CRA committee is comprised of all directors and executive officers of the Bank and the chair of the Board is the CRA officer. The Board annually reviews and approves the CRA policy (most recently in August 2022); in addition, the Bank prepares an annual CRA self-assessments which is submitted to and reviewed by the CRA committee and the board.

2. Discrimination and other illegal practices

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

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

- Evidence of prohibited discriminatory or other illegal credit practices.

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

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

BOC did not open or close any banking offices during the evaluation period.

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

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.*

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BOC's officers and employees are directly involved in many community not-for-profit organizations and use this involvement to ascertain the credit needs of its community.

- *The extent of the banking institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the banking institution*

BOC does not engage in advertising through traditional or modern means such as television, radio, or online. Instead, the Bank's primary method of making the local community aware of its products and services is via the interaction of its officers and employees with local organizations operating in the assessment area. In particular, the Bank's CRA loan program includes underwriting criteria specifically tailored to meet the special credit needs of the Amish community within the Bank's assessment area.

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

As a small bank for the purpose of CRA, BOC is not subject to the community development test. Nevertheless, the Bank performed the following CRA qualified community development activities:

- The Bank originated a \$110,000 loan to fund the purchase of a funeral home, which was then converted to affordable housing;
- BOC made donations totaling \$11,000 to a nonprofit organization for the renovation of a property providing affordable housing to LMI individuals and families;
- Three of the Bank's officers serve on the board or committees of local organizations within the assessment area, including an organization that provides affordable housing to local residents.

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;

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- 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

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- ❖ 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.

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

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

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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. 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.

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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.

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;

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- 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.