



**NEW YORK STATE BANKING DEPARTMENT**  
**CONSUMER SERVICES DIVISION**  
One State Street  
New York, NY 10004

**PUBLIC SUMMARY**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**Date of Evaluation: December 31, 2009**

**Institution: Chemung Canal Trust Company**  
**One Chemung Canal Plaza**  
**Elmira, NY 14901**

**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 Banking Department concerning the safety and soundness of this financial institution.**

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## **GENERAL INFORMATION**

This document is an evaluation of the Community Reinvestment Act ("CRA") performance of Chemung Canal Trust Company ("CCTC") prepared by the New York State Banking Department. The evaluation represents the Banking Department's current assessment and rating of the institution's CRA performance based on an evaluation conducted as of December 31, 2009.

Section 28-b of the New York State Banking Law, as amended, requires that when evaluating certain applications, the Superintendent of Banks 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 Banking Board implements Section 28-b and further requires that the Banking Department assess the CRA performance records of regulated financial institutions. Part 76 establishes the framework and criteria by which the Department will evaluate the performance. Section 76.5 further provides that the Banking 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 record of meeting community credit needs; and
- (4) substantial noncompliance in meeting community credit needs.

Section 76.5 further requires that the CRA rating and the written summary be made available to the public ("Evaluation"). Evaluations of small banking institutions are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Section 76.12. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York State Banking Law.

For an explanation of technical terms used in this report, please consult the **GLOSSARY** at the back of this document.

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## OVERVIEW OF INSTITUTION'S PERFORMANCE

CCTC's performance was evaluated according to the intermediate small bank performance criteria. CCTC is rated "1," indicating an "**Outstanding**" record of helping to meet community credit needs. The rating is unchanged from the prior New York State Banking Department Evaluation dated December 31, 2007. This rating is based on the following factors:

### **Lending Test: "Satisfactory"**

- ***Loan-to-Deposit ("LTD") Ratio and Other Lending-Related Activities: "Satisfactory"***  
CCTC's LTD ratio is reasonable considering its size, financial condition and the credit needs of the assessment area. CCTC's average LTD ratio for the eight quarters that ended December 31, 2009 (the evaluation period) was 80%, slightly below the peer group's average of 87.7%.
- ***Assessment Area Concentration: "Outstanding"***  
CCTC originated a substantial majority of its small business and HMDA-reportable loans within its assessment area. During the evaluation period, CCTC originated 94.8%, by number, and 93.6%, by dollar value, of its loans within the assessment area.
- ***Distribution by Borrower Characteristics: "Satisfactory"***  
The distribution of loans based on borrower characteristics reflected a reasonable penetration among individuals of different income levels and businesses of different revenue sizes. In 2008, CCTC extended loans to small businesses and to LMI borrowers at rates that exceeded the aggregate's ratios. CCTC's performance did decline in 2009, by 28% in small business lending and 4% in HMDA-reportable lending. The 2009 aggregate data were not available for comparison, so it was difficult to assess the significance of these declines.
- ***Geographic Distribution of Loans: "Needs to Improve"***  
The geographic distribution of loans reflected a poor dispersion among census tracts of different income levels. In small business lending, CCTC's LMI penetration rates were slightly higher than the aggregate's. However, in HMDA-reportable lending, the bank's LMI penetration rates were well below the aggregate's penetration rates.
- ***Action Taken in Response to Written Complaints With Respect to CRA: "Satisfactory"***  
Since the latest CRA evaluation as of December 31, 2007, neither the bank nor the New York State Banking Department has received any written complaints regarding the bank's CRA performance.

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## **Community Development Test: “Outstanding”**

CCTC’s community development performance demonstrated excellent responsiveness to the community development needs of its assessment area.

- **Community Development Loans: “Outstanding”**  
CCTC had an excellent level of community development loans. CCTC’s community development loans and commitments totaled \$21.9 million, of which, \$19.7 million, or 90%, was new money.<sup>1</sup> CCTC’s community development loans at this evaluation increased by 32.7% from the prior evaluation.
- **Community Development Investments: “Outstanding”**  
CCTC had an excellent level of qualified community development investments. As of the evaluation date, qualified community development investments totaled \$14.6 million, which represented an increase of \$4.8 million (49%) from the amount reported at the previous evaluation. Of the total, 55%, or \$8 million, was new money.
- **Community Development Services: “Outstanding”**  
CCTC provided an excellent level of community development services. During the evaluation period, a significant number of CCTC officers and staff provided technical and financial expertise to community development organizations operating within its assessment area through their involvement as board members, executive officers or finance committee members of these organizations.

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

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<sup>1</sup> For analysis purposes, renewals of lines of credit that occur during the evaluation period are considered new extensions of credit. However, the level of lending is reviewed across the timeframe of the exam.

## PERFORMANCE CONTEXT

### **Institution's Profile:**

CCTC was established in 1833 and was granted its charter as a commercial bank by New York State in 1895. In 1902, it was reorganized as a trust company under the name of Elmira Trust Company. The name was changed to Chemung Canal Trust Company in 1903.

CCTC is a wholly-owned subsidiary of Chemung Financial Corporation ("CFC"). CFC was incorporated in 1985 under the laws of the State of New York and became a financial holding company in 2000 with two subsidiaries: CCTC and CFS Group Inc., a corporation which offers non-traditional financial services, such as mutual funds, annuities, brokerage services and insurance.

CCTC provides full-service banking and trust services to commercial and individual customers. Headquartered in Elmira, New York, it operates 20 full-service branches in New York, of which, seven are in Chemung County, three each are in Broome, Steuben and Tioga, and two each are in Schuyler and Tompkins Counties. Supplementing the banking offices is an automated-teller-machine ("ATM") network consisting of a 24-hour ATM in each of its 20 branches and non-deposit-taking ATMs at 11 offsite locations in central New York. CCTC opened three of its 20 New York branches and closed a representative office during the evaluation period.

According to the Federal Deposit Corporation's ("FDIC") Consolidated Report of Condition ("Call Report") as of December 31, 2009, CCTC reported total assets of \$973 million, of which \$586 million were net loans and leases. Deposits totaled \$802 million, resulting in a loan-to-deposit ratio of 73.1%. According to the latest available comparative deposit data, dated June 30, 2009, CCTC obtained a market share of 11.1%, or \$706 million out of total deposits of \$6.4 billion inside its market, ranking it 4<sup>th</sup> among 20 deposit-taking institutions in the assessment area.

The following is a summary of CCTC's lending portfolio based on Schedule RC-C of its December 31, 2007, December 31, 2008 and December 31, 2009 Call Reports:

<b>TOTAL GROSS LOANS OUTSTANDING</b>						
LOAN TYPE	12/31/2007		12/31/2008		12/31/2009	
	\$000	%	\$000	%	\$000	%
1-4 Residential Mortgage Loans	221,152	41.0	229,335	40.5	246,408	41.3
Commercial & Industrial Loans	125,809	23.3	118,393	20.9	114,764	19.2
Commercial Mortgage Loans	65,886	12.2	85,887	15.2	105,394	17.7
Multifamily Mortgages	2,956	0.5	4,227	0.7	4,853	0.8
Consumer Loans	114,845	21.3	120,532	21.3	110,576	18.5
Agricultural Loans & Loans Secured by Farmland	64	0.0	42	0.0	6,277	1.1
Construction Loans	5,193	1.0	2,471	0.4	4,628	0.8
Other Loans	4,131	0.8	4,982	0.9	3,697	0.6
Total Gross Loans	540,036	100.0	565,869	100.0	596,597	100.0

As illustrated in the above chart, CCTC's outstanding portfolio is fairly evenly split between 1-4 family residential real estate and the combination of commercial & industrial and commercial mortgage loans. One-to-four family residential real estate represents 41% of CCTC's loan portfolio, which is slightly greater than its commercial and industrial and commercial mortgage loans, which together, total 37% of its outstanding loan portfolio. However, in terms of new originations, particularly for the products that were the focus of this CRA examination, the bank's dollar volume lending for small businesses (\$84 million) exceeded its HMDA-reportable lending (\$69 million). (See chart in section 4.)

*There are no known legal or financial impediments noted that adversely impacted the bank's ability to meet the credit needs of its assessment area.*

**Assessment Area:**

CCTC's New York assessment area includes Chemung, Schuyler, Tompkins and Tioga Counties in their entirety, the eastern portion of Broome County, and the eastern and western areas of Steuben County. During the evaluation period, the assessment area expanded to include 22 additional tracts in Broome County. Altogether, CCTC's assessment area has 117 census tracts of which, 29 tracts (24.8%) were designated LMI and 18 tracts (15.4%) were designated distressed or underserved.

The following table summarizes the distribution of census tracts across the bank's assessment area by county and by tract income level.

Distribution of Census Tracts within the Assessment Area									
County	N/A #	Low #	Moderate #	Middle #	Upper #	Total #	LMI %	Distressed or Underserved	LMI and Distressed or Underserved
Broome*	0	4	13	12	9	38	44.7	0	44.7
Chemung	1	2	4	13	3	23	26.1	0	26.1
Schuyler	0	0	0	5	0	5	0.0	5	100.0
Steuben*	0	0	1	13	4	18	5.6	13	77.8
Tioga	0	0	0	8	2	10	0.0	0	0.0
Tompkins	0	0	5	15	3	23	21.7	0	21.7
<b>Total</b>	<b>1</b>	<b>6</b>	<b>23</b>	<b>66</b>	<b>21</b>	<b>117</b>	<b>24.8</b>	<b>18</b>	<b>40.2</b>

\* Partial County

*The assessment area appears reasonable based upon the location of the bank's offices and its lending patterns. There is no evidence that LMI areas have been arbitrarily excluded.*

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## Demographic and Economic Data:

Demographic data regarding the owner-occupied housing units and small businesses located in LMI census tracts, as well as families that are LMI and businesses with revenues of <=\$1MM, are included in the charts in the appropriate sections.

According to the 2000 U.S. Census, CCTC's assessment area has a population of 448.3 thousand, including 65.5 thousand (14.6%) over the age of 65 and 89.8 thousand (20%) under the age of 16. There were 176.9 thousand households in the assessment area, of which 13.5% had income below the poverty level and 3.2% were on public assistance.

The MSA median family income within the assessment area was \$47.5 thousand. The U.S. Department of Housing and Urban Development ("HUD") estimated median family income for the area was \$59.8 thousand in 2009.

There were 30.7 thousand non-farm businesses in the assessment area. Of these, 73.2% were businesses with reported revenues of less than or equal to \$1 million, 4.5% reported revenues of more than \$1 million and 22.3% did not report their revenues. Of all the businesses in the assessment area, 87.4% were businesses with less than fifty employees while 87.3% operated from a single location. The largest industries in the area were services (47.9%), followed by retail trade (16.3%) and construction (6.3%), while 7.8% of businesses in the assessment area were not classified.

According to the New York State Department of Labor, the average unemployment rate for New York State was 5.3% in 2008. Of the six counties that comprise the bank's New York assessment area, only Tompkins County had an average unemployment rate that was lower than this rate. Reflecting the economic recession, the average unemployment rate for New York State increased significantly to 8.4% in 2009. The average unemployment rate for each county in the assessment area also reflected this upward trend. However, for Tompkins, Broome and Tioga Counties, the average unemployment rates were lower than New York State's in 2009.

The following table summarizes the 2008 and 2009 average unemployment rates (not seasonally adjusted) for the six counties in the bank's New York assessment area:

Unemployment Percentages by Geographic Area							
Year	NY State	Broome	Chemung	Schuyler	Steuben	Tioga	Tompkins
2008	5.3	5.7	5.7	5.9	6.2	5.4	4.1
2009	8.4	8.2	8.9	8.4	9.7	8.1	5.8

## Community Information:

The community development organizations contacted for this evaluation were the Regional Economic Development and Energy Corporation (REDEC), Arbor Development, and Tri-County Housing. The representatives of these organizations provided favorable comments about CCTC's responsiveness in addressing the needs of the assessment area. REDEC is

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involved in promoting economic development by providing loans to small businesses in the Southern Tier. Arbor Development and Tri-County Housing are both affordable housing organizations.

According to these community development organizations, a primary concern in the assessment area is the need for economic development that will create jobs to replace those lost due to the economic downturn and/or outsourcing overseas. One organization also mentioned that the availability of affordable housing is becoming a major problem, particularly, in the area of Steuben County that is near the Pennsylvania border. In this area, natural gas companies have been conducting drilling operations. Because of the specialized expertise needed to conduct their drilling operations, these gas companies have been bringing in their own experienced workers; most of these workers are from out of state. Although this has helped promote economic activity, it has also created problems, such as an increased demand for affordable housing. Additionally, this has strained the local government's ability to properly maintain and repair the roads that are damaged by the heavy trucks and equipment used by the gas companies.

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## **PERFORMANCE STANDARDS AND ASSESSMENT FACTORS**

*CCTC's performance was evaluated according to the intermediate small bank's performance criteria under the Lending and Community Development tests pursuant to Part 76.12 of the General Regulations of the Banking Board. The Lending test includes the following criteria: (1) Loan-to-Deposit Ratio and Other Lending-Related Activities; (2) Assessment Area Concentration; (3) Distribution by Borrower Characteristics; (4) Geographic Distribution of Loans; and (5) Action Taken in Response to Written Complaints Regarding CRA. The Community Development test entails the review of: (1) Community Development Loans; (2) Community Development Qualified Investments; and (3) Community Development Services. The following factors were also considered in assessing CCTC's record of performance: the extent of participation by the board of directors or board of trustees in formulating CRA policies and reviewing CRA performance; any practices intended to discourage credit applications, evidence of prohibited discriminatory or other illegal credit practices; record of opening and closing offices and providing services at offices; and process factors such as activities to ascertain credit needs and the extent of marketing and special credit related programs. Finally, the evaluation considered other factors as delineated in Section 28-b of the Banking Law that reasonably bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community.*

The assessment period included calendar years 2008 and 2009. Examiners considered CCTC's small business and HMDA-reportable loans in evaluating factors (2), (3) and (4) of the lending test as noted above. HMDA-reportable loan data evaluated in this performance evaluation represented actual originations. CCTC is not required to report small business loan originations; as such, CCTC was not included in the aggregate data. Small business loan results were extrapolated from a random sample of 133 loans. . As CCTC does not make farm loans, the data only include non-farm loans. Since HMDA-reportable lending accounted for over 70% of the total number of small business and HMDA-reportable loans originated during the evaluation period, it was given greater weight in evaluating OCTC's performance.

Statistics employed in this evaluation were derived from various sources. In addition to bank-specific loan information submitted by CCTC, aggregate data for HMDA-reportable and small business loans were obtained from the Federal Financial Institutions Examination Council ("FFIEC").

The demographic data referred to in this report were obtained from the 2000 U.S. Census, with updated median family income figures provided by the U.S. Department of Housing and Urban Development ("HUD"). Business demographic data used in this report derive from information on U.S. businesses, enhanced by Dun & Bradstreet and updated annually.

CCTC received a rating of "1," reflecting an "Outstanding" record of helping to meet community credit needs at its **prior** Performance Evaluation conducted by the New York

State Banking Department as of December 31, 2007.

**Current CRA Rating: “Outstanding”**

**Lending Test: “Satisfactory”**

CCTC’s small business and HMDA-reportable lending activities are reasonable in light of aggregate and peer group activity and demographics. .

**Loan-to-Deposit Ratio Analysis and other Lending-Related Activities: “Satisfactory”**

CCTC’s LTD ratio is reasonable considering its size, financial condition, aggregate and peer group activity.

CCTC’s average LTD ratio for the eight quarters that ended December 31, 2009 (the evaluation period) was 80%, slightly below the peer group’s average of 87.7%. CCTC’s average LTD ratio at this evaluation represents a slight decline from the prior evaluation period’s average LTD ratio of 82.7%. The peer group is comprised of all FDIC insured commercial banks having assets between \$300 million and \$1.0 billion. These ratios were calculated from information shown in the bank’s Uniform Bank Performance Report (“UBPR”) with data submitted to the Federal Deposit Insurance Corporation (“FDIC”).

The chart below shows CCTC’s LTD ratios in comparison with the peer group’s ratios for the eight quarters since the prior evaluation.

<b>Loan-to-Deposit Ratios</b>									
	2008 (Q1)	2008 (Q2)	2008 (Q3)	2008 (Q4)	2009 (Q1)	2009 (Q2)	2009 (Q3)	2009 (Q4)	Average LTD
Bank	81.09	85.74	85.73	84.56	77.60	77.60	74.87	73.08	80.03
Peer	89.47	91.00	91.10	89.29	86.85	86.00	84.75	82.74	87.65

**Assessment Area Concentration: “Outstanding”**

CCTC originated a substantial majority of its small business and HMDA-reportable loans within its assessment area. During the evaluation period, CCTC originated 94.8%, by number, and 93.6%, by dollar value, of its loans within the assessment area.

The following table shows the percentages of the bank's small business and HMDA-reportable loans originated inside and outside of the assessment area:

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Dollar Volume				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$000's	%	\$000's	%	
<b>Small Business</b>										
2008	233	94.3	14	5.7	247	45,734	97.2	1,341	2.8	47,075
2009	187	93.7	13	6.3	200	35,120	96.1	1,421	3.9	36,541
<i>Subtotal</i>	<i>420</i>	<i>94.0</i>	<i>27</i>	<i>6.0</i>	<i>447</i>	<i>80,853</i>	<i>96.7</i>	<i>2,763</i>	<i>3.3</i>	<i>83,616</i>
<b>HMDA</b>										
2008	496	96.3	19	3.7	515	25,056	92.3	2,079	7.7	27,135
2009	567	94.0	36	6.0	603	37,153	88.3	4,927	11.7	42,080
<i>Subtotal</i>	<i>1,063</i>	<i>95.1</i>	<i>55</i>	<i>4.9</i>	<i>1,118</i>	<i>62,209</i>	<i>89.9</i>	<i>7,006</i>	<i>10.1</i>	<i>69,215</i>
<b>Total</b>	<b>1,483</b>	<b>94.8</b>	<b>82</b>	<b>5.2</b>	<b>1,565</b>	<b>143,062</b>	<b>93.6</b>	<b>9,769</b>	<b>6.4</b>	<b>152,831</b>

For small business lending, analysis was performed on a sample of 70 loans in 2008 and 63 loans in 2009. Number and dollar volume of loans were then extrapolated from the resulting percentages and are not actual results. HMDA-reportable lending analyses were based on actual lending.

#### Distribution by Borrower Characteristics: "Satisfactory"

The distribution of loans based on borrower characteristics reflected a reasonable penetration among individuals of different income levels and businesses of different revenue sizes.

In 2008, CCTC extended loans to small businesses and to LMI borrowers at rates that exceeded the aggregate's ratios. CCTC's performance did decline in 2009, by 28% in small business lending and 4% in HMDA-reportable lending. The 2009 aggregate data were not available for comparison, so it was difficult to assess the significance of these declines.

#### Small Business Loans: "Satisfactory"

The bank's small business lending distribution based on revenue size reflected a reasonable dispersion among businesses of different revenue sizes.

In 2008, CCTC extended 51.5%, by number, of its small business loans to businesses with revenues of \$1 million or under. In comparison, in 2008, only 33.2% of the aggregate's small business loans were extended to businesses with this revenue size. However, this level of performance was not sustained in 2009, during which only 37.3% of CCTC's small business loans in the assessment area were extended to businesses with these gross annual revenues. According to CCTC, while the economic recession affected all businesses, small businesses within its assessment area were particularly hard hit. Many of the smallest businesses are subcontractors of larger manufacturing companies. These manufacturing companies dramatically reduced their business with

small subcontractor, resulting in less need for the small businesses to expand or seek loans. Aggregate data for 2009 were not available. Additionally, both CCTC and the aggregate's small business lending ratios were below the demographics of the assessment area; 73.2%, of all businesses in the assessment area were businesses with revenues of less than or equal to \$1 million.<sup>1</sup> As small business lending is an engine for economic development, the discrepancy between the business demographics and all lenders' performance (including CCTC's) supports the community organizations' comment that economic development is a key need in the assessment area.

The following chart provides a summary of the bank's small business lending distribution based on revenue size during the evaluation period:

Distribution of Small Business Loans by Business Revenue Size									
Revenue Size	2008								Business Demographics <sup>1</sup>
	Bank				Aggregate				%
	#	%	\$000's	%	#	%	\$000's	%	
\$1 million or less	120	51.5	8,731	19.1	3,312	33.2	100,589	38.3	58.4
Over \$1 million	113	48.5	37,003	80.9					4.5
No Revenue Info	0	0.0	0	0.0					37.0
<b>Total</b>	<b>233</b>	<b>100.0</b>	<b>45,734</b>	<b>100.0</b>	<b>9,968</b>	<b>100.0</b>	<b>262,957</b>	<b>100.0</b>	<b>100.0</b>
Revenue Size	2009								Business* Demographics
	Bank				Aggregate				%
	#	%	\$000's	%	#	%	\$000's	%	
\$1 million or less	70	37.3	4,106	11.7	Not Available				73.2
Over \$1 million	117	62.7	31,014	88.3					4.5
No Revenue Info	0	0.0	0	0.0					22.3
<b>Total</b>	<b>187</b>	<b>100.0</b>	<b>35,120</b>	<b>100.0</b>					<b>100.0</b>

Loan analysis was performed on a sample of 66 loans in 2008 and 59 loans in 2009 that were originated in the assessment area. Number and dollar value of loans were then extrapolated from the resulting percentages and are not actual results.

***HMDA-Reportable Loans: "Satisfactory"***

The bank's HMDA-reportable lending distribution based on borrower characteristics reflected a reasonable penetration among individuals of different income levels.

In 2008, CCTC extended 35.1%, by number, of its HMDA-reportable loans to LMI borrowers. This ratio is slightly above the aggregate's LMI borrower penetration rate of 32.1% and comparable to the family demographics (37.5%). While CCTC's LMI borrower penetration ratio declined slightly in 2009, aggregate data were not available for comparison.

The following chart provides a summary of the bank's HMDA-reportable lending distribution based on borrower income during the evaluation period:

<sup>1</sup> The large change in the business demographic data was a result of D&B's efforts to improve its data integrity. Accordingly, 2008 data are shown, but were not relied on for analytical purposes.

Distribution of 1 - 4 Family HMDA-Reportable Loans by Borrower Income Level									
Borrower Income Level	2008								Family Demographics
	Bank				Aggregate				
	#	%	\$000's	%	#	%	\$000's	%	%
Low	58	11.7	713	2.8	818	9.6	36,317	4.5	19.0
Moderate	116	23.4	4,192	16.7	1,908	22.5	128,461	16.0	18.5
Middle	149	30.0	6,774	27.0	2,268	26.7	187,440	23.3	22.8
Upper	163	32.9	12,643	50.5	3,315	39.1	432,541	53.8	39.7
N/A	10	2.0	734	2.9	171	2.0	19,781	2.5	-
<b>Total</b>	<b>496</b>	<b>100.0</b>	<b>25,056</b>	<b>100.0</b>	<b>8,480</b>	<b>100.0</b>	<b>804,540</b>	<b>100.0</b>	<b>100.0</b>
Borrower Income Level	2009								Family Demographics
	Bank				Aggregate				
	#	%	\$000's	%	#	%	\$000's	%	%
Low	67	11.9	1,454	4.1	Not Available				19.0
Moderate	122	21.7	4,830	13.6					18.5
Middle	142	25.3	6,914	19.5					22.8
Upper	209	37.2	20,871	58.9					39.7
N/A	22	3.9	1,361	3.8					-
<b>Total</b>	<b>562</b>	<b>100.0</b>	<b>35,430</b>	<b>100.0</b>					<b>100.0</b>

### Geographic Distribution of Loans: "Needs to Improve"

The geographic distribution of loans reflected a poor dispersion among census tracts of different income levels. In small business lending, CCTC's LMI penetration rates were slightly higher than the aggregate's. However, in HMDA-reportable lending, the bank's LMI penetration rates were well below the aggregate's penetration rates.

### Small Business Loans: "Satisfactory"

The geographic distribution of small business loans reflected a reasonable dispersion among census tracts of different income levels.

In 2008, CCTC originated 25.7%, by number, of its small business loans in LMI geographies. This level of performance is slightly higher than the aggregate's LMI penetration rate of 23.8% and comparable to the 24.8% of assessment area businesses located in LMI tracts. In 2009, although the number of small business loans that CCTC originated in the assessment area declined by 20%, the percentage of loans originated in LMI tracts increased to 28.8%, which exceeded the demographics of businesses in the assessment area. It is also worth noting that in the low-income geographies, CCTC's lending performance improved significantly from 1.5% in 2008 to 5.1% in 2009. Aggregate data for 2009 were not available.

The following chart provides a summary of the bank's small business lending distribution during the evaluation period:

Distribution of Small Business Loans by Geography Income Level									
Geography Income Level	2008								Business Demographics %
	Bank				Aggregate				
	#	%	\$000's	%	#	%	\$000's	%	
Low	4	1.5	3,577	7.8	582	5.8	29,824	11.3	6.7
Moderate	56	24.2	10,359	22.6	1,799	18.0	56,007	21.3	18.1
Middle	148	63.6	25,067	54.8	5,265	52.8	119,604	45.5	53.6
Upper	25	10.6	6,732	14.7	2,321	23.3	57,521	21.9	21.6
N/A	0	0.0	0	0.0	1	0.0	1	0.0	0.0
<b>Total</b>	<b>233</b>	<b>100.0</b>	<b>45,734</b>	<b>100.0</b>	<b>9,968</b>	<b>100.0</b>	<b>262,957</b>	<b>100.0</b>	<b>100.0</b>
Geography Income Level	2009								Business Demographics %
	Bank				Aggregate				
	#	%	\$000's	%	#	%	\$000's	%	
Low	10	5.1	2,228	6.3	Not Available				6.5
Moderate	44	23.7	8,420	24.0					17.9
Middle	98	52.5	18,302	52.1					53.3
Upper	35	18.6	6,171	17.6					22.3
N/A	0	0.0	0	0.0					0.0
<b>Total</b>	<b>187</b>	<b>100.0</b>	<b>35,120</b>	<b>100.0</b>					<b>100.0</b>

Loan analysis was performed on a sample of 66 loans in 2008 and 59 loans in 2009 that were originated in the assessment area. Number and dollar value of loans were then extrapolated from the resulting percentages and are not actual results.

***HMDA-Reportable Loans: "Needs to Improve"***

The bank's geographic distribution of HMDA-reportable loans reflected a poor dispersion among census tracts of different income levels.

While there is limited opportunity for HMDA-reportable lending in low-income census tracts (less than 1% of owner-occupied housing units are in these tracts), there is opportunity for lending in moderate-income census tracts.

In 2008, OCTC originated 4.8%, by number, of its HMDA-reportable loans in moderate-income geographies. This level of performance is less than half the aggregate's MI penetration rate (9.9%) and the percentage of owner-occupied units (9.5%). In 2009, the bank's penetration ratio increased to 6%; 2009 aggregate data were not available for comparison.

The following chart provides a summary of the bank's HMDA-reportable lending distribution during the evaluation period:

Distribution of HMDA-Reportable Loans by Geography Income Level									
Geography Income Level	2008								OO-Hus %
	Bank				Aggregate				
	#	%	\$000's	%	#	%	\$000's	%	
Low	0	0.0	0	0.0	49	0.6	3,219	0.4	0.7
Moderate	24	4.8	620	2.5	841	9.9	82,529	9.8	9.5
Middle	372	75.0	17,494	69.8	5,461	64.0	480,563	57.1	65.3
Upper	100	20.2	6,942	27.7	2,177	25.5	275,129	32.7	24.6
N/A	0	0.0	0	0.0	1	0.0	49	0.0	0.0
<b>Total</b>	<b>496</b>	<b>100.0</b>	<b>25,056</b>	<b>100.0</b>	<b>8,529</b>	<b>100.0</b>	<b>841,489</b>	<b>100.0</b>	<b>100.0</b>
Geography Income Level	2009								OO-Hus %
	Bank				Aggregate				
	#	%	\$000's	%	#	%	\$000's	%	
Low	1	0.2	34	0.1	Not Available				0.7
Moderate	33	5.8	1,883	5.1					9.5
Middle	417	73.5	24,900	67.0					65.3
Upper	116	20.5	10,336	27.8					24.6
<b>Total</b>	<b>567</b>	<b>100.0</b>	<b>37,153</b>	<b>100.0</b>					<b>100.0</b>

Action Taken In Response to Written Complaints With Respect to CRA: "Satisfactory"

Since the latest CRA evaluation as of December 31, 2007, neither the bank nor the New York State Banking Department has received any written complaints regarding the bank's CRA performance.

**Community Development Test: "Outstanding"**

The bank's community development performance demonstrated excellent responsiveness to the community development needs of its assessment area.

Community Development Loans: "Outstanding"

CCTC had an excellent level of community development loans. CCTC's community development loans and commitments totaled \$21.9 million, of which, \$19.7 million, or 90%, was new money.<sup>2</sup> CCTC's community development loans at this evaluation increased by 32.7% from the prior evaluation. Of the total, \$20.5 million (93.6%) was extended to non-profit organizations that provided community services to LMI individuals in the assessment area, and \$1.4 million (6.4%) supported affordable housing.

The following is a brief description of some of the bank's community development loans made during the evaluation period:

<sup>2</sup> For analysis purposes, renewals of lines of credit that occur during the evaluation period are considered new extensions of credit. However, the level of lending is reviewed across the timeframe of the exam.

- In 2009, CCTC extended \$1.1 million to Catholic Charities of the Diocese of Rochester which was used to acquire a 24-unit apartment complex in Elmira, NY. The organization is a non-profit that provides social justice and human care programs to poverty-stricken people in western New York State. The apartment complex is used as housing for the people served by this charitable organization.
- In 2008, CCTC extended a \$500 thousand line of credit for working capital and a \$200 thousand line of credit for vehicle purchases to the Schuyler County Chapter of the NYSARC, Inc., a non-profit that provides services to developmentally disabled individuals. The Chapter derives its revenue primarily from Medicaid. Both facilities were renewed in 2009.
- In 2008, CCTC renewed a \$600 thousand line of credit for working capital to Glove House Inc., a non-profit organization that serves youth and families in crisis from various counties in the Southern Tier and Finger Lakes regions of New York State, operating numerous group homes and providing foster care, and preventive and school-based services.
- In 2008 and again in 2009, CCTC renewed a \$500 thousand line of credit for purchase of equipment and vehicles to Pathways Inc., a non-profit community service organization serving individuals with disabilities. The organization derives its funding primarily from Medicaid.

Community Development Investments: "Outstanding"

CCTC had an excellent level of qualified community development investments. As of the evaluation date, qualified community development investments totaled \$14.6 million, which represented an increase of \$4.8 million (49%) from the amount reported at the previous evaluation. Of the total, 55%, or \$8 million, was new money.

CCTC's qualified investments at this evaluation consisted of \$12.1 million in municipal debt securities and \$2.5 million in equity investments in companies that promote economic development. The municipal bonds were used mostly for projects that help revitalize and stabilize distressed or underserved areas in the assessment area; some were used to generate funding for community service related activities.

The following are some examples of CCTC's qualified investment activities as of the evaluation date:

- \$1 million investment in a bond anticipation note issued by the Village of Addison in Steuben County to finance the construction of structural improvements to the village's Municipal Wastewater Treatment Plant.
- \$2 million investment in a bond anticipation note issued by the Addison Central School District to pay for capital improvements in the school district. Approximately, 60% of the students in this school district are eligible for the free or reduced lunch

program. The entire town of Addison is considered a distressed area.

- \$2.4 million equity investment in a limited partnership that is licensed as a small business investment company by the U.S. Small Business Administration under the Small Business Act of 1958. The Partnership provides financing to companies located primarily in western and central New York, which includes the bank's assessment area.

### Community Development Services: "Outstanding"

CCTC provided an excellent level of community development services. During the evaluation period, a significant number of CCTC officers and staff provided technical and financial expertise to community development organizations operating within its assessment area through their involvement as board members, executive officers or finance committee members of these organizations. Examples of these organizations include the New York Business Development Corporation, Neighborhood Housing Services Corporation, Meals on Wheels for Chemung County, Catholic Charities of the Southern Tier, local chapters of the United Way and Habitat for Humanity, and local Chambers of Commerce.

During the evaluation period, CCTC, in partnership with several community development organizations, conducted home purchase workshops for first-time home buyers and home ownership/mortgage counseling seminars for low-income homeowners in the assessment area. Additionally, in 2009, CCTC conducted a seminar to educate employees of a community service organization in Chemung County about credit and finance-related issues.

### Additional Factors

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

The board of directors took an active role in both oversight and review of CRA-related activities. The board was informed regularly of community investment projects, products and other related items. On an annual basis, the board reviewed the CRA Statement.

### **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.

Examiners noted no practices that were intended to discourage applications for the types of credit offered by the institution.

- Evidence of prohibited discriminatory or other illegal credit practices.

The most recent regulatory compliance and fair lending examinations conducted concurrently with this evaluation indicate satisfactory adherence to anti-discrimination and other applicable laws and regulations. No evidence of prohibited discriminatory or other illegal credit practices was noted.

**The banking institution’s record of opening and closing offices and providing services at offices.**

During the evaluation period, CCTC opened two branches in Broome County and a branch in Tioga County all of which are located in upper-income tracts. No branches were closed during the evaluation period. However, one representative office was closed. Ten percent of CCTC’s branches (2 branches) are located in LMI census tracts, with another 15% (3 branches) located in distressed or underserved census tracts. In total, 25% of CCTC’s branches are located in LMI or distressed or underserved tracts, as compared to the 40% of CCTC’s assessment area which is classified as such.

Distribution of Branches within the Assessment Area									
County	N/A #	Low #	Moderate #	Middle #	Upper #	Total #	LMI %	Distressed or Underserved	LMI and Distressed or Underserved
Broome*		1			2	3	33%		33%
Chemung		1		4	2	7	14%		14%
Schuyler				2		2	0%	2	100%
Steuben*				1	2	3	0%	1	33%
Tioga				2	1	3	0%		0%
Tompkins				1	1	2	0%		0%
<b>Total</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>10</b>	<b>8</b>	<b>20</b>	<b>10%</b>	<b>3</b>	<b>25%</b>

**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.

CCTC ascertained the credit needs of its community through direct involvement with numerous business, civic, community and religious organizations, including those mentioned in the community development services section of this evaluation. CCTC also maintained a Community Outreach Committee which conducted focus groups with neighborhood associations, local government officials, real estate brokers and developers and other organizations.

- 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.

CCTC regularly advertised in local newspapers, on radio and television stations, in, publications such as “Pennysavers,” and in program books published by local organizations for fundraising events. Additionally, CCTC used direct mail solicitations, deposit statement inserts and its website to promote its deposit and loan products.

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

None.

## GLOSSARY

### Aggregate Penetration Rate

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

### Community Development

The term “community development” is defined to mean:

1. Affordable housing (including multifamily housing) for low- or moderate-income (“LMI”) individuals;
2. Community services targeted to LMI individuals;
3. Activities that promote economic development by financing business or farms that meet the size eligibility standards of the United States Small Business Administration (“SBA”) Development Company or Small Business Investment Company programs, or have gross annual incomes of \$1 million or less;
4. Activities that revitalize or stabilize LMI geographies; and
5. Activities that seek to prevent defaults and/or foreclosures in loans included in (1) and (3) above.

A “community development loan” is defined as a loan that has as its *primary purpose* community development. This includes but is not limited to loans to:

- Borrowers for affordable housing rehabilitation and construction, including construction and permanent financing for multifamily rental property serving low or moderate income (“LMI”) persons;
- Nonprofit organizations serving primarily LMI or other community development needs;
- Borrowers to construct or rehabilitate community facilities that are located in LMI areas or that primarily serve LMI individuals;
- Financial intermediaries including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds or pools, micro-finance institutions, and low-income or community development credit unions that primarily lend or facilitate lending to promote community development;
- Local, state and tribal governments for community development activities; and
- Borrowers to finance environmental clean up or redevelopment of an industrial site as part of an effort to revitalize the LMI community in which the property is located.

A “qualified investment” is defined as a lawful investment, deposit, membership share or grant that has as its *primary purpose* community development. 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.

A “community development service” is defined as a service that has as its *primary purpose* community development, 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.

**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 of the person, family or household is based on the income of person, family or household. A geography’s income is categorized by median family income for the geography. In both cases, the income is compared to the MSA or statewide nonmetropolitan median income.

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

**Loans to Small Businesses**

Small business loans to businesses with gross annual revenues (“GAR”) of \$1 million or less (“< = \$ 1MM”).

**Low or Moderate Income (“LMI”) Geographies**

Those census tracts or block numbering areas (“BNAs”), where according to the 2000 US Census, the median family income is less than 80% of the area median family income. In the case of tracted areas that are part of a Metropolitan Statistical Area (“MSA”) or Primary Metropolitan Statistical Area (“PMSA”), this would relate to the median family income for the MSA or PMSA in which the tracts are located. In the case of BNAs and tracted areas that are not part of a MSA or PMSA, the area median family income would be the statewide non-metropolitan median family income.

**LMI Borrowers**

Borrowers whose income, as reported on the loan application which the lender relied upon in making the credit decision, is less than 80% of the area median family income. In the case where the residential property is located in a MSA or PMSA, this would

relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure borrower income levels are updated annually by the U.S. Department of Housing and Urban Development (“HUD”).

### **LMI Individuals/Persons**

Individuals or persons whose income is less than 80% of the area median family income. In the case where the individual resides in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure individual income levels are updated annually by HUD.

### **LMI Penetration Rate**

A number that depicts the percentage of a bank’s total loans (for a particular product) that was extended to LMI geographies or borrowers. For example, an LMI penetration rate of 20% would indicate that the bank made 20 out of a total of 100 loans in LMI geographies or to LMI borrowers.

### **Small Business Loans**

Loans to businesses with original amounts of  $\leq$  \$1MM.