

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of the **Bank of Cattaraugus** prepared by **The Federal Reserve Bank of New York** on behalf of the Board of Governors of the Federal Reserve System, the institution's supervisory agency, as of **February 5, 1996**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.*

INSTITUTION'S CRA RATING: This institution is rated Outstanding.

The Bank of Cattaraugus is rated outstanding because of its record of lending. This is based on the following performance criteria: 1) a loan-to-deposit ratio of 79.3 percent, that is more than reasonable when compared with the bank's peer group and local competition; 2) a substantial majority of loans made to borrowers and small businesses living and operating in the bank's assessment area; 3) an excellent distribution of loans to borrowers of different income levels; and 4) a reasonable distribution of loans within the bank's assessment area.

The following table indicates the performance level of the Bank of Cattaraugus with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	BANK OF CATTARAUGUS PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
LOANS TO DEPOSIT RATIO	x		
LENDING IN ASSESSMENT AREA	x		
LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZE	x		
GEOGRAPHIC DISTRIBUTION OF LOANS		x	
RESPONSE TO COMPLAINTS	NO COMPLAINTS WERE RECEIVED SINCE THE LAST EXAMINATION		

DESCRIPTION OF INSTITUTION

The Bank of Cattaraugus ("Cattaraugus") operates out of a single office located in the Village of Cattaraugus in Cattaraugus County. Cattaraugus County is located in Western New York State's Southern Tier Region. The bank is not part of a holding company and is not affiliated with any other institution. As of December 31, 1995, Cattaraugus had total assets of \$12.2 million. There are no financial or legal impediments to Cattaraugus servicing the credit needs of the consumers and small businesses in its assessment area.

The bank makes personal loans to individuals for as little as \$50.00 with terms ranging from single payments due in 30 days to installment for up to 60 months. The bank also makes mortgage loans for the purchase and refinance of personal residences, and loans to small businesses for purposes ranging from working capital to equipment and real estate acquisition.

Cattaraugus makes more consumer loans than any other type, but because these are frequently for small amounts, the dollar volume of loans is skewed toward one- to four-family mortgages.

As of December 31, 1995, approximately 70 percent or \$6.1 million of the bank's \$8.8 million in loans was for residential real estate. The balance was split almost equally between loans to small businesses and loans to individuals for consumer purposes.

DESCRIPTION OF BANK OF CATTARAUGUS'S ASSESSMENT AREA

The following demographic and economic information was obtained from publicly available sources that include the United States Department of Commerce's Bureau of the Census, 1990, the United States Department of Labor, and the Department of Housing and Urban Development.

Cattaraugus's assessment area is rural in nature and not part of a metropolitan statistical area. The area, which consists of five block numbering areas (BNAs), includes the towns of Dayton, East Otto, Leon, Little Valley and New Albion as well as several villages, including the Village of Cattaraugus. The assessment area is made up of most of the northwest quadrant of Cattaraugus County and the center of the area is approximately 50 miles south of Buffalo, New York. The Village of Cattaraugus had a population, at the 1990 census, of 1,100, and the assessment area had a population of 21,078. In the same census, the county had a population of 84,234 and contained 13 villages, 32 towns and two cities. The two cities, neither of which is within Cattaraugus's assessment area, are Olean with a population of 16,946 and Salamanca with a population of 6,890.

The primary types of employers in the county are: services (40.0 percent); government (25.1 percent); manufacturing (23.8 percent); and agricultural, which includes mining and timber production (10.9 percent). Population and jobs have been declining in the county for several years. The largest decline in employment, 16 percent from 1990 to 1993, occurred in manufacturing. According to a community contact, the high paying manufacturing jobs that have been lost have been replaced with jobs in wholesale and retail services that pay at or near minimum wage. The contact also stated that the regional economic situation is poor, and that the area is suffering from population loss, higher unemployment, and lower average incomes than the state average. The unemployment rate in the county, as of March 1994, was 9.5 percent. According to bank personnel, the major source of employment within the bank's assessment area are wholesale and retail services, but there are some major manufactures that operate within the area. These include the Texas Overhead Door Company; Chester-Jensen, a company that manufactures stainless steel products; and Setter Stix, a company that manufactures 80 percent of the worlds supply of paper sucker sticks.

There are 7,407 households in the bank's assessment area with a median family income of \$28,178. There are 7,496 inhabitable housing units in the area and 5,884 or 78.8 percent are owner-occupied. The median monthly rental of the remaining 1,585 units is \$324.00. In addition, approximately 50 percent of the housing stock was built before 1939.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

The CRA examination of Cattaraugus covered the period from October 1, 1994 through February 4, 1996. The CRA performance of the bank is "Outstanding." This rating is based on the favorable assessment of the bank's core performance criteria.

Loan to Deposit Ratio

Cattaraugus's loan to deposit ratio is excellent. At 79.3 percent, the bank's average for the four quarters of 1995 was well above the peer group average of 62.9 percent as reported in the September 1995 Uniform Bank Performance Report. Cattaraugus's ratio also exceeded that of its primary competitors in the assessment area.

Lending in the Assessment Area

The bank's assessment area must include only whole geographies and was expanded by the examiners to include complete BNAs. The following statistics are based on the expanded area.

For the purpose of this examination, a sample of loans made between October 1, 1994 and December 31, 1995 were analyzed to determine the geographic distribution and the distribution across various income levels. Of the 58 mortgage loans sampled, 94.8 percent were made to borrowers residing within the bank's assessment area. All of the business and commercial loans made by the bank were to small businesses, and of the 57 sampled for this examination, 94.7 percent were to businesses operating within the bank's assessment area. Of the 159 consumer loans sampled, 91.8 percent were made to borrowers residing in the bank's assessment area. Overall, 93.1 percent of all loans sampled were made to residents of, or businesses operating in, the bank's assessment area.

Lending to Borrowers of Different Income Levels and to Businesses and Farms of Different Sizes

While there are no low- or moderate-income geographies in Cattaraugus's assessment area, there are low- and moderate-income residents in all BNAs in the area. Of the 5,526 families in the assessment area, 973 or 17.6 percent are low-income families and 1,315 or 23.8 percent are moderate-income families. Cattaraugus's record of lending to individuals of different income levels (including low- and moderate-income individuals) and to businesses of different sizes is excellent.

TABLE A

**Distribution of Loans Within Assessment Area By Income Level of Borrower
September 1994 through December 1995**

	Housing Related	Consumer	TOTAL
LOW INCOME: <i>Less Than 50% of Median Income</i>			
Number	11	57	68
Percentage	20.00%	39.04%	33.83%
Amount(\$)	\$135,930	\$122,605	\$258,535
Percentage	10.52%	27.22%	14.84%
MODERATE INCOME: <i>at least 50% and less than 80% of Median Income</i>			
Number	7	45	52
Percentage	12.73%	30.82%	25.87%
Amount(\$)	\$102,173	\$72,776	\$174,949
Percentage	7.91%	16.16%	10.04%
MIDDLE INCOME: <i>at least 80% and less than 120% of Median Income</i>			
Number	26	27	53
Percentage	47.27%	18.49%	26.37%
Amount(\$)	\$781,613	\$164,456	\$946,069
Percentage	60.50%	36.52%	54.30%
UPPER INCOME: <i>120% or more of Median Income</i>			
Number	11	17	28
Percentage	20.00%	11.64%	13.93%
Amount(\$)	\$272,237	\$90,514	\$362,751
Percentage	21.07%	20.10%	20.82%

TABLE B

**Distribution of Loans Within Assessment Area By Income Level of Borrower
September 1994 through December 1995**

Small Business and Farm Lending Summary					
Number of loans to businesses and farms	Number of loans to small businesses and farms*	% of loans to small businesses and farms	\$ Amount of loans to businesses and farms	\$ Amount of loans to small businesses and farms*	% of \$ amount to small businesses and farms
54	54	100.00%	\$453,831	\$453,831	100.00%

* **Businesses and farms with gross annual revenues of \$1 million or less.**

Housing Related

Table A shows the bank has an excellent distribution of housing related loans among individuals of different income levels. Of the 55 mortgage loans made in the assessment area, 18 or 32.7 percent were to low- and moderate-income families.

Consumer

The bank's consumer lending to individuals of different income levels is excellent. Table A shows that of the 146 consumer loans in the sample that were to borrowers residing in the assessment area, 102 or 69.8 percent were to low- and moderate-income borrowers.

Small Business

Lending to small businesses and farms with revenues of less than one million is excellent. Table B shows that all of the loans sampled were to such businesses.

Geographic Distribution of Loans

Cattaraugus's geographic distribution of loans, given the bank's assessment area, is reasonable.

All geographies in Cattaraugus's Assessment area are middle income BNAs. While the bank has made loans in all BNAs in its assessment area, 86.9 percent of loans sampled were in the three BNAs nearest the bank's office. The principal population centers in these three geographies are the Village of Cattaraugus and the Towns of Little Valley and East Otto. The lending in the northwest and southeast corners of the assessment area near Perrysburg and Salamanca, respectively, is at a low level because of the distance from the office and because of competition from banks in those areas.

Housing Related

Of the 55 real estate loans made in the assessment area, 52 or 94.5 percent were made in the three BNAs nearest the bank, with 47 of these made to homeowners in the Cattaraugus and Otto areas. The other three loans were made in the Perrysburg area.

Small Business

Small business loans were made in four of the five BNAs. No loans were made in the Salamanca Area. Most of the loans, 35 or 64.8 percent were made in the BNA which contains the Village of Cattaraugus.

Consumer

Consumer loans were made in all BNAs in the assessment area, but as with the other loan categories, most of the loans were made in the BNAs nearest the bank. Of the 146 consumer loans made in the assessment area, 89 or 60.9 percent were made in the BNA where the Village of Cattaraugus is located, and 34 or 23.2 percent were made in the BNA where the Town of East Otto is located.

Response to Complaints

No CRA complaints have been filed at the bank or at the Federal Reserve Bank of New York since the prior examination.

Cattaraugus is in compliance with the substantive provisions of antidiscrimination laws and regulations, including the Equal Credit Opportunity Act (Regulation B), the Fair Housing Act and relevant agency regulations pertaining to nondiscriminatory treatment of credit applicants.