

# **PUBLIC DISCLOSURE**

February 17, 1998

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Chemung Canal Trust Company**

**2362400**

**P.O. Box 1522  
One Chemung Canal Plaza  
Elmira, New York 14902-1522**

**Federal Reserve Bank of New York**

**33 Liberty Street, New York, NY 10045**

**NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.**

**TABLE OF CONTENTS**

General Information ..	BB1
Institution	
Institution=s CRA Rating. . . . .	BB2
Lending, Investment and Service Test Table. . . . .	BB3
Description of Institution .....	BB4
Description of Assessment Areas .....	BB4
Map of Assessment Areas .....	BB7
Conclusions with Respect to Performance Tests.....	BB8
Lending Test ..	BB8
Lending Activity .....	BB8
Assessment Area Concentration.....	BB8
Geographic Distribution of Lending .....	BB9
Borrower Characteristics .....	BB9
Community Development Lending.....	BB10
..... Innovative or Flexible Lending Practices .....	BB10
Investment Test.....	BB11
Volume of Investments .....	BB11
..... Innovative and Complex Investments.....	BB11
Responsiveness to Credit and Community Development Needs.....	BB11
Service Test ...	BB12
Accessibility of Delivery Systems.....	BB12
Opening and Closing of Branches .....	BB12
Reasonableness of Hours and Services in Meeting Assessment Area Needs.....	BB12
Community Development Services.....	BB13
Metropolitan Statistical Area (AMSA@) Analyses .....	BB15
MSA 2335 (Elmira, NY).....	BB15
MSA 0960 (Binghamton, NY) .....	BB17
Non-MSA (Schuyler County and portion of Steuben County) .....	BB19
Exhibits.....	BB21
A - Owner-occupied Unit Analysis for Home Purchase and Refinance Loans Across Census Tract Income Level.....	BB22
B - Owner-occupied Unit Analysis for Home Improvement Loans Across Census Tract Income Level .....	BB23
C - Demand-adjusted Analysis for Business Across Census Tract Income Level . . . . .	BB24
D - Distribution of Home Purchase, Refinance, Home Purchase Refinance and Home Improvement Loans Across Borrower Income Levels.....	BB25
E - Distribution of Small Business and Small Farm Loans by Loan Size.....	BB26
F - Community Development Lending.....	BB27
G - Performance Context .....	BB28
H - Description of Institution=s Operations.....	BB28
CRA Appendices.....	BB29
CRA Appendix A: Scope of Examination.....	BB30
CRA Appendix B: Glossary .....	BB31

## **GENERAL INFORMATION**

*The Community Reinvestment Act (ACRA@) 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 CRA performance of **Chemung Canal Trust Company** 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 17, 1998**. The agency evaluates performance in assessment areas, as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.*

## **INSTITUTION**

***INSTITUTION'S CRA RATING:*** This institution is rated **OUTSTANDING**.

From January 1996 through September 1997, Chemung Canal Trust=s (AChemung@) level of compliance with the CRA is assessed as AOutstanding,@ based on an evaluation of the performance criteria specified under CRA with respect to the lending, investment and service tests. The bank=s overall rating reflects an AOutstanding@ rating for each performance test.

The bank=s record of helping to meet the credit needs of its assessment areas through its lending activities is excellent and reflects: (1) a high level of lending activity in relation to credit needs and the lending activity of similarly situated institutions, (2) an excellent geographic distribution of loans, (3) an excellent distribution of lending among borrowers of different income levels and businesses of different sizes, (4) a high level of community development lending that support affordable housing and economic development, and (5) the use of flexible lending practices.

The bank=s outstanding rating on the investment test is based on the number of qualified investments, their innovative nature and their responsiveness to the credit and community development needs in its assessment areas.

With respect to the service test, the outstanding rating is based on a delivery system that makes Chemung=s products readily accessible to all segments of the assessment areas and to the high level of participation in community development services.

*The following table indicates the performance level of Chemung Canal Trust Company with respect to the lending, investment, and service tests.*

<b>PERFORMANCE LEVELS</b>	<b><u>CHEMUNG CANAL TRUST COMPANY</u></b>		
	<b>PERFORMANCE TESTS</b>		
	<b>Lending Test*</b>	<b>Investment Test</b>	<b>Service Test</b>
Outstanding	X	X	X
High Satisfactory			
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

\* Note:..... The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

**DESCRIPTION OF INSTITUTION:**

Chemung is the sole subsidiary of Chemung Financial Corporation, a bank holding company. The main office is located in the city of Elmira, Chemung County, New York. The bank maintains 13 other full-service offices and five stand-alone 24-hour ATMs located in Chemung, Tioga, Steuben and Schuyler Counties. All of the counties are within New York State=s Southern Tier Region.

The bank has the ability to meet the credit needs of its assessment areas based on the bank=s size, financial condition and resources. There are no financial or legal impediments preventing the bank from helping to meet the credit needs of its assessment areas. The types of credit products offered by the bank, as noted in the bank=s Public File, include real estate loans, small business and small farm loans as well as consumer and commercial loans.

The bank reported total assets of \$545 million with 53.2 percent consisting of loans as responded in its September 30, 1997, Report of Condition and Income.

The bank=s performance under the CRA was last evaluated on October 30, 1995 at which time it was rated outstanding.

**DESCRIPTION OF ASSESSMENT AREAS:**

Chemung=s three assessment areas are found within the region of New York State=s Southern Tier and they consist of three whole counties and one partial county. These counties include: Chemung County (all of MSA 2335, Elmira, NY), Tioga County (part of MSA 0960, Binghamton, NY) and all of Schuyler County (non-MSA) and the eastern portion of Steuben County (non-MSA). The region is rural in nature except for the cities of Elmira in Chemung County and Corning in Steuben County. Other population centers are in the villages of Waverly and Owego in Tioga County; the villages of Elmira Heights, Horseheads and Big Flats in Chemung County; the village of Watkins Glen in Schuyler; and Painted Post, Bath and Savona in Steuben County. There are 54 census tracts/block numbering areas (ABNAs@) within the assessment areas, 51 of which have dwellings: one low-income, seven moderate-income, 36 middle- and seven upper-income geographies. The population of the assessment areas is 218 thousand.

## **PERFORMANCE CONTEXT**

Demographic and economic information was obtained from public sources that include the United States Department of Commerce's Bureau of the Census, 1990, the New York State and U.S. Departments of Labor and the U.S. Department of Housing and Urban Development. Community organizations were contacted and information gained from the interviews was used in developing the context under which the bank is evaluated. Additional data was received from Chemung.

The portion of MSA 0960 that falls within the bank's assessment areas is rural and contains four moderate-income census tracts located in Waverly and Barton. Two low-income census tracts are not populated and were not considered in the evaluation. Fourteen percent of the population is age 65 or older. Sixty-three percent of the county's residential units are owner-occupied. Forty-seven percent of the housing units were built prior to 1950. Community contacts in the county indicated that there is ample opportunity for financial institutions to participate in affordable housing loan programs, housing rehabilitation loan programs and flexible loan programs for low-income individuals and small businesses.

Chemung County (MSA 2335) is primarily rural. There are two low-income census tracts in this county, both located in the City of Elmira. The State prison is located on one of these tracts. Four moderate-income census tracts are also located within the city and consist of a mixture of commercial, industrial, residential and group housing. Fifteen percent of the population is aged 65 or older. Sixty-five percent of the county's residential units are owner-occupied. Fifty-two percent of the housing units were built prior to 1950. Community contacts in the county indicated that ample opportunity exists for financial institutions to participate in affordable housing loan programs and housing rehabilitation loan programs and small business loans for start-up businesses.

The non-MSA assessment area which consists of the eastern portion of Steuben County and all of Schuyler County is rural in nature. There is one moderate-income BNA this area. Fifteen percent of the population of these two counties is age 65 or older. Fifty-five percent of the area's residential units are owner-occupied. Forty-six percent of the housing units in these areas were built prior to 1950. Community contacts in the county indicated that there is ample opportunity for financial institutions to participate in affordable housing loan programs and housing rehabilitation loan programs and small business loans for start-up businesses.

### **Labor Employment and Economic Statistics**

Unemployment is highest in the non-MSA communities at 8.1 percent. Tioga County has an unemployment rate of 5.5 percent and the city of Elmira located in Chemung County has the lowest rate at 4.7 percent. The dominant industries are manufacturing, government, retail trade and services. In 1995, the non-MSA communities had the majority of full-time and part-time employees in the assessment areas; 700 thousand compared with 137 thousand in Tioga County and 49 thousand in Chemung County. In the non-MSA communities, retail trade and services are the fastest-growing industries with, respectively, a growth rate of 6.4 percent and 6.8 percent between 1991 and 1995.

During this same period, manufacturing declined 11.3 percent and government declined 2.1 percent. The non-MSA communities experienced a 6.8 percent job loss between 1991 and 1995. Most of the retail trade and services businesses are small businesses with 49 or fewer employees.

Ninety-five percent of the businesses in the assessment areas are small businesses with 49 or fewer employees. This coupled with the fact that retail trade and services businesses are the leading employers in the assessment areas demonstrate a need for small business lending. This credit need is also supported by information obtained from community contacts.



**PLACE ASSESSMENT MAP HERE**

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:**

**The Lending Test is rated: Outstanding. The Investment Test is rated: Outstanding. The Service Test is rated: Outstanding.**

### **LENDING TEST**

Chemung=s home mortgage (home purchase, refinance and home improvement loans), small business and small farm lending reflects excellent responsiveness to the credit needs of its assessment areas. The bank provides a variety of credit products that help low- and moderate-income (ALMI@) families and small business establishments in obtaining credit. A very high percentage of the bank=s lending was within its assessment areas. The geographic distribution of loans was spread throughout the assessment areas with excellent penetration within the LMI tracts. The distribution of HMDA loans among borrowers of various income levels is excellent. A majority of the small business loans were made to establishments with gross annual revenues of \$1 million or less with a significant amount of these loans made in amounts of \$100 thousand or less. The bank provides a high level of community development lending that supports community services, affordable housing and economic development.

#### **Lending Activity**

Chemung offers a variety of loan products that help to meet the credit needs of its assessment areas and include residential mortgage and home improvement and small business loans. The bank is the number one residential real estate and small business lender in its assessment areas based on the number of originations.

#### **Assessment Area Concentration**

A significant portion of the bank=s lending occurred within its assessment areas. The analysis was based on a total of 1,094 Home Mortgage Disclosure Act (AHMDA@) loans (home purchase, refinance, home improvement and multifamily loans), and 899 small business and small farm loans originated from January 1, 1996 through September 30, 1997. HMDA-related loans consisted of 544 home purchase and refinance mortgages, 549 home improvement loans, and one multifamily loan. Of these loans, 984 loans or 90 percent of the number and dollar amount were within the bank=s assessment areas. Similarly, 863 small business and small farm loans, or 96 percent of the number and dollar amount of these loans were within the bank=s assessment areas.

#### **Geographic Distribution of Loans**

The geographic distribution of Chemung=s lending activity was determined through an analysis of HMDA and small business loan data. Chemung=s efforts to help meet the credit needs in its assessment areas is reflected in an excellent distribution of loans by income level of the various geographies. The analysis of the geographic distribution of the bank=s loans was made using three methods: (1) demand-adjusted basis (calculated on the basis of the proportion of the loans per thousand owner-occupied housing units or small business establishments, whichever is applicable, in an area); (2) examination of number/percentage of census tract penetration; and (3) comparison of the bank=s performance with that of its local competitors.

The overall demand-adjusted distribution of HMDA loans was strong. Exhibits A and B display the number of loans and the demand-adjusted lending activity for the bank=s residential lending across census tract/BNA income levels. The demand-adjusted analysis shows that for home purchase and refinance mortgage loans (Exhibit A), the lending activity in the LMI geographies is the same as that in the middle- and upper-income (non-LMI) geographies. For home improvement loans (Exhibit B), the bank made 1.7 times more loans in the LMI geographies than in the non-LMI geographies. As indicated in Exhibit C, on a demand-adjusted basis Chemung made one- and a-half times more small business loans in the LMI geographies than in the non-LMI geographies.

When compared with its competitors, Chemung was the number one HMDA and small business lender within its assessment area based on volume of loan originations.

### **Borrower Characteristics**

Chemung=s overall record of lending to borrowers of different income levels and to businesses of different sizes is excellent. Exhibits D and E illustrate the bank=s HMDA and small business lending activity in the assessment areas across borrower income levels.

The overall distribution of HMDA-related loans to LMI borrowers was highly favorable when compared to the demographics of the assessment. Loans to LMI borrowers comprised approximately 36 percent of total HMDA loans, while 37 percent of families within the assessment areas are considered LMI. The ratio of mortgage loans to moderate-income borrowers was also highly favorable when compared to the demographics of the assessment areas, but this was not the case with the ratio of mortgage loans given to low-income borrowers. Mortgage loans to low-income borrowers comprise only 6 percent of total mortgage loans, while 18 percent of the families are considered of low-income. This disparity is reasonable given the high cost of housing in relation to borrower income levels. According to the 1990 census, the median housing value in the assessment area is \$65,500, while the median family income is \$33,120. Low-income families earn 50 percent or less of the median income (\$16,560) and moderate-income families earn between 50 percent and 80 percent of the median family income (\$26,496). Home improvement loan activity reflects an excellent distribution of loans, where 49 percent of approvals were to LMI borrowers.

Excellent performance was noted on small business and small farm loans, with a substantial majority

of the loans (76 percent) made in amounts of \$100,000 or less. The average loan size was \$30 thousand. Of total business loans, 68 percent were made to businesses with gross annual incomes of \$1 million or less. Eighty-six percent of the businesses in Chemung=s assessment areas are small businesses.

### **Community Development Lending Activities**

Chemung=s record of meeting the credit needs of its communities through community development lending is excellent. Total community development activity totaled \$3.8 million and consists of one community development loan totaling approximately \$1.1 million to an organization that serves northern New York State and 11 lines of credit totaling \$2.7 million. Of the total \$3.8 million, 60 percent consisted of financing for seven community service projects, 35 percent consisted of financing four affordable housing projects, and 5 percent was for economic development. As a result of these efforts, 39 affordable housing units were either produced or rehabilitated (see Exhibit F).

### **Innovative or Flexible Lending Practices**

The bank participates in five government-sponsored loan programs that benefit LMI individuals, for both small and start-up businesses. It also provides loans to participants in four nonprofit-group programs that furnish homeownership counseling and grants. The bank originated a total of 62 loans to individual borrowers through various programs which support affordable housing and small business development. These programs include the following: the Waverly Home Rehabilitation Program; the Elmira Economic Development Zone Loan Program; Providence Housing Development=s Sullivan Street Project; Three Rivers Development Program and the Southern Tier Business Development Fund. The bank also participates in the Federal Home Bank=s First Home Club Program.

## **INVESTMENT TEST**

Chemung=s performance under the investment test is excellent and is rated outstanding based on the substantial number of qualified investments, their complex nature and responsiveness to credit and community development needs. Qualified investments totaled \$2.9 million.

### **Volume of Investments**

The bank=s portfolio of municipal obligations totals \$730 thousand for the financing of a number of community development initiatives in the moderate-income geographies of its assessment areas. Equity investments were made through the bank=s holding company, Chemung Financial Corporation. At this examination, the holding company made a commitment of \$2 million (or 20 percent) toward the total capitalization of a small business investment corporation (ASBIC@). The SBIC, which commenced operations in the fourth quarter of 1997, provides loans and investments to small companies for expansion, acquisition and recapitalization. The loans and investments generally range in amount from \$55 thousand to \$2 million. Additional investments include \$98 thousand to a state-sponsored business development corporation which makes loans to small businesses. Both organizations provide financing using unconventional and flexible credit terms. The bank made donations to 29 organizations for a total of \$81 thousand.

### **Innovative and Complex Investments**

The bank took the initiative and attracted the participation of four financial institutions in organizing the SBI, discussed above. The total capitalization of the SBIC is \$10 million. This newly created group responds to the developmental needs of the assessment areas, particularly those of Chemung and Tioga Counties.

### **Responsiveness to Credit and Community Development Needs**

The bank has been responsive to credit and community development needs. It has supported small business lending through its qualified investments. The organizations in which the bank has invested have, in turn, provided loans to large and small businesses over the last several years, an activity which Chemung continues to foster.

## **SERVICE TEST**

Chemung=s rating on the service test is outstanding based on the bank=s record of providing a high level of banking services. The bank=s services are tailored to meet the banking needs of its assessment areas and do not vary in a way that inconveniences certain portions of those assessment areas. All banking services are available at each of its 14 branch offices. The bank=s participation in community development services help to meet the financial needs of its assessment areas.

### **Accessibility of Delivery Systems**

The bank=s 14-branch network provides access to 24-hour automated teller machines (AATMs@). It also offers alternative banking functions, such as telephone access to accounts, the VISA check card and PC Banking for businesses. The bank=s offices are located throughout Chemung, Tioga, Schuylar Counties and the eastern portion of Steuben County. Fifty percent of the branches are located in Chemung County in and around the City of Elmira where the main office is located. No branches are located in the low-income geographies of the assessment areas. The distribution of branches in the moderate-income geographies is consistent with the assessment areas demographics. Fourteen percent (or 2) of the bank=s branches are located in moderate-income census tracts while 14 percent (or 7) of the assessment areas geographies are of moderate-income.

### **Opening and Closing of Branches**

No branches have been opened or closed since the last examination. Chemung has an adequate branch closing policy in place which conforms to the Joint Interagency Policy Statement Regarding Branch Closings. A review of the policy shows that an opening or closing of a branch takes into account the monetary and nonmonetary effects on neighborhoods served by the bank as well as the safety and soundness of the institution. Branch openings would be evaluated on the credit and deposit needs of the community. Branch closings would be evaluated based on an economic analysis of past performance focusing on income, return on capital, and income growth. The overall availability of banking services within the affected community would be considered. The bank would also solicit input from members of the community as part of the evaluation of any branching activity.

### **Reasonableness of Business Hours and Services in Meeting Assessment Area Needs**

Banking hours are reasonable and tailored to the needs of the assessment areas. A bank survey conducted in 1997 showed that 76 percent of the customers surveyed found the banking hours to be acceptable and convenient. In addition to the normal 9 a.m. to 4:30 p.m. hours, 12 of the bank=s 14 branches are open on Saturday mornings; the main office in Elmira and the branch in Big Flats are in predominantly downtown office areas with little activity during non-office hours. In addition to all services being available at all branches, each has a 24-hour ATM. There are also five offsite 24-hour ATMs in Chemung and Steuben counties. The bank offers toll-free, 24-hour telephone banking with access to deposit and loan account balances and transactions, transfers of funds between accounts, loan and bill payments as well as information about deposit accounts and loan terms.

Although all services are automated, a customer service representative is available from 9 a.m. to 5 p.m. Monday through Friday.

### **Community Development Services**

Chemung provides a high level of community development services. This level of performance is uniform in each MSA and non-MSA. Twenty-five of the bank's employees provide financial expertise to various community-based organizations. Examples of organizations served include: Southern Tier Economic Growth, Workers Ownership Resource Center, Community Foundation of the Elmira-Corning Area, the Bradford Central School in Tioga County and the Chemung County Chamber of Commerce. Employees have participated in financial seminars sponsored by neighborhood schools and the Chamber of Commerce. Topics included first-time home buyer programs, life-skills programs including budget and credit counseling, and financing techniques for new and existing businesses.

The bank has initiated a special counseling and assistance program for persons who lack banking relationships in preparation for the government-mandated direct deposit of all federal payments in 1999. The program is especially targeted to senior citizens in rural areas.

The bank is offering a basic deposit account requiring no minimum balance and having no service charges.

## **COMPLIANCE WITH FAIR LENDING LAWS**

No credit practices were identified that violated the substantive provisions of the antidiscrimination laws and regulations, including the Equal Credit Opportunity Act (Regulation B), the Fair Housing Act and the Home Mortgage Disclosure Act (Regulation C), and all relevant agency regulations pertaining to the nondiscriminatory treatment of credit applicants.



## **METROPOLITAN STATISTICAL AREA ANALYSIS**

### **MSA 2335 (ELMIRA, NY)**

Chemung's performance in this MSA is excellent, based on a reasonable distribution of lending activity, an excellent distribution of loans among borrowers of different income levels and businesses of different sizes, and a high level of community development loans and investments. The lending products offered by Chemung show a highly effective use of flexible lending practices. The bank's delivery systems in the MSA are readily accessible and services do not vary in a way that inconveniences any portion of the population in the bank's assessment areas. Participation in community development service activities is excellent.

### **PERFORMANCE CONTEXT**

The assessment area contains all of MSA 2335 which is Chemung County. The median family income (\$32 thousand) and the median housing value (\$53 thousand) make the purchase of housing more affordable here than in Tioga County. The unemployment rate declined from 8 percent in 1990 to 4.7 percent in 1996.

### **LENDING TEST**

#### **Geographic Distribution of Lending**

The geographic distribution of Chemung's lending activity is reasonable. The overall level of home purchase and refinance lending is slightly higher on a demand-adjusted basis in the non-LMI tracts than in the LMI tracts, but home improvement lending activity was strong in LMI tracts. The small business lending is comparable in both the non-LMI census tracts and LMI census tracts.

#### **Borrower Characteristics**

The bank's lending activity reflects an excellent distribution of loans among borrowers of different income levels and businesses of different sizes. Thirty-six percent of the HMDA loans were made to LMI borrowers in a county where 37.6 percent of the families are considered LMI. Sixty percent of the loans were made to businesses with gross annual revenues of \$1 million or less, and 75 percent of loans were made in amounts of \$100 thousand or less. The average loan amount in the latter category was \$30 thousand.

#### **Community Development Lending**

Community development activity in this MSA totaled \$1.2 million and represents 31 percent of the bank=s total community development activity. Of the \$1.2 million, 48 percent supports two affordable housing projects located in Elmira and Elmira Heights and 52 percent supports the construction of a day-care center in Elmira and other various community service activities in Chemung County.

### **INVESTMENT TEST**

Approximately 4 percent or \$128 thousand of the total qualified investments made by the bank was in MSA 2335, 51 percent of which support community development initiatives in the moderate-income geographies in this MSA. The bank made \$63 thousand in donations in this MSA.

### **SERVICE TEST**

Chemung=s performance of delivering banking services is outstanding based on the high level of accessibility to the bank=s products, services, and branch offices and excellent management participation in community service activities.

#### **Accessibility of Delivery System**

The bank maintains seven branches in this county, three of which are in the city of Elmira. One of those branches is located in a moderate-income census tract.

#### **Reasonableness of Business Hours and Services in Meeting Assessment Areas= Needs**

The branches are full-service and, with the exception of the downtown branch, offer Saturday morning hours for the convenience of the community.

## **METROPOLITAN STATISTICAL AREA ANALYSIS**

### **MSA 0960 (BINGHAMTON, NY)**

The bank=s performance in this MSA is excellent, based on an excellent geographic distribution of lending activity, excellent distribution of loans among borrowers of different income levels and businesses of different sizes, and a high level of community development loans and investments. The lending products offered by Chemung show a highly effective use of flexible lending practices. The bank=s delivery systems in the MSA are readily accessible and services do not vary in a way that inconveniences any portion of the population in the bank=s assessment areas. Participation in community service activities is excellent.

### **PERFORMANCE CONTEXT**

The assessment area includes all of Tioga County which is part of MSA 0960. The median family income (\$35,873) and the median value of housing (\$78 thousand) are higher here than in the remainder of the bank=s assessment area. There are no inhabited low-income census tracts and only two moderate-income census tracts in this MSA.

### **LENDING TEST**

#### **Geographic Distribution of Lending**

The geographic distribution of Chemung=s lending activity is excellent. Almost eight times as many HMDA related loans (home purchase, refinance and home improvement loans) were made on a demand-adjusted basis in the moderate-income census tracts as in the middle- and upper-income (non-LMI) tracts. On a demand-adjusted basis, small business lending was 1.3 times greater in the moderate-income tracts than in the non-LMI tracts.

#### **Borrower Characteristics**

The bank=s lending activity reflects an excellent distribution of loans among borrowers of different income levels and businesses of different sizes. Fifty percent of the HMDA loans were made to LMI borrowers in an area where 37.5 percent of the families are considered LMI. Fifty-nine percent of total small business loans were made to businesses with \$1 million or less in gross annual revenues, and 61 percent of all loans were made in the amounts of \$100 thousand or less. Of these loans, the average loan amount was \$32 thousand.

#### **Community Development Lending**

Chemung has committed \$1.1 million to a nonprofit organization that provides financing for affordable housing construction throughout Upstate New York. The activities of this organization benefit this MSA as well as the other assessment areas of the bank.

### **INVESTMENT TEST**

Approximately 18 percent or \$535 thousand of the total qualified investments made by the bank was in MSA 0960, 98 percent of which supports community development initiatives in the moderate-income geographies in this MSA. The bank made approximately \$1 thousand in donations in this MSA.

### **SERVICE TEST**

Chemung=s performance of delivering banking services is outstanding based on the high level of accessibility to the bank=s product=s, services, branch offices and excellent management participation in community service activities.

#### **Accessibility of Delivery System**

The bank maintains two branches in this county, one of which is in the moderate-income census tract of the village of Waverly.

#### **Reasonableness of Business Hours and Services in Meeting Assessment Areas= Needs**

Both branches are full-service and provide extended hours on Saturday mornings.

## **NON-METROPOLITAN STATEWIDE AREA ANALYSIS**

### **SCHUYLER COUNTY AND STEUBEN COUNTY, NY**

Chemung's performance in this MSA is excellent, based on a good geographic distribution of lending activity, an excellent distribution of loans among borrowers of different income levels and businesses of different sizes, and a high level of community development loans and investments. The lending products offered by Chemung show a highly effective use of flexible lending practices. The bank's delivery systems in the MSA are readily accessible and services do not vary in a way that inconveniences any portion of the population in the bank's assessment areas. Participation in community service activities is excellent.

#### **PERFORMANCE CONTEXT**

This assessment area contains all of Schuyler County and the eastern portion of Steuben County. There are no low-income BNAs in these counties and only one moderate-income BNA in the assessment area portion of Steuben County. The median family income is \$31 thousand and the median housing value is \$51 thousand.

#### **LENDING TEST**

##### **Geographic Distribution of Lending**

The geographic distribution of Chemung's lending activity is good. On a demand-adjusted basis almost an equal number of home purchase and refinance loans were made in the moderate-income BNA as compared to the middle- and upper-income BNAs. For home improvement, performance was slightly stronger in non-LMI BNAs. Small business lending occurred only in the middle- and upper-income BNAs but no lending occurred in the sole moderate-income BNA in the assessment area.

##### **Borrower Characteristics**

The bank's lending activity reflects an excellent distribution of loans among borrowers of different income levels and businesses of different sizes. Thirty-one percent of the HMDA-related loans were made to LMI borrowers in an area where 41 percent of the families are considered LMI. With respect to small business lending activity, 75 percent of the small business loans were made to businesses with gross annual revenues of \$1 million or less, and 80 percent of the loans were made in amounts of \$100 thousand or less. The average loan amount in the latter category was \$27 thousand.

##### **Community Development Lending**

Community development activity in the non-MSA totaled \$1.4 million and represents 36 percent of the bank=s total community development activity. Of the \$1.4 million, 11 percent supports economic development in the city of Corning and 89 percent supports the activities of three community service organizations.

### **INVESTMENT TEST**

Approximately 4.6 percent or \$134 thousand of the total qualified investments made by the bank was in the non-MSA, 95 percent of which support community development initiatives in the moderate-income BNAs located in Steuben County. The bank made approximately \$1,300 in donations in the non-MSA.

### **SERVICE TEST**

Chemung=s performance of delivering banking services is outstanding based on the high level of accessibility to the bank=s product=s, services, branch offices and excellent management participation in community service activities.

#### **Accessibility of Delivery System**

The bank maintains three branches in Steuben County and two in Schuyler County.

#### **Reasonableness of Business Hours and Services in Meeting Assessment Area Needs**

All of the branches are full-service and provide extended Saturday morning hours.

**EXHIBITS**

**INSERT EXHIBIT A HERE**



**INSERT EXHIBIT B HERE**

**INSERT EXHIBIT C HERE**

**EXHIBIT D**

Distribution of Home Purchase, Refinance and Home Improvement Loans Across Borrower Income Level			
Borrower Income Level	Percent of Family Income	Percent of Mortgage Loans	Percent of Home Improvement Loans
Low (50% area median)	18.4	6.0	20.0
Moderate (50 < 80% area median )	18.9	18.7	28.5
Middle (80 % < 120% area median)	24.3	23.3	27.0
Upper (120 ≤ % area median)	38.4	52.0	24.5

**INSERT EXHIBIT E HERE**

**INSERT EXHIBIT F HERE**

**EXHIBIT G**

**Performance Context**

<b>ASSESSMENT AREA</b>			
	<b>Median Family Income</b>	<b>Median Housing Value</b>	<b>Gross Median Rent</b>
<b>MSA 0960</b>	\$35,873	\$77,775	\$387
<b>MSA 2335</b>	\$32,015	\$53,104	\$361
<b>Non-MSA=s</b>	\$31,473	\$65,620	\$391

**EXHIBIT H**

**Description of Institution=s Operations**

<b>ASSESSMENT AREA</b>						
<b>MSA/BNA</b>	<b>Branches</b>	<b>%</b>	<b>Deposits (&gt;000's)</b>	<b>%</b>	<b>Qualified Investments (&gt;000's)</b>	<b>% **</b>
<b>MSA 0960</b>	2	14.3	\$51,320	11.4	\$535	18.0
<b>MSA 2335</b>	7	50.0	\$297,210	66.3	\$128	4.0
<b>Non-MSA=s</b>	5	35.7	\$100,153	22.3	\$134	4.6
<b>TOTAL</b>	14	100.0	\$448,683	100.0	\$797*	--

\* In addition, Chemung made \$2.1 million in qualified investments which supported community development activities throughout its delineated community. Chemung=s qualified investments totaled \$2.9 million for the examination period.

\*\* Reflects the respective percentage of \$2.9 million in total qualified investments.

**APPENDICES**

**CRA APPENDIX A**

<b>SCOPE OF EXAMINATION</b>			
<b>TIME PERIOD REVIEWED</b>	1/1/96 to 9/30/97		
<b>FINANCIAL INSTITUTION</b>  Chemung Canal Trust 1 Chemung Canal Plaza Elmira, NY			<b>PRODUCTS REVIEWED</b>  <ul style="list-style-type: none"> <li>• Home Purchase Loans</li> <li>• Refinance Mortgage Loans</li> <li>• Small Business Loans</li> <li>• Small Farms Loans</li> </ul>
<b>AFFILIATE(S)</b>	<b>AFFILIATE RELATIONSHIP</b>		<b>PRODUCTS REVIEWED</b>
Chemung Financial Corporation	Bank holding company		Investments
<b>LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION</b>			
<b>ASSESSMENT AREAS</b>	<b>TYPE OF EXAMINATION</b>	<b>BRANCHES VISITED</b>	<b>OTHER INFORMATION</b>
MSA 2335 MSA 0960 Non-MSA (Schuyler County and portion of Steuben County)	On-site	2	



**CRA APPENDIX B**

**GLOSSARY**

<b>AREA MEDIAN INCOME:</b>	(1) The median family income for the MSA, if a person or geography (block numbering area or census tract) is located in an MSA; or (2), if a person or geography (census tract or block numbering area) is located outside an MSA, the statewide nonmetropolitan median family income.
<b>ATM:</b>	Automated teller machine.
<b>BNA:</b>	Block numbering area, which is a nonmetropolitan area with a population of 2,500-8,000.
<b>CDC:</b>	Community development corporation.
<b>COMMUNITY DEVELOPMENT:</b>	(1) Affordable housing including multifamily rental housing for low- or moderate-income individuals; (2) community services targeted to low- or moderate-income individuals; (3) activities that promote economic development by financing businesses or farms that meet the size eligibility standards of 13 CFR 121.802 (a)(2) or have gross annual revenues of \$1 million or less; or (4) activities that revitalize or stabilize low- or moderate-income geographies.
<b>DEMAND-ADJUSTED BASIS:</b>	On the basis of the proportion of mortgage loans per thousand owner-occupied housing units in an area, or proportion of small business loans per thousand small business establishments in an area, as applicable.
<b>GEOGRAPHY:.....</b>	A census tract or a block numbering area delineated by the United States Bureau of the Census in the most recent decennial census (1990).
<b>HMDA:.....</b>	Home Mortgage Disclosure Act.
<b>HMDA-RELATED LOANS:</b>	Mortgage purchase and refinance loans as well as home improvement and multifamily loans reported as required by the Home Mortgage Disclosure Act.
<b>HUD: .....</b>	United States Department of Housing and Urban Development

<b>LMI:</b> .....	Low- and moderate-income, as in LMI census tracts..
<b>LOW INCOME:</b> .....	An individual income that is less than 50 percent of the area median income (i.e., of the median family income for the MSA, if the individual is located in an MSA, or, if the individual is located outside an MSA, of the statewide nonmetropolitan median family income), or a BNA or census tract median family income that is less than 50 percent of the area median income. Accordingly, a low-income census tract is one in which the median family income is less than 50 percent of the area median income.
<b>MIDDLE INCOME:</b> .....	An individual income that is at least 80 percent and less than 120 percent of the area median income, or a BNA or census tract median family income that is at least 80 percent and less than 120 percent of the area median income.
<b>MODERATE INCOME:</b> ....	An individual income that is at least 50 percent and less than 80 percent of the area median income, or a BNA or census tract median family income that is at least 50 percent and less than 80 percent of the area median income.
<b>MSA:</b> .....	A metropolitan statistical area or a primary metropolitan statistical area as defined by the director of the Office of Management and Budget.
<b>QUALIFIED INVESTMENT:</b>	A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.
<b>SBA:</b> .....	Small Business Administration.
<b>SBIC:</b> .....	Small Business Investment Corporation.
<b>SMALL BUSINESS LOANS:</b>	Such loans are defined in Regulation BB, Section 228.12 (u) with reference to the definition of such loans in the instructions for preparation of the Consolidated Report of Condition and Income. These instructions define small business loans as loans (for commercial and industrial purposes) with original amounts of \$1 million or less that

have been reported in Schedule RC-C, Part 1, (1.e)(4) of the report. For purposes of Chemung Canal Trust=s CRA public disclosure, with respect to loans originated in New York State prior to January 1, 1996, a loan for business purposes with an origination amount of \$750 thousand or less; for originations subsequent to that date, a loan with an origination amount of \$1 million or less.

**SMALL FARM LOANS: ...**

For purposes of Chemung Canal Trust=s CRA public disclosure, with respect to loans originated for agricultural purposes with an origination amount of \$500 thousand or less.

**UPPER INCOME:.. ..**

An individual income that is 120 percent or more of the median family income in an MSA or a census tract in which the median family income is 120 percent or more of the median family income in an MSA.