

# **PUBLIC DISCLOSURE**

(February 14, 2000)

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Chemung Canal Trust Company  
RSSD: 884303**

**One Chemung Canal Plaza  
Elmira, New York 14901**

**Federal Reserve Bank of New York  
33 Liberty Street  
New York, New York 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.

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## 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 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 14, 2000**. The agency evaluates performance in assessment area(s), 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:** Chemung Canal Trust Company ("Chemung") is rated **"OUTSTANDING."**

Chemung's level of compliance with the CRA is based on an evaluation of the performance criteria for large retail institutions specified under the CRA with respect to the lending, investment and service tests.

**Performance under the lending test is rated "outstanding" based on the following findings:**

- The number of home purchase and home improvement loans, and refinancings of such loans ("refinancings"), as well as small business loans originated by the bank during the examination period, showed good responsiveness to credit needs in the bank's assessment areas.
- The overall geographic distribution of loans reflected excellent loan penetration throughout the low- and moderate-income ("LMI") areas of the bank's assessment areas.
- The overall distribution of home purchase and home improvement loans and refinancings to individuals of different income levels was good. Weakness was noted in refinance lending to low-income individuals in MSA 2335 (Elmira, NY) and Schuyler County, and to moderate-income individuals in Steuben County.
- The distribution of loans to businesses of different sizes was adequate.
- The bank had a high level of community development lending totaling \$6.5 million.

**Performance under the investment test is rated "outstanding" based on the following:**

- The bank had a high level of qualified investments in its assessment areas totaling \$5.3 million.

**Performance under the service test is rated "outstanding" based on the following findings:**

- The bank's delivery systems are readily accessible to all portions of the bank's assessment areas, and services are tailored to the convenience and needs of the assessment areas.
- The bank provided a high level of community development service throughout its assessment areas.

## Lending, Investment and Service Tests Table

*The following table summarizes the performance level of Chemung with respect to the lending, investment and service tests.*

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

\* Note: The lending test is weighted more heavily than the investment and service tests in determining the overall rating.

## **DESCRIPTION OF INSTITUTION**

Headquartered in Elmira, New York, Chemung is a New York State-chartered banking corporation and a member of the Federal Reserve System. It is a wholly owned subsidiary of Chemung Canal Financial Corporation, also based in Elmira. Chemung has one subsidiary, CCTC Funding Corp., a real estate investment trust company. As of December 31, 1999, Chemung had total assets of \$649.9 million, total loans and leases of \$360.2 million, total deposits of \$481.8 million, and total retail deposits of \$479.6 million. The bank's holding company reported total consolidated assets of \$653.2 million.

As of February 14, 2000, Chemung operated 14 full-service branches in western New York State, offering a full line of deposit and loan products and services to consumers and small to medium-sized businesses. The market area is competitive with branches of numerous local, regional and multinational banks, mortgage companies and other financial institutions operating in the bank's assessment areas. During the examination period, October 1, 1997, to September 30, 1999, Chemung was one of the primary providers of housing and small business loans in its assessment areas.

Chemung's previous CRA examination was conducted as of February 17, 1998, at which time the bank received an overall rating of "outstanding." There are no financial or legal factors that would keep Chemung from fulfilling its responsibilities under the CRA.

## **DESCRIPTION OF ASSESSMENT AREAS**

The bank has four assessment areas, which include all or portions of two Metropolitan Statistical Areas ("MSAs") and two non-MSA counties in western New York State. The assessment areas consist of:

- MSA 2335 (Elmira, NY), which includes Chemung County,
- a portion of MSA 0960 (Binghamton, NY), which includes Tioga County,
- a portion of the non-MSA county of Steuben, and
- the non-MSA county of Schuyler.

The bank's assessment areas, unchanged since the previous examination, are in compliance with the requirements of Section 228.41 of Regulation BB and do not arbitrarily exclude any LMI geographies.

The following map illustrates Chemung's assessment area:

**INSERT  
MAP  
OF ASSESSMENT AREA HERE**



## **PERFORMANCE CONTEXT**

### Demographic Characteristics

According to the 1990 Census, the total population of the bank's combined assessment areas is approximately 217.6 thousand, or about 1.2 percent of the total population of New York State. Approximately 29.2 thousand persons, or 13.4 percent of the total population in the bank's assessment area, reside in LMI geographies.

Chemung's assessment area is predominantly rural with few large population centers. LMI geographies are located in the population centers of the city of Elmira and the town of Horseheads in Chemung County, Savona in Steuben County, and Waverly and Barton in Tioga County. Other population centers include the towns of Bath and Corning in Steuben County, and Owego in Tioga County. The assessment area has a total of 54 census tracts, but because of the absence of household population in 3 low-income census tracts, 51 geographies with 8 LMI census tracts (16 percent) were considered in this examination. Only one of the eight LMI census tracts is low-income, and it is located in Elmira.

### Housing Characteristics

Median housing costs in the combined assessment area are less than the state median housing cost. Median housing costs in 1998 range from a high of \$104 thousand in Steuben County to a low of \$49 thousand in Schuyler County. The average age of housing in the assessment area is 45 years, although Chemung County has a median housing age of 56 years.

The lack of adequate infrastructure, especially in Schuyler County, impedes development of business sites. The need for extensive rehabilitation of older structures deters creation of lodging for the tourist trade in Schuyler County. The purchase of older housing is generally considered affordable for moderate-income families in all the bank's assessment areas. New housing is too expensive both for affordable housing developers to build and for LMI individuals to purchase.

### Income Characteristics

Based on 1999 estimates by the U.S. Department of Housing and Urban Development ("HUD"), median family incomes range from a high of \$42.9 thousand in Tioga County, part of MSA 0960 (Binghamton, NY), to a low of \$37.7 thousand in non-MSA Schuyler County. Approximately 38 percent of families in the bank's assessment areas are considered LMI.

With the help of price write-downs and rehabilitation grants, homeownership is generally within reach of LMI individuals in MSA 2335 (Elmira, NY) and Schuyler County. Similarly, housing is affordable to moderate-income residents of Tioga County.

### Labor, Employment and Economic Characteristics

According to the New York State Department of Labor, the unemployment rate as of June 1999

ranges from a high of 5.5 percent in Steuben County, which exceeds the New York State rate of 5 percent, to a low of 3.4 percent in Tioga County.

Overall, services and manufacturing alternate as the leading employer, followed by government and then retail. Manufacturing industries dominate Tioga County (where Lockheed Martin is based) and Steuben County (Corning Glass). Tourism is the leading industry in Schuyler County, which is home to Watkins Glen International Raceway. Although manufacturing is growing in MSA 2335 (Elmira, NY), the health care services sector is the leading employer.

Community contacts made during this examination spoke of various needs in the bank's assessment area, including credit counseling (banks educating the public on various loan programs) and counseling before and after home purchase. Bank participation is also needed in the areas of affordable housing rehabilitation, technical assistance to small businesses, and revolving small business loan funds.

## **SCOPE OF EXAMINATION**

This evaluation of Chemung's CRA performance encompasses the period of October 1, 1997, to September 30, 1999. All the bank's assessment areas were reviewed using *Interagency Procedures and Guidelines for Large Retail Institutions*, and all calculations have been rounded to the nearest whole number. Primary reliance was placed on the bank's performance in MSA 2335 (Elmira, NY) and non-MSA Schuyler County since together they contain 52 percent of the bank's assessment area population, 53 percent of LMI families, and 64 percent of branches in the bank's combined assessment area.

In addition, the bank originated 80 percent of total housing and small business loans in MSA 2335 (Elmira, NY) and Schuyler County. Chemung's lending performance in Schuyler County was emphasized since the bank ranks second in deposit market share among banking institutions located there, controlling 36.7 percent of all deposits as of June 30, 1999. Of Chemung's four assessment areas, the bank originated the second highest volume of home improvement loans and refinancings in Schuyler County. For details, see Exhibit 1.

Loan products evaluated included home purchase loans and refinancings of such loans (which were evaluated separately), home improvement loans, small business loans, and other loans that qualify as community development loans. The home purchase, refinance and home improvement loans were reported pursuant to Regulation C, Home Mortgage Disclosure Act ("HMDA"). Chemung originated all HMDA-related, small business, and community development loans. In addition, bank investments, grants and services qualifying as community development were included in the evaluation.

The assessment of Chemung includes contacts with members of local community organizations, local governments, and economic development agencies in order to help the examiners ascertain community credit needs.

For the evaluation of the geographic distribution of loans, geographies were classified on the basis

of the Census Bureau's 1990 Census. The distribution of loans to borrowers of different income levels was determined based on 1999 HUD estimated median family income data.

The geographic distribution of HMDA-related loans was evaluated by comparing the proportion of loan originations with the proportion of owner-occupied housing units in LMI and non-LMI geographies. For small business loans, the proportion of loan originations was compared with the proportion of business establishments in LMI and non-LMI geographies.

Chemung's HMDA-related and small business lending was compared with similarly situated bank lenders ("peers") reporting mortgage loans under HMDA and small business loans under CRA in New York. HMDA-related lending performance was also compared with the 1998 aggregate of all HMDA lenders in Chemung's MSA assessment areas. Small business lending performance was compared with the 1998 aggregate of all small business lenders in all Chemung's assessment areas.

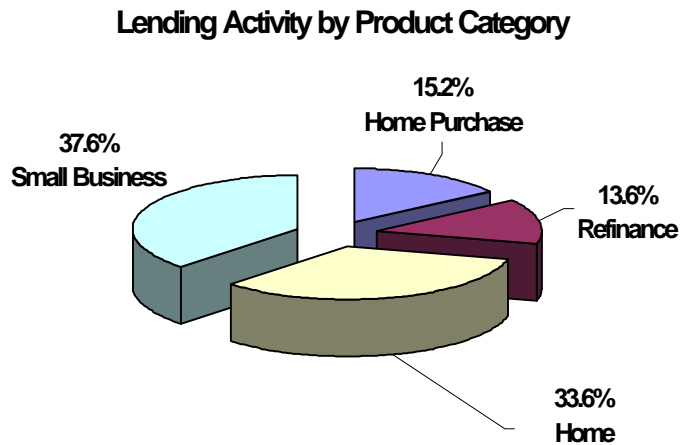
## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### LENDING TEST

Chemung's record of meeting the credit needs of its assessment areas through its lending performance is rated outstanding. Retail lending volume exhibited good responsiveness to assessment area credit needs. Geographic distribution of loans reflected excellent penetration throughout the bank's assessment areas. The overall distribution of loans among individuals of different income levels and businesses of different sizes was good. Chemung was a leader in community development lending.

#### Lending Activity

Chemung's lending activity reflected a good response to assessment area credit needs. During the examination period, the bank originated 2,249 loans totaling \$122.6 million. As depicted at the right, these originations consisted of 845 small business loans, or 37.6 percent of total lending; 756 home improvement loans, or 33.6 percent; 341 home purchase loans, or 15.2 percent; and 307 refinancings, or 13.6 percent.



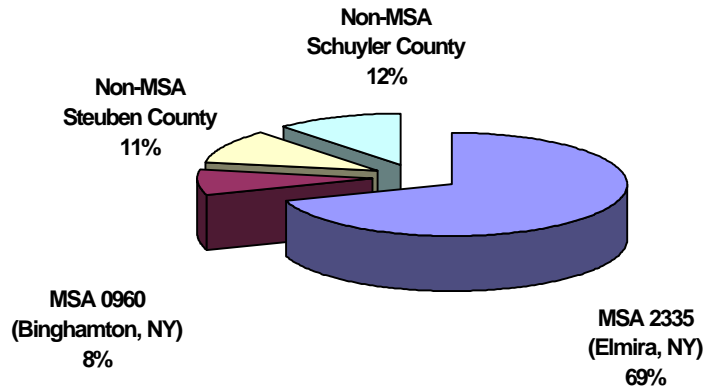
Since the previous examination, Chemung's home purchase and home improvement loan activity increased significantly on an annualized basis, but the bank's level of small business lending declined. On an annualized basis, Chemung's home purchase and home improvement lending increased 17.9 percent and 25.5 percent, respectively.

On an annualized basis, Chemung's small business lending decreased 14.2 percent since the previous examination, although the bank's overall commercial lending increased. Bank officials attributed the decline to small business owners taking out consumer loans for business purposes, and the rapid growth in larger commercial businesses in downtown Elmira, the bank's primary small business lending market.

In 1998 Chemung was the leading HMDA lender in MSA 2335 (Elmira, NY), originating 17.3 percent of all HMDA-related loans reported. In the combined assessment area, the bank was the number one small business lender, originating 25.5 percent of all small business loans reported.

The bank's lending activity was concentrated in MSA 2335 (Elmira, NY). Sixty-nine percent of HMDA-related and small business loans, representing 890 and 675 loans, respectively, were originated in the Elmira MSA. This MSA contains 44 percent of the bank's population and 50 percent of the bank's branches in its combined assessment area.

**Chemung's HMDA-related and Small Business Lending by MSA and Non-MSA**



During the examination period, Chemung originated a substantial portion of its loans in its assessment area. The bank originated 92 percent of its HMDA reportable loans, or 1,404 loans, in its assessment area. The bank originated 96 percent of its small business loans, or 845 loans, in its assessment area. For details, see Exhibit 2.

### **Geographic Distribution of Lending**

Chemung's geographic distribution of HMDA-related and small business loans in census tracts of various income levels was evaluated in three of its four assessment areas (MSA 2335, MSA 0960 and non-MSA Steuben County), and reflected excellent penetration. The bank's geographic distribution of loans could not be evaluated in non-MSA Schuyler County because the county has no LMI census tracts. For details, see Exhibits 3-6.

### **Home Purchase Loans**

The geographic distribution of home purchase loans was excellent throughout the bank's assessment areas. During the examination period, the bank originated 13 percent of home purchase loans in LMI geographies, while 9 percent of owner-occupied housing units in the assessment area are located in LMI geographies. Chemung made no home purchase loans in the single low-income census tract in the bank's assessment area; however, this geography contains only 119 owner-occupied housing units. The bank's performance was generally consistent in all MSAs in the bank's combined assessment areas.

### **Refinancings**

The geographic distribution of refinancings was good throughout the bank's assessment areas. During the examination period, Chemung originated 8 percent of refinancings in LMI geographies, while 9 percent of owner-occupied housing units in the assessment area are located in LMI geographies. The bank originated none of these loans in the one low-income geography in its assessment area, which contains only 119 owner-occupied housing units.

Chemung's performance was particularly strong in MSA 0960 (Binghamton, NY) where its percentage of refinancings in moderate-income geographies exceeded the percentage of owner-occupied housing units in these geographies. The bank's refinance lending in MSA 2335 (Elmira, NY) was weaker but adequate.

### Home Improvement Loans

Home improvement lending reflected excellent distribution throughout all portions of the bank's assessment areas. During the examination period, Chemung originated 15 percent of home improvement loans in LMI geographies, while 9 percent of owner-occupied housing units in the assessment area are located in LMI geographies. The bank originated .26 percent of home improvement loans in the one low-income geography in its assessment area, which contains .2 percent of all owner-occupied housing in Chemung's assessment area.

The bank's performance was consistently outstanding throughout its assessment area, but particularly noteworthy in MSA 0960 (Binghamton, NY), where 65 percent of its loans were made in LMI census tracts, while 16 percent of owner-occupied housing units for the bank's assessment area portion of MSA 0960 are located there.

### Small Business Loans

The distribution of small business loans in the bank's assessment areas was excellent. During the examination period, the bank originated 24 percent of its small business loans in LMI geographies, while 17 percent of all business establishments are found in LMI geographies. The bank originated 3 percent of small business loans in the single low-income geography in its assessment area, which contains 2 percent of all small business establishments.

The bank's performance was particularly strong in MSA 2335 (Elmira, NY) and MSA 0960 (Binghamton, NY), where its percentage of small business lending in LMI census tracts exceeded the percentage of small businesses there. The bank's performance was weaker but adequate in Steuben County where it originated 2 percent of its small business loans in the assessment area's one moderate-income census tract, where 4 percent of all small businesses in the county are based.

As previously mentioned, there are no low-income census tracts in Steuben County.

### Borrower Characteristics

The overall distribution of loans among customers of different income levels was good. Chemung's lending to businesses with GAR of \$1 million or less reflected adequate distribution. HMDA-related lending to moderate-income families was outstanding. HMDA-related lending to low-income individuals was evaluated in portions of the bank's assessment area where homeownership is affordable to those individuals. For example, HMDA-related lending to low-

income families was adequate in MSA 2335 (Elmira, NY), but weak in Schuyler County. For details, see Exhibits 7-10.

### Home Purchase Loans

The level of home purchase loans to LMI borrowers was excellent. Overall, the bank originated 38 percent of such loans to LMI borrowers, while LMI families represent 38 percent of the families in the bank's combined assessment areas.

Chemung's home purchase lending was strongest to moderate-income borrowers. In MSA 2335 (Elmira, NY), MSA 0960 (Binghamton, NY), and non-MSA Steuben County, lending to moderate-income borrowers exceeded the percentage of moderate-income families. Lending to moderate-income borrowers was weaker, but adequate in Schuyler County. Chemung's lending to low-income borrowers in MSA 2335 (Elmira, NY) was good, as the bank originated 17 percent of its loans to such borrowers, while 19 percent of families in this MSA are low-income. The bank's home purchase lending to low-income borrowers was weak in Schuyler County, as was such lending by the bank's similarly situated peers.

### Refinancings

Chemung's level of refinancings to LMI borrowers was weak. Overall, the bank originated 18 percent of its refinancings to LMI borrowers, while LMI families represent 38 percent of the bank's combined assessment areas.

The bank's refinance lending to moderate-income borrowers was adequate in MSA 2335 (Elmira, NY) where the bank originated 11 percent of its refinancings to moderate-income borrowers, while 19 percent of families are moderate-income. Chemung's refinance lending to moderate-income borrowers was weak in Steuben County but particularly strong in MSA 0960 (Binghamton, NY), where the bank's percentage of loans to moderate-income borrowers exceeded the percentage of moderate-income families.

Chemung's refinance lending to low-income borrowers in MSA 2335 (Elmira, NY) and Schuyler County, assessment areas where low-income individuals can afford mortgage loans, was weak and needs to improve. Such lending, however, was commensurate with the bank's similarly situated peers and aggregate lending institutions.

### Home Improvement Loans

Chemung's level of home improvement lending to LMI borrowers was excellent. Overall, the bank originated 42 percent of its loans to LMI borrowers, while LMI families represent 38 percent of the bank's combined assessment areas.

The bank's home improvement lending to moderate-income borrowers was excellent throughout its assessment areas as the percentage of loans to moderate-income borrowers exceeded the percentage of moderate-income families. Chemung's home improvement lending to low-income

borrowers in MSA 2335 (Elmira, NY) and Schuyler County, where low-income individuals can afford mortgage loans, was adequate. For example, Chemung originated 14 percent of its home improvement loans to low-income people in MSA 2335 (Elmira, NY), while 19 percent of all families in this MSA are low-income. In Schuyler County, the bank originated 13 percent of its loans to low-income borrowers, while 18 percent of families in the county are low-income.

### Lending to Small Businesses

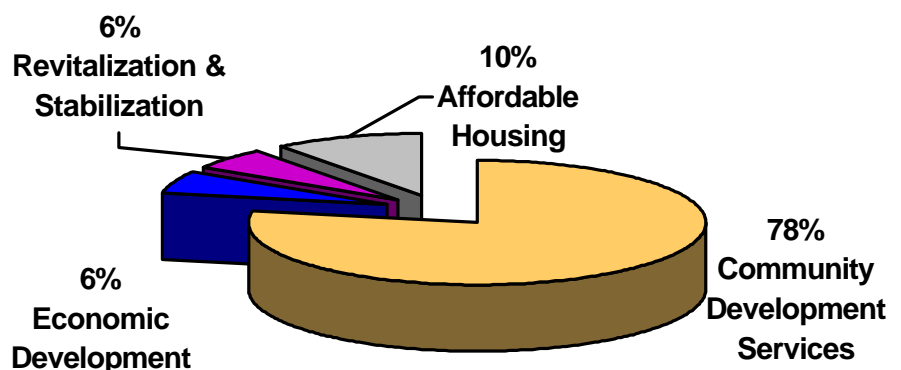
Chemung's record of lending to businesses of different sizes was adequate. Approximately 64 percent of Chemung's small business loans were originated to businesses with gross annual revenues ("GAR") of \$1 million or less.<sup>1</sup> This compares adequately with 91 percent of business establishments in the bank's assessment area with GAR of \$1 million or less. In 1998 the bank's performance in lending to businesses with GAR of \$1 million or less exceeded that of the aggregate. For example, of Chemung's reported small business loans in 1998, 71 percent were to businesses with GAR of \$1 million or less, while aggregate small business lenders made 65 percent of their loans to businesses with GAR of \$1 million or less.

Approximately 78 percent of small business loans originated by Chemung during the examination period were for amounts less than or equal to \$100 thousand. The loans averaged \$35.6 thousand, an amount that would meet the credit needs of smaller businesses.

The bank's performance in 1998 exceeded that of the aggregate of small business lenders in the bank's assessment areas. Of Chemung's reported small business loans, 77 percent were for \$100 thousand or less. Of the aggregate's reported small business loans, 85 percent were for \$100 thousand or less.

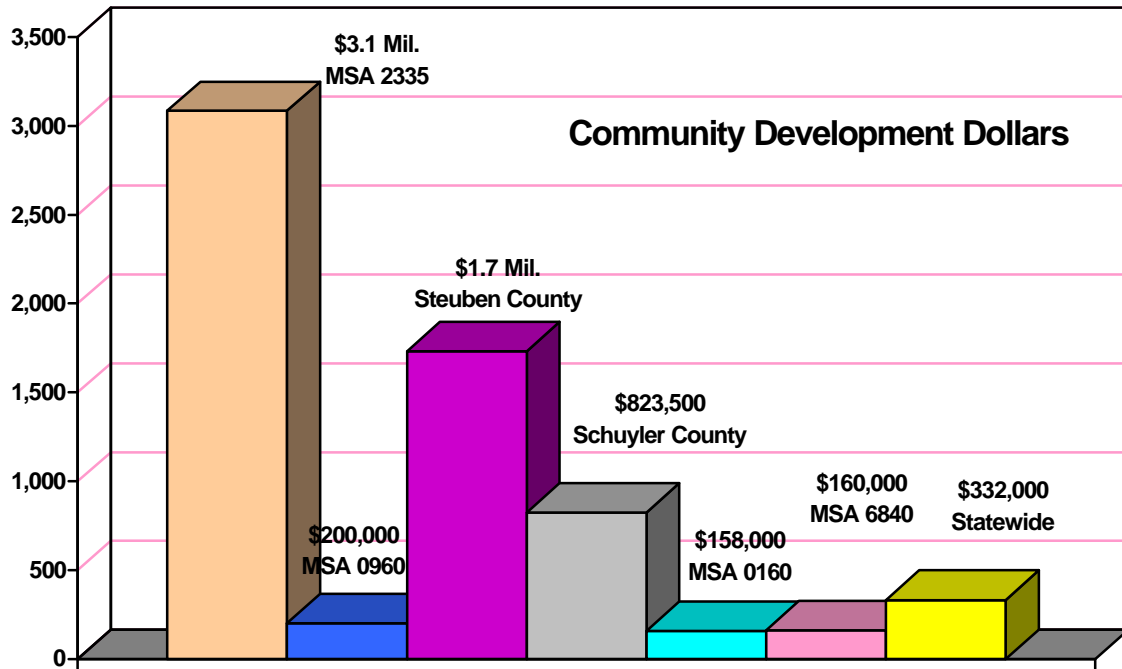
### Community Development Lending

Chemung's community development lending performance was outstanding. During the examination period, community development loan commitments totaled \$6.5 million, of which \$6 million represented new commitments. Commitments at this examination increased 71 percent since the previous



<sup>1</sup> During the examination period, 31 percent of small business loans were made to businesses where the gross annual revenues of the businesses were not a factor in the bank's credit decision. These loans included loans to start-up businesses. As management noted, 90 percent of borrowers in this category had GAR of \$1 million or less. Thus, 90 percent of small business loans where revenue was not a factor in the underwriting of the loans were added to small business loans originated to businesses with GAR of \$1 million or less.





examination when community development lending totaled \$3.8 million.

Community development lending in support of affordable housing initiatives totaled \$679 thousand, or 10 percent of total activity. Lending related to economic development totaled \$382 million or 6 percent of total activity. Community contacts said rehabilitation of affordable housing, technical assistance for small business development, and lending to small businesses are needed.

Activity concentrated primarily on direct lending initiatives. Of the 34 total community development loan commitments extended during the examination period, 28 were direct loans totaling \$5.8 million or 90 percent of activity. Indirect loans to financial intermediaries totaled \$650 thousand or 10 percent of activity.

Forty-eight percent of community development lending activity was concentrated in MSA 2335 (Elmira, NY), where commitments totaled approximately \$3.1 million. Another 40 percent of community development loans were extended in Chemung’s non-MSA assessment areas of Steuben and Schuyler Counties. Since Regulation BB does not require an institution to make community development loans in all its assessment areas, a lack of community development lending in a particular assessment area does not detract from the rating of the bank as a whole or its performance in a particular assessment area. For details, see Exhibit 11.

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

Chemung uses a variety of innovative or flexible lending practices that meet the credit needs of LMI individuals and geographies as well as small businesses. During the examination period, the bank originated 75 loans totaling \$2.01 million using innovative or flexible lending practices.

Chemung participates in no assessment area-wide affordable housing programs, involving itself exclusively in regional programs.

### **INVESTMENT TEST**

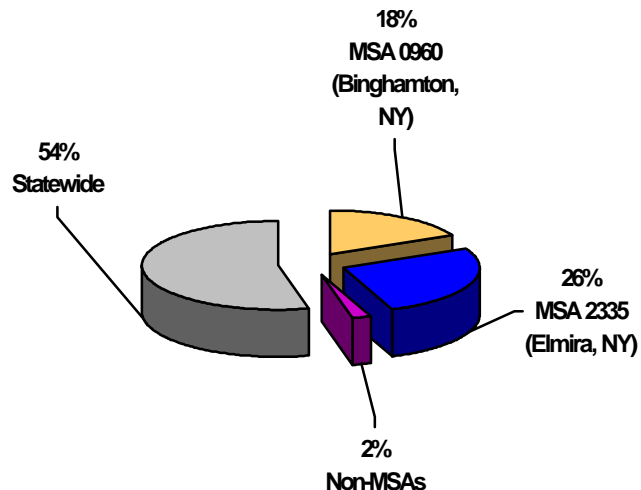
Chemung's performance under the investment test is rated outstanding. Often taking a leadership position, the bank had an excellent level of qualified community development investments and grants, particularly those not routinely provided by private investors. Chemung exhibited good responsiveness to credit and community development needs. The bank made significant use of innovative and complex investments to support community development initiatives. For details, see Exhibit 12.

### **Dollar Amount of Qualified Investments**

The bank's level of qualified investments was significant, totaling \$5.4 million at this examination. Total investments consisted of \$5.3 million in investments in various entities engaged in community development activity and \$52 thousand in charitable grants and contributions to organizations supporting community development projects and programs.

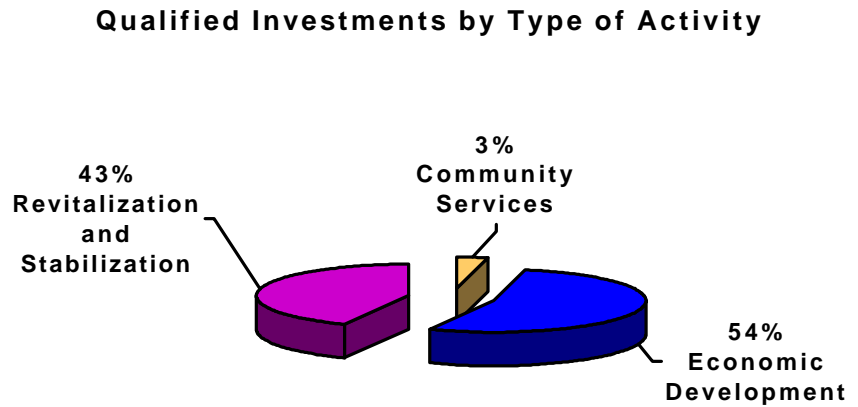
Investments at this examination increased 86.2 percent since the previous examination.

Chemung made 54 percent of its investments to organizations supporting statewide community development programs, 26 percent supporting MSA 2335 (Elmira, NY), 18 percent supporting MSA 0960 (Binghamton, NY), and 2 percent supporting the non-MSA assessment areas of Steuben and Schuyler Counties.



### **Responsiveness of Qualified Investments to Credit and Community Development Needs**

The bank exhibited a good level of responsiveness to the most pressing community development needs in its assessment area. Fifty-four percent of investments, or \$2.8 million, were directed to organizations engaged in economic development, a primary need in the bank's assessment areas. Forty-three percent of funds, or \$2.3 million, were aimed at revitalizing and stabilizing LMI communities through infrastructure construction and repair, and the construction of school buildings. Three percent of investments were for community services.



### **Innovative or Complex Investments**

Chemung made significant use of innovative or complex investments to support community development initiatives. Qualified investments include investments in debt instruments issued by municipalities for qualified community development activity, participation in a state-sponsored business development corporation, and investments in Cephaz Capital Corporation ("Cephaz"), a small business investment corporation ("SBIC").

At the previous examination, Chemung Canal Financial Corporation, the holding company for Chemung, invested \$2 million in Cephaz, increasing its investment to \$2.75 million at this examination. In addition, the Small Business Administration ("SBA") provides assistance to Cephaz in the form of debentures. Cephaz buys convertible debentures in businesses having less than \$5 million in assets, a net worth of not more than \$2.5 million, and after-tax net income not exceeding \$250 thousand. Generally Cephaz does not finance start-ups, but 85 percent of Cephaz' investments are extended to small businesses as defined by the SBA. Cephaz' investments in these small enterprises range from \$500 thousand to \$2 million.

### **SERVICE TEST**

Chemung's performance under the service test is rated outstanding, based on the bank's record of providing banking services in its assessment areas. Retail services and delivery systems were readily accessible to all portions of the bank's assessment areas and did not vary in a way that inconveniences certain portions of the bank's assessment area, particularly LMI geographies

and/or LMI individuals. In addition, the bank provided a high level of community development services.

## **Retail Banking Services**

### *Accessibility of Delivery Systems*

As of the examination date, February 14, 2000, the bank operated 14 branches in its combined assessment areas. Two of the branches, or 14 percent, are located in LMI geographies. This compares favorably with the eight geographies, or 16 percent of the geographies in the bank's combined assessment area, that are LMI. Branches are concentrated primarily in MSA 2335 (Elmira, NY) where seven, or 50 percent, of branches are located. For details, see Exhibit 13.

### *Record of Opening and Closing Branches*

Chemung did not open or close any branches during the examination period.

### *Availability and Effectiveness of Alternate Systems for Delivering Retail Banking Services*

The bank's alternative delivery services are accessible to essentially all portions of the bank's assessment areas. As of the examination date, the bank operated 21 ATMs throughout its assessment areas. Of the total number of ATMs, 14, or 67 percent, are located at Chemung's branch locations, and the remainder are off-site at schools, the local airport, a grocery store and various other businesses. All the bank's LMI branch locations are equipped with ATMs. Of the bank's off-site ATMs, none are located in the single low-income geography in the bank's assessment area, and one, or 7 percent, is located in a moderate-income census tract.

Other alternative delivery systems at Chemung include banking by mail and an automated 24-hour telephone service enabling customers to pay bills, transfer funds, and make account inquiries. The bank also provides personal computer ("PC") banking to businesses. The businesses can make account inquiries, transfer funds, provide direct deposit of payroll checks, and pay their employees and suppliers.

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

Chemung's business hours and services do not vary in a way that inconveniences certain portions of its assessment areas, particularly LMI geographies and individuals. All branches are full-service, offering various commercial and retail loan and deposit products and services. The bank made extended hours available at 10, or 71.4 percent, of its 14 branches. Extended hours include Thursday and/or Friday evenings and Saturdays. One of two LMI branch locations offer extended evening and Saturday hours.

Of Chemung's 21 ATMs, 17 operate 24 hours a day. Thirteen of 14 on-site ATMs are 24-hour, as are 4 off-site ATMs. However, three of the four off-site ATMs are inaccessible to the general public.

### **Community Development Services**

Chemung provided a high level of community development services, including seminars and technical assistance, to various community development companies or corporations (“CDCs”) that are responsive to the credit needs in the bank’s assessment areas.

The bank participated in two first-time home buyer seminars targeted to LMI individuals. One was co-sponsored by the Tri-County Housing Council and the other by the YWCA of Elmira and the Twin Tiers. In addition, bank officials conducted a tour of the bank for an organization serving low-income people, and facilitated a youth problem-solving group sponsored by an organization providing community services to LMI individuals.

### **Technical Assistance**

Bank management was proactive in providing technical assistance for the support of community development activities. Thirty-seven managers and staff served as directors, advisors or committee members for 32 organizations throughout the bank’s assessment areas. Organizations that have received technical assistance include the nonprofit Workers Ownership Resource Center, which trains LMI individuals starting or expanding small businesses; the Regional Economic Development and Energy Corporation (“REDEC”), which provides low-interest rate gap financing to business development projects in Chemung, Schuyler and Steuben Counties; Southern Tier Economic Growth (“STEG”), which promotes and implements economic development programs and services in Chemung County; Heritage Park, a low-income, federally subsidized housing development; and Habitat for Humanity, the nonprofit group that organizes volunteers for the construction and rehabilitation of housing for low-income families.

### **Special Products and Services**

Chemung participates in two programs designed to assist LMI individuals on the road to homeownership. The bank is an approved member of the Federal Home Loan Bank’s First Home Club. The program offers qualified prospective homeowners (with a household income of 80 percent or less of HUD area median income) matched savings of \$3 for every \$1 saved, up to \$5,000 in matching funds per household. Participants must complete at least six hours of home buyer counseling seminars, provided by Chemung, within six months.

The bank also offers a credit-builder loan program it developed to help applicants, such as first-time home buyers, establish good credit if they have damaged or no credit. The proceeds from the loan are placed into a certificate of deposit (“CD”) at Chemung in the applicant’s name. The customer then repays the loan for the length of the CD. When the CD matures, the customer receives the proceeds together with the accrued interest.

Chemung participates in a rental rehabilitation program through the city of Elmira, which receives funds from the New York State Division of Housing and Community Renewal. The funds help landlords in target areas of the city make improvements to properties occupied by LMI tenants.

The city provides up to 50 percent of the cost of the repairs in the form of grants. Chemung works with the landlord to finance the remaining repair costs.

In November 1998, the bank applied to the Community Development Financial Institutions (“CDFI”) Fund through the U.S. Department of Treasury for a Bank Enterprise Award (“BEA”). Chemung received the award in the development category, which requires the bank to increase consumer and commercial lending in LMI census tracts for the BEA-defined census tracts.

In order to promote economic development, the bank participates in the New York State Excelsior Linked Deposit Loan Program. Funds from the state are placed in a CD at the bank, and in return the bank grants a loan for a similar amount to a qualified business for a below-market interest rate. The bank is also a certified SBA lender.

Chemung also offers basic checking and statement savings accounts, which customers can open with a minimum \$25 deposit.

#### **COMPLIANCE WITH FAIR LENDING LAWS**

No credit practices were identified that violated the substantive provisions of the anti-discrimination laws and regulations, including the Equal Credit Opportunity Act (Regulation B), the Fair Housing Act, and all relevant agency regulations pertaining to nondiscriminatory treatment of credit applicants. Technical violations of the Home Mortgage Disclosure Act (Regulation C) were noted, however, and Chemung was required to correct and resubmit the bank's 1998 HMDA Loan Application Register.

## **ASSESSMENT AREA ANALYSES**

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

Performance in this MSA had the greatest impact on Chemung's overall rating. Overall performance was excellent, based on the following conclusions.

- The overall geographic distribution of loans across census tracts of different income levels was excellent.
- Distribution of loans among borrowers of different income levels was good, and distribution of loans to businesses of different sizes was adequate.
- Chemung's delivery systems are readily accessible to all portions of the MSA.

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE MSA**

Most of Chemung's operations are concentrated in MSA 2335 (Elmira, NY) where, as of February 14, 2000, the bank maintained seven, or 50 percent, of its branches as well as its headquarters. Branches in this MSA had approximately \$322.8 million in deposits as of June 1999, or about 67 percent of total assessment area deposits.

During the examination period, Chemung originated 890 HMDA-related loans and 675 small business loans in the MSA. This activity represents 70 percent of such loan originations by the bank in its combined assessment areas.

### **PERFORMANCE CONTEXT**

#### *Demographic Characteristics*

MSA 2335 (Elmira, NY) includes all of Chemung County. In 1998, the county's population totaled 92,021, a decline of 3 percent since 1990.

#### *Income Characteristics*

The 1999 HUD-estimated median family income for the MSA is \$41.4 thousand, the second highest in the bank's four assessment areas. Of the 24,895 families in the MSA, 9,335, or 38 percent, were LMI as of 1990. Approximately 12.5 percent of all families reside in LMI census tracts. The MSA has 23 census tracts, one of which includes a correctional facility and is not included in the evaluation. Five of the 22 remaining census tracts, or 23 percent, are LMI. All the LMI census tracts are located in the city of Elmira. Other population centers include the towns of Horseheads, Southport and Big Flats.



### Housing Characteristics

The MSA contains 24,095 owner-occupied housing units with a median housing age of 56 years, considerably older than the state median of 39 years. Over half of the housing was constructed before 1950. In 1990, the county had a 41 percent rate of owner-occupancy compared with the state average of 48 percent. Within LMI census tracts, 33 percent of housing is owner-occupied. The 1998 median housing price in this MSA is \$69 thousand, which makes housing affordable for many LMI families.

In 1995, the New York Consolidated Plan Executive Summary noted the need to increase homeownership in the city of Elmira because of the decline in the number of owner-occupied units with the demolition of deteriorated and fire-damaged structures. The summary also said affordable housing is needed for senior citizens. Community contacts noted that rents in the county are high.

### Labor, Employment and Economic Characteristics

The city of Elmira, with a population of 33,724 or 32 percent of the county's population, is the center of industry, business and recreation in the MSA. The services sector is the major source of employment, with manufacturing the second leading source of jobs and retail trade third.

In 1986, the state established an Economic Development Zone ("EDZ") in response to the county's designation as a distressed community. The EDZ program continues to provide special investment, wage and capital tax credits for businesses and investors within the zone.

According to U.S. Department of Commerce data, Chemung County's rank in manufacturing among 315 metropolitan areas improved from 134 in 1998 to 111 in 1999. This puts the county in fourth place in manufacturing in New York State. According to the New York State Department of Labor, the county outperformed the state and the nation in terms of creating manufacturing jobs. Major employers in Chemung County include Toshiba Display Services, Artistic Greetings, Arnot-Ogden Medical Center, and St. Joseph's Hospital.

Between April 1998 and April 1999, the county's unemployment rate increased from 4 percent to 4.6 percent, which is still lower than the New York State jobless rate of 5 percent in June 1999.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MSA 2335 (ELMIRA, NY)

### LENDING TEST

#### Geographic Distribution of Lending

The overall distribution of loans across census tracts of different income levels in MSA 2335 (Elmira, NY) was excellent. Except for refinancings, the bank's HMDA-related and small business lending in LMI census tracts exceeded that of aggregate institutions.

#### Home Purchase Loans

Chemung's overall geographic distribution of home purchase loans was excellent. During the examination period, the bank originated 13 percent of its home purchase loans in moderate-income geographies in the MSA, while 7 percent of owner-occupied housing units in this MSA are located in such geographies. No home purchase loans were made in this MSA's single low-income census tract, which contains only 119 owner-occupied units. Aggregate HMDA lenders made eight home purchase loans in this geography.

#### Refinancings

Chemung's overall geographic distribution of refinancings was adequate. During the examination period, the bank originated 5 percent of its refinancings in moderate-income geographies in the MSA, while 7 percent of this MSA's owner-occupied housing units are found in moderate-income geographies. No refinancings were made in this MSA's one low-income census tract with 119 owner-occupied units. Aggregate HMDA lenders made three loans in this geography.

#### Home Improvement Loans

Chemung's overall geographic distribution of home improvement loans was excellent. During the examination period, the bank made 7.1 percent of its loans in moderate-income geographies in this MSA, while 7 percent of housing in these geographies is owner-occupied. The bank originated .43 percent of its loans in the MSA's one low-income census tract, while .5 percent of housing in the MSA is located in this census tract.

#### Small Business Loans

Chemung's distribution of small business loans across geographies of different income levels was excellent. During the examination period, the bank made 28.9 percent of its loans in moderate-income census tracts, while 24.2 percent of businesses are located in such tracts. Chemung made 3.3 percent of its small business loans in low-income geographies while 3.9 percent of businesses are located in low-income geographies.

## **Borrower Characteristics**

Overall, the distribution of loans across borrower income levels was good. Distribution to businesses of different sizes was adequate.

### *Home Purchase Loans*

Chemung's percentage of total home purchase loans to LMI borrowers was excellent in MSA 2335 (Elmira, NY). While 37.6 percent of families in the MSA are LMI, the bank made 44.2 percent of its home purchase loans to LMI individuals. While the bank's percentage of home purchase loans to moderate-income borrowers exceeded the percentage of moderate-income families, its percentage of lending to low-income borrowers was less than the percentage of low-income families in the MSA, but was nevertheless good. Chemung originated 16.7 percent of its loans to low-income borrowers, while 18.7 percent of borrowers are low-income. In 1998 Chemung's lending to low-income individuals exceeded that of the aggregate group of lending institutions.

### *Refinancings*

Chemung's percentage of refinancings to LMI individuals during the examination period was poor. The bank made 15.5 percent of its loans to LMI borrowers, while 37.6 percent of families in the MSA are LMI. The bank's percentage of refinance lending to low-income individuals was poor, while its lending to moderate-income individuals was adequate. In 1998 the bank lagged behind aggregate lenders in lending to both low- and moderate-income individuals.

### *Home Improvement Loans*

Chemung's home improvement lending to LMI borrowers was excellent. While 37.6 percent of families in this MSA are LMI, the bank made 41 percent of its loans to LMI borrowers. The bank's lending to low-income borrowers was adequate, but its lending to moderate-income borrowers during the examination period was excellent. In 1998 Chemung's lending to low-income borrowers was commensurate with aggregate lending institutions and similarly situated peers.

### *Small Business Loans*

Chemung's distribution of small business loans to businesses of different sizes was adequate. Approximately 62.9 percent of Chemung's small business originations were to businesses with GAR of \$1 million or less. This compares adequately with the 89 percent of business establishments in the MSA that have GAR of \$1 million or less. Nevertheless, in 1998 the bank was the number one lender to businesses of this size compared with all other lending institutions.

A total of 534 or 79.1 percent of the bank's 675 small business loan originations in this MSA for loan amounts less than or equal to \$100 thousand. The size of the originations in this category

averaged approximately \$35.2 thousand, indicating the bank's responsiveness to the credit needs of very small businesses when the size of the loan is used as a proxy for the size of the business.

### **Community Development Lending**

Community development lending in MSA 2335 (Elmira, NY) totaled \$3.1 million, or 48 percent of Chemung's total community development lending activity. Approximately 85 percent of the bank's community development lending in this MSA supported community services. Another 10 percent of lending supported affordable housing, with the remaining loans funding organizations that provide economic development and the revitalization and stabilization of LMI areas.

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

Four of five flexible or innovative lending programs offered by the bank are specific to the Elmira MSA. The bank originated 73 of 75 loans it made under its various programs in this MSA for a total of \$2 million. A description of these programs follows.

#### ***The City of Elmira First Time Homebuyers Grant Program***

This program provides mortgage financing to first-time home buyers of low and moderate income. The city provides a \$10 thousand grant with a maximum down payment requirement of \$800. Chemung will pay closing costs including the appraisal and application fees. The bank also reduces the interest rate by .25 basis points below the secondary market rate.

Since the previous examination, the bank originated 50 loans for \$1.4 million under this program.

#### ***The Near Westside Neighborhood Association Home Ownership Grant Program***

In this partnership of the Near Westside Neighborhood Association, Inc., the city of Elmira, and Catholic Charities of the Southern Tier, the city provides up to \$10 thousand in grant money to help first-time LMI home buyers with down payment and closing costs. The maximum down payment requirement is only \$800. The program also offers its participants up to \$5,000 in additional funding to repair or replace defects in the home and make other improvements at the time of purchase. As with the City of Elmira Grant Program, Chemung will pay closing costs, including the appraisal and application fee. The bank also reduces the interest rate .25 basis points below the secondary market rate.

Since the previous examination, Chemung originated 16 loans for \$480 thousand under this program.

#### ***The Providence Housing Development Corporation***

An affiliate of Catholic Charities of the Diocese of Rochester in partnership with the city of

Elmira, Providence is funded by the New York State Affordable Housing Corporation and the city. Providence plans to construct ten houses on Sullivan Street in Elmira for LMI first-time home buyers. Chemung underwrites a portion of the closing fees for those who qualify under the program.

The bank originated four loans for \$136 thousand under this program since the previous examination.

Workers Ownership Resource Center

Sponsored by Catholic Charities of the Southern Tier, Inc., the center provides training and technical assistance to LMI individuals who would like to start or expand a small business. Since the previous examination, the bank originated three loans for \$21 thousand under this program.

**INVESTMENT TEST**

Qualified investments totaled \$1.4 million, or 26 percent of Chemung's total investment activity for this examination. The bank donated an additional \$20.5 thousand to qualified community development groups in this MSA. Ninety-six percent of the bank's investment, or \$1.3 million, provided for the revitalization and stabilization in the city of Elmira through building and repair of infrastructure.

**SERVICE TEST**

**Retail Banking Services**

Accessibility of Delivery Systems

Chemung's branch network is readily accessible to all portions of MSA 2335 (Elmira, NY). Of the seven branches in the MSA, one, or 14 percent, is located in a low-income geography, while 23 percent of census tracts in the MSA are LMI.

Opening and Closing of Branches

During the examination period, no branches of the bank were opened or closed.

Availability and Effectiveness of Alternative Systems for Delivering Retail Services

Six of the bank's total of seven off-site ATMs are located in this MSA, and one of these ATMs is located in a moderate-income geography. Two of the ATMs are located in office buildings that are unavailable for public use when the buildings are closed after office hours. The ATM in the moderate-income geography is on a college campus in an area that is closed on weekends.

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

Chemung's services do not vary in a way that inconveniences certain portions of the bank's assessment area, particularly LMI geographies and individuals. All branches are full-service, offering various commercial and retail loan and deposit products and services. Five of seven branches, or 71.4 percent, have extended evening and weekend hours. There are no extended hours at Chemung's main branch located in this MSA's one low-income census tract. Six of seven branches have 24-hour ATMs, and one of six off-site ATMs are accessible to the public 24 hours a day.

**Community Development Services**

Chemung provides support to community development activities in MSA 2335 (Elmira, NY) in the form of technical assistance. The bank conducted a first-time home buyer seminar in conjunction with the YWCA of Elmira. Chemung provided technical assistance to 20 organizations; 5 of them promote small business development and 4 develop affordable housing.

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

Overall performance in the MSA was excellent, based on the following conclusions:

- Chemung's overall geographic distribution of loans across census tracts of different income levels was excellent.
- Distribution of loans among borrowers of different income levels was excellent, and distribution of loans to businesses of different sizes was adequate.
- The bank's delivery systems were readily accessible to all portions of the MSA.

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE MSA**

As of February 14, 2000, the bank maintained two, or 14 percent, of its branches in this MSA. Chemung's branches in MSA 0960 (Binghamton, NY) had \$49.4 million in deposits, or 10 percent of the bank's total deposits.

During the examination period, Chemung originated 153 HMDA-related loans and 39 small business loans in the MSA. This activity represents 9 percent of such loan originations by the bank in its combined assessment area.

### **PERFORMANCE CONTEXT**

#### *Demographic Characteristics*

Chemung's assessment area includes only the Tioga County portion of this MSA. In 1998 the county had a total population of 52,477 with no material growth since 1990. Aside from Owego, the Tioga County seat, there are few population centers in this predominantly rural county.

#### *Income Characteristics*

The 1999 HUD-adjusted median family income of \$42.9 thousand is the highest among the bank's four assessment areas. In 1990, 14,461 families resided in the Tioga County portion of the MSA, of which 5,326 or 36.8 percent are LMI. The assessment area has 11 census tracts, 2 low-income and 2 moderate-income tracts. The low-income census tracts are uninhabited and not included in the scope of the examination. Located in the towns of Waverly and Barton, the two moderate-income census tracts account for 22 percent of the nine census tracts analyzed as part of this assessment area. Seventeen percent of families reside in these moderate-income geographies.

#### *Housing Characteristics*

Of the 20,254 housing units in Tioga County, 14,841 or 73 percent are owner-occupied as of

1990. This county's owner-occupancy rate substantially exceeds the state rate of 48 percent. The median age of housing units in the assessment area is 29 years, lower than the state median of 39 years. In moderate-income census tracts, however, the median age is 50 years, highlighting the need for rehabilitation of housing in LMI census tracts. Within moderate-income census tracts, 64.5 percent of housing units are owner-occupied. The median housing value is \$78 thousand, which makes housing affordable for moderate-income people but largely unaffordable for low-income people.

According to community contacts, rehabilitation of the housing stock is a major need throughout Tioga County. Furthermore, rental costs are high largely because they do not include utility costs, which are considered to be among the highest in the U.S. The need for affordable housing was also cited.

### Labor, Employment and Economic Characteristics

The June 1999 unemployment rate for Tioga County is 3.4 percent, which is lower than the state rate of 5 percent. Manufacturing is the dominant employer, followed by services and retail in second and third place, respectively. Major employers include manufacturers such as Lockheed Martin, Harvard Manufacturing and Hadco.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MSA 0960 (BINGHAMTON, NY)**

### **LENDING TEST**

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

The overall distribution of loans across census tracts of different income levels in MSA 0960 (Binghamton, NY) was excellent. The bank's HMDA-related and small business lending in LMI census tracts exceeded that of aggregate lending institutions. Since Tioga County has no occupied low-income census tracts, the bank's lending in moderate-income census tracts is included in the evaluation.

#### **Home Purchase Loans**

Chemung's home purchase lending in MSA 0960's moderate-income census tracts during the examination period was excellent. The bank made 36.4 percent of its home purchase loans in moderate-income geographies while 15.9 percent of owner-occupied housing units are located in such geographies.

#### **Refinancings**

Chemung's refinance lending in moderate-income census tracts was excellent. During the



examination period, the bank made 38.5 percent of its refinancings in moderate-income geographies, while 15.9 percent of owner-occupied units are located in these geographies.

### Home Improvement Loans

Chemung's home improvement lending in moderate-income census tracts was excellent. During the examination period, the bank made 64.8 percent of its home improvement loans in moderate-income geographies, while 15.9 percent of owner-occupied housing units reside in moderate-income geographies.

### Small Business Loans

During the examination period, Chemung's small business lending in the moderate-income census tracts of Tioga County in MSA 0960 was excellent. The bank made 17.9 percent of its small business loans in moderate-income census tracts, while 16.6 percent of small businesses are located in such geographies.

### Borrower Characteristics

Chemung's lending to only moderate-income borrowers in MSA 0960 (Binghamton, NY) was included in the evaluation since the high cost of housing in relation to income generally puts homeownership out of the reach of low-income people. Overall the distribution of loans across borrower income levels was excellent, and distribution to businesses of different sizes was adequate.

### Home Purchase Loans

Chemung's home purchase lending to moderate-income borrowers in this MSA was excellent. While 17.9 percent of families are moderate-income, 30 percent of its home purchase loans were made to moderate-income borrowers. In 1998 the bank outperformed similarly situated peers as well as aggregate lending institutions in home purchase lending to moderate-income borrowers.

### Refinancings

Chemung's refinance lending to moderate-income individuals was excellent in MSA 0960 (Binghamton, NY). The bank originated 32 percent of its refinancings to moderate-income individuals during the examination period, while 17.9 percent of families are moderate-income. In 1998 the bank outperformed aggregate HMDA reporters in refinancings to moderate-income borrowers.

### Home Improvement Loans

Chemung's home improvement lending to moderate-income borrowers in Tioga County was excellent. The bank originated 23.1 percent of its home improvement loans to moderate-income borrowers, while 17.9 percent of families in this MSA are moderate-income. The bank's lending

to moderate-income borrowers was commensurate with aggregate lending institutions.

### Small Business Loans

Chemung's distribution of small business loans to businesses of different sizes was adequate. Approximately 64.1 percent of Chemung's small business originations were to businesses with GAR of \$1 million or less, while 93 percent of business establishments in the MSA have GAR of \$1 million or less. Nevertheless, in 1998 Chemung outperformed aggregate lending institutions in percentage of loans made to businesses of this size.

Of the bank's 39 small business loan originations in this MSA, 25 or 64.1 percent were for loan amounts less than or equal to \$100 thousand. The average size of the originations in this category was approximately \$41.4 thousand, indicating the bank's responsiveness to the credit needs of very small businesses when loan size is used as a proxy for the size of the business.

### Community Development Lending

In support of revitalization and stabilization, Chemung made one community development loan in MSA 0960 (Binghamton, NY) totaling \$200 thousand, which is 3.1 percent of the bank's community development lending activity. An industrial development agency obtained the loan to purchase land in an industrial development zone in an effort to attract a microchip manufacturing plant and create hundreds of new jobs.

### Innovative or Flexible Lending Practices

Chemung made two loans for a total of \$10 thousand under the Village of Waverly Beautification Project. Associated with the Village Home Rehabilitation Program, the project provides below-market rate financing to qualified homeowners for home renovation.

## **INVESTMENT TEST**

Qualified investments totaled \$950 thousand or 18 percent of Chemung's total investment activity for this examination, with an additional \$2,700 in grants and donations. Targeting the LMI community of Waverly, the investments provided revitalization and stabilization with the construction of school buildings and sewer and water systems.

## **SERVICE TEST**

### Retail Banking Services

#### Accessibility of Delivery Systems

Chemung's branch network is readily accessible to essentially all portions of Tioga County. One

of two offices, or 50 percent, is located in a moderate-income geography. This compares favorably with the demographics of the county where two of nine census tracts, or 22 percent, are moderate-income, and 17.9 percent of all families reside in moderate-income census tracts.

*Opening and Closing of Branches*

No branches were opened or closed during the examination period.

*Availability and Effectiveness of Alternative Systems for Delivering Retail Services*

Chemung operates two ATMs in MSA 0960 (Binghamton, NY). Both ATMs are located in branches and are accessible 24 hours a day.

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

Extended hours are available at all branches.

**Community Development Services**

Chemung provides support to community development activities in MSA 0960 (Binghamton, NY) in the form of technical assistance. During the examination period, the bank provided technical assistance to seven organizations, five of which reside in the LMI community of Waverly. The organizations include the Waverly Business Association and the Samaritan Counseling Center.

## **NON-MSA STEUBEN COUNTY**

Overall performance in non-MSA Steuben County was excellent, based on the following summary conclusions:

- The overall geographic distribution of loans across census tracts of different income levels was good.
- Distribution of loans among borrowers of different income levels was good, and distribution of loans to businesses of different sizes was adequate.
- Chemung's delivery systems were accessible to essentially all the assessment area.

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE COUNTY**

As of February 14, 2000, the bank maintained three of its branches, or 21.4 percent, in Steuben County. Branches in this MSA had \$66.9 million in deposits, which is 14 percent of the bank's total deposits.

During the examination period, Chemung originated 164 HMDA-related loans and 91 small business loans in Steuben County. This loan activity represents 11 percent of such loan originations by the bank in its combined assessment areas.

### **PERFORMANCE CONTEXT**

Chemung's assessment area includes only parts of Steuben County. According to the 1990 Census, the bank's assessment area portion of the county has a population of 51,406. The assessment area is primarily rural with the major population centers located in the towns of Corning and Bath.

#### *Income Characteristics*

The 1999 HUD-adjusted median family income for this non-MSA county is \$39.7 thousand. The 1990 Census counted 13,698 families in the bank's assessment area portion of Steuben County, of which 4,928 or 36 percent are LMI. The assessment area has 15 census tracts of which one, or 7 percent, is moderate-income. Approximately 7.2 percent of families reside in the single moderate-income census tract in Chemung's Steuben County assessment area.

#### *Housing Characteristics*

Chemung's assessment area portion of Steuben County contains 22,280 housing units, of which 14,164, or 64 percent, are owner-occupied. The median housing age is 43 years, which is slightly older than the state median housing age of 38 years. According to community contacts, the

average price of a single-family detached home is approximately \$104 thousand, which makes home purchase affordable for many moderate-income families. Community contacts also described rental units as generally affordable.

### Labor, Employment and Economic Characteristics

The major employment center in Steuben County is Corning where the Corning Glass Museum, a popular tourist attraction, and the Corning Photonics laboratories are located. Manufacturing is the leading employer largely because of the continuing production of pottery, glass and industrial machinery. The services sector, particularly health and social services, accounts for the second largest source of employment. Retail trade is the third major source of jobs in the county.

As of June 1999, the unemployment rate in the county is 5.5 percent, slightly higher than the state level of 5 percent.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NON-MSA STEUBEN COUNTY**

### **LENDING TEST**

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

Chemung's overall distribution of loans across census tracts of different income levels in Steuben County was good, although the bank's level of lending was low. Steuben County has no occupied low-income census tracts; thus, the bank's lending in moderate-income census tracts was evaluated.

#### Home Purchase Loans

Chemung's overall geographic distribution of home purchase loans was excellent. During the examination period, the bank originated 9.3 percent of its home purchase loans in the one moderate-income geography in the bank's assessment area portion of this county, while 7.6 percent of Steuben's owner-occupied housing units are in this geography.

#### Refinancings

Chemung's overall geographic distribution of refinancings was excellent. During the examination period, the bank originated 9.3 percent of its refinancings in the one moderate-income geography residing in the bank's assessment area portion of this county, while 7.6 percent of Steuben's owner-occupied housing units are in this geography.

### Home Improvement Loans

Chemung's overall geographic distribution of home improvement loans was excellent. During the examination period, the bank made 8.9 percent of its home improvement loans in the one moderate-income geography in the bank's assessment area portion of this county, while 7.6 percent of Steuben's owner-occupied housing units are located in this geography.

### Small Business Loans

Chemung's distribution of small business loans across geographies of different income levels was adequate. During the examination period, the bank made 2.2 percent of its small business loans in the one moderate-income geography located in the bank's assessment area portion of this county, while 3.9 percent of Steuben's small businesses operate in this geography. During the examination period, Chemung's small business lending in Steuben's moderate-income census tracts was adequate.

### Borrower Characteristics

Chemung's lending to moderate-income borrowers in the bank's assessment area portion of Steuben County was included in the evaluation since the high cost of housing in relation to income generally puts homeownership out of reach for low-income people. Overall, the distribution of loans across borrower income levels was good, and loan distribution to businesses of different sizes was adequate.

### Home Purchase Loans

Chemung's home purchase lending to moderate-income individuals in Steuben County was excellent during the examination period. While 18.7 percent of families in Steuben County are moderate-income, the bank made 19.5 percent of its loans to moderate-income borrowers.

### Refinancings

Chemung's refinance lending to moderate-income individuals during the examination period was poor. The bank made 7.1 percent of its refinancings to moderate-income individuals, while 18.7 percent of families in Steuben County are moderate-income.

### Home Improvement Loans

Chemung's home improvement lending to moderate-income borrowers in Steuben County was excellent during the examination period. The bank made 26.9 percent of its loans to moderate-income individuals, while 18.7 percent of families in the county are moderate-income.

### Small Business Loans

Chemung's distribution of small business loans to businesses of different sizes was adequate. Approximately 60.4 percent of Chemung's small business originations were to businesses with GAR of \$1 million or less, while 91 percent of business establishments in the bank's assessment area portion of Steuben have GAR of \$1 million or less.

Of the 91 small business loans Chemung originated in this county, 69.2 percent were for amounts of \$100 thousand or less. The average size of the originations in this category was approximately \$40.2 thousand, indicating the bank's responsiveness to the credit needs of very small businesses when the size of the loan is used as a proxy for the size of the business.

### **Community Development Lending**

Community development lending in Steuben County totaled \$1.7 million, or 26.7 percent of Chemung's total community development lending activity. Approximately 93.4 percent of the bank's community development lending in this MSA supported community services. The remaining loans supported affordable housing.

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

Chemung participates in the Tri-County Steuben County Home VI and Tri-County Steuben Affordable New Homes programs which offer first-time LMI home buyers grants of up to \$12 thousand toward the purchase of a new home with low maximum down payment requirements. The bank has not yet made a loan under these programs.

## **INVESTMENT TEST**

Qualified investments in Chemung's assessment area portion of Steuben County totaled \$116 thousand, or 2 percent of its total qualified investments. In addition, the bank's grants and donations totaled \$5,720. All the bank's qualified investments in Steuben, or \$116 thousand, provided for community services through investment in a fire truck for the LMI community of Savona.

## **SERVICE TEST**

### **Retail Banking Services**

#### Accessibility of Delivery Systems

Chemung operates three branch offices in Steuben County which are accessible to essentially all the assessment area. None are in the one moderate-income geography located in the bank's

assessment area portion of Steuben. This geography accounts for 7 percent of all census tracts in the bank's Steuben County assessment area.

*Opening and Closing of Branches*

During the examination period, no branches of the bank were opened or closed.

*Availability and Effectiveness of Alternative Systems for Delivering Retail Services*

In Steuben County, the bank operates one off-site ATM at a community college in an upper-income geography.

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

Chemung's services do not vary in a way that inconveniences certain portions of the bank's assessment area, particularly LMI geographies and LMI individuals. All branches are full-service, offering various commercial and retail loan and deposit products and services. Two of three branches, or 66 percent, have extended evening and weekend hours. All three branches have 24-hour ATMs. The bank's one off-site ATM does not have 24-hour accessibility.

**Community Development Services**

Chemung provides support for community development activities in its assessment area portion of Steuben County with technical assistance. Five organizations, including three small business development organizations, benefited from the bank's technical assistance.



## **NON-MSA SCHUYLER COUNTY**

Chemung's performance in Schuyler County was emphasized in the evaluation since the bank ranks second among banking institutions in market share of deposits, controlling 36.7 percent of all deposits made in the county. In addition, the county ranks second among Chemung's assessment areas in volume of home improvement loans and refinancings originated by the bank.

- Chemung's overall geographic distribution of loans across census tracts of different income levels could not be evaluated because the county has no LMI census tracts.
- Distribution of loans among both borrowers of different income levels and businesses of different sizes was good.
- Chemung's delivery systems are accessible to essentially all portions of the assessment area.

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE COUNTY**

As of February 14, 2000, the bank maintained two, or 14.3 percent of its branches in this MSA. Branches in Schuyler County had \$40.4 million in deposits, or 9 percent of the bank's total deposits.

During the examination period, Chemung originated 197 HMDA-related loans and 40 small business loans in Schuyler County. This activity represents 10 percent of such loan originations by the bank in its combined assessment area.

### **PERFORMANCE CONTEXT**

Chemung's assessment area includes Schuyler County. In 1998 the county had a population of 19,125, a 2.4 percent increase since 1990. The county ranks 61<sup>st</sup> out of 62 counties in terms of population. The county includes four villages and eight townships. Watkins Glen is the county seat.

#### *Income Characteristics*

The 1999 HUD-estimated median family income for Schuyler County is \$37.7 thousand, the lowest of the bank's four assessment areas. In 1990 there were 5,070 families in Schuyler County, of which 41 percent were LMI. None of the county's five census tracts are LMI.

#### *Housing Characteristics*

Schuyler County has 5,272 owner-occupied housing units with a median housing age of 41 years, slightly older than the state median housing age of 39 years. Approximately 47 percent of the

housing was constructed before 1950. In 1990 the county had a 62.2 percent rate of owner-occupancy compared with the state average of 48 percent. The 1999 median price of a single-family detached house is \$49 thousand, which makes housing affordable for many LMI people.

Community contacts said Schuyler County's credit needs include funding and technical assistance for small business development, lending to support the hotel industry, and construction loans and permanent loans to businesses locating in a planned industrial park.

### Labor, Employment and Economic Characteristics

The major source of employment in the county is the services sector with Schuyler Hospital employing several hundred people. Tourism provides seasonal employment. The county's raceway, Watkins Glen International, attracts hundreds of thousands of spectators per event. The numerous area wineries and autumn foliage viewing add to the tourist trade.

The second largest industry in Schuyler County is government, followed by non-durable goods manufacturing. Agriculture is limited to grapes and dairy products. Major employers in the area include Shepard Niles Crane & Hoist Corporation and US Salt, Inc.

The unemployment rate in Schuyler County as of June 1999 is 5.1 percent, slightly higher than New York State's 5 percent jobless rate.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NON-MSA SCHUYLER COUNTY**

### **LENDING TEST**

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

The overall distribution of loans across census tracts of different income levels in Schuyler County could not be evaluated because of the absence of LMI census tracts in this non-MSA.

#### **Borrower Characteristics**

Overall the distribution of loans across borrower income levels and to businesses of different sizes was good.

#### **Home Purchase Loans**

Chemung's percentage of total home purchase loans to LMI borrowers was adequate in Schuyler County. The bank made 24.3 percent of its home purchase loans to LMI borrowers, while 40.6 percent of families in the county are LMI. The bank's percentage of loans to moderate-income borrowers was adequate, and poor to low-income borrowers. During the examination

period, the bank made 8.1 percent of its home purchase loans to low-income borrowers, while 17.8 percent of families are low-income.

### Refinancings

Chemung's percentage of total refinance loans made to LMI borrowers during the examination period was adequate. The bank made 24.5 percent of its refinancings to LMI borrowers, while 40.6 percent of families are LMI. The bank's percentage of refinancings to moderate-income borrowers was good, while its lending to those of low income was poor. During the examination period, Chemung made 4.1 percent of its loans to low-income borrowers, while 17.8 percent of families in Schuyler County are low-income.

### Home Improvement Loans

Chemung's percentage of total home improvement loans made to LMI borrowers during the examination period was excellent. While 40.6 percent of families in Schuyler County are LMI, the bank made 51.3 percent of its loans to LMI borrowers. While the bank's percentage of home improvement loans made to moderate-income borrowers in Schuyler County was greater than the percentage of moderate-income families, its percentage of lending to low-income borrowers was less than the percentage of low-income families, but adequate. Chemung made 12.6 percent of its home improvement loans to low-income borrowers, while 17.8 percent of families in the county are low-income.

### Small Business Loans

Chemung's distribution of small business loans to businesses of different sizes was good. The bank's originations to businesses with GAR or \$1 million or less were good. Approximately 82.5 percent of Chemung's small business originations were to businesses in this category, while 93.8 percent of business establishments in the county have GAR of \$1 million or less.

Of the bank's 40 small business loan originations in Schuyler County, 38, or 95 percent, were for loan amounts less than \$100 thousand. The average size of originations in this category was \$30.2 thousand, indicating the bank's responsiveness to the credit needs of very small businesses when the size of the loan is used as a proxy for the size of the business.

### **Community Development Lending**

Community development lending in Schuyler County totaled \$823.5 thousand, or 12.7 percent of Chemung's total community development lending activity. All the bank's community development lending in the county supported community services.

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

Chemung has no special innovative or flexible lending programs specific to Schuyler County.

## **INVESTMENT TEST**

Chemung's qualified investments in Schuyler County were in the form of donations and totaled approximately \$1,801. The largest donation was for a group involved in small business development.

## **SERVICE TEST**

### **Retail Banking Services**

#### *Accessibility of Delivery Systems*

Chemung's two branches in Schuyler County are accessible to essentially the entire assessment area.

#### *Opening and Closing of Branches*

As previously mentioned, no branches of the bank were opened or closed during the examination period.

#### *Availability and Effectiveness of Alternative Systems for Delivering Retail Services*

Chemung has no off-site ATMs in Schuyler County.

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

Chemung's services do not vary in a way that inconveniences LMI individuals. All the bank's branches are full-service, offering various commercial and retail loan and deposit products and services. One of two branches, or 50 percent, maintain extended and Saturday hours. Both branches have 24-hour ATMs.

### **Community Development Services**

Chemung provides support for community development activities primarily through technical assistance, although the bank conducted one first-time home buyer seminar co-sponsored by the Tri-County Housing Council and targeted to LMI individuals. The bank provides technical assistance to three organizations serving Schuyler County, such as REDEC (Regional Economic Development and Energy Corporation), which helps finance business development projects.

## **EXHIBITS**

## EXHIBIT 1

# Summary of Assessment Area Data

NEW YORK STATE MSA NAME MSA NUMBER	Elmira, NY 2335	Binghamton 0960	Steuben Non-MSA	Schuyler Non-MSA	TOTALS
<b>Total Population</b>	95,195	52,337	51,406	18,662	<b>217,600</b>
% of assessment area population	44%	24%	24%	8%	<b>100%</b>
# of families	24,895	14,461	13,698	5,070	<b>58,124</b>
LMI families	9,355	5,326	4,928	2,061	<b>21,670</b>
% of assessment area families	43%	24%	23%	10%	<b>100%</b>
% of MSA families	38%	37%	36%	41%	<b>38%</b>
<b>Total Census Tracts</b>	22	9	15	5	<b>51</b>
% of assessment area tracts	43%	18%	29%	10%	<b>100%</b>
LMI tracts	5	2	1	-	<b>8</b>
% of all assessment area LMI tracts	63%	24%	13%	0%	<b>100%</b>
% of all MSA tracts	23%	22%	7%	0%	<b>16%</b>
<b>Total Owner-occupied Units</b>	24,095	14,841	14,164	5,272	<b>58,372</b>
% of assessment area OOU's	41%	25%	24%	10%	<b>100%</b>
LMI owner-occupied units	1,669	2,365	1,073	-	<b>5,107</b>
% of assessment area LMI OOU's	33%	46%	21%	0%	<b>100%</b>
% of MSA owner-occupied Units	7%	16%	8%	0%	<b>9%</b>
<b>Business Establishments</b>	2,300	1,022	1,287	451	<b>5,060</b>
% of assessment area businesses	45%	20%	25%	10%	<b>100%</b>
LMI businesses	647	170	50	0	<b>867</b>
% of assessment area LMI businesses	75%	20%	5%	0%	<b>100%</b>
% of MSA businesses	28%	17%	4%	0%	<b>17%</b>
<b>Number of Branches</b>	7	2	3	2	<b>14</b>
% of all branches	50%	14%	22%	14%	<b>100%</b>
Branches in LMI tracts	1	1	0	0	<b>2</b>
% of all assessment area LMI branches	50%	50%	0%	0%	<b>100%</b>
% of MSA branches	14%	50%	0%	0%	<b>14%</b>
<b>Branch Deposits ('000s)</b>	\$322,833	\$49,421	\$66,954	\$40,413	<b>\$479,621</b>
% of assessment area deposits	67%	10%	14%	9%	<b>100%</b>
<b>Home Purchase Originations</b>	239	22	43	37	<b>341</b>
% of assessment area originations	70%	6%	13%	11%	<b>100%</b>
HP originations in LMI tracts	32	8	4	0	<b>44</b>
% of all LMI assessment area originations	73%	18%	9%	0%	<b>100%</b>
% of all MSA originations	13%	36%	9%	0%	<b>13%</b>
<b>Refinancings Originations</b>	189	26	43	49	<b>307</b>
% of assessment area originations	62%	8%	14%	16%	<b>100%</b>
Refi originations in LMI tracts	9	10	4	0	<b>23</b>
% of all assessment area LMI originations	39%	44%	17%	0%	<b>100%</b>
% of all MSA originations	5%	38%	9%	0%	<b>8%</b>
<b>Home Improvement Originations</b>	462	105	78	111	<b>756</b>
% of assessment area originations	61%	14%	10%	15%	<b>100%</b>
HI originations in LMI tracts	35	68	7	0	<b>110</b>
% of all assessment area LMI originations	32%	62%	6%	0%	<b>100%</b>
% of all MSA originations	8%	65%	9%	0%	<b>15%</b>
<b>Small Business Originations</b>	675	39	91	40	<b>845</b>
% of assessment area originations	80%	5%	10%	5%	<b>100%</b>
Small business originations in LMI tracts	195	7	2	0	<b>204</b>
% of all assessment area LMI originations	96%	3%	1%	0%	<b>100%</b>
% of all MSA originations	29%	18%	2%	0%	<b>24%</b>
<b>Total Loans</b>	1,565	192	255	237	<b>2,249</b>
% of assessment area originations	70%	9%	11%	10%	<b>100%</b>
Total loan originations in LMI tracts	271	93	17	0	<b>381</b>
% of all assessment area LMI originations	71%	24%	5%	0%	<b>100%</b>
% of all MSA originations	17%	48%	7%	0%	<b>17%</b>

EXHIBIT 2

## Total Loan Originations

October 1, 1997 – September 30, 1999

Loan Type	#	%	\$('000s)	%
HMDA Home Purchase	362	15%	\$22,314	16%
HMDA Refinancings	343	14%	\$20,928	15%
HMDA Home Improvement	827	35%	\$7,625	6%
<b>Total HMDA-related</b>	<b>1,532</b>	<b>64%</b>	<b>\$50,867</b>	<b>37%</b>
<b>Total Small Business</b>	<b>876</b>	<b>36%</b>	<b>\$86,899</b>	<b>63%</b>
<b>TOTALS</b>	<b>2,408</b>	<b>100%</b>	<b>\$137,766</b>	<b>100%</b>

## Originations Inside and Outside the Assessment Area

October 1, 1997 – September 30, 1999

Loan Type	INSIDE		OUTSIDE	
	#	\$('000s)	#	\$('000s)
HMDA Home Purchase	341 (94%)	\$20,151 (90%)	21 (6%)	\$2,163 (10%)
HMDA Refinancings	307 (89%)	\$18,246 (87%)	36 (11%)	\$2,682 (13%)
HMDA Home Improvement	756 (91%)	\$7,052 (92%)	71 (9%)	\$573 (8%)
<b>Total HMDA-related</b>	<b>1,404 (92%)</b>	<b>\$45,449 (89%)</b>	<b>128 (8%)</b>	<b>\$5,418 (11%)</b>
<b>Total Small Business</b>	<b>845 (96%)</b>	<b>\$77,148 (89%)</b>	<b>38 (4%)</b>	<b>\$9,858 (11%)</b>
<b>TOTALS</b>	<b>2,249 (93%)</b>	<b>\$122,597 (89%)</b>	<b>166 (7%)</b>	<b>\$15,276 (11%)</b>

EXHIBIT 3

## Analysis of Home Purchase Loans Across Census Tract Income Levels

October 1, 1997 - September 30, 1999

Tracts	Low-income		Moderate-income		Middle-income		Upper-income		TOTALS	
	% Owner-Occupied Units	% of Loans	% Owner-Occupied Units	% of Loans	% Owner-Occupied Units	% of Loans	% Owner-Occupied Units	% of Loans	% Owner-Occupied Units	# of Loans
CHEMUNG	0.49	0.00	6.43	13.39	67.64	60.67	25.44	25.94	24,095	239
MSA 2335	0.49	0.00	6.43	13.39	67.64	60.67	25.44	25.94	24,095	239
TIOGA	0.00	0.00	15.94	36.36	49.52	63.64	34.55	0.00	14,841	22
MSA 0960	0.00	0.00	15.94	36.36	49.52	63.64	34.55	0.00	14,841	22
STEUBEN	0.00	0.00	7.58	9.30	73.43	69.77	18.99	20.93	14,164	43
SCHUYLER	0.00	0.00	0.00	0.00	100.00	100.00	0.00	0.00	5,272	37
Non-MSA Total	0.00	0.00	5.52	5.00	80.64	83.75	13.84	11.25	19,436	80
Non-MSA NY	0.20	0.00	8.55	12.90	67.36	66.28	23.89	20.82	58,372	341
CMSA Total	0.20	0.00	8.55	12.90	67.36	66.28	23.89	20.82	58,372	341
TOTALS	0.20	0.00	8.55	12.90	67.36	66.28	23.89	20.82	58,372	341

EXHIBIT 4

## Analysis of Refinancings Across Census Tract Income Levels

October 1, 1997 - September 30, 1999

Tracts	Low-income		Moderate-income		Middle-income		Upper-income		TOTALS	
	% Owner-Occupied Units	% of Loans	% Owner-Occupied Units	% of Loans	% Owner-Occupied Units	% of Loans	% Owner-Occupied Units	% of Loans	% Owner-Occupied Units	# of Loans
CHEMUNG	0.49	0.00	6.43	4.76	67.64	59.79	25.44	35.45	24,095	189
MSA 2335	0.49	0.00	6.43	4.76	67.64	59.79	25.44	35.45	24,095	189
TIOGA	0.00	0.00	15.94	38.46	49.52	50.00	34.55	11.54	14,841	26
MSA 0960	0.00	0.00	15.94	38.46	49.52	50.00	34.55	11.54	14,841	26
STEUBEN	0.00	0.00	7.58	9.30	73.43	65.12	18.99	25.58	14,164	43
SCHUYLER	0.00	0.00	0.00	0.00	100.00	100.00	0.00	0.00	5,272	49
Non-MSA Total	0.00	0.00	5.52	4.35	80.64	83.70	13.84	11.96	19,436	92
Non-MSA NY	0.20	0.00	8.55	7.49	67.36	66.12	23.89	26.38	58,372	307
CMSA Total	0.20	0.00	8.55	7.49	67.36	66.12	23.89	26.38	58,372	307
TOTALS	0.20	0.00	8.55	7.49	67.36	66.12	23.89	26.38	58,372	307



EXHIBIT 5

## Analysis of Home Improvement Loans Across Census Tract Income Levels

October 1, 1997 – September 30, 1999

Tracts	Low-income		Moderate-income		Middle-income		Upper-income		TOTALS	
	% Owner-Occupied Units	% of Loans	% Owner-Occupied Units	% of Loans	% Owner-Occupied Units	% of Loans	% Owner-Occupied Units	% of Loans	% Owner-Occupied Units	# of Loans
CHEMUNG	0.49	0.43	6.43	7.14	67.64	68.83	25.44	23.59	24,095	462
MSA 2335	0.49	0.43	6.43	7.14	67.64	68.83	25.44	23.59	24,095	462
TIOGA	0.00	0.00	15.94	64.76	49.52	25.71	34.55	9.52	14,841	105
MSA 0960	0.00	0.00	15.94	64.76	49.52	25.71	34.55	9.52	14,841	105
STEUBEN	0.00	0.00	7.58	8.97	73.43	82.05	18.99	8.97	14,164	78
SCHUYLER	0.00	0.00	0.00	0.00	100.00	100.00	0.00	0.00	5,272	111
Non-MSA Total	0.00	0.00	5.52	3.70	80.64	92.59	13.84	3.70	19,436	189
Non-MSA NY	0.20	0.26	8.55	14.29	67.36	68.78	23.89	16.67	58,372	756
CMSA Total	0.20	0.26	8.55	14.29	67.36	68.78	23.89	16.67	58,372	756
TOTALS	0.20	0.26	8.55	14.29	67.36	68.78	23.89	16.67	58,372	756

EXHIBIT 6

## Analysis of Small Business Loans Across Census Tract Income Levels

October 1, 1997 - September 30, 1999

Tracts	Low-income		Mod-income		Middle-income		Upper-income		TOTALS	
	% of Businesses	% of Loans	% of Businesses	% of Loans	% of Businesses	% of Loans	% of Businesses	% of Loans	% of Businesses	# of Loans
CHEMUNG	3.96	3.26	24.17	28.89	52.57	50.81	19.30	17.04	2,300	675
MSA 2335	3.96	3.26	24.17	28.89	52.57	50.81	19.30	17.04	2,300	675
TIOGA	0.00	0.00	16.63	17.95	59.98	71.79	23.39	10.26	1,022	39
MSA 0960	0.00	0.00	16.63	17.95	59.98	71.79	23.39	10.26	1,022	39
STEUBEN	0.00	0.00	3.89	2.20	78.32	63.74	17.79	34.07	1,287	91
SCHUYLER	0.00	0.00	0.00	0.00	100.00	100.00	0.00	0.00	451	40
Non-MSA Total	0.00	0.00	2.88	1.53	83.95	74.81	13.18	23.66	1,738	131
Non-MSA NY	1.80	2.60	15.34	24.14	64.84	55.50	18.02	17.75	5,060	845
CMSA Total	1.80	2.60	15.34	24.14	64.84	55.50	18.02	17.75	5,060	845
TOTALS	1.80	2.60	15.34	24.14	64.84	55.50	18.02	17.75	5,060	845

## EXHIBIT 7

## Distribution of Home Purchase Loans Across Borrower Income Levels

October 1, 1997 – September 30, 1999

Assessment Area	Low-income		Mod-income		Middle-income		Upper-income		TOTALS	
	% of Families	% of Loans	% of Families	% of Loans	% of Families	% of Loans	% of Families	% of Loans	# of Families	# of Loans
CHEMUNG	18.75	16.74	18.82	27.47	23.45	18.88	38.98	36.91	24,895	233
MSA 2335	18.75	16.74	18.82	27.47	23.45	18.88	38.98	36.91	24,895	233
TIOGA	18.88	5.00	17.95	30.00	25.72	35.00	37.45	30.00	14,461	20
MSA 0960	18.88	5.00	17.95	30.00	25.72	35.00	37.45	30.00	14,461	20
STEUBEN	17.27	0.00	18.70	19.51	23.41	21.95	40.61	58.54	13,698	41
SCHUYLER	17.77	8.11	22.88	16.22	27.00	21.62	32.35	54.05	5,070	37
Non-MSA Total	17.41	3.85	19.83	17.95	24.38	21.79	38.38	56.41	18,768	78
Non-MSA NY	18.35	12.99	18.93	25.38	24.31	20.54	38.40	41.09	58,124	331
CMSA Total	18.35	12.99	18.93	25.38	24.31	20.54	38.40	41.09	58,124	331
TOTALS	18.35	12.99	18.93	25.38	24.31	20.54	38.40	41.09	58,124	331

## EXHIBIT 8

## Distribution of Refinancings Across Borrower Income Levels

October 1, 1997 - September 30, 1999

Assessment Area	Low-income		Mod-income		Middle-income		Upper-income		TOTALS	
	% of Families	% of Loans	% of Families	% of Loans	% of Families	% of Loans	% of Families	% of Loans	# of Families	# of Loans
CHEMUNG	18.75	4.60	18.82	10.92	23.45	31.03	38.98	53.45	24,895	174
MSA 2335	18.75	4.60	18.82	10.92	23.45	31.03	38.98	53.45	24,895	174
TIOGA	18.88	4.00	17.95	32.00	25.72	28.00	37.45	36.00	14,461	25
MSA 0960	18.88	4.00	17.95	32.00	25.72	28.00	37.45	36.00	14,461	25
STEUBEN	17.27	0.00	18.70	7.14	23.41	30.95	40.61	61.90	13,698	42
SCHUYLER	17.77	4.08	22.88	20.41	27.00	28.57	32.35	46.94	5,070	49
Non-MSA Total	17.41	2.20	19.83	14.29	24.38	29.67	38.38	53.85	18,768	91
Non-MSA NY	18.35	3.79	18.93	13.79	24.31	30.34	38.40	52.07	58,124	290
CMSA Total	18.35	3.79	18.93	13.79	24.31	30.34	38.40	52.07	58,124	290
TOTALS	18.35	3.79	18.93	13.79	24.31	30.34	38.40	52.07	58,124	290

EXHIBIT 9

## Distribution of Home Improvement Loans Across Borrower Income Levels

October 1, 1997 - September 30, 1999

Assessment Area	Low-income		Mod-income		Middle-income		Upper-income		TOTALS	
	% of Families	% of Loans	% of Families	% of Loans	% of Families	% of Loans	% of Families	% of Loans	# of Families	# of Loans
CHEMUNG	18.75	13.50	18.82	27.65	23.45	22.79	38.98	36.06	24,895	452
MSA 2335	18.75	13.50	18.82	27.65	23.45	22.79	38.98	36.06	24,895	452
TIOGA	18.88	21.15	17.95	23.08	25.72	31.73	37.45	24.04	14,461	104
MSA 0960	18.88	21.15	17.95	23.08	25.72	31.73	37.45	24.04	14,461	104
STEUBEN	17.27	6.41	18.70	26.92	23.41	29.49	40.61	37.18	13,698	78
SCHUYLER	17.77	12.61	22.88	38.74	27.00	25.23	32.35	23.42	5,070	111
Non-MSA Total	17.41	10.05	19.83	33.86	24.38	26.98	38.38	29.10	18,768	189
Non-MSA NY	18.35	13.69	18.93	28.59	24.31	25.10	38.40	32.62	58,124	745
CMSA Total	18.35	13.69	18.93	28.59	24.31	25.10	38.40	32.62	58,124	745
TOTALS	18.35	13.69	18.93	28.59	24.31	25.10	38.40	32.62	58,124	745

EXHIBIT 10

## Distribution of Small Business and Small Farm Loan Activity by Loan and Revenue Size

October 1, 1997 - September 30, 1999

Assessment Area	Small Business/Small Farm Loans			TOTALS			
	<=\$100,000	>\$100,000, <=\$250,000	>\$250,000 <=\$1 Mil	Total # of Loans	% Loans to Bus. GAR <=\$1 Mil	# of Business Estab.	% of Bus. with GAR <=\$1 Mil
	% of Loans	% of Loans	% of Loans				
CHEMUNG	79.11	13.48	7.41	675	62.96	2,300	89.13
MSA 2335 Total	79.11	13.48	7.41	675	62.96	2,300	89.13
TIOGA	64.10	25.64	10.26	39	64.10	1,022	92.95
MSA 0960 Total	64.10	25.64	10.26	39	64.10	1,022	92.95
STEUBEN	69.23	15.38	15.38	91	60.44	1,287	91.45
SCHUYLER	95.00	5.00	0.00	40	82.50	451	93.79
Non-MSA Total	77.10	12.21	10.69	131	67.18	1,738	92.06
Non-MSA NY	78.11	13.85	8.05	845	63.67	5,060	90.91
CMSA Total	78.11	13.85	8.05	845	63.67	5,060	90.91
TOTALS	78.11	13.85	8.05	845	63.67	5,060	90.91

EXHIBIT 11

## Summary of Community Development Lending

Location	Commitment ('000s)	%	Outstanding ('000s)	%	New Money ('000s)	%	Housing Units
MSA 0160 (Albany-Schenectady-Troy, NY)	\$158	2%	\$156	6%	\$43	1%	141
MSA 6840 (Rochester, NY)	\$160	2%	\$160	7%	\$0	0%	0
MSA 0960 (Binghamton, NY)	\$200	3%	\$180	8%	\$200	3%	0
MSA 2335 (Elmira, NY)	\$3,085	48%	\$1,343	56%	\$3,084	51%	0
Non-MSAs	\$2,556	40%	\$500	21%	\$2,344	39%	45
Statewide	\$332	5%	\$48	2%	\$332	6%	0
<b>TOTALS</b>	<b>\$6,491</b>	<b>100%</b>	<b>\$2,387</b>	<b>100%</b>	<b>\$6,003</b>	<b>100%</b>	<b>186</b>
Direct Activity	\$5,841	90%	\$2,023	85%	\$5,628	94%	45
Indirect Activity	\$650	10%	\$364	15%	\$375	6%	141
<b>TOTAL ACTIVITY</b>	<b>\$6,491</b>	<b>100%</b>	<b>\$2,387</b>	<b>100%</b>	<b>\$6,003</b>	<b>100%</b>	<b>186</b>
Affordable Housing	\$679	10%	\$578	24%	\$439	8%	186
Community Service	\$5,061	78%	\$1,392	58%	\$4,862	81%	0
Economic Development	\$382	6%	\$98	4%	\$382	6%	0
Revitalization & Stabilization	\$369	6%	\$319	14%	\$320	5%	0

EXHIBIT 12

## Summary of Qualified Investment Activity

Location	Commitment ('000s)	%	Outstanding ('000s)	%	New Money ('000s)	%	Housing Units
MSA 0960 (Binghamton, NY)	\$950	18%	\$950	21%	\$0	0%	0
MSA 2335 (Elmira, NY)	\$1,397	26%	\$1,397	31%	\$0	0%	0
Non-MSAs	\$116	2%	\$116	3%	\$116	14%	0
Statewide	\$2,849	54%	\$2,054	45%	\$700	86%	0
<b>TOTALS</b>	<b>\$5,312</b>	<b>100%</b>	<b>\$4,517</b>	<b>100%</b>	<b>\$816</b>	<b>100%</b>	<b>0</b>
Direct Activity	\$2,463	46%	\$2,463	54%	\$116	14%	0
Indirect Activity	\$2,849	54%	\$2,054	46%	\$700	86%	0
<b>TOTAL ACTIVITY</b>	<b>\$5,312</b>	<b>100%</b>	<b>\$4,517</b>	<b>100%</b>	<b>\$816</b>	<b>100%</b>	<b>0</b>
Affordable Housing	\$0	0%	\$0	0%	\$0	0%	0
Community Service	\$173	3%	\$173	4%	\$116	14%	0
Economic Development	\$2,849	54%	\$2,054	45%	\$700	86%	0
Revitalization & Stabilization	\$2,290	43%	\$2,290	51%	\$0	0%	0

EXHIBIT 13

## Number of Branches by County/MSA

As of February 14, 2000

<b>County/MSA</b>	<b># of Branches</b>	<b># in LMI Tracts</b>	<b>% in LMI Tracts</b>
MSA 2335 (Elmira, NY)	7	1	14%
MSA 0960 (Binghamton, NY)	2	1	50%
Non-MSA Steuben County	3	0	0%
Non-MSA Schuyler County	2	0	0%
<b>TOTALS</b>	<b>14</b>	<b>2</b>	<b>14%</b>

## **CRA APPENDICES**

**CRA APPENDIX A**

<b>SCOPE OF EXAMINATION</b>			
Chemung Canal Trust Company			
<b>TIME PERIOD REVIEWED</b>		10/01/97 to 9/30/99	
<b>FINANCIAL INSTITUTION</b>			
Chemung Canal Trust Company			<b>PRODUCTS REVIEWED</b> <ul style="list-style-type: none"> <li>• Home Purchase</li> <li>• Refinance</li> <li>• Home Improvement</li> <li>• Small Farm/Small Business</li> <li>• Community Development Loans</li> </ul>
<b>LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION</b>			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
New York			
MSA 2335 (Elmira, NY)	On-site	One Chemung Canal Plaza	
MSA 0960 (Binghamton, NY)	On-site		
Non-MSA Steuben County	On-site		
Non-MSA Schuyler County	On-site		

## CRA APPENDIX B

### GLOSSARY

**ANNUALIZED:** Conversion of an average monthly figure (for example, number of loan originations) to an annual basis in order to simplify comparisons with previous years.

**AREA MEDIAN INCOME:** (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 non-metropolitan median family income.

**ATM:** Automated teller machine.

**BNA:** Block numbering area.

**CDC:** A community development corporation, or community development company, which can be organized under banks, bank holding companies, or independent nonprofit neighborhood or government-sponsored organizations. CDCs offer various services and implement various projects focusing on community improvement, housing development and job development, particularly for LMI persons.

**COMMUNITY DEVELOPMENT:** (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 GAR of \$1 million or less; or (4) activities that revitalize or stabilize low- or moderate-income geographies.

**CONSUMER LOANS:** Loans made to one or more individuals for household, family, or other personal expenditures. Consumer loans do not include loans reported under the Home Mortgage Disclosure Act.

**CRA:** Community Reinvestment Act.

**DIRECT LOAN:** A loan by a bank to its own customer without the use of third parties, such as dealers. Direct lending gives the lender more opportunities to screen credit applicants than indirect lending, and to monitor the loan through the credit department once a loan is approved and funds are disbursed (Dictionary of Banking Terms, 3rd Edition, by Thomas Fitch).

**GAR:** Gross annual revenues.

**GEOGRAPHY:** A census tract or a block numbering area delineated by the United States Bureau of the Census in the most recent decennial census (1990).



**HMDA:** Home Mortgage Disclosure Act.

**HMDA-RELATED LOANS:** Loans reported by the bank under Regulation C, Home Mortgage Disclosure Act. They include home purchase mortgage loans, home improvement loans, and refinancings of such loans (housing loans).

**HUD:** The United States Department of Housing and Urban Development.

**INDIRECT LOAN:** A loan sold by a dealer or a retailer of goods, to a third party financial institution that owns the loan contract as a holder in due course and collects principal and interest payments from borrower (Dictionary of Banking Terms, 3rd Edition, by Thomas Fitch).

**LMI:** Low- and moderate-income, as in LMI census tracts.

**LOW-INCOME:** 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 non-metropolitan median family income), or a block number area (“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.

**MIDDLE-INCOME:** 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.

**MODERATE-INCOME:** 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.

**MSA:** A metropolitan statistical area as defined by the director of the Office of Management and Budget.

**PEERS:** Similarly situated banks.

**PERFORMANCE CONTEXT:** The economic and demographic characteristics of a bank’s assessment area(s). The following information is considered to help understand the context in which an institution’s performance should be evaluated: (1) the economic and demographic characteristics of the assessment area(s); (2) lending, investment, and service opportunities in the assessment area(s); (3) the institution’s product offerings and business strategy; (4) the institution’s capacity and constraints; (5) the previous performance of the institution, and in appropriate circumstance, the performance of similarly situated institutions; and (6) other relevant information.

**QUALIFIED INVESTMENT:** A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**REFINANCINGS:** Refinancings of HMDA-reportable home purchase and/or home improvement loans.

**SBA:** Small Business Administration.

**SMALL BUSINESS LOANS:** 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 with original amounts of \$1 million or less that have been reported in Schedule RC-C, Part 1, (1.e)(4) of the report.

**SMALL FARM LOANS:** A loan for agricultural purposes with an origination amount of \$100 thousand or less; a loan with an origination amount of \$500 thousand or less made to a farm with gross annual revenues of \$1 million 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.