

# **PUBLIC DISCLOSURE**

April 5, 2010

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**CHEMUNG CANAL TRUST COMPANY  
RSSD No. 884303**

**One Chemung Canal Plaza  
Elmira, NY 14902**

**FEDERAL RESERVE BANK OF NEW YORK**

**33 LIBERTY STREET  
NEW YORK, NY 10045**

**NOTE:** This document is an evaluation of this 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. 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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**INSTITUTION'S CRA RATING:** Chemung Canal Trust Company (“Chemung”) is rated “**Outstanding.**”

The following table indicates the performance level of the institution with respect to the lending and community development tests:

PERFORMANCE LEVELS	PERFORMANCE TESTS	
	Lending Test	Community Development Test
Outstanding		X
Satisfactory	X	
Needs-to-improve		
Substantial Noncompliance		

The outstanding performance of Chemung with regard to the Community Reinvestment Act (“CRA”) is based on the following performance criteria:

- Community development activities demonstrate an overall excellent responsiveness to the community development needs of its assessment areas through community development loans, qualified investments, and community development services, as appropriate, considering the bank’s capacity and the need and availability of such opportunities for community development in the bank’s assessment areas.
- A substantial majority of loans were made in the assessment areas.
- The distribution of loans to borrowers of different incomes and businesses of different sizes was reasonable.
- The bank’s loan-to-deposit ratio was reasonable.
- The overall geographic distribution of loans reflects reasonable dispersion throughout the assessment areas.

## DESCRIPTION OF INSTITUTION

Chemung is a New York State-chartered bank that is a wholly-owned subsidiary of Chemung Financial Corporation. Established in 1833, Chemung is headquartered in Elmira, New York. Chemung provides full-service banking and trust services to commercial and consumer customers.

As of December 31, 2009, the bank reported total assets of \$973 million, with total net loans and leases of \$586 million and total deposits of \$802 million. These deposits were located within 23 full-service branch offices in the Southern Tier of New York State and Northern Pennsylvania.

Chemung's market is highly competitive with numerous local, regional and multinational banks, mortgage companies, credit unions and other financial institutions operating in its assessment areas. Chemung's primary bank competitors include Manufacturers and Traders Trust Company ("M&T"), HSBC Bank NA, Elmira Savings Bank, Community Bank NA, Five Star Bank and Tioga State Bank.

Chemung has five assessment areas located in two states and consists of the following:

- **MSA 21300 (Elmira, NY)**, consisting of Chemung County, NY.
- **New York Non-MSA Counties**, consisting of Schuyler County and the eastern portion of Steuben County, NY.
- **MSA 13780 (Binghamton, NY)**, consisting of the City of Binghamton located in Broome County, and Tioga County, both in NY.
- **MSA 27060 (Ithaca, NY)** consisting of Tompkins County, NY.
- **Non-MSA Pennsylvania** consisting of all of Bradford County, the eastern portion of Tioga County and the western portion of Sullivan County.

The assessment area expanded since the previous examination with the addition of six new branches. The assessment area was expanded to include the area west of the City of Binghamton into Tioga County, NY. In addition, the assessment area was expanded into Bradford County, Pennsylvania and portions of Tioga and Sullivan Counties, Pennsylvania, contiguous to Chemung's New York assessment area. The assessment area expansion was the result of Chemung's acquisition of three M&T branches in New York in Johnson City, Owego and Vestal in 2008 and the acquisition of the Bank of Canton of Canton, Pennsylvania on June 2, 2009.

Chemung has no financial or legal impediments that would prevent it from fulfilling its responsibilities under CRA. The bank's previous examination conducted as of March 10, 2008, resulted in an "Outstanding" rating.

## SCOPE OF EXAMINATION

### Procedures

Chemung was examined using the Federal Financial Institutions Examination Council's CRA *Intermediate Small Bank Examination Procedures*. A sample of 546 loans was analyzed for performance criteria related to lending in the assessment areas, borrower income and geographic distribution. The sample included 144 small business loans and 402 loans reported under the Home Mortgage Disclosure Act ("HMDA"). Loans for analysis were selected using the Board of Governors' sampling procedures and data was verified as part of the onsite examination.

### Products

Home purchase, refinance, home improvement and small business loans were evaluated for purposes of assessing Chemung's CRA performance.

### Examination Period

The evaluation period for HMDA-related and small business loans included loans made between January 1, 2008 through December 31, 2009. Examiners also reviewed activities pertaining to the community development test covering the same period.

### Lending Distribution Analysis

In order to evaluate the geographic distribution of HMDA-related loans, the proportion of loans made in low- and moderate- income ("LMI") geographies was compared with the proportion of owner-occupied units in LMI and non-LMI geographies. Small business loan analysis compared the proportion of lending to businesses in LMI and non-LMI geographies with the proportion of businesses in LMI and non-LMI geographies.

In order to analyze the borrower distribution of HMDA-related loans, the proportion of loans made to LMI borrowers was compared with the proportion of LMI families in the assessment areas. The U.S. Department of Housing and Urban Development ("HUD") adjusted median family income figures for 2008 and 2009 were used to categorize borrower income levels for 2008 and 2009, respectively. The analysis of small business loans compared the proportion of loans extended to businesses with gross annual revenues ("GAR") of \$1 million or less with the proportion of businesses with GAR of \$1 million or less. 2008 Dun and Bradstreet data were used for demographic information relating to the proportion of businesses with GAR of less than or equal to \$1 million. The size of the small business loan was also used as a proxy to identify lending to businesses with GAR of \$1 million or less.

For geographic and borrower distribution, comparisons were made to the most recent performance data available (2008) for the aggregate of all loan reporters. In addition, peer data was used for the analysis of community development loans and qualified investments. Local peer banks were selected based on their amounts of assets, deposits and branches and their presence within the assessment area. Only loans inside the bank's assessment areas were

included in the analysis of geographic and borrower distribution.

Product weightings within each assessment area were applied to the conclusions for geographic distribution and borrower characteristics. The comparison of a product's volume with total retail lending volume in the assessment area determined the weight of a product's performance in the overall conclusion.

### Deriving Overall Conclusions

Since the New York assessment area contains 93% of all loans made and 90% of all Chemung's branch deposits, overall performance was weighted primarily in New York State. Chemung's performance in MSA 21300 (Elmira, NY), the two New York Non-MSA Counties, and MSA 13780 (Binghamton, NY), received the most weight in determining New York State's overall rating because of their concentration of branches, branch deposits, and lending.

Accordingly, MSA 21300 (Elmira, NY), the New York Non-MSA areas, MSA 13780 (Binghamton, NY) and the Pennsylvania Non-MSA received full-scope reviews, while MSA 27060 (Ithaca, NY) received a limited-scope review.

### Community Contacts

Examiners also met with three community organizations during this examination to obtain information regarding performance context elements in the assessment areas. Two organizations focused on affordable housing for LMI individuals while the other promoted economic development through lending programs to small businesses.

## **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 satisfactory. Chemung originated a substantial majority of its loans within its assessment areas and its loan-to-deposit ratio was reasonable. The overall distribution of its loans among borrowers of different income levels and businesses of different sizes was reasonable. The geographic distribution of HMDA-related and small business loans reflected reasonable penetration throughout the bank's assessment areas.

### Loan-to-Deposit Ratio

Chemung's loan-to-deposit ratio was reasonable given the bank's financial condition, size, and the credit needs of its assessment areas. Chemung's average loan-to-deposit ratio for the eight most recent quarters ending December 31, 2009 was 80%, based on information contained in the *Consolidated Report of Condition and Income*. The bank's ratio was below the national peer average of 88% for similarly-sized banks but above an average of 76% for four similarly-situated banks with branches in Chemung's assessment areas during the same time period.

<b>Summary of Key Assessment Area Data</b>			
<b>Key Data</b>	<b>NY</b>	<b>PA</b>	<b>Totals</b>
<b>Total Population<sup>1</sup></b>	448,288	82,327	530,615
Population % of AA population	84%	16%	100%
<b>Families</b>	109,484	22,909	132,393
Families % of AA families	83%	17%	100%
<b>Total Census Tracts<sup>1</sup></b>	117	19	136
Tracts % AA tracts	86%	14%	100%
<b>LMI tracts</b>	29	0	29
LMI tracts % all AA LMI tracts	100%	0%	100%
<b>Total Owner-Occupied Units<sup>1</sup></b>	112,532	24,722	137,254
Units % of AA units	82%	18%	100%
<b>Business Establishments<sup>2</sup></b>	15,769	2,453	18,222
Bus. est. % AA bus. est.	87%	13%	100%
<b>Number of Branches<sup>3</sup></b>	20	3	23
Branches % all branches	87%	13%	100%
<b>Branches in LMI tracts</b>	3	0	3
LMI branches % AA LMI branches	100%	0%	100%
<b>Branch Deposits (\$'000s)<sup>4</sup></b>	706,046	74,802	780,848
Deposits % AA deposits	90%	10%	100%
Deposit Market Share (%)/ Rank in Mkt.	11%/14	5.0%/6	na
<b>Home Purchase Originations<sup>5</sup></b>	223	10	233
HP originations % AA orig.	96%	4%	100%
<b>Refinance Originations<sup>5</sup></b>	339	33	372
Refi orig. % AA orig.	91%	9%	100%
<b>Home Improvement Originations<sup>5</sup></b>	496	35	531
HI orig. % AA orig.	93%	7%	100%
<b>Small Business Originations<sup>5</sup></b>	426	40	466
SB orig. % AA orig.	91%	9%	100%
<b>Combined Loan Totals<sup>5</sup></b>	1,484	118	1,602
% of AA Originations	93%	7%	100%
(1) U.S. Census Data for 2000.			
(2) Source: 2008 Dun & Bradstreet			
(3) Number of branches as of 12/31/09			
(4) Source: FDIC summary of deposit data as of 6/30/2009.			
(5) Originations include originations from January 1, 2008 - December 31, 2009			

Lending in the Assessment Areas

Chemung made a substantial majority of its loans in its assessment areas. Of the 402 HMDA loans and 144 small business loans in the sample made during the examination period, 384 or 96% of the HMDA loans and 134 or 93% of the small business loans were extended to individuals and businesses in the bank's assessment areas.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The overall distribution among borrowers of different income levels and businesses of different sizes was reasonable based on reasonable performance in the New York assessment areas and reasonable performance in the Non-MSA Pennsylvania assessment area.

Geographic Distribution of Loans

The overall geographic distribution of loans reflected reasonable penetration in LMI geographies throughout Chemung's assessment areas. The reasonable rating is based on reasonable performance in the New York assessment areas and reasonable performance in the Non-MSA Pennsylvania assessment area.

Response to Complaints

No complaints were received by Chemung relating to the bank's CRA performance, and no complaints have been filed with the Federal Reserve Bank of New York since the previous examination.

**COMMUNITY DEVELOPMENT TEST**

Chemung's overall community development performance demonstrated outstanding responsiveness to the community development needs of its assessment areas through community development loans, investments, and services. This assessment considers Chemung's capacity and the availability of such opportunities for community development in the bank's assessment areas. Overall performance was excellent in the New York assessment areas and poor in the Non-MSA Pennsylvania assessment area. The community development test rating was significantly weighted toward the State of New York, which had a significant volume of community development loans, investment and services.

**FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

The bank is in compliance with the substantive provisions of the anti-discrimination laws and regulations. No illegal credit practices were identified as being inconsistent with helping to meet the credit needs of the assessment area.

## STATE OF NEW YORK

### ***CRA RATING FOR NEW YORK STATE: OUTSTANDING***

**The Lending Test is rated: *Satisfactory***

**The Community Development Test is rated: *Outstanding***

The major factors supporting the rating include:

- An excellent level of community development activities;
- A reasonable distribution of loans among individuals of different income levels and businesses of different sizes; and
- A reasonable geographic distribution of loans in the bank's assessment areas.

### **SCOPE OF EXAMINATION**

Examiners conducted full-scope analyses of the following three assessment areas in New York State:

- MSA 21300 (Elmira, NY): Includes Chemung County in its entirety
- NY Non-MSA: Includes all of Schuyler County and the eastern portion of Steuben County.
- MSA 13780 (Binghamton, NY): Includes the City of Binghamton, the region west of Binghamton and all of Tioga County, NY.

The combined full-scope areas comprise 90% or more of the Chemung's loans and deposits in New York State.

### **DESCRIPTION OF INSTITUTION'S OPERATIONS**

Chemung's performance in the New York State assessment areas received the most weight in deriving the bank's overall CRA performance rating. In addition to containing 93% of the total retail loans and 90% of deposits in the bank's overall assessment area, 87% of branches, 86% of all census tracts and all of the LMI census tracts are located in the New York State assessment area. Furthermore, 96% of home purchase loans, 91% of refinance loans, 93% of home improvement loans, and 91% of small business loans were originated in the New York State assessment areas during the examination period.

Chemung had a 34% deposit market share and ranked first in the Elmira (MSA 21300) assessment area and had a 5% deposit market share and ranked sixth in the Binghamton (MSA 13780) assessment area. In the NY Non-MSA counties of Schuyler and Steuben, Chemung had a 16% deposit market share and ranked third. Other banks in Chemung's assessment areas

<b>Summary of Key Assessment Area Data - New York State</b>					
<b>Key Data</b>	<b>MSA 21300</b>	<b>NY-Non- MSA</b>	<b>MSA 13780</b>	<b>MSA 27060</b>	<b>Total New York State</b>
<b>Total Population<sup>1</sup></b>	91,070	78,720	181,997	96,501	448,288
Population % of AA population	20%	18%	41%	22%	100%
<b>Families</b>	23,461	21,148	45,616	19,259	109,484
Families % of AA families	21%	19%	42%	18%	100%
<b>Total Census Tracts<sup>1</sup></b>	23	23	48	23	117
Tracts % AA tracts	20%	20%	41%	20%	100%
<b>LMI tracts</b>	6	1	17	5	29
LMI tracts % all AA LMI tracts	21%	3%	59%	17%	100%
<b>Total Owner-Occupied Units<sup>1</sup></b>	24,159	22,923	45,867	19,583	112,532
Units % of AA units	21%	20%	41%	17%	100%
<b>Business Establishments<sup>2</sup></b>	2,910	2,655	6,480	3,724	15,769
Bus. est. % AA bus. est.	18%	17%	41%	24%	100%
<b>Number of Branches<sup>3</sup></b>	7	5	6	2	20
Branches % all branches	35%	25%	30%	10%	100%
<b>Branches in LMI tracts</b>	1	0	1	1	3
LMI branches % AA LMI branches	33%	0%	33%	33%	100%
<b>Branch Deposits (\$'000s)<sup>4</sup></b>	399,330	148,967	127,990	29,759	706,046
Deposits % AA deposits	57%	21%	18%	4%	100%
Deposit Market Share (%) / Rank in Mkt.	34.1/1	15.6/3	4.8/6	1.9/10	na
<b>Home Purchase Originations<sup>5</sup></b>	144	48	12	19	223
HP originations % AA orig.	65%	22%	5%	9%	100%
<b>Refinance Originations<sup>5</sup></b>	168	62	68	41	339
Refi orig. % AA orig.	50%	18%	20%	12%	100%
<b>Home Improvement Originations<sup>5</sup></b>	301	103	69	23	496
HI orig. % AA orig.	61%	21%	14%	5%	100%
<b>Small Business Originations<sup>5</sup></b>	238	100	60	28	426
SB orig. % AA orig.	56%	23%	14%	7%	100%
<b>Combined Loan Totals<sup>5</sup></b>	851	313	209	111	1,484
<b>% of AA Originations</b>	57%	21%	14%	7%	100%
(1) U.S. Census Data for 2000.					
(2) Source: 2008 Dun & Bradstreet					
(3) Number of branches as of 12/31/09					
(4) Source: FDIC summary of deposit data as of 6/30/2009.					
(5) Originations include originations from January 1, 2008 - December 31, 2009					

include Manufacturers and Traders Trust Company, HSBC Bank USA NA, Elmira Savings Bank FSB, and Tioga State Bank.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NEW YORK STATE**

### **LENDING TEST**

Chemung's lending test performance is rated satisfactory based on reasonable performance in the distribution of loans to borrowers of different incomes and businesses of different sizes and reasonable performance in the geographic distribution of loans.

#### **Borrower Distribution:**

The overall borrower distribution of HMDA-related and small business loans was reasonable. This conclusion is based on reasonable performance in MSA 21300 (Elmira, NY), the New York Non-MSA (Schuyler and Steuben County, NY) and in MSA 13780 (Binghamton, NY).

#### **Geographic Distribution:**

The overall geographic distribution of HMDA-related and small business loans reflected reasonable penetration in LMI geographies. This conclusion is based on reasonable performance in MSA 21300 (Elmira, NY), and the New York Non-MSA areas (Schuyler and Steuben County, NY). Poor performance was noted in MSA 13780 (Binghamton, NY).

### **COMMUNITY DEVELOPMENT TEST**

Chemung demonstrated overall outstanding responsiveness to the community development needs of the New York assessment areas. Chemung provided an excellent level of community development activities in MSA 21300 (Elmira, NY), and the New York Non-MSA areas (Schuyler and Steuben County, NY). Adequate performance was noted in MSA 13780 (Binghamton, NY).

**METROPOLITAN AREA**  
**FULL SCOPE REVIEW**  
**MSA 21300 (ELMIRA, NY)**

**DESCRIPTION OF OPERATIONS**

As of December 31, 2009, Chemung operated 7 branches in the Elmira MSA, representing 35% of its total number of all branches in New York State. These branches contained \$399 million in deposits, or 57% of Chemung's total branch deposits in New York State as of June 30, 2009. In addition, 57% of Chemung's total retail loans in New York State were originated in the Elmira MSA during the review period.

<b>EXHIBIT 1</b>								
<b>Assessment Area Demographics</b>								
<b>Assessment Area: MSA 21300 Elmira, NY</b>								
<b>Income Categories</b>	<b>Tract Distribution</b>		<b>Families by Tract Income</b>		<b>Families &lt; Poverty Level as % of Families by Tract</b>		<b>Families by Family Income</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low-income	2	8.7	438	1.9	167	38.1	4,313	18.4
Moderate-income	4	17.4	3,155	13.4	665	21.1	4,377	18.7
Middle-income	13	56.5	14,210	60.6	1,158	8.1	5,498	23.4
Upper-income	3	13.0	5,658	24.1	152	2.7	9,273	39.5
Unknown-income	1	4.3	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>23</b>	<b>100.0</b>	<b>23,461</b>	<b>100.0</b>	<b>2,142</b>	<b>9.1</b>	<b>23,461</b>	<b>100.0</b>
	<b>Housing Units by Tract</b>	<b>Housing Types by Tract</b>						
		<b>Owner-occupied</b>			<b>Rental</b>		<b>Vacant</b>	
		<b>#</b>	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low-income	1,393	107	0.4	7.7	1,035	74.3	251	18.0
Moderate-income	6,366	2,351	9.7	36.9	3,292	51.7	723	11.4
Middle-income	22,153	15,310	63.4	69.1	5,424	24.5	1,419	6.4
Upper-income	7,830	6,391	26.5	81.6	1,136	14.5	303	3.9
Unknown-income	3	0	0.0	0.0	3	100.0	0	0.0
<b>Total Assessment Area</b>	<b>37,745</b>	<b>24,159</b>	<b>100.0</b>	<b>64.0</b>	<b>10,890</b>	<b>28.9</b>	<b>2,696</b>	<b>7.1</b>
	<b>Total Businesses by Tract</b>	<b>Businesses by Tract &amp; Revenue Size</b>						
		<b>Less Than or = \$1 Million</b>		<b>Over \$1 Million</b>		<b>Revenue Not Reported</b>		
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low-income	383	13.2	320	12.5	51	20.2	12	13.6
Moderate-income	484	16.6	412	16.0	60	23.7	12	13.6
Middle-income	1,362	46.8	1,223	47.6	101	39.9	38	43.2
Upper-income	680	23.4	613	23.9	41	16.2	26	29.5
Unknown-income	1	0.0	1	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>2,910</b>	<b>100.0</b>	<b>2,569</b>	<b>100.0</b>	<b>253</b>	<b>100.0</b>	<b>88</b>	<b>100.0</b>
	<b>Percentage of Total Businesses:</b>			<b>88.3</b>		<b>8.7</b>		<b>3.0</b>

**PERFORMANCE CONTEXT**

The following demographic and economic information was obtained from publicly available sources that include the U.S. Department of Commerce's Bureau of Census, the New York State

Department of Labor, the U.S. Department of Housing and Urban Development and the New York Association of Realtors.

Demographic Characteristics

According to the 2000 Census, the population of MSA 21300 (Elmira, NY) totals 91,070. The MSA contains 20% of the bank's combined assessment area population in New York State. The percentage of the population 65 and older is 16% in Chemung County compared with 13% in New York State.

Income Characteristics

The HUD-adjusted median family income for the MSA was \$52,700 in 2008 and \$55,500 in 2009. Of the 23 census tracts in the MSA, 2 or 9% are low-income and 4 or 17% are moderate-income. Most LMI tracts are located in the city of Elmira. Lastly, 9% of all families in the MSA have incomes below the poverty level.

Housing Characteristics

MSA 21300 (Elmira, NY) contains 37,745 housing units, of which 64% are owner-occupied. Of the total owner-occupied units, 10% were located in LMI census tracts. Demographic information from the 2000 census estimated that the median age of the housing stock throughout the MSA is 49 years. In this market, Chemung's older population is less likely to need home purchase loans, but more likely to need home improvement loans.

Median Home Sales Prices		
Area	2008	2009
MSA 21300 (Elmira, NY)	\$87,700	\$87,300

Source: New York Association of Realtors

As shown in the table at left, the median sales price of existing single-family homes in MSA 21300 (Elmira, NY) totaled \$87,700 as of December 2008 and decreased slightly to \$87,300 in 2009. As such, housing is affordable in comparison to other parts of NY State.

Labor, Employment and Economic Conditions

Long term economic trends in the Elmira MSA indicate an increase in employment in education, health care and services. Community contacts noted, however, that many of the service jobs are low paying. In addition, during the examination period, the average annual unemployment rates for Chemung County increased significantly from 5.5% in 2008 to 8.9% in 2009. The New York State Department of Labor ("NYSDOL") noted in its May 2009 labor statistics newsletter that most businesses are cutting costs due to the national recession, resulting in widespread reductions in company staffing levels. According to the NYSDOL, these businesses primarily include manufacturing companies, which have historically been an important source of regional economic growth in the southern tier.

For additional assessment area data, see Exhibit 1.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### LENDING TEST

Chemung's overall record of lending in MSA 21300 (Elmira, NY) was satisfactory, based on reasonable lending to borrowers of different income levels and to businesses of different sizes and a reasonable geographic distribution of lending.

#### **Lending to Borrowers of Different Incomes and Businesses of Different Sizes**

The overall borrower distribution of loans reflected reasonable performance in HMDA-related lending to low- income borrowers and excellent performance in HMDA-related lending to moderate-income borrowers. The distribution of loans to businesses of different sizes reflects poor performance. The following table summarizes the bank's performance in lending to low- and moderate- income borrowers within each HMDA and small business product:

<b>MSA 21300 (Elmira, NY) Borrower Distribution</b>				
<b>PRODUCT</b>	<b>Low-income Borrowers</b>		<b>Moderate-income Borrowers</b>	
	<b>Chemung Performance</b>	<b>2008 Aggregate Comparison</b>	<b>Chemung Performance</b>	<b>2008 Aggregate Comparison</b>
<b>Home Purchase</b>	Reasonable	Slightly Above	Excellent	Significantly Above
<b>Refinance</b>	Reasonable	Slightly Above	Reasonable	Similar To
<b>Home Improvement</b>	Excellent	Significantly Above	Excellent	Above
	<b>Lending to Businesses with GAR &lt;= \$1 million</b>		<b>2008 Aggregate Comparison</b>	
<b>Small Business</b>	Poor		Slightly Above	

#### *Home Purchase Loans*

Chemung demonstrated reasonable distribution of home purchase loans to low-income borrowers. Chemung extended 7% of loans to low-income borrowers compared to 18% of low-income families residing in the MSA. Chemung's home purchase lending to low-income borrowers was slightly above the aggregate, which made 6% of its home purchase loans to low-income borrowers.

Chemung's distribution of home purchase loans to moderate-income borrowers was excellent. Chemung extended 31% of loans to moderate-income borrowers compared to 19% of moderate-income families residing in the MSA. Chemung's home purchase lending to moderate-income borrowers was significantly above the aggregate, which made 21% of its home purchase loans to moderate-income borrowers.

### Refinance Loans

Chemung's distribution of refinancings to low-income borrowers was reasonable. Chemung originated 7% of its refinance loans to low-income borrowers, compared to 18% of low-income families residing in the MSA. Chemung's refinance lending to low-income borrowers was slightly above the aggregate, which made 6% of its refinance loans to low-income borrowers.

The distribution of refinancings to moderate-income borrowers was reasonable. Chemung originated 16% of its refinance loans to moderate-income borrowers, compared to 19% of moderate-income families residing in the MSA. Chemung's refinance lending to moderate-income borrowers was similar to the aggregate, which made 16% of its refinancing loans to moderate-income borrowers.

### Home Improvement Loans

Chemung's distribution of home improvement loans to low-income borrowers was excellent. Chemung originated 21% of its home improvement loans to low-income borrowers, compared to 18% of low-income families residing in the MSA. Chemung's home improvement lending to low-income borrowers was significantly above the aggregate, which made 11% of its home improvement loans to low-income borrowers.

The distribution of home improvement loans to moderate-income borrowers was excellent. Chemung originated 26% of its home improvement loans to moderate-income borrowers, compared to 19% of moderate-income families residing in the MSA. Chemung's home improvement lending to moderate-income borrowers was above the aggregate, which made 21% of its home improvement loans to low-income borrowers.

### Small Business Loans

Chemung's distribution of loans to businesses of different sizes was poor. The proportion of loans to businesses with gross annual revenues ("GAR") of \$1 million or less was 34% compared to 88% of such businesses located in the MSA. Chemung's performance was slightly above the aggregate which reported 31% of its loans to such businesses.

Of Chemung's small business loans, 53% were in amounts of \$100,000 or less, with an average loan size of \$229,000. Chemung underperformed the aggregate which originated 97% of its loans in amounts of \$100,000 or less. Small loan amounts generally reflect the size of the business.

### Geographic Distribution of Loans

The overall geographic distribution of HMDA-related and small business loans reflected reasonable loan penetration in the MSA 21300 (Elmira, NY). Performance in this assessment area is based primarily on performance in moderate-income tracts.

**2008 Aggregate Comparison Loan Distribution Table**  
Assessment Area: MSA 21300 – Elmira, NY

Income Categories	HMDA									
	By Tract Income					By Borrower Income				
	#	%	% \$(000s)	%	% \$(000s)	#	%	% \$(000s)	%	% \$(000s)
<b>Home Purchase</b>										
Low	0	0.0%	0.0%	0.7%	0.3%	5	7.5%	3.8%	6.3%	3.0%
Moderate	4	6.0%	2.8%	8.7%	5.0%	21	31.3%	22.7%	20.5%	13.2%
Middle	44	65.7%	62.7%	59.4%	49.8%	21	31.3%	29.7%	24.5%	20.0%
Upper	19	28.4%	34.4%	31.1%	44.8%	17	25.4%	39.6%	39.1%	55.3%
Unknown	0	0.0%	0.0%	0.1%	0.1%	3	4.5%	4.3%	9.6%	8.6%
<b>Total</b>	<b>67</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>67</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Refinance</b>										
Low	0	0.0%	0.0%	0.0%	0.0%	5	7.1%	4.3%	6.4%	3.4%
Moderate	5	7.1%	3.9%	10.0%	8.9%	11	15.7%	11.4%	16.4%	11.6%
Middle	40	57.1%	49.7%	57.3%	47.9%	14	20.0%	15.4%	23.4%	20.5%
Upper	25	35.7%	46.3%	32.7%	43.1%	37	52.9%	66.4%	45.2%	55.2%
Unknown	0	0.0%	0.0%	0.0%	0.0%	3	4.3%	2.5%	8.6%	9.3%
<b>Total</b>	<b>70</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>70</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Home Improvement</b>										
Low	0	0.0%	0.0%	0.2%	0.0%	19	20.7%	8.8%	10.8%	4.5%
Moderate	8	8.7%	7.9%	7.5%	5.4%	24	26.1%	24.3%	20.7%	14.8%
Middle	61	66.3%	59.5%	67.2%	61.8%	27	29.3%	35.4%	32.4%	31.2%
Upper	23	25.0%	32.6%	25.1%	32.8%	19	20.7%	28.1%	34.6%	48.5%
Unknown	0	0.0%	0.0%	0.0%	0.0%	3	3.3%	3.4%	1.5%	1.0%
<b>Total</b>	<b>92</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>92</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Multi-Family</b>										
Low	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.0%
Moderate	1	50.0%	6.4%	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.0%
Middle	1	50.0%	93.6%	100.0%	100.0%	0	0.0%	0.0%	0.0%	0.0%
Upper	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.0%
Unknown	0	0.0%	0.0%	0.0%	0.0%	2	100.0%	100.0%	100.0%	100.0%
<b>Total</b>	<b>2</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>2</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>HMDA Totals</b>										
Low	0	0.0%	0.0%	0.3%	0.1%	29	12.6%	4.1%	7.4%	3.2%
Moderate	18	7.8%	4.0%	8.9%	6.5%	56	24.2%	15.9%	19.1%	12.6%
Middle	146	63.2%	59.7%	60.7%	50.4%	62	26.8%	21.2%	26.0%	20.8%
Upper	67	29.0%	36.3%	30.1%	42.9%	73	31.6%	46.7%	40.0%	54.3%
Unknown	0	0.0%	0.0%	0.0%	0.0%	11	4.8%	12.2%	7.5%	9.1%
<b>Total</b>	<b>231</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>231</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>SMALL BUSINESS</b>										
<b>By Tract Income</b>										
		2008-2009 Bank			2008 Aggregate					
	#	%	% \$(000s)	%	% \$(000s)		%	% \$(000s)		
Low	4		6.3%		12.4%		7.0%		12.4%	
Moderate	27		42.2%		37.4%		15.0%		16.5%	
Middle	25		39.1%		36.9%		46.3%		40.3%	
Upper	8		12.5%		13.3%		29.5%		29.7%	
Unknown	0		0.0%		0.0%		0.1%		0.0%	
Tract Unknown	0		0.0%		0.0%		2.2%		1.1%	
<b>Total</b>	<b>64</b>		<b>100.0%</b>		<b>100.0%</b>		<b>100.0%</b>		<b>100.0%</b>	
<b>By Revenue</b>										
\$1 Million or Less	22		34.4%		9.2%		31.0%		40.4%	
<b>By Loan Size</b>										
\$100,000 or less	34		53.1%		10.1%		97.1%		48.2%	
\$100,001-\$250,000	13		20.3%		18.2%		1.7%		16.3%	
\$250,001-\$1 Million	17		26.6%		71.7%		1.2%		35.5%	
<b>Total</b>	<b>64</b>		<b>100.0%</b>		<b>100.0%</b>		<b>100.0%</b>		<b>100.0%</b>	

Originations and Purchases

Chemung made no home purchase, refinance or home improvement loans in low-income geographies. However, the aggregate made only 7 loans in low-income geographies for HMDA-related products. Similarly, the low-income geographies had only 107, or less than 1%, of available owner-occupied housing units located in low-income geographies.

Chemung’s small business performance in low-income tracts was reasonable with 6% of Chemung’s loans made in low-income geographies compared to 13% of businesses and 7% of the aggregate’s lending to business located in low-income geographies. Due to the very low level of owner-occupied units and the very low level of aggregate loans, the bank’s performance in low-income geographies was considered reasonable in the context of the limited lending opportunities.

Chemung’s performance in moderate-income geographies was reasonable. The following table summarizes Chemung’s performance in moderate-income census tracts with respect to each loan product:

<b>LENDING IN MODERATE-INCOME TRACTS</b>		
<b>MSA 21300 (Elmira, NY)</b>		
<b>PRODUCT</b>	<b>Moderate-Income Tracts</b>	<b>Aggregate Comparison 2008</b>
Home Purchase	Reasonable	Below
Refinance	Reasonable	Below
Home Improvement	Excellent	Slightly Above
Small Business	Excellent	Significantly Above

Home Purchase Loans

The distribution of home purchase loans in moderate-income areas was reasonable when compared with the level of owner-occupied housing units as well as the aggregate of all HMDA-reporting lenders in the Elmira MSA. Chemung made 6% of its home purchase loans in moderate-income geographies compared to 10% of the owner occupied-housing units located within moderate-income geographies. Chemung’s home purchase lending in moderate-income geographies was below the aggregate, which made 9% of its home purchase loans in moderate-income geographies.

Refinance Loans

The distribution of refinancings in moderate-income geographies was reasonable when compared with both the level of owner-occupied housing units as well as the aggregate of all HMDA-reporting lenders in the Elmira MSA. Chemung made 7% of its refinance loans in moderate-income geographies compared to 10% of owner-occupied housing units located within moderate-

income geographies. Chemung's refinance lending in moderate-income geographies was below the aggregate, which made 10% of its refinance loans in moderate-income geographies.

### Home Improvement Loans

The distribution of home improvement loans in moderate-income geographies was excellent when compared with the level of owner-occupied housing units and the aggregate of all HMDA-reporting lenders in the Elmira MSA. Chemung made 9% of its home improvement loans in moderate-income geographies compared to 10% of owner-occupied housing units located within moderate-income geographies. Chemung's home improvement lending in moderate-income geographies was slightly above the aggregate, which made 8% of its home improvement loans in moderate-income geographies.

### Small Business Loans

The distribution of small business loans in moderate-income areas was excellent compared with the number of businesses located in those geographies as well as the performance of the aggregate of all CRA-reporting lenders. A total of 42% of the bank's small business loans were made in moderate-income geographies compared to 17% of the businesses and 15% of the aggregate's lending to businesses located in moderate-income geographies.

## **COMMUNITY DEVELOPMENT TEST**

Chemung demonstrated outstanding responsiveness to the community development needs of the MSA 21300 (Elmira, NY) assessment area. As indicated below, Chemung provided an excellent level of community development loans, qualified investments and community development services.

### Community Development Loans

Community development loans totaled \$18 million, an increase of 22% compared from the last examination. Ninety percent of community development loans involve new commitments since the prior CRA examination.

Community development lending was focused in community services and was responsive to identified credit needs. According to community contacts, there is a strong need in the Southern Tier of New York for supportive services to LMI persons. Most of Chemung's community development loans were to non-profit organizations that provide social services to low- and moderate-income individuals in the Southern Tier of New York State. Examples of such loans include:

- A \$1,000,000 line of credit to a community development organization to assist LMI persons with developmental disabilities to become more self-sufficient. These activities are primarily funded through Medicaid and various contractual agreements with governmental agencies.

- A \$100,000 line of credit to an organization located in a moderate-income area that provides job training to LMI persons with disabilities.
- A \$50,000 line of credit to an organization located in a low-income area that provides child care services to low and moderate-income families.
- A \$300,000 term loan to an organization located in a low-income area that carries out community development action programs under grants from New York State and other governmental agencies.

#### Community Development Investments

During the examination period, community development investment commitments totaled \$3.3 million. While this represents a 22% decrease compared to the last examination, Chemung compared very favorably to peers in MSA 21300. Thirty-percent of the investments represent new commitments since the prior CRA examination.

Qualified investments in MSA 21300 (Elmira, NY) were focused on revitalization and stabilization and community services and were responsive to identified credit needs. Seventy-five percent of qualified investments in MSA 21300 went to revitalization and stabilization activities while the balance went to community services. The majority of investments were purchases of bonds from municipalities. Examples of such investments include:

- A \$2,400,000 equity investment in a Small Business Investment Corporation that promotes economic development in the broader statewide area that includes MSA 21300.
- A \$400,000 bond anticipation note for infrastructure improvements involving a sewerage cogeneration plant located in a low-income tract.
- A \$185,000 bond anticipation note to fund a brown field clean-up project located in a low-income area.
- A \$125,000 bond for improvements to infrastructure programs including sewage treatment systems located in a low-income area.

#### Community Development Services

Chemung provided financial seminars to various organizations that furnish community development services to LMI individuals. Chemung offered six mortgage counseling workshops in MSA 21300 (Elmira, NY). In addition, 23 bank employees served on the boards and committees of 27 community development organizations in MSA 21300 (Elmira, NY). Examples include:

- Two officers served on the finance committee for a non-profit organization that provides counseling to LMI children who have mental health issues.

- One officer and the chairman served on the funding committee for a non-profit organization that assists developmentally disabled LMI persons.
- Two officers are on the board of an organization that provides meals to the elderly and low-income individuals.
- One officer and one Chemung employee serve as board members for a non-profit organization that assists in the development of affordable housing for low- and moderate-income individuals.

In addition, Chemung has one branch located in a low-income census tract in MSA 21300 providing needed financial services to the area. Chemung's headquarters is also located in this low-income census tract in MSA 21300.

## NON-METROPOLITAN AREA

### FULL SCOPE REVIEW

#### SCHUYLER AND STEUBEN COUNTIES, NY

#### DESCRIPTION OF OPERATIONS

As of December 31, 2009, Chemung operated five branches in this New York Non-Metropolitan assessment area (“NY Non-MSA”), representing 25% of its total number of branches in New York State. These branches contained \$149 million in deposits, or 21% of Chemung’s total branch deposits in New York State as of June 30, 2009.

#### PERFORMANCE CONTEXT

The following demographic and economic information was obtained from publicly available sources that include the U.S. Department of Commerce’s Bureau of Census, the New York State Department of Labor, the U.S. Department of Housing and Urban Development (“HUD”) and the New York Association of Realtors.

##### Demographic Characteristics

According to the 2000 Census, the population of Steuben and Schuyler Counties totaled 78,720. These counties contain 18% of the population in Chemung’s New York State assessment areas.

##### Income Characteristics

The HUD-adjusted median family income for Steuben County was \$53,000 in 2008 and \$53,800 in 2009. The HUD-adjusted median family income for Schuyler County was \$51,700 and \$54,500 in 2008 and 2009, respectively. There are no low-income census tracts and only one moderate-income census tract in the two counties. In addition, nine percent of all families within the two counties have incomes below the poverty level.

##### Housing Characteristics

The Non-MSA assessment area contains 36,594 housing units, of which 63% are owner-occupied. Demographic information from the 2000 census estimated that the median age of the housing stock throughout the MSA is 43 years. Housing costs in relation to incomes present challenges to home ownership and reduce lending opportunities to low-income individuals.

Median Home Sales Prices		
Area	2008	2009
Steuben County	\$80,000	\$84,400
Schuyler County	\$118,500	\$105,000

The table to the left provides the median sales price of existing single-family homes in Steuben and Schuyler Counties.

EXHIBIT 2								
Assessment Area Demographics								
Assessment Area: Non-MSA Steuben and Schuyler Counties								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	3,759	17.8
Moderate-income	1	4.3	793	3.7	109	13.7	3,876	18.3
Middle-income	18	78.3	16,232	76.8	1,499	9.2	4,692	22.2
Upper-income	4	17.4	4,123	19.5	265	6.4	8,821	41.7
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>23</b>	<b>100.0</b>	<b>21,148</b>	<b>100.0</b>	<b>1,873</b>	<b>8.9</b>	<b>21,148</b>	<b>100.0</b>
	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	1,236	871	3.8	70.5	179	14.5	186	15.0
Middle-income	28,222	17,820	77.7	63.1	5,863	20.8	4,539	16.1
Upper-income	7,136	4,232	18.5	59.3	2,353	33.0	551	7.7
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>36,594</b>	<b>22,923</b>	<b>100.0</b>	<b>62.6</b>	<b>8,395</b>	<b>22.9</b>	<b>5,276</b>	<b>14.4</b>
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	83	3.1	72	3.0	4	2.5	7	5.7
Middle-income	1,910	71.9	1,707	72.0	108	66.7	95	77.2
Upper-income	662	24.9	591	24.9	50	30.9	21	17.1
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>2,655</b>	<b>100.0</b>	<b>2,370</b>	<b>100.0</b>	<b>162</b>	<b>100.0</b>	<b>123</b>	<b>100.0</b>
	<b>Percentage of Total Businesses:</b>			<b>89.3</b>		<b>6.1</b>		<b>4.6</b>

Labor, Employment and Economic Conditions

During the examination period, average annual unemployment rates have increased significantly in this Non-MSA assessment area. Steuben County unemployment rates were 6.0% in 2008 and 9.7% in 2009. Unemployment rates in Schuyler County were 5.7% in 2008 and 8.4% in 2009. Small businesses represented 89% of total business in the Non-MSA. In addition, Corning, Inc., a world leader in specialty glass and ceramics, is a major employer in Steuben County.

For additional assessment area data, see Exhibit 2.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### LENDING TEST

Chemung’s overall record of lending in the New York Non-MSA was satisfactory, based on reasonable lending to borrowers of different income levels and to businesses of different sizes and a reasonable geographic distribution of lending. Geographic performance in the NY Non-MSA (Schuyler and Steuben, NY) was not significantly weighted as there were no low-income tracts and only one moderate-income tract in the NY Non-MSA.

#### Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The overall borrower distribution of loans reflected reasonable performance in HMDA-related lending to moderate- income borrowers. The distribution of loans to businesses of different sizes also reflects reasonable performance. Performance in HMDA-related lending to low-income borrowers was poor. The following table summarizes the bank’s performance in lending to low- and moderate- income borrowers within each HMDA and small business product:

<b>Non-MSA NY (Schuyler and Steuben) Borrower Distribution</b>				
<b>PRODUCT</b>	<b>Low-income Borrowers</b>		<b>Moderate-income Borrowers</b>	
	<b>Chemung Performance</b>	<b>2008 Aggregate Comparison</b>	<b>Chemung Performance</b>	<b>2008 Aggregate Comparison</b>
<b>Home Purchase</b>	Poor	Significantly Below	Reasonable	Below
<b>Refinance</b>	Poor	Below	Reasonable	Slightly Below
<b>Home Improvement</b>	Reasonable	Similar To	Excellent	Above
	<b>Lending to Businesses with GAR &lt;= \$1 million</b>		<b>2008 Aggregate Comparison</b>	
<b>Small Business</b>	Reasonable		Significantly Above	

#### Home Purchase Loans

Chemung demonstrated poor distribution of home purchase loans to low-income borrowers. Chemung extended no loans to low-income borrowers compared to 18% of low-income families residing in the Non-MSA. Chemung’s home purchase lending to low-income borrowers was significantly below the aggregate, which made 5% of its home purchase loans to low-income borrowers.

Chemung’s distribution of home purchase loans to moderate-income borrowers was reasonable. Chemung extended 13% of loans to moderate-income borrowers compared to 18% of moderate-income families residing in the Non-MSA. Chemung’s home purchase lending to moderate-

income borrowers was below the aggregate, which made 20% of its home purchase loans to moderate-income borrowers.

### Refinance Loans

Chemung's distribution of refinancings to low-income borrowers was poor. Chemung originated 6% of its refinance loans to low-income borrowers, compared to 18% of low-income families residing in the Non-MSA. Chemung's refinance lending to low-income borrowers was below the aggregate, which made 8% of its refinance loans to low-income borrowers.

The distribution of refinancings to moderate-income borrowers was reasonable. Chemung originated 17% of its refinance loans to moderate-income borrowers, compared to 18% of moderate-income families residing in the Non-MSA. Chemung's refinance lending to moderate-income borrowers was slightly below the aggregate, which made 21% of its refinancing loans to moderate-income borrowers.

### Home Improvement Loans

Chemung's distribution of home improvement loans to low-income borrowers was reasonable. Chemung originated 17% of its home improvement loans to low-income borrowers, compared to 18% of low-income families residing in the Non-MSA. Chemung's home improvement lending to low-income borrowers was similar to the aggregate, which made 16% of its home improvement loans to low-income borrowers.

The distribution of home improvement loans to moderate-income borrowers was excellent. Chemung originated 29% of its home improvement loans to moderate-income borrowers, compared to 18% of moderate-income families residing in the Non-MSA. Chemung's home improvement lending to moderate-income borrowers was above the aggregate, which made 21% of its home improvement loans to low-income borrowers.

### Small Business Loans

The distribution of loans to businesses of different sizes was reasonable. The proportion of loans to businesses with gross annual revenues ("GAR") of \$1 million or less was 56% compared to 89% of such businesses located in the Non-MSA. Chemung's performance was significantly above the aggregate which reported 35% of its loans to such businesses.

Of Chemung's small business loans, 71% were in amounts of \$100,000 or less, with an average loan size of \$122,000. Chemung underperformed the aggregate which originated 97% of its loans in amounts of \$100,000 or less. Small loan amounts generally reflect the size of the business.

**Geographic Distribution of Loans**

The overall geographic distribution of HMDA-related and small business loans reflected reasonable loan penetration in the NY Non-MSA. There were no low-income tracts. Performance in the NY Non-MSA is based primarily on performance in the one moderate-income tract in Steuben County which has somewhat limited lending opportunities. The following table summarizes Chemung’s performance in its one moderate-income census tract in the NY-Non-MSA with respect to each loan product:

<b>Lending in Moderate-Income Tracts Non-MSA (Steuben and Schuyler, NY)</b>		
<b>Product</b>	<b>Moderate-Income Tracts</b>	<b>Aggregate Comparison 2008</b>
Home Purchase	Excellent	Significantly Above
Refinance	Reasonable	Significantly Below
Home Improvement	Reasonable	Significantly Below
Small Business	Reasonable	Significantly Below

*Home Purchase Loans*

The distribution of home purchase loans in the moderate-income geography was excellent when compared with the level of owner-occupied housing units as well as the aggregate of all HMDA-reporting lenders in the NY Non-MSA. Chemung made 4% of its home purchase loans in the moderate-income geographies compared to 4% of the owner occupied-housing units located within the moderate-income geography. Chemung’s home purchase lending in moderate-income geographies was significantly above the aggregate, which made 3% of its home purchase loans in the moderate-income geography.

*Refinance Loans*

The distribution of refinancings in the moderate-income geography was reasonable when compared with the level of owner-occupied housing units as well as the aggregate of all HMDA-reporting lenders in the NY Non-MSA. Chemung made no refinance loans in the moderate-income geography. Chemung’s refinance lending in the moderate-income geography was significantly below the aggregate, which made 5% of its refinance loans in the moderate-income geography. However, the aggregate made only 31 refinance loans in the moderate-income geography, indicating limited lending opportunities for all banks. Performance was considered reasonable in the context of the limited lending opportunities.

**2008 Aggregate Comparison Loan Distribution Table**  
Assessment Area: New York Non-MSA

Income Categories	HMDA									
	By Tract Income					By Borrower Income				
	2008-2009 Bank		2008 Aggregate			2008-2009 Bank		2008 Aggregate		
	#	%	% \$(000s)	%	% \$(000s)	#	%	% \$(000s)	%	% \$(000s)
<b>Home Purchase</b>										
Low	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	5.3%	2.9%
Moderate	1	4.2%	4.1%	2.6%	2.2%	3	12.5%	6.0%	19.8%	13.6%
Middle	20	83.3%	80.6%	69.8%	65.2%	9	37.5%	30.3%	27.0%	21.7%
Upper	3	12.5%	15.3%	27.6%	32.6%	11	45.8%	61.8%	41.3%	56.2%
Unknown	0	0.0%	0.0%	0.0%	0.0%	1	4.2%	1.9%	6.5%	5.6%
<b>Total</b>	<b>24</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>24</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Refinance</b>										
Low	0	0.0%	0.0%	0.0%	0.0%	1	5.6%	2.2%	7.7%	4.4%
Moderate	0	0.0%	0.0%	4.9%	3.7%	3	16.7%	10.5%	21.0%	13.4%
Middle	14	77.8%	84.2%	73.2%	72.7%	6	33.3%	20.3%	23.3%	20.1%
Upper	4	22.2%	15.8%	21.9%	23.6%	7	38.9%	63.4%	38.3%	53.0%
Unknown	0	0.0%	0.0%	0.0%	0.0%	1	5.6%	3.6%	9.7%	9.1%
<b>Total</b>	<b>18</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>18</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Home Improvement</b>										
Low	0	0.0%	0.0%	0.0%	0.0%	4	16.7%	24.2%	15.5%	8.5%
Moderate	0	0.0%	0.0%	12.2%	7.5%	7	29.2%	20.8%	21.2%	15.2%
Middle	24	100.0%	100.0%	71.5%	72.4%	7	29.2%	29.2%	25.9%	20.4%
Upper	0	0.0%	0.0%	16.4%	20.1%	5	20.8%	24.2%	35.0%	53.1%
Unknown	0	0.0%	0.0%	0.0%	0.0%	1	4.2%	1.6%	2.4%	2.9%
<b>Total</b>	<b>24</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>24</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Multi-Family</b>										
Low	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.0%
Moderate	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.0%
Middle	1	100.0%	100.0%	75.0%	47.0%	0	0.0%	0.0%	0.0%	0.0%
Upper	0	0.0%	0.0%	25.0%	53.0%	0	0.0%	0.0%	0.0%	0.0%
Unknown	0	0.0%	0.0%	0.0%	0.0%	1	100.0%	100.0%	100.0%	100.0%
<b>Total</b>	<b>1</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>1</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>HMDA Totals</b>										
Low	0	0.0%	0.0%	0.0%	0.0%	5	7.5%	2.5%	8.6%	3.9%
Moderate	1	1.5%	2.0%	5.8%	3.2%	13	19.4%	8.8%	20.5%	13.6%
Middle	59	88.1%	83.6%	71.4%	68.8%	22	32.8%	25.6%	25.4%	20.8%
Upper	7	10.4%	14.4%	22.8%	28.0%	23	34.3%	59.6%	38.6%	54.3%
Unknown	0	0.0%	0.0%	0.0%	0.0%	4	6.0%	3.5%	6.8%	7.5%
<b>Total</b>	<b>67</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>67</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>SMALL BUSINESS</b>										
<b>By Tract Income</b>										
		2008-2009 Bank			2008 Aggregate					
	#	%	% \$(000s)	%	% \$(000s)	%	% \$(000s)			
Low	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%			
Moderate	0	0.0%	0.0%	0.0%	0.0%	3.1%	1.8%			
Middle	28	82.4%	71.0%	73.3%	76.6%					
Upper	6	17.6%	29.0%	21.8%	21.3%					
Unknown	0	0.0%	0.0%	0.0%	0.0%					
Tract Unknown	0	0.0%	0.0%	1.7%	0.3%					
<b>Total</b>	<b>34</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>					
<b>By Revenue</b>										
\$1 Million or Less	19	55.9%	22.6%	35.0%	48.3%					
<b>By Loan Size</b>										
\$100,000 or less	24	70.6%	21.4%	97.1%	54.4%					
\$100,001-\$250,000	5	14.7%	22.1%	1.9%	15.9%					
\$250,001-\$1 Million	5	14.7%	56.5%	1.1%	29.8%					
<b>Total</b>	<b>34</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>					

Originations and Purchases

### Home Improvement Loans

The distribution of home improvement loans in the moderate-income geography was reasonable when compared to the level of owner-occupied housing units and the aggregate of all HMDA-reporting lenders in the NY Non-MSA. Chemung's made no home improvement loans in the moderate-income geography. However, lending opportunities were limited with only 4% of owner-occupied housing units located in the moderate-income geography. Chemung's home improvement lending in the moderate-income geography was significantly below the aggregate, which made 12% of its home improvement loans in the moderate-income geography. However, the aggregate made only 55 home improvement loans in the moderate-income geography, indicating limited lending opportunities for all banks. Performance was considered reasonable in the context of the limited lending opportunities.

### Small Business Loans

The distribution of small business loans in moderate-income areas was reasonable compared to the number of businesses in the geography as well as the performance of the aggregate of all CRA-reporting lenders. Chemung made no small business loans in the moderate-income geography. However, lending opportunities were limited with only 83 businesses, 3% of all businesses, located in the moderate-income geography. Chemung's small business lending in the moderate-income geography was also significantly below the aggregate, which made 3% of its small business loans to businesses located in the moderate-income geography. However, the aggregate made only 47 small business loans in the moderate-income geography, indicating limited lending opportunities for all banks. Performance was considered reasonable in the context of the limited lending opportunities.

## **COMMUNITY DEVELOPMENT TEST**

Chemung demonstrated excellent responsiveness to the community development needs of the NY Non-MSA assessment area. Chemung provided an overall high level of community development investments, services and loans.

### Community Development Loans

Community development loans totaled \$3.1 million, a decrease of 26% compared to the last examination. Chemung's performance fared modestly compared to its peer banks that are more dominant in the NY Non-MSA assessment area. All of the community development loans involve new commitments since the prior CRA examination.

Community development lending was focused on community services targeted to low- and moderate-income individuals (LMI) individuals and was responsive to identified credit needs. Ninety-percent of community development loans in the NY Non-MSA were for community services with the remaining 10% providing affordable housing. Most of Chemung's community development loans were to non-profit organizations that provide social services to LMI individuals in the Southern Tier of New York State. Examples of such services include:

- A \$125,000 line of credit to provide job training to LMI individuals.
- A \$500,000 line of credit to provide various support activities, such as child care, home services, and pre-school programs, to LMI persons. Primary program funding is from Medicaid and the State of New York.
- A \$500,000 line of credit to an organization that serves LMI persons with developmental disabilities. The organization is primarily funded by Medicaid.
- A \$100,000 line of credit to an organization located in a distressed area that provides medical services to LMI individuals.

### Community Development Investments

Community development investments totaled \$8.5 million. This represents a 107% increase compared to the last examination. Seventy-nine percent of investments were new commitments since the prior CRA examination.

Qualified investments in the NY Non-MSA focused on revitalization and stabilization and community service activities and were responsive to identified credit needs. Seventy percent of qualified investments in the NY Non-MSA went to revitalization and stabilization activities while the balance went to community services. The majority of investments were purchases of bonds from municipalities, many of which provided services to distressed or underserved areas. Examples of such investments include:

- A \$2,000,000 municipal bond for capital improvements to a school property which is located in a moderate-income tract. The majority of the students are on a reduced or free lunch program.
- A \$250,000 municipal bond to finance the cost of a reservoir replacement project in and for the City of Salamanca. The City of Salamanca lies almost wholly on a Native American Reservation which is a moderate-income tract. The bond therefore provides essential services to assist in revitalizing the municipality.
- A \$1,000,000 municipal bond to finance improvements to a village's municipal wastewater treatment plant. The village is in a distressed area and is also adjacent to a moderate-income tract. The bond helps to revitalize the area.
- A \$280,000 municipal bond to finance improvements to housing in a distressed area.

### Community Development Services

Chemung provided three financial seminars to organizations that that furnish community development services to LMI individuals. Nine bank employees serve on the boards and committees of 11 community development organizations in the NY Non-MSA. Examples include:

- One employee serves as Treasurer of a Steuben County-based organization that develops affordable housing for LMI people.
- One employee serves as a board member of a Steuben County-based organization that promotes economic development for small businesses.
- One bank officer serves as a board member of a Schuyler County-based organization that promotes economic development.
- One employee is a board member of a Schuyler County-based organization that promotes economic development.

## METROPOLITAN AREA

### FULL SCOPE REVIEW

#### MSA 13780 (BINGHAMTON, NY)

#### DESCRIPTION OF OPERATIONS

As of December 31, 2009, Chemung operated 6 branches in MSA 13780 (Binghamton, NY), representing 30% of its branches in New York State. These branches contained \$128 million in deposits, or 18% of Chemung's total branch deposits in New York State as of June 30, 2009. In addition, 14% of Chemung's total retail loans in New York State were originated in MSA 13780 (Binghamton, NY) during the review period.

EXHIBIT 3								
Assessment Area Demographics								
Assessment Area: MSA 13780 Binghamton, NY								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	4	8.3	1,366	3.0	437	32.0	8,931	19.6
Moderate-income	13	27.1	8,302	18.2	1,587	19.1	8,446	18.5
Middle-income	20	41.7	22,500	49.3	1,558	6.9	10,307	22.6
Upper-income	11	22.9	13,448	29.5	487	3.6	17,932	39.3
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>48</b>	<b>100.0</b>	<b>45,616</b>	<b>100.0</b>	<b>4,069</b>	<b>8.9</b>	<b>45,616</b>	<b>100.0</b>
	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	4,299	657	1.4	15.3	2,931	68.2	711	16.5
Moderate-income	19,144	6,158	13.4	32.2	10,623	55.5	2,363	12.3
Middle-income	37,544	24,226	52.8	64.5	10,328	27.5	2,990	8.0
Upper-income	19,799	14,826	32.3	74.9	4,128	20.8	845	4.3
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>80,786</b>	<b>45,867</b>	<b>100.0</b>	<b>56.8</b>	<b>28,010</b>	<b>34.7</b>	<b>6,909</b>	<b>8.6</b>
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
	#	%	#	%	#	%	#	%
Low-income	710	11.0	582	10.1	113	20.7	15	7.9
Moderate-income	1,446	22.3	1,277	22.2	124	22.7	45	23.7
Middle-income	2,831	43.7	2,570	44.7	175	32.1	86	45.3
Upper-income	1,493	23.0	1,315	22.9	134	24.5	44	23.2
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>6,480</b>	<b>100.0</b>	<b>5,744</b>	<b>100.0</b>	<b>546</b>	<b>100.0</b>	<b>190</b>	<b>100.0</b>
	Percentage of Total Businesses:			<b>88.6</b>		<b>8.4</b>		<b>2.9</b>

## PERFORMANCE CONTEXT

The following demographic and economic information was obtained from publicly available sources that include the U.S. Department of Commerce's Bureau of Census, the New York State Department of Labor, the U.S. Department of Housing and Urban Development, the New York Association of Realtors and the Federal Reserve Bank of New York.

### Demographic Characteristics

According to the 2000 Census, the population of the MSA 13780 (Binghamton, NY) totals 181,997, or 41% of the population located in Chemung's New York State assessment areas. The percentage of the population 65 and older is 16% in MSA 13780 (Binghamton, NY) compared with 13% in New York State.

### Income Characteristics

The HUD-adjusted median family income for the MSA was \$58,100 in 2008 and \$58,600 in 2009. Of the 48 census tracts in the MSA, 4 or 8% are low-income and 13 or 27% are moderate-income. Most of the LMI tracts are located in the city of Binghamton and 9% of all families in the MSA have incomes below the poverty level.

### Housing Characteristics

MSA 13780 (Binghamton, NY) contains 80,786 housing units, of which 57% are owner-occupied. Of the total owner-occupied units, 15% were located in LMI census tracts. Demographic information from the 2000 census estimated that the median age of the housing stock throughout the MSA is 49 years. In this market, Chemung's older population is less likely to need home purchase loans, but more likely to need home improvement loans.

Median Home Sales Prices		
Area	2008	2009
MSA 13780 (Binghamton, NY)	\$113,700	\$115,700

Source: New York Association of Realtors

As shown in the table at left, the median sales price of existing single-family homes in MSA 13780 (Binghamton, NY) totaled \$113,700 as of December 2008 and increased slightly to \$115,700 in 2009.

### Labor, Employment and Economic Conditions

Long term economic trends in the MSA 13780 (Binghamton, NY) indicate a decline in manufacturing and a transition to a service and information-based economy. In addition, during the examination period, the average annual unemployment rates for MSA 13780 (Binghamton, NY) significantly increased from 5.4% in 2008 to 8.2% in 2009. Furthermore, small business financing remains an important credit need given that small businesses represent a significant portion of the businesses in the MSA.

For additional assessment area data, see Exhibits 3.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS**

**LENDING TEST**

Chemung’s overall record of lending in MSA 13780 (Binghamton, NY) was satisfactory, based on reasonable lending to borrowers of different income levels and to businesses of different sizes and poor geographic distribution of lending.

Geographic performance in the MSA 13780 (Binghamton, NY) was not significantly weighted due to Chemung’s recently increased presence in the market. Also, while Chemung has low and moderate-income tracts in MSA 13780, lending opportunities in low-income tracts are limited. An analysis of lending to borrowers of different income levels and to businesses of different sizes and the geographic distribution of loans follows:

**Lending to Borrowers of Different Incomes and Businesses of Different Sizes**

The overall borrower distribution of loans reflected reasonable performance in HMDA-related lending to low- and moderate-income borrowers. The distribution of loans to businesses of different sizes also reflects reasonable performance. The following table summarizes the bank’s performance in lending to low- and moderate- income borrowers within each product:

<b>MSA 13780 (Binghamton) Borrower Distribution</b>				
<b>PRODUCT</b>	<b>Low-income Borrowers</b>		<b>Moderate-income Borrowers</b>	
	<b>Chemung Performance</b>	<b>2008 Aggregate Comparison</b>	<b>Chemung Performance</b>	<b>2008 Aggregate Comparison</b>
<b>Home Purchase</b>	Excellent	Significantly Above	Poor	Significantly Below
<b>Refinance</b>	Poor	Significantly Below	Excellent	Slightly Above
<b>Home Improvement</b>	Excellent	Significantly Above	Poor	Significantly Below
	<b>Lending to Businesses with GAR &lt;= \$1 million</b>		<b>2008 Aggregate Comparison</b>	
<b>Small Business</b>	Reasonable		Above	

### Home Purchase Loans

Chemung demonstrated excellent distribution of home purchase loans to low-income borrowers. Chemung originated 20% of its home purchase loan to low-income borrowers compared to 20% of low-income families residing in the MSA. Chemung's home purchase lending to low-income borrowers was significantly above the aggregate, which made 9% of its home purchase loans to low-income borrowers.

Chemung's distribution of home purchase loans to moderate-income borrowers was poor. Chemung extended no home purchase loans to moderate-income borrowers compared to 19% of moderate-income families residing in the MSA. Chemung's home purchase lending to moderate-income borrowers was significantly below the aggregate, which made 24% of its home purchase loans to moderate-income borrowers.

### Refinance Loans

Chemung's distribution of refinancings to low-income borrowers was poor. Chemung originated no refinance loans to low-income borrowers, compared to 20% of low-income families residing in the MSA. Chemung's refinance lending to low-income borrowers was significantly below the aggregate, which made 9% of its refinance loans to low-income borrowers.

The distribution of refinancings to moderate-income borrowers was excellent. Chemung originated 26% of its refinance loans to moderate-income borrowers, compared to 19% of moderate-income families residing in the MSA. Chemung's refinance lending to moderate-income borrowers was slightly above the aggregate, which made 22% of its refinancing loans to moderate-income borrowers.

### Home Improvement Loans

Chemung's distribution of home improvement loans to low-income borrowers was excellent. Chemung originated 44% of its home improvement loans to low-income borrowers, compared to 20% of low-income families residing in the MSA. Chemung's home improvement lending to low-income borrowers was significantly above the aggregate, which made 14% of its home improvement loans to low-income borrowers.

The distribution of home improvement loans to moderate-income borrowers was poor. Chemung originated no home improvement loans to moderate-income borrowers, compared to 19% of moderate-income families residing in the MSA. Chemung's home improvement lending to moderate-income borrowers was significantly below the aggregate, which made 21% of its home improvement loans to moderate-income borrowers.

### Small Business Loans

Overall, the distribution of loans to businesses of different sizes was reasonable. The proportion of loans to businesses with gross annual revenues (“GAR”) of \$1 million or less was 44% compared to 89% of such businesses located in the MSA. Chemung’s performance was above the aggregate which reported 33% of its loans to such businesses.

Of Chemung’s small business loans, 44% were in amounts of \$100,000 or less, with an average loan size of \$273,000. Chemung underperformed the aggregate which originated 95% of its loans in amounts of \$100,000 or less. Small loan amounts generally reflect the size of the business.

### Geographic Distribution of Loans

The overall geographic distribution of HMDA-related and small business loans reflected poor loan penetration in MSA 13780 (Binghamton, NY) considering limited lending opportunities in low-income census tracts and Chemung’s recent expansion in the Binghamton MSA. Performance was based primarily on lending in moderate-income geographies.

Chemung made no home purchase, refinance, home improvement or small business loans in low-income geographies in MSA 13780. However, the aggregate made only 1% of its loans in low-income geographies and only 1%, of available owner-occupied housing units are located in low-income geographies. Overall, due to the very low level of owner-occupied units and the very low level of aggregate loans, the bank’s performance in low-income geographies was considered adequate in the context of the limited lending opportunities.

Chemung’s performance in moderate-income tracts in MSA 13780 was poor. Chemung made no home purchase, refinance or home improvement loans in moderate-income tracts in MSA 13780. The MSA had 13% of its owner-occupied housing units located in moderate-income geographies while the aggregate made 17%, 13% and 9% of its home purchase, refinance and home improvement loans, respectively, in moderate-income geographies. Chemung made one, or 6%, of its small business loans in moderate-income geographies compared to 22% of the businesses and 21% of the aggregate’s lending to businesses located in moderate-income geographies.

**2008 Aggregate Comparison Loan Distribution Table**  
Assessment Area: MSA 13780 – Binghamton, NY

Income Categories	HMDA									
	By Tract Income					By Borrower Income				
	2008-2009 Bank		2008 Aggregate			2008-2009 Bank		2008 Aggregate		
	#	%	% \$(000s)	%	% \$(000s)	#	%	% \$(000s)	%	% \$(000s)
<b>Home Purchase</b>										
Low	0	0.0%	0.0%	1.7%	0.9%	1	20.0%	8.5%	8.8%	4.8%
Moderate	0	0.0%	0.0%	16.8%	10.9%	0	0.0%	0.0%	23.5%	17.2%
Middle	4	80.0%	42.7%	49.9%	45.9%	3	60.0%	86.8%	26.3%	24.5%
Upper	1	20.0%	57.3%	31.6%	42.3%	1	20.0%	4.7%	33.2%	45.7%
Unknown	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	8.1%	7.7%
<i>Total</i>	<i>5</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>5</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>
<b>Refinance</b>										
Low	0	0.0%	0.0%	1.0%	0.7%	0	0.0%	0.0%	8.5%	4.7%
Moderate	0	0.0%	0.0%	13.4%	9.9%	5	26.3%	21.4%	22.1%	17.2%
Middle	15	78.9%	76.7%	52.7%	47.8%	3	15.8%	16.8%	24.4%	23.0%
Upper	4	21.1%	23.3%	33.0%	41.6%	9	47.4%	54.1%	32.8%	43.0%
Unknown	0	0.0%	0.0%	0.0%	0.0%	2	10.5%	7.8%	12.1%	12.1%
<i>Total</i>	<i>19</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>19</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>
<b>Home Improvement</b>										
Low	0	0.0%	0.0%	0.9%	0.5%	7	43.8%	20.6%	14.1%	4.5%
Moderate	0	0.0%	0.0%	9.3%	8.3%	0	0.0%	0.0%	21.2%	14.3%
Middle	13	81.3%	93.3%	59.6%	53.2%	5	31.3%	64.4%	26.2%	25.2%
Upper	3	18.8%	6.7%	30.2%	38.0%	4	25.0%	15.0%	36.9%	52.4%
Unknown	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	1.6%	3.6%
<i>Total</i>	<i>16</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>16</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>
<b>Multi-Family</b>										
Low	0	0.0%	0.0%	15.0%	14.6%	0	0.0%	0.0%	0.0%	0.0%
Moderate	2	100.0%	100.0%	60.0%	69.8%	0	0.0%	0.0%	0.0%	0.0%
Middle	0	0.0%	0.0%	25.0%	15.6%	0	0.0%	0.0%	0.0%	0.0%
Upper	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.0%
Unknown	0	0.0%	0.0%	0.0%	0.0%	2	100.0%	100.0%	100.0%	100.0%
<i>Total</i>	<i>2</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>2</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>
<b>HMDA Totals</b>										
Low	0	0.0%	0.0%	1.4%	1.0%	8	19.0%	3.4%	9.5%	4.7%
Moderate	2	4.8%	17.8%	14.6%	10.9%	5	11.9%	12.0%	22.5%	16.9%
Middle	32	76.2%	59.0%	52.4%	46.7%	11	26.2%	29.9%	25.5%	23.8%
Upper	8	19.0%	23.2%	31.7%	41.4%	14	33.3%	32.6%	33.6%	44.6%
Unknown	0	0.0%	0.0%	0.0%	0.0%	4	9.5%	22.2%	8.9%	10.0%
<i>Total</i>	<i>42</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>42</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>
<b>SMALL BUSINESS</b>										
<b>By Tract Income</b>										
		2008-2009 Bank			2008 Aggregate					
	#	%	% \$(000s)	%	% \$(000s)		%	% \$(000s)		% \$(000s)
Low	0	0.0%	0.0%	0.0%	0.0%		10.7%	19.2%		
Moderate	1	5.6%		0.2%			20.9%	23.6%		
Middle	14	77.8%		82.5%			39.1%	28.6%		
Upper	3	16.7%		17.3%			27.7%	28.3%		
Unknown	0	0.0%		0.0%			0.0%	0.0%		
Tract Unknown	0	0.0%		0.0%			1.6%	0.3%		
<i>Total</i>	<i>18</i>	<i>100.0%</i>		<i>100.0%</i>			<i>100.0%</i>	<i>100.0%</i>		
<b>By Revenue</b>										
\$1 Million or Less	8	44.4%		13.9%			32.9%	34.4%		
<b>By Loan Size</b>										
\$100,000 or less	8	44.4%		7.5%			94.5%	34.7%		
\$100,001-\$250,000	4	22.2%		15.2%			2.5%	14.7%		
\$250,001-\$1 Million	6	33.3%		77.2%			3.0%	50.6%		
<i>Total</i>	<i>18</i>	<i>100.0%</i>		<i>100.0%</i>			<i>100.0%</i>	<i>100.0%</i>		

Originations and Purchases

## COMMUNITY DEVELOPMENT TEST

Chemung demonstrated adequate responsiveness to the community development needs of the MSA 13780 assessment area. Chemung provided an adequate level of community development loans, investments and services in MSA 13780 (Binghamton, NY).

### Community Development Loans

Community development loans totaled \$680 thousand, up from \$150 thousand at the last examination. Community development loans consisted of all new commitments since the prior CRA examination. Most of Chemung's community development loans were to non-profit organizations that provide social services to low- and moderate-income individuals in the MSA and was responsive to identified credit needs. .

Examples of such loans include:

- A \$50,000 line of credit to an organization that provides legal assistance, counseling, shelter and support services targeted to LMI victims of domestic violence.
- A \$80,000 term loan to an organization that provides food pantry services to individuals in a moderate-income area.
- A \$500,000 line of credit to an organization that provides services to LMI persons, including a soup kitchen, mobile food pantry and home energy assistance programs.

### Community Development Investments

Community development investments totaled \$315 thousand. Ninety percent of investments represent new commitments since the prior CRA examination. The majority of investments were purchases of bonds from municipalities, many of which provided services to distressed or underserved areas.

Within MSA 13780, Chemung made only three qualified investments, all to the same organization, a school district in which approximately half of the students participate in a reduced or free lunch program. The bond is for reconstruction of various school facilities.

Community Development Services

Five bank employees serve on the boards and committees of seven community development organizations in MSA 13780. Examples include:

- One Chemung officer serves on the board of a municipal organization that provides affordable housing to LMI persons.
- One employee serves on the board on a municipal industrial development agency to promote economic development.
- One employee serves on the board and finance committee of an organization that provides affordable housing to LMI persons.
- One employee is a board member of Schuyler County-based organization that promotes economic development.

**METROPOLITAN AREA**  
**(LIMITED REVIEW)**

**MSA 27060 (TOMPKINS COUNTY, NY)**

<b>MSA</b>	<b>Lending Test</b>	<b>Community Development Test</b>
<b>MSA 27060 (Tompkins County, NY)</b>	<b>Consistent</b>	<b>Below</b>

**2008 Aggregate Comparison Loan Distribution Table**  
Assessment Area: MSA 27060 – Ithaca, NY

Income Categories	HMDA									
	By Tract Income					By Borrower Income				
	2008-2009 Bank		2008 Aggregate			2008-2009 Bank		2008 Aggregate		
	#	%	% \$(000s)	%	% \$(000s)	#	%	% \$(000s)	%	% \$(000s)
<b>Home Purchase</b>										
Low	0	0.0%	0.0%	0.0%	0.0%	1	16.7%	8.8%	8.6%	4.3%
Moderate	1	16.7%	8.9%	9.0%	10.0%	1	16.7%	8.9%	23.8%	16.9%
Middle	5	83.3%	91.1%	77.4%	72.7%	1	16.7%	20.4%	25.9%	23.1%
Upper	0	0.0%	0.0%	13.6%	17.3%	3	50.0%	61.9%	36.7%	49.0%
Unknown	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	4.9%	6.7%
<b>Total</b>	<b>6</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>6</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Refinance</b>										
Low	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	7.7%	4.3%
Moderate	1	12.5%	10.7%	8.1%	10.4%	1	12.5%	3.2%	21.6%	14.3%
Middle	5	62.5%	30.4%	84.1%	78.1%	2	25.0%	14.2%	25.4%	21.1%
Upper	2	25.0%	58.9%	7.8%	11.5%	5	62.5%	82.6%	37.9%	54.2%
Unknown	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	7.4%	6.2%
<b>Total</b>	<b>8</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>8</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Home Improvement</b>										
Low	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	19.3%	6.0%
Moderate	0	0.0%	0.0%	3.6%	7.6%	0	0.0%	0.0%	24.3%	20.6%
Middle	4	80.0%	63.0%	88.2%	78.5%	1	20.0%	29.6%	24.6%	27.7%
Upper	1	20.0%	37.0%	8.2%	13.9%	4	80.0%	70.4%	30.8%	44.8%
Unknown	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	1.0%	0.9%
<b>Total</b>	<b>5</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>5</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Multi-Family</b>										
Low	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.0%
Moderate	0	0.0%	0.0%	40.0%	44.2%	0	0.0%	0.0%	0.0%	0.0%
Middle	0	0.0%	0.0%	36.0%	10.2%	0	0.0%	0.0%	0.0%	0.0%
Upper	0	0.0%	0.0%	24.0%	45.7%	0	0.0%	0.0%	0.0%	0.0%
Unknown	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	100.0%	100.0%
<b>Total</b>	<b>0</b>	<b>0.0%</b>	<b>0.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0</b>	<b>0.0%</b>	<b>0.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>HMDA Totals</b>										
Low	0	0.0%	0.0%	0.0%	0.0%	1	5.3%	3.0%	9.8%	3.9%
Moderate	2	10.5%	9.5%	8.2%	13.8%	2	10.5%	5.0%	22.7%	14.2%
Middle	14	73.7%	53.0%	81.2%	68.1%	4	21.1%	17.2%	25.2%	20.0%
Upper	3	15.8%	37.6%	10.7%	18.1%	12	63.2%	74.8%	35.8%	45.4%
Unknown	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	6.5%	16.5%
<b>Total</b>	<b>19</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>19</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>SMALL BUSINESS</b>										
<b>By Tract Income</b>										
	<b>#</b>	<b>2008-2009 Bank</b>			<b>2008 Aggregate</b>					
		<b>%</b>	<b>% \$(000s)</b>		<b>%</b>		<b>% \$(000s)</b>			
Low	0	0.0%	0.0%		0.0%		0.0%			
Moderate	2	22.2%	21.6%		21.9%		27.0%			
Middle	6	66.7%	67.6%		62.8%		64.6%			
Upper	1	11.1%	10.8%		11.6%		7.1%			
Unknown	0	0.0%	0.0%		0.0%		0.0%			
Tract Unknown	0	0.0%	0.0%		3.7%		1.3%			
<b>Total</b>	<b>9</b>	<b>100.0%</b>	<b>100.0%</b>		<b>100.0%</b>		<b>100.0%</b>			
<b>By Revenue</b>										
\$1 Million or Less	7	77.8%	45.9%		32.7%		38.0%			
<b>By Loan Size</b>										
\$100,000 or less	5	55.6%	9.7%		95.6%		40.0%			
\$100,001-\$250,000	1	11.1%	10.8%		2.4%		16.6%			
\$250,001-\$1 Million	3	33.3%	79.5%		2.0%		43.3%			
<b>Total</b>	<b>9</b>	<b>100.0%</b>	<b>100.0%</b>		<b>100.0%</b>		<b>100.0%</b>			

Originations and Purchases

## ***STATE OF PENNSYLVANIA***

### ***CRA RATING FOR THE STATE OF PENNSYLVANIA: NEEDS TO IMPROVE***

**The Lending test is Rated: *Satisfactory***

**The Community Development Test is rated: *Needs to Improve***

Major factors supporting the rating include:

- The level of community development lending, qualified investments and services was poor.
- Distribution of loans among borrowers of different income levels and businesses of different sizes was reasonable;
- The geographic dispersion of loans in the bank's assessment areas was reasonable;
- Adequate responsiveness to the assessment area credit needs;

Chemung's recent acquisition of the Bank of Canton on June 2, 2009 expanded Chemung's assessment area into Pennsylvania, a mostly rural area with no low- or moderate-income census tracts. The Bank of Canton was a small bank under CRA, with total assets of \$80 million as of March 31, 2009. Small banks are not required to maintain community development loans, investments or services under CRA.

The rating is the result of the poor level of performance for community development loans, investments and services. As noted below, Chemung had very few community development loans, no community development investments, and only one community development service. This was an insufficient volume of activity to support a satisfactory community development rating leading to the overall needs to improve rating for the State of Pennsylvania. However, Pennsylvania's rating was not given significant weight in the overall rating for the bank based on the following factors:

- 93% of Chemung's loan originations and 90% of its deposits were in the New York State assessment area.
- Three of the four full-scope assessment areas are in the New York assessment area.
- As noted above, given Chemung expanded into Pennsylvania with the June 2<sup>nd</sup> acquisition. It would be difficult to build up more than a modest amount of community development loans, investments and services.

### **SCOPE OF EXAMINATION**

A full-scope review was conducted within the one assessment area located in the State of Pennsylvania. This assessment area is comprised of a Non-MSA area of Bradford County, eastern Tioga County and western Sullivan County.

**DESCRIPTION OF INSTITUTION'S OPERATIONS**

As of December 31, 2009, Chemung had three retail branches in the PA Non-MSA, containing \$75 thousand in deposits. These branches represent approximately 13% of its total branch network in New York and Pennsylvania. Chemung is one of seven banks with deposits in the counties comprising the PA Non-MSA assessment area. As of June 30, 2009, competitors in the PA Non-MSA include Manufacturers and Traders Trust Company, Community Bank National Association, and Northwest Savings Bank.

<b>EXHIBIT 4</b>								
<b>Assessment Area Demographics</b>								
Assessment Area: PA Non-MSA, Bradford, Sullivan and Tioga Counties								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	4,236	18.5
Moderate-income	0	0.0	0	0.0	0	0.0	4,660	20.3
Middle-income	19	100.0	22,909	100.0	1,997	8.7	5,507	24.0
Upper-income	0	0.0	0	0.0	0	0.0	8,506	37.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>19</b>	<b>100.0</b>	<b>22,909</b>	<b>100.0</b>	<b>1,997</b>	<b>8.7</b>	<b>22,909</b>	<b>100.0</b>
	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	0	0	0.0	0.0	0	0.0	0	0.0
Middle-income	39,824	24,722	100.0	62.1	7,361	18.5	7,741	19.4
Upper-income	0	0	0.0	0.0	0	0.0	0	0.0
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>39,824</b>	<b>24,722</b>	<b>100.0</b>	<b>62.1</b>	<b>7,361</b>	<b>18.5</b>	<b>7,741</b>	<b>19.4</b>
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	0	0.0	0	0.0	0	0.0	0	0.0
Middle-income	2,453	100.0	2,148	100.0	156	100.0	149	100.0
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>2,453</b>	<b>100.0</b>	<b>2,148</b>	<b>100.0</b>	<b>156</b>	<b>100.0</b>	<b>149</b>	<b>100.0</b>
	Percentage of Total Businesses:			87.6		6.4		6.1

## PERFORMANCE CONTEXT

The following demographic and economic information was obtained from publicly available sources that include the U.S. Department of Commerce's Bureau of Census, the Pennsylvania Department of Labor, the U.S. Department of Housing and Urban Development, and the Pennsylvania Association of Realtors.

### Demographic Characteristics

According to the 2000 Census, the population of the PA Non-MSA totals 82,327. The PA Non-MSA contains 16% of the bank's combined assessment area population in New York State and Pennsylvania. In the PA Non-MSA 16% of the population is 65 and older, which is comparable to the state percentage.

### Income Characteristics

The HUD-adjusted median family income for Bradford County was \$50,100 in 2008 and \$50,300 in 2009. The HUD-adjusted median family income for Sullivan County was \$45,600 in 2008 and \$48,200 in 2009 and for Tioga County it was \$46,600 in 2008 and \$48,500 in 2009. Of the 19 census tracts in the PA Non-MSA, there are no low or moderate-income census tracts and 9% of all families in the PA Non-MSA have incomes below the poverty level.

### Housing Characteristics

The PA Non-MSA contains 39,824 housing units, of which 62% are owner-occupied. Demographic information from the 2000 census estimated that the median age of the housing stock throughout the MSA is 39 years. The median sales price of existing single-family homes in Bradford and Tioga Counties, PA are \$89,909 and \$91,308, respectively.

### Labor, Employment and Economic Conditions

Bradford County is the most populous of the three counties. Agriculture is a large part of the Bradford County economy as well as tourism. Tioga County is a relatively rural area while Sullivan is a remote rural area. Tioga County is part of the "Twin Tiers" region which encompasses the Northern Tier of Pennsylvania and the Southern Tier of New York. Sullivan County consists of two middle-income census tracts, with one tract designated as underserved.

In addition, during the examination period, the average annual unemployment rates for Bradford, Sullivan and Tioga Counties were 5.3%, 5.7% and 6.1% in 2008, respectively. In 2009, the annual unemployment rate significantly increased for all three counties. The 2009 annual unemployment rate for Bradford, Sullivan and Tioga Counties were 8.4%, 8.6%, and 9.7%, respectively.

Additional assessment area data can be found in Exhibit 4.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### LENDING TEST

Chemung’s overall record of lending in the PA Non-MSA was satisfactory, based primarily on reasonable lending to borrowers of different income levels and to businesses of different sizes. Geographic distribution received little weight in the overall lending test since only middle-income census tracts are located in this assessment area.

#### Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The overall borrower distribution of loans reflected reasonable performance consisting of reasonable performance in HMDA-related lending to both low- income borrowers and moderate-income borrowers. The distribution of loans to businesses of different sizes also reflects reasonable performance. The following table summarizes the bank’s performance in lending to low- and moderate- income borrowers within each HMDA and small business product

<b>Non-MSA PA (Bradford, Sullivan and Tioga Counties) Borrower Distribution</b>				
<b>PRODUCT</b>	<b>Low-income Borrowers</b>		<b>Moderate-income Borrowers</b>	
	<b>Chemung Performance</b>	<b>2008 Aggregate Comparison</b>	<b>Chemung Performance</b>	<b>2008 Aggregate Comparison</b>
<b>Home Purchase</b>	Poor	Significantly Below	Reasonable	Below
<b>Refinance</b>	Reasonable	Above	Poor	Below
<b>Home Improvement</b>	Reasonable	Above	Excellent	Above
	<b>Lending to Businesses with GAR &lt;= \$1 million</b>		<b>2008 Aggregate Comparison</b>	
<b>Small Business</b>	Reasonable		Significantly Above	

#### Home Purchase Loans

Chemung demonstrated a poor distribution of home purchase loans to low-income borrowers. Chemung extended no loans to low-income borrowers compared to 19% of low-income families residing in the MSA. Chemung’s home purchase lending to low-income borrowers was significantly below the aggregate, which made 7% of its home purchase loans to low-income borrowers.

Chemung’s distribution of home purchase loans to moderate-income borrowers was reasonable. Chemung extended 13% of loans to moderate-income borrowers compared to 20% of moderate-income families residing in the MSA. Chemung’s home purchase lending to moderate-income borrowers was below the aggregate, which made 18% of its home purchase loans to moderate-income borrowers.

Refinance Loans

Chemung's distribution of refinancings to low-income borrowers was reasonable. Chemung originated 8% of its refinance loans to low-income borrowers, compared to 19% of low-income families residing in the MSA. Chemung's refinance lending to low-income borrowers was above the aggregate, which made 6% of its refinance loans to low-income borrowers.

The distribution of refinancings to moderate-income borrowers was poor. Chemung originated 8% of its refinance loans to moderate-income borrowers, compared to 20% of moderate-income families residing in the MSA. Chemung's refinance lending to moderate-income borrowers was below the aggregate, which made 16% of its refinancing loans to moderate-income borrowers.

Home Improvement Loans

Chemung's distribution of home improvement loans to low-income borrowers was reasonable. Chemung originated 10% of its home improvement loans to low-income borrowers, compared to

**2008 Aggregate Comparison Loan Distribution Table**  
Assessment Area: Pennsylvania Non-MSA

Income Categories	HMDA									
	By Tract Income					By Borrower Income				
	#	2008-2009 Bank %	2008-2009 Bank % \$(000s)	2008 Aggregate %	2008 Aggregate % \$(000s)	#	2008-2009 Bank %	2008-2009 Bank % \$(000s)	2008 Aggregate %	2008 Aggregate % \$(000s)
<b>Home Purchase</b>										
Low	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	7.2%	3.8%
Moderate	0	0.0%	0.0%	0.0%	0.0%	1	12.5%	5.8%	17.5%	11.2%
Middle	8	100.0%	100.0%	100.0%	100.0%	3	37.5%	41.5%	22.4%	20.0%
Upper	0	0.0%	0.0%	0.0%	0.0%	4	50.0%	52.7%	47.1%	58.0%
Unknown	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	5.8%	7.0%
<b>Total</b>	<b>8</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>8</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Refinance</b>										
Low	0	0.0%	0.0%	0.0%	0.0%	1	8.3%	5.6%	5.9%	2.8%
Moderate	0	0.0%	0.0%	0.0%	0.0%	1	8.3%	3.6%	16.0%	11.4%
Middle	12	100.0%	100.0%	100.0%	100.0%	4	33.3%	31.0%	25.9%	23.0%
Upper	0	0.0%	0.0%	0.0%	0.0%	2	16.7%	21.1%	42.0%	50.1%
Unknown	0	0.0%	0.0%	0.0%	0.0%	4	33.3%	38.7%	10.3%	12.7%
<b>Total</b>	<b>12</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>12</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Home Improvement</b>										
Low	0	0.0%	0.0%	0.0%	0.0%	1	10.0%	2.8%	7.8%	3.5%
Moderate	0	0.0%	0.0%	0.0%	0.0%	3	30.0%	11.8%	20.1%	14.8%
Middle	10	100.0%	100.0%	100.0%	100.0%	3	30.0%	64.6%	29.5%	30.0%
Upper	0	0.0%	0.0%	0.0%	0.0%	3	30.0%	20.8%	39.9%	47.0%
Unknown	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	2.7%	4.7%
<b>Total</b>	<b>10</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>10</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Multi-Family</b>										
Low	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.0%
Moderate	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.0%
Middle	0	0.0%	0.0%	100.0%	100.0%	0	0.0%	0.0%	0.0%	0.0%
Upper	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.0%
Unknown	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	100.0%	100.0%
<b>Total</b>	<b>0</b>	<b>0.0%</b>	<b>0.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0</b>	<b>0.0%</b>	<b>0.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>HMDA Totals</b>										
Low	0	0.0%	0.0%	0.0%	0.0%	2	6.7%	3.1%	6.7%	3.3%
Moderate	0	0.0%	0.0%	0.0%	0.0%	5	16.7%	5.1%	17.4%	11.6%
Middle	30	100.0%	100.0%	100.0%	100.0%	10	33.3%	38.1%	25.6%	22.4%
Upper	0	0.0%	0.0%	0.0%	0.0%	9	30.0%	33.9%	43.1%	52.9%
Unknown	0	0.0%	0.0%	0.0%	0.0%	4	13.3%	19.7%	7.2%	9.8%
<b>Total</b>	<b>30</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>30</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>SMALL BUSINESS</b>										
<b>By Tract Income</b>										
	#	2008-2009 Bank			2008 Aggregate					
		%	% \$(000s)	%	% \$(000s)	%	% \$(000s)			
Low	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%			
Moderate	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%			
Middle	9	100.0%		100.0%		86.8%				
Upper	0	0.0%		0.0%		0.0%				
Unknown	0	0.0%		0.0%		0.0%				
Tract Unknown	0	0.0%		0.0%		13.2%				
<b>Total</b>	<b>9</b>	<b>100.0%</b>		<b>100.0%</b>		<b>100.0%</b>				
<b>By Revenue</b>										
\$1 Million or Less	6	66.7%		50.1%		39.5%				50.1%
<b>By Loan Size</b>										
\$100,000 or less	7	77.8%		34.1%		93.8%				40.0%
\$100,001-\$250,000	0	0.0%		0.0%		4.3%				24.9%
\$250,001-\$1 Million	2	22.2%		65.9%		2.0%				35.1%
<b>Total</b>	<b>9</b>	<b>100.0%</b>		<b>100.0%</b>		<b>100.0%</b>				<b>100.0%</b>

Originations and Purchases

19% of low-income families residing in the MSA. Chemung's home improvement lending to low-income borrowers was above the aggregate, which made 8% of its home improvement loans to low-income borrowers.

The distribution of home improvement loans to moderate-income borrowers was excellent. Chemung originated 30% of its home improvement loans to moderate-income borrowers, compared to 20% of moderate-income families residing in the MSA. Chemung's home improvement lending to moderate-income borrowers was above the aggregate, which made 20% of its home improvement loans to low-income borrowers.

### Small Business Loans

The overall distribution of loans to businesses of different sizes was reasonable. The proportion of loans to businesses with gross annual revenues ("GAR") of \$1 million or less was 67% compared to 88% of such businesses located in the MSA. Chemung's performance was significantly above the aggregate which reported 40% of its loans to such businesses.

Of Chemung's small business loans, 78% were in amounts of \$100,000 or less, with an average loan size of \$118,000. Chemung slightly underperformed the aggregate which originated 94% of its loans in amounts of \$100,000 or less. Small loan amounts generally reflect the size of the business.

### **Geographic Distribution of Loans**

The overall geographic distribution of HMDA-related and small business loans reflected reasonable loan penetration in the PA Non-MSA. All 19 of Chemung's census tracts in the PA Non-MSA are middle-income tracts; there were no low or moderate-income census tracts in the PA Non-MSA assessment area. Since all the geographies have the same income classification, a geographic analysis had limited value. Lending dispersion based on a map review revealed adequate distribution of HMDA-related and small business loans.

### **COMMUNITY DEVELOPMENT TEST**

Chemung demonstrated poor responsiveness to the community development needs of the PA Non-MSA assessment area. Chemung provided a poor level of community development loans, qualified investments and community development services.

### Community Development Loans

Community development loan totaled \$234 thousand. This amount consisted of three loans made to support community services targeted to LMI individuals, two of which were to the same borrower. The three community development loans consisted of the following:

- A \$66,000 and \$40,000 term loan to a non-profit organization that provides training, education and affordable housing services to LMI individuals with mental health issues.

- A \$128,000 term loan to a non-profit organization that provides education and training targeted to mentally handicapped LMI individuals.

Community Development Investments

Chemung made no qualified investments to the PA Non-MSA assessment area during the examination period.

Community Development Services

One Chemung officer serves as a board member on the organization in Bradford County that promotes economic development.

## APPENDIX A

### GLOSSARY

**Aggregate lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Census tract:** A small, relatively permanent statistical subdivision of a county or statistically equivalent entity delineated for data presentation purposes by a local group of census data users or the geographic staff of a regional census center in accordance with Census Bureau guidelines. Designed to be relatively homogeneous units with respect to population characteristics, economic status, and living conditions at the time they are established, census tracts generally contain between 1,000 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries are delineated with the intention of being stable over many decades, so they generally follow relatively permanent visible features. However, they may follow governmental unit boundaries and other invisible features in some instances; the boundary of a state or county (or statistically equivalent entity) is always a census tract boundary.

**Community development:** Affordable housing (including multifamily rental housing) for low- or moderate- income individuals; community services targeted to low- or moderate- income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
  - a. Rates of poverty, unemployment, and population loss; or
  - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

**Consumer loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** A family is a group of two or more people related by birth, marriage, or adoption and residing together; all such people (including related subfamily members) are considered as members of one family.

**Full review:** Performance is analyzed considering performance context, quantitative factors and qualitative factors.

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (“HMDA”):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and income of applicants, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn).

**Home mortgage loans:** Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes, and refinancings of home improvement and home purchase loans.

**Household:** A household consists of all the people who occupy a housing unit. A household includes the related family members and all the unrelated people, if any, such as lodgers, foster children, wards, or employees who share the housing unit. A person living alone in a housing unit, or a group of unrelated people sharing a housing unit such as partners or roomers, is also counted as a household. The count of households excludes group quarters.

**Low-income:** Individual income that is less than 50% of the area median income, or a median family income that is less than 50%, in the case of a geography.

**Metropolitan Statistical Area (“MSA”):** A geographic entity defined by the federal Office of Management and Budget for use by federal statistical agencies, based on the concept of a core area with a large population nucleus, plus adjacent communities having a high degree of economic and social integration with that core.

**Middle-income:** Individual income that is at least 80% and less than 120% of the area median income, or a median family income that is at least 80% and less than 120%, in the case of a geography.

**Moderate-income:** Individual income that is at least 50% and less than 80% of the area median income, or a median family income that is at least 50% and less than 80%, in the case of a geography.

**Owner-occupied units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified investment:** A qualified investment is defined as any lawful investment, deposit, membership share or grant that has as its primary purpose community development.

**Small loan(s) to business(es):** A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (“Call Report”) and the Thrift Financial Reporting (“TFR”) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

**Upper-income:** Individual income that is more than 120% of the area median income, or a median family income that is more than 120%, in the case of a geography.

# Chemung Canal Trust Company

## Assessment Area

January 1, 2008 - December 31, 2009

**Legend**

- Zero Income Tracts
- Low Income Tracts
- Moderate Income Tracts
- Census Tracts
- Counties
- Assessment Area
- Branch

