

PUBLIC DISCLOSURE

August 18, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Bank of Cattaraugus
02-36-1580**

**24 Main Street
Cattaraugus, New York**

Federal Reserve Bank of New York

33 Liberty Street

New York, New York 10045-0001

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

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

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of the **Bank of Cattaraugus** prepared by the **Federal Reserve Bank of New York**, on behalf of the Board of Governors of the Federal Reserve System, the institution's supervisory agency, as of August 18, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.*

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

Over the examination review period of January 1, 1996 through June 30, 1997, the Bank of Cattaraugus's performance with regard to CRA is rated A~~Outstanding~~.@ This determination is based on the following performance criteria: 1) a loan-to-deposit ratio that is more than reasonable when compared to the bank's peer group; 2) a substantial majority (91 percent) of its residential, consumer, and small business loans in its assessment area; 3) an excellent distribution of loans to individuals of different income levels (including low- and moderate-income individuals) and businesses of small sizes; and 4) an excellent geographic distribution of loans within the bank's assessment area.

DESCRIPTION OF INSTITUTION

The Bank of Cattaraugus (ACattaraugus@) operates out of a single office located in the Village of Cattaraugus in the municipality of New Albion in which Cattaraugus County which is located in Western New York States Southern Tier Region. Cattaraugus County contains 13 villages, 32 towns, two cities, and three Indian Reservations. The bank has been operating for 115 years and has always been a single office operation. The bank is not part of a holding company and it is not affiliated with any other institution. As of June 30, 1997, Cattaraugus had total assets of \$12.2 million with total loans of \$8 million.

Cattaraugus extends the following types of credit: residential mortgage loans for one-to-four dwelling units, residential mortgage loans for five-dwelling units and over, housing rehabilitation loans, home improvement loans, small business loans, home equity loans, consumer loans, and commercial loans. Cattaraugus makes personal loans to individuals for as little as \$50.00 with terms ranging from single payments due in 30 days to installments for up to 60 months. Cattaraugus makes more consumer loans than any other type and they are frequently for very small amounts. The largest dollar volume of loans is for one- to - four family mortgages. As of June 30, 1997, approximately 77 percent or \$6.2 million of the bank's loans were for residential real estate.

DESCRIPTION OF BANK OF CATTARAUGUS= ASSESSMENT AREA

The following demographic and economic information was obtained from publicly available sources that include the United States Department of Commerce's Bureau of the Census, 1990, Cattaraugus County Economic Development, Planning & Tourism, and the United States Department of Labor. Community organizations were also contacted and information gained from the interviews was used in developing the description of the assessment area.

Taking into account the bank's size, capacity, and branch structure, the size of the assessment area was reduced by examiners at this examination and includes only those block numbering areas (BNAs@) that the bank can reasonably service. The new assessment area contains three contiguous BNAs and does not arbitrarily exclude any low- or moderate-income areas. All of the three BNAs are middle income. The assessment area borders on a moderate-income BNA which contains the City of Salamanca and the Allegany Indian Reservation. This BNA was not included in the bank's assessment area due to its distance from the bank and the banking competition in Salamanca. Salamanca is approximately 15 miles from the bank. The new assessment area includes the towns of New Albion, Leon, East Otto, Ashford, Little Valley, and Hansfield. Cattaraugus's primary servicing area has always been the Village of Cattaraugus and the area served by the Cattaraugus Central School District which is located primarily in the three BNAs in the new assessment area. The school district's boundary cuts through several BNAs in the very center of Cattaraugus County and includes the townships of Otto, East Otto, New Albion, and the Village of Cattaraugus. The School District services 900 students. According to a community contact, A30 percent of the student body lives below the poverty level.@

According to the 1990 Census, the bank's assessment area has a total population of 12,797 and the population for Cattaraugus County is 84,234. Cattaraugus's assessment area is rural in nature and is not part of a metropolitan statistical area. Even though the BNAs are middle income, there are many low- and moderate-income households in the assessment area. Of the 4,357 households in the bank's assessment area, 986 or 22.6 percent are low-income households and 854 or 19.6 percent are moderate-income. Median family income in 1990 for Cattaraugus County was \$28,178 while the median family income in the Village of Cattaraugus was \$25,796. The 1990 poverty rate for Cattaraugus County was 14 percent while the poverty rate for the Village of Cattaraugus was 15.2 percent. Nearby towns of East Otto, Otto, and Ashford had a poverty rate of approximately 11.4 percent. The New York State

poverty rate is 13 percent. According to a community contact, Cattaraugus suffers from a shrinking tax base, the absence of landlords from residential properties, and a sizable welfare community.®

The Village of Cattaraugus's major employers are Bush Industries, Setter Stix, West Valley Nuclear Fuel, Chester-Johnson, the Cattaraugus School System, Texas Overhead Door Company, Cattaraugus Farm Group, and services related to auto repair. The area has lost over 200 manufacturing jobs over the last five years. However, manufacturing and services remain the area's biggest employers. Many of the more well paying manufacturing jobs have been replaced with service jobs with salaries at or near minimum wage. Agriculture is still an important sector of the economy, but it is dwindling as small farms in the area continue to be less profitable. The unemployment rate in Cattaraugus County as of July 1996 was 6.9 percent.

Housing units in the assessment area total 5,576, of which 3,581 or 64.2 percent are owner-occupied. The housing stock in Cattaraugus's assessment area is old. Forty-nine percent of the housing units were built prior to 1950. The median housing value in the assessment area is \$38,732 and the gross median rent is \$315. The bank has been involved in rehabilitating several substandard houses that have been acquired through foreclosure.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Cattaraugus' Outstanding CRA rating is based on the favorable assessment of the bank's core performance criteria. The examination covered the period from January 1, 1996 through June 30, 1997. During this period, the bank extended 93 housing-related, 633 consumer and 99 small business loans. For the lending, income, and geographic distribution performance levels, a sample of these loans were reviewed as follows: 61 housing-related; 155 consumer; and 64 small business loans.

Loan-to-Deposit Ratio

Cattaraugus' loan-to-deposit ratio is excellent. At 77.9 percent, based on information contained in its Consolidated Report of Condition and Income for the four quarters ending March 31, 1997, the ratio is above the national peer group average of 59.9 percent, reported in the March 31, 1997 Uniform Bank Performance Report. In addition, the ratio exceeds 58.3 percent average achieved by four similarly situated local institutions.

The bank has extended \$1,500 in community development charitable donations. A grant in the amount of one thousand was extended to the Circuit Rider Program to support a part time grant writer. The purpose of the Circuit Rider Program is to serve the planning and development needs of small villages and townships within the Southern Tier Western Region. Another grant in the amount of \$500 dollars was given to the Cattaraugus Community Trust for a Reconnaissance Level Survey of Historic Resources of the Village of Cattaraugus. The survey is supporting historic preservation and tourism in the Village of Cattaraugus.

Lending in Assessment Area

During the examination review period, Cattaraugus originated a substantial majority of its loans within its assessment area. Classifying the bank's loans into three major product categories shows that a significant majority of housing-related, consumer, and business loans were made within its assessment area.

Of the total loans sampled, 90 percent (251 out of 280) was extended within the bank's assessment area. Of the housing related, consumer, and business loans, 93 percent (or 57 out of 61), 88 percent (or 136 out of 155), and 94 percent (60 out of 64), respectively, were made within the bank's assessment area.

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

Cattaraugus' record of lending to borrowers of different income levels (including low- and moderate-income individuals) and small businesses and farms of different sizes is excellent given the demographics of the bank's assessment area. An analysis of the distribution of loans across income levels for each loan category follows:

Table A
Distribution of Loans Within Assessment Area By Income Level of Borrower*
January 1996 Through June 1997

	Housing-Related	Consumer	Total
LOW INCOME:			
Number of Loans	11	49	60
Percentage	19%	36%	31%
Amount (\$)	\$170,367	\$112,233	\$282,600
Percentage	12%	33%	16%
MODERATE INCOME:			
Number of Loans	16	38	54
Percentage	28%	28%	28%
Amount (\$)	\$321,270	\$124,384	\$445,654
Percentage	23%	35%	26%
MIDDLE INCOME:			
Number of Loans	16	34	50
Percentage	28%	25%	26%
Amount (\$)	\$447,516	\$78,391	\$525,907
Percentage	32%	22%	30%
UPPER INCOME:			
Number of Loans	14	15	29
Percentage	25%	11%	15%
Amount (\$)	\$445,926	\$35,858	\$481,784
Percentage	33%	10%	28%

* NOTE: Low Income - less than 50% of Median Income; Moderate Income - at least 50% and less than 80% of Median Income; Middle Income - at least 80% and less than 120% of Median Income; Upper Income- 120% or more of Median Income.

TABLE B

**Distribution of Loans Within Assessment Area By Size of Business and Farm
 January 1996 through June 1997**

Small Business and Farm Lending Summary					
Number of loans to businesses and farms	Number of loans to small businesses and farms*	% of loans to small businesses and farms	\$ Amount of loans to businesses and farms	\$ Amount of loans to small businesses and farms*	% of \$ amount to small businesses and farms
60	60	100%	\$394,070	\$394,070	100%

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

Housing- Related

The bank's housing-related lending to borrowers of different income levels is very strong. Table A indicates that residential loans to low- and moderate-income borrowers comprised 47 percent of the loans sampled, with loans to low-income borrowers representing 19 percent of the originated loans in the assessment area. Of the 57 real estate loans made in the assessment area, 27 loans were made to low- and moderate-income borrowers.

Consumer

The bank's record of consumer lending to borrowers of different incomes is excellent. Table A shows that loans to low- and moderate-income borrowers comprised 64 percent of the loans sampled, with loans to low- income borrowers representing 36 percent of the sample. Out of the 136 consumer loans extended in the assessment area, 87 loans were made to low- and moderate-income borrowers. These ratios compare favorably to the demographics of the assessment area where approximately 23 percent of the families are of low-income and 20 percent are of moderate-income.

Small Business

Lending to small businesses with revenues of less than one million is excellent. Table B shows that all 60 loans sampled were extended to such businesses.

Geographic Distribution of Loans

Cattaraugus's geographic distribution of consumer, residential, and small business lending within its assessment area is excellent. The bank is lending in all three of the BNAs in its assessment area. The majority of the sampled loans were originated in the BNA in which the bank and the Village of Cattaraugus is located. This BNA includes the towns of New Albion, Leon, Conewango, Napoli, and Randolph. This BNA contains the highest aggregate poverty rate in the bank's assessment area. An analysis of the dispersion of lending for each loan category is as follows:

Housing-Related

An analysis of the residential loan sample shows that the bank is lending in all three of the BNAs in its assessment area. Of the 57 real estate loans made in the assessment area, 37 loans or 65 percent were made in the BNA that contains the Village of Cattaraugus. Seventeen residential loans or 30 percent were made in the BNA that contains the Town of East Otto, Otto, and Ashford. Three loans or .05 percent were extended in the BNA that contains Hansfield and Little Valley.

Consumer

An analysis of the consumer loan sample shows that the bank is lending in all three of the BNAs in its assessment area. Of the 136 consumer loans extended in the assessment area, 83 loans or 61 percent were originated in the BNA in which the bank is situated. Twenty four percent or 33 loans were extended in the BNA where the towns of Otto, East Otto, and Ashford are located. Twenty loans or 15 percent were extended in the BNA that contains Hansfield and Little Valley.

Small Business

An analysis of the commercial loan sample shows that the bank is lending in all three of the BNAs in its assessment area. The majority of the small business loans were made in the BNA which contains the bank and the Village of Cattaraugus. Of the 60 small business loans, 39 loans or 64 percent were made in the BNA that contains the Village of Cattaraugus, New Albion, and Randolph. Nine small business loans were extended in the BNA where the towns of Otto, East Otto, and Ashford are located and ten loans, or 17 percent, were extended in the BNA that contains Hansfield and Little Valley.

RESPONSE TO COMPLAINTS

No complaints were filed with the Federal Reserve Bank of New York since the prior examination.

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