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**PUBLIC DISCLOSURE**

January 18, 2022

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

Catskill Hudson Bank  
Certificate Number: 33859

4445 State Route 42 North  
Monticello, New York 12701

Federal Deposit Insurance Corporation  
Division of Depositor and Consumer Protection  
New York Regional Office

350 Fifth Avenue, Suite 1200  
New York, New York 10118

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 RATING

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

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

**The Lending Test is rated Satisfactory.**

- The average net loan-to-deposit ratio (LTD) is reasonable given the bank's size, financial condition, and the credit needs of the assessment areas.
- The bank made a majority of its loans in its assessment areas.
- The geographic distribution of loans reflects excellent dispersion throughout its assessment areas.
- The distribution of borrowers reflects, given the demographics of the assessment areas, reasonable penetration among individuals of different income levels.
- There were no CRA-related complaints during the evaluation period. As a result, examiners did not evaluate this performance criterion.

**The Community Development Test is rated Satisfactory.**

The bank's community development performance demonstrates adequate responsiveness to the community development needs in its assessment areas through its community development loans, qualified investments, and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in its assessment areas.

## DESCRIPTION OF INSTITUTION

Catskill Hudson Bank (CHB) is a wholly owned subsidiary of Catskill Hudson Bancorp, Inc., offering traditional and commercial loan services primarily in the Hudson and Capital Regions of New York State.

The bank received a “Satisfactory” rating at the previous FDIC CRA Performance Evaluation dated February 26, 2019, based on the Interagency Intermediate Small Institution CRA Examination Procedures.

### **Operations**

Catskill operates 11 full-service branches in its assessment areas in the Catskill Mountains, Hudson Valley, and Capital Region portions of New York State. CHB operates six offices in Sullivan County, New York, including its main office in the village of Monticello. The bank also operates two branches in Ulster County, and one branch each in the Counties of Orange, Albany, and Saratoga. In addition, the bank operates automated teller machines (ATMs) at each branch. The bank also partners with the Allpoint ATM network to provide surcharge free access to ATMs at various retail merchant locations.

The bank closed two branches since the prior evaluation, including its Latham branch, in a middle-income census tract in Albany County, and its Malta branch in a middle-income census tract in Saratoga County. However, the Latham office now houses the bank’s Commercial Lending Center, while its Malta office houses its Residential Lending Center. The bank did not open any branches since the prior evaluation.

CHB offers a range of deposit and lending products to meet the needs of its local communities. These include consumer checking and savings accounts, commercial checking and savings accounts, home mortgage loans, commercial loans, and consumer loans. Alternative banking services include internet and mobile banking, electronic bill pay, and ATMs.

### **Ability and Capacity**

As of September 30, 2021, the bank reported total assets of \$595.7 million. Loans are the primary asset at \$381.9 million, while securities total \$159.0 million. Deposits total \$554.4 million.

The following table provides a breakdown of the loan portfolio as of September 30, 2021.

<b>Loan Portfolio Distribution as of 9/30/2021</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	24,669	6.4
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	86,105	22.5
Secured by Multi-family (5 or more) Residential Properties	40,788	10.7
Secured by Non-farm Non-Residential Properties	196,243	51.4
<b>Total Real Estate Loans</b>	<b>347,805</b>	<b>91.0</b>
Commercial and Industrial Loans	30,171	7.9
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	209	<0.1
Obligations of States and Political Subdivisions in the U.S.	0	0.0
Loans to non-depository institutions	3,667	1.0
<b>Total Loans</b>	<b>381,852</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income</i>		

There are no financial, legal, or other impediments affecting the bank’s ability to meet the credit needs of its assessment areas.

## **DESCRIPTION OF ASSESSMENT AREAS**

The CRA requires each financial institution to define one or more assessment areas (AAs) within which its CRA performance will be evaluated. CHB designated the following three AAs in New York State.

- New York Statewide Nonmetropolitan Area: This AA includes Sullivan County in its entirety, which is not located in a metropolitan statistical area (MSA).
- New York-Newark, NY-NJ-CT-PA Combined Statistical Area (CSA) #408: This AA includes portions of Ulster and Orange Counties, which are part of the Hudson Valley Region of New York State, located immediately south of Sullivan County. Ulster County composes the Kingston, NY Metropolitan Statistical Area (MSA) #28740, while Orange County composes part of the New York-Newark-Jersey City, NY-NJ-PA MSA #35620. Both MSAs are within the greater New York-Newark, NY-NJ-CT-PA CSA #408.
- Albany-Schenectady-Troy, New York MSA #10580: This AA includes portions of Albany, Rensselaer, Saratoga, and Schenectady Counties, which are part of the Capital Region of New York State.

Please refer to the separate AA sections of this evaluation for a detailed description of CHB’s performance in each area.

## SCOPE OF EVALUATION

### **General Information**

Examiners used the Interagency Intermediate Small Institution CRA Examination Procedures to evaluate CHB's performance since the previous evaluation dated February 26, 2019, to the current evaluation date of January 18, 2022. These procedures include two tests: the CRA Small Bank Lending Test and the Community Development Test (see Appendices).

Examiners used full-scope procedures to assess CHB's performance in each of its AAs. Examiners assigned significantly more weight to the bank's performance in its New York Nonmetropolitan AA when determining the overall rating, as this area accounts for a majority of the bank's branches, deposits, and small business loans.

### **Activities Reviewed**

Examiners analyzed CHB's CRA performance using small business and 1-4 family loan data, as these loan types represent the bank's major product lines based on a review of bank records, business strategy, loan portfolio composition, and discussions with bank management. CHB did not originate any small farm loans during the evaluation period.

Examiners reviewed the bank's home mortgage loans for 2019 and 2020, which included residential loans subject to Home Mortgage Disclosure Act (HMDA) data reporting requirements. The HMDA-reportable loans include home purchase and home improvement loans, including refinancing, on 1-4 family and multi-family (five or more unit) properties. Per the HMDA regulation, and specifically the loan volume threshold exception, CHB was not required to collect and report its HMDA data during the review period; however, the bank collected the data for evaluation purposes. The bank's HMDA activity primarily included 1-4 family mortgage loans during the review period, with 174 loans totaling \$51.1 million. CHB made one multi-family loan totaling \$300,000 during the review period. As a result, this evaluation presents the bank's multi-family lending in the Assessment Area Concentration criterion only, since it did not affect the bank's overall performance and rating. Examiners compared the bank's 1-4 family residential lending to American Community Survey (ACS) census demographic data for 2019 and 2020.

Examiners reviewed the bank's small business loans for 2019 and 2020. Small business loans include commercial real estate or commercial and industrial loans and lines of credit in amounts of \$1.0 million or less. As an Intermediate Small Institution, the CRA regulation does not require CHB to collect and report its small business loan data; however, the bank collected the data for evaluation purposes. The bank originated 261 small business loans totaling \$32.2 million in 2019 and 2020. Examiners compared the bank's record of small business lending to Dun & Bradstreet (D&B) business demographic data for 2019 and 2020.

Under the Lending Test, examiners placed more weight on small business loans in arriving at overall ratings and conclusions, as this loan type represents 60.1 percent of total loans. This weighting applies overall and to the Lending Test analyses in the New York Statewide Nonmetropolitan Area AA. As the bank originated a nominal volume of 1-4 family loans (2 in

2019 and 7 in 2020) in the New York-Newark CSA AA upon which examiners could not draw meaningful conclusions, this loan type is not presented for that AA. In addition, small business loan volume was nominal in the Albany, NY MSA AA (4 in 2019 and 8 in 2020); therefore, this AA section does not present that loan type. The lending review included originations only, as the bank does not purchase loans. In addition, while the evaluation presents the number and dollar volume of loans, examiners emphasized performance by number of loans because the number of loans is a better indicator of the number of individuals and businesses served.

In addition, while the bank has historically been primarily a commercial lender, management made a business decision in 2018 to diversify its loan portfolio with other asset classes as it seeks out continued loan growth, and launched a Residential Lending Division.

The Community Development Test considered all of the bank’s community development loans, qualified investments and community development services since the February 26, 2019 CRA Performance Evaluation.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

CHB demonstrated reasonable performance under the Lending Test. The bank’s reasonable performance in the Loan-to-Deposit Ratio, Assessment Area Concentration, and Borrower Profile criteria supports this conclusion.

#### **Loan-to-Deposit Ratio**

The average net LTD ratio is reasonable considering the institution’s size, financial condition, and credit needs of the AAs. Examiners compared CHB’s average net LTD ratio to that of similarly situated institutions based on asset size, geographic location, areas served, and lending focus.

As shown in the following table, CHB had an average net LTD ratio of 68.5 percent based on data from the 11 quarterly Reports of Condition and Income published since the previous evaluation. The bank’s LTD ratio is within the range of similarly situated lenders, which is reasonable.

<b>Loan-to-Deposit Ratio Comparison</b>		
<b>Institution</b>	<b>Total Assets as of 9/30/2021 \$(000s)</b>	<b>Average Net LTD Ratio (%)</b>
<i>Catskill Hudson Bank</i>	<i>595,749</i>	<i>68.5</i>
Jeff Bank	681,801	59.7
Pioneer Bank	1,966,573	79.1
The Bank of Greene County	2,279,557	62.0
<i>Source: Reports of Condition and Income, 3/31/2019 through 9/30/2021</i>		

## Assessment Area Concentration

CHB made a majority of its loans inside its AAs for each of the bank's primary product lines, including small business and 1-4 family lending. As shown in the following table, the bank originated 82.8 percent of its total loans by number and 74.5 percent by dollar volume inside its AAs.

Lending Inside and Outside of the AAs										
Loan Category	Number of Loans					Dollar Amount of Loans \$(000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%	#	\$	%	\$	%	\$(000s)
Small Business										
2019	36	67.9	17	32.1	53	7,459	62.7	4,443	37.3	11,902
2020	183	88.0	25	12.0	208	15,604	77.0	4,649	23.0	20,253
<b>Subtotal</b>	<b>219</b>	<b>83.9</b>	<b>42</b>	<b>16.1</b>	<b>261</b>	<b>23,063</b>	<b>71.7</b>	<b>9,092</b>	<b>28.3</b>	<b>32,155</b>
1-4 Family										
2019	44	80.0	11	20.0	55	11,684	77.9	3,323	22.1	15,007
2020	97	81.5	22	18.5	119	27,168	75.3	8,933	24.7	36,101
<b>Subtotal</b>	<b>141</b>	<b>81.0</b>	<b>33</b>	<b>19.0</b>	<b>174</b>	<b>38,852</b>	<b>76.0</b>	<b>12,256</b>	<b>24.0</b>	<b>51,108</b>
Multifamily										
2019	1	100.0	0	0.0	1	300	100.0	0	0.0	300
2020	0	0.0	0	0.0	0	0	0.0	0	0.0	0
<b>Subtotal</b>	<b>1</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>1</b>	<b>300</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>300</b>
<b>Total</b>	<b>361</b>	<b>82.8</b>	<b>75</b>	<b>17.2</b>	<b>436</b>	<b>62,215</b>	<b>74.5</b>	<b>21,348</b>	<b>25.5</b>	<b>83,563</b>

*Source: 2019 and 2020 Bank Data. Due to rounding, totals may not equal 100.0.*

## Geographic Distribution

The geographic distribution of loans reflects excellent dispersion throughout the AAs. The bank's performance in the New York Statewide Nonmetropolitan primarily supports this conclusion. Small business performance in the New York-Newark, NY-NJ-CT-PA CSA AA was reasonable, while performance in the Albany-Schenectady-Troy, NY MSA AA was poor based primarily on 1-4 family lending performance. Refer to the Lending Test comments within each AA section for a detailed discussion of the bank's performance.

## Borrower Profile

The distribution of borrowers reflects, given the demographics of the AAs, reasonable penetration of loans to businesses of different sizes and individuals of different income levels. The bank's performance under this criterion was consistent throughout its New York Statewide Nonmetropolitan and the New York-Newark, NY-NJ-CT-PA CSA AAs, while the bank's performance in the Albany-Schenectady-Troy, NY MSA AA was poor based primarily on 1-4 family lending performance. Refer to the Lending Test comments within each AA section for a detailed discussion of the bank's performance.



**Response to Complaints**

The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test rating.

**COMMUNITY DEVELOPMENT TEST**

CHB demonstrated adequate responsiveness to the community development needs of its AAs through its community development loans, qualified investments, and community development services. Examiners considered the institution’s capacity and the needs and availability of such opportunities.

The bank’s performance under this criterion was consistent throughout each AA. Please refer to the separate AA sections of this evaluation for a detailed description of the bank’s community development activities in each area.

**Community Development Loans**

CHB originated 11 community development loans totaling \$10.0 million. This level of activity represents 1.7 percent of total assets (\$595.7 million) and 2.6 percent of total loans (\$381.9 million), as of September 30, 2021. These loans primarily supported affordable housing and economic development initiatives in the AAs, which demonstrates the bank’s responsiveness to these identified community development needs. Since the previous evaluation, the number and dollar volume of community development loans declined by 8.3 percent and 52.8 percent, respectively. However, examiners considered the effect COVID-19 related closures had on the demand and opportunity for community development lending in this regional area.

The following table provides details of the bank’s community development lending by assessment area and community development purpose. Please refer to the individual AA sections for details.

<b>Community Development Lending by Assessment Area</b>										
<b>Area</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
New York Nonmetropolitan Area	1	74	0	0	0	0	0	0	1	74
New York-Newark, NY-NJ-CT-PA, NY CSA	2	410	0	0	5	539	0	0	7	949
Albany-Schenectady-Troy, NY MSA	0	0	0	0	2	5,962	1	3,000	3	8,962
<b>Total</b>	<b>3</b>	<b>484</b>	<b>0</b>	<b>0</b>	<b>7</b>	<b>6,501</b>	<b>1</b>	<b>3,000</b>	<b>11</b>	<b>9,985</b>
<i>Source: Bank Records</i>										

## Qualified Investments

CHB’s qualified investments, donations, and grants totaled approximately \$4.5 million. This represents 0.8 percent of total assets (\$595.7 million) and 2.8 percent of total securities (\$159.0 million), as of September 30, 2021. CHB’s total dollar volume of qualified investments and grants increased by approximately \$2.1 million since the prior evaluation period. The qualified investments, donations, and grants primarily supported community service and the revitalization and stabilization needs of the AAs.

The following table summarizes the bank’s qualified investments, donations, and grants by assessment area and purpose. Please refer to the individual AA sections for details.

<b>Community Development Investments and Grants by Assessment Area</b>										
<b>Area</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
New York Nonmetropolitan Area	0	0	14	454	1	1	6	392	21	847
New York-Newark, NY-NJ-CT-PA CSA	3	3	24	2,718	1	1	0	0	28	2,722
Albany-Schenectady-Troy, NY MSA	0	0	8	914	1	2	0	0	9	916
<b>Total</b>	<b>3</b>	<b>3</b>	<b>46</b>	<b>4,086</b>	<b>3</b>	<b>4</b>	<b>6</b>	<b>392</b>	<b>58</b>	<b>4,485</b>
<i>Source: Bank Records</i>										

## Community Development Services

Bank employees provided 20 instances of financial expertise or technical assistance to community development-related organizations in the AAs. The activities primarily focused on the community service and economic development needs of the AAs. Examiners considered the effect COVID-19 related closures had on bank employees’ ability to provide community development services.

The following table illustrates the bank’s community development services by assessment area and purpose. Please refer to the individual AA sections for details.

<b>Community Development Services by Assessment Area</b>					
<b>Area</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
New York Nonmetropolitan Area	0	1	3	0	<b>4</b>
New York-Newark, NY-NJ-CT-PA CSA	3	0	5	0	<b>8</b>
Albany-Schenectady-Troy, NY MSA	0	5	3	0	<b>8</b>
<b>Total</b>	<b>3</b>	<b>6</b>	<b>11</b>	<b>0</b>	<b>20</b>
<i>Source: Bank Records</i>					

### **Branch Locations and Retail Services**

CHB operates two full-service branches, including ATMs, in moderate-income census tracts, which improves access to banking services for low- and moderate-income residents. The bank also offers a low-cost checking account, which is responsive to the needs of the assessment areas.

### **DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

Examiners did not identify any evidence of discriminatory or illegal credit practices; therefore, this consideration did not affect the institution's overall CRA rating.

## NEW YORK STATEWIDE NONMETROPOLITAN ASSESSMENT AREA – Full-Scope Review

### DESCRIPTION OF INSTITUTION’S OPERATIONS IN NEW YORK STATEWIDE NONMETROPOLITAN ASSESSMENT AREA

CHB operates six branches and six ATMs in this AA. This AA, which includes all of Sullivan County, composes part of the New York Statewide Nonmetropolitan Statistical Area within New York State. Sullivan County is located within Southern New York State in the Catskill Mountain region. The northeastern corner of the county is within Catskill State Park. The southern border of this AA is contiguous to the State of Pennsylvania and the Delaware River. This area is rural with many small towns and villages scattered throughout the county, which is a wide geographic area.

The New York nonmetropolitan AA accounts for 54.5 percent of the bank’s total branches, 70.4 percent of its total deposits, and 53.3 percent of its small business and 1-4 family loans made in its AAs. Examiners further noted that this AA accounts for a larger majority of the bank’s small business loans, at 67.1 percent by number of loans in 2019 and 2020.

#### **Economic and Demographic Data**

The AA comprises 24 census tracts, including 4 moderate-, 17 middle-, and 3 upper-income tracts. The following table provides select demographic characteristics for this AA.

<b>Demographic Information New York Nonmetropolitan AA</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	24	0.0	23.5	70.8	5.7	0.0
Population by Geography	76,330	0.0	22.8	59.3	17.9	0.0
Owner-Occupied Units by Geography	18,611	0.0	13.2	67.2	19.6	0.0
Businesses by Geography	5,110	0.0	26.4	54.7	18.9	0.0
Family Distribution by Income Level	17,832	20.5	16.5	21.3	41.8	0.0
Median Family Income: New York Statewide Nonmetropolitan		\$59,570	Median Housing Value Median Gross Rent Families Below Poverty Level			\$163,102 \$849 12.0%

*Source: 2015 ACS and 2020 D&B Data; (\*) the NA category consists of geographies that have not been assigned an income classification. Due to rounding, totals may not equal 100.0.*

The analysis of small business loans under the Borrower Profile criterion analyzes the distribution of the bank’s small business loans by the gross annual revenues (GARs) of the business for each year. According to 2020 D&B data, there were 5,110 businesses in the AA.

Listed below are the GARs for these businesses:

- 86.4 percent have GARs of \$1 million or less;
- 3.9 percent have GARs more than \$1 million; and
- 9.7 percent have unknown revenues.

Service industries represent the largest portion of total businesses at 34.8 percent; followed by retail trade at 13.5 percent; construction at 9.6 percent; and finance, insurance, and real estate at 8.4 percent. In addition, 65.2 percent of area businesses have four or fewer employees, and 94.6 percent operate from a single location. Tourism and healthcare are key drivers to the local economy. Top employers in the area include Resorts World Catskill, a relatively new and large casino to the area, as well as Center for Discovery, a large medical service and research facility. County government, utilities, and municipal school districts round out the other top employers. Nonetheless, the area's largely rural and scattered population poses ongoing economic challenges, as well as ongoing net population outmigration. This area lacks any large or growing population centers, with small towns and villages scattered throughout the county, which is a wide geographic area.

The unemployment rate for Sullivan County is at 3.9 percent as of November 2021, which is slightly lower than the national level of 4.2 percent, and well below the state level of 7.1 percent.

### **Competition**

The AA has a competitive market for financial services. According to the FDIC Deposit Market Share report as of June 30, 2021, eight financial institutions operated 29 branches in the AA. Of these institutions, CHB ranked second with a 20.7 percent deposit market share. Jeff Bank ranked first at 33.0 percent. A majority of the other institutions with branches in this AA are large, multi-billion dollar depository institutions that serve a much larger multi-regional or multi-state areas.

### **Community Contact**

Examiners reviewed a community contact with a business center that serves Sullivan County. The center provides technical assistance, counseling, and training services to new and existing small businesses. The contact shared that affordable housing is the primary credit need in the area. The contact noted that local banks generally meet small business credit needs; however, cash-based small business owners are in need of tax assistance services from financial professionals.

### **Credit and Community Development Needs and Opportunities**

Based on information from bank management and the demographic and economic data, this AA has ongoing small business and 1-4 family housing credit needs, as well as community development needs relating to affordable housing.

## CONCLUSIONS ON PERFORMANCE CRITERIA IN NEW YORK STATEWIDE NONMETROPOLITAN ASSESSMENT AREA

### LENDING TEST

CHB demonstrated reasonable performance under the Lending Test in this AA. The bank’s performance under the Borrower Profile criterion primarily supports this conclusion.

### Geographic Distribution

The geographic distribution of CHB’s lending activity reflects excellent penetration throughout this AA, based primarily on the bank’s small business lending performance, which is CHB’s most significant product line at 76.8 percent of total loans made in this AA. Examiners focused on the bank’s performance in moderate-income census tracts, as there are no low-income geographies in this AA.

#### *Small Business Lending*

The geographic distribution of small business loans reflects excellent dispersion throughout the AA.

<b>Geographic Distribution of Small Business Loans New York Nonmetropolitan Area</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Moderate					
2019	27.1	7	38.9	406	12.4
2020	26.4	51	39.5	4,454	43.2
Middle					
2019	55.6	9	50.0	2,499	76.2
2020	54.7	62	48.1	4,657	45.2
Upper					
2019	17.3	2	11.1	375	11.4
2020	18.9	16	12.4	1,193	11.6
Not Available					
2019	0.0	0	0.0	0	0.0
2020	0.0	0	0.0	0	0.0
<b>Totals</b>					
2019	<b>100.0</b>	<b>18</b>	<b>100.0</b>	<b>3,280</b>	<b>100.0</b>
2020	<b>100.0</b>	<b>129</b>	<b>100.0</b>	<b>10,304</b>	<b>100.0</b>
<i>Source: 2019 and 2020 D&amp;B Data, 2019 and 2020 Bank Data. Due to rounding, totals may not equal 100.0%.</i>					

As shown in the table above, the bank’s lending in the moderate-income census tracts materially exceeded the percentage of businesses for 2019 and 2020. In addition, the bank’s level of lending in moderate-income census tracts increased in 2020, while the percentage of businesses in those tracts decreased. In addition, although not used as a direct comparison, examiners reviewed the 2019 aggregate lending data to assess potential small business loan demand in the moderate-income tracts. Specifically, all 52 reporting lenders made 370 total small business loans during 2019 in the moderate-income tracts, which represents 21.7 percent of all small business loans reported, indicating strong

competition for somewhat limited lending opportunity. In addition, the top five institutions, which were mainly large national credit card lenders, accounted for about 59.4 percent of all reported loans in the area. Given the somewhat limited opportunities available and strong competition in the area, the bank’s small business lending performance in moderate-income tracts is excellent.

#### *1-4 Family Lending*

The geographic distribution of 1-4 family loans reflects poor dispersion throughout the AA. Examiners focused on the bank’s performance in the moderate-income census tracts, as there are no low-income geographies in the AA.

<b>Geographic Distribution of 1-4 Family Loans New York Nonmetropolitan Area</b>					
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Moderate					
2019	13.2	3	17.6	443	14.1
2020	13.2	1	3.6	140	2.4
Middle					
2019	67.2	13	76.5	2,544	80.9
2020	67.2	18	64.3	4,159	70.4
Upper					
2019	19.6	1	5.9	160	5.1
2020	19.6	9	32.1	1,605	27.2
Not Available					
2019	0.0	0	0.0	0	0.0
2020	0.0	0	0.0	0	0.0
<b>Totals</b>					
<b>2019</b>	<b>100.0</b>	<b>17</b>	<b>100.0</b>	<b>3,147</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>28</b>	<b>100.0</b>	<b>5,904</b>	<b>100.0</b>

*Source: 2015 ACS Data, 2019 and 2020 Bank Data. Due to rounding, totals may not equal 100.0.*

The bank’s percentage of 1-4 family loans in the moderate-income census tracts in 2019 exceeded the demographic comparison. However, in 2020, CHB’s lending level dropped notably and was significantly below the demographic comparison. In addition, although not used as a direct comparison, examiners reviewed the 2020 aggregate lending data to assess potential 1-4 family loan demand in the moderate-income tracts. Specifically, all reporting lenders made 243 1-4 family loans in the moderate-income tracts, which represents 11.4 percent of all loans reported. Considering CHB’s significant decrease in 2020 of lending in moderate-income tracts in 2020, its distribution of 1-4 family loans is poor.

#### **Borrower Profile**

The distribution of borrowers reflects, given the demographics of the AA, reasonable penetration based primarily on the bank’s small business lending performance, which is CHB’s most significant product line at 76.8 percent of total loans made in this AA.

### Small Business Lending

The distribution of borrowers reflects, given the demographics of the AA, reasonable penetration of loans to businesses of different sizes.

Distribution of Small Business Loans by Gross Annual Revenue Category New York Nonmetropolitan Area					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<b>&lt;=\$1,000,000</b>					
2019	84.2	10	55.6	1,930	58.8
2020	86.4	53	41.1	2,450	23.8
<b>&gt;\$1,000,000</b>					
2019	4.7	8	44.4	1,350	41.2
2020	3.9	11	8.5	1,832	17.8
<b>Revenue Not Available</b>					
2019	11.0	0	0.0	0	0.0
2020	9.7	65	50.4	6,022	58.4
<b>Totals</b>					
<b>2019</b>	<b>100.0</b>	<b>18</b>	<b>100.0</b>	<b>3,280</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>129</b>	<b>100.0</b>	<b>10,304</b>	<b>100.0</b>

*Source: 2019 and 2020 D&B Data, 2019 and 2020 Bank Data. Due to rounding, totals may not equal 100.0.*

As shown in the table above, the bank’s 2019 level of lending to businesses with GARs of \$1.0 million or less is lower than the demographics. Although not used as a direct comparison, examiners reviewed the 2019 aggregate lending data to assess potential loan demand by businesses with GARs of \$1.0 million or less. Specifically, lenders made 40.6 percent of all reported small business loans during 2019 to small businesses, indicating that ample loan demand exists and that CHB’s 2019 lending levels far exceeded that demand in general.

In 2020, the bank’s level of lending to businesses with GARs of \$1 million or less, as a percentage of total small business lending, decreased notably. However, examiners attribute this decrease to the bank’s relatively high volume of loans made in 2020 through the U.S. Small Business Administration’s (SBA) Paycheck Protection Program (PPP), specifically because this program does not require traditional underwriting standards and revenue information is not required for approval. As a result, the bank reported revenues as “Not Available” for these PPP loans.

The PPP is an emergency loan program to provide financial relief and assistance to small businesses experiencing financial hardship and duress due to the COVID-19 pandemic. The PPP financing features a 100.0 percent SBA loan guarantee on loans up to \$10 million. Additionally, businesses pay a below-market fixed interest rate of 1.0 percent over a two-year term, which can be fully forgiven if the business retains the required minimum percentage of workers on the payroll. The federal government launched the PPP on April 3, 2020. During 2020, CHB made 165 PPP loans totaling \$10.8 million, which is significant for the bank relative to its total loan volume.

In conclusion, and in light of the performance context factor relative to the PPP loans regarding reported revenues, the bank’s overall performance of lending to small businesses in this AA is reasonable.



### 1-4 Family Lending

The bank’s distribution of 1-4 family mortgage loans reflects reasonable penetration among borrowers of different income levels. Examiners focused on the percentage of home mortgage loans to low- and moderate-income borrowers by the number of loans, as detailed in the following table.

<b>Distribution of 1-4 Family Loans by Borrower Income Level New York Nonmetropolitan Area</b>					
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>					
2019	20.5	1	5.9	101	3.2
2020	20.5	1	3.6	80	1.4
<b>Moderate</b>					
2019	16.5	1	5.9	75	2.4
2020	16.5	2	7.1	240	4.1
<b>Middle</b>					
2019	21.3	5	29.4	795	25.3
2020	21.3	1	3.6	120	2.0
<b>Upper</b>					
2019	41.8	8	47.1	1,952	62.0
2020	41.8	23	82.1	4,924	83.4
<b>Not Available</b>					
2019	0.0	2	11.8	224	7.1
2020	0.0	1	3.6	540	9.1
<b>Totals</b>					
<b>2019</b>	<b>100.0</b>	<b>17</b>	<b>100.0</b>	<b>3,147</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>28</b>	<b>100.0</b>	<b>5,904</b>	<b>100.0</b>

*Source: 2015 ACS Data, 2019 and 2020 Bank Data. Due to rounding, totals may not equal 100.0.*

The bank’s level of lending to low-income borrowers was below demographics in 2019 and 2020. Although not used as a direct comparison, examiners reviewed the 2019 and 2020 aggregate lending data to assess potential 1-4 family loan demand among low-income borrowers. Specifically, the percentage of total loans made among low-income borrowers during 2019 and 2020, stood at 2.5 percent and 2.1 percent, respectively, which indicates that limited lending opportunities exist. For example, aggregate data shows only 47 total loans to low-income borrowers in 2020. Considering the limited loan demand, CHB’s performance of lending to low-income borrowers is reasonable.

The bank’s level of lending to moderate-income borrowers was below demographics in 2019 and 2020. Although not used as a direct comparison, examiners reviewed the 2020 aggregate lending data to assess potential 1-4 family loan demand among moderate-income borrowers. Specifically, the percentage of total loans to moderate-income borrowers in 2020, stood at 9.3 percent, which indicates that lending opportunities do exist, and that CHB’s performance is generally in line with demand. As a result, the bank’s performance of lending to moderate-income borrowers is reasonable.

## COMMUNITY DEVELOPMENT TEST

CHB demonstrated adequate responsiveness to the community development needs of this AA, primarily through its qualified investments and community development services. The following sections detail the institution’s community development loans, qualified investments, and community development services in this AA.

### Community Development Loans

During the review period, CHB originated one community development loan totaling \$73,600, which supported affordable housing. A majority of the units in the building had rents below the fair market rents established by the United States Department of Housing and Urban Development (HUD).

### Qualified Investments

The bank has eight qualified investments totaling approximately \$840,000, all of which are municipal bonds from towns and villages within the county. Five investments with a current book value of \$368,000 are outstanding investments from the prior evaluation period. The outstanding investments were municipal bonds that supported moderate-income areas and moderate-income individuals throughout the AA by providing sewer systems and other infrastructure improvements to the area. The bank’s new investment activity includes three bonds totaling \$472,000, including a \$200,000 bond purchased in 2020 that funded highway equipment located in a moderate-income census tract. These bonds support infrastructure improvements, which revitalize and stabilize moderate-income geographies. The bank also made 13 donations totaling \$5,700 to community groups and organizations that provide community development services throughout the AA.

### Community Development Services

CHB’s employees, management, and Board of Directors (Board) participated in four different qualifying community development services in this AA. This represents a decrease from the 11 instances provided during the prior evaluation period. The following table illustrates the number of community development services by purpose and year.

<b>Community Development Services – New York Nonmetropolitan Area</b>					
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
2019 (Partial)	0	1	1	0	<b>2</b>
2020	0	0	1	0	<b>1</b>
2021	0	0	1	0	<b>1</b>
2022 (YTD)	0	0	0	0	<b>0</b>
<b>Total</b>	<b>0</b>	<b>1</b>	<b>3</b>	<b>0</b>	<b>4</b>
<i>Source: Bank Data</i>					

Below is a notable example of the bank’s community development services.

- The bank’s President serves on the Board of a non-profit economic development corporation in Sullivan County, which provides financial and technical assistance to new and existing small business owners.

**NEW YORK-NEWARK, NY-NJ-CT-PA CSA #408 ASSESSMENT AREA – Full-Scope Review**

**DESCRIPTION OF INSTITUTION’S OPERATIONS IN NEW YORK-NEWARK, NY-NJ-CT-PA CSA #408 ASSESSMENT AREA**

CHB operates three branches and three ATMs in this AA. This AA, which includes portions of Ulster and Orange Counties that compose a part of the New York-Newark-NY-NJ-CT-PA CSA.

This AA accounted for 27.3 percent of the bank’s total branches, 19.5 percent of its total deposits, and 19.2 percent of its total 1-4 family and small business loans made in its AAs on a combined basis. However, examiners noted the bank made very few 1-4 family loans in this AA since the prior evaluation, at about 6.4 percent. Consequently, examiners placed significantly less weight on the bank’s 1-4 family performance in this AA in arriving at overall performance conclusions in this AA.

**Economic and Demographic Data**

The AA comprises 45 census tracts, including 2 low-, 11 moderate-, 26 middle-, and 6 upper-income tracts. The following table illustrates select demographic characteristics for this AA.

<b>Demographic Information New York-Newark, NY-NJ-CT-PA CSA AA</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	45	4.4	24.4	57.8	13.4	0.0
Population by Geography	174,165	4.2	21.1	60.1	14.5	0.0
Owner-Occupied Units by Geography	42,328	2.8	16.0	64.6	16.6	0.0
Businesses by Geography	15,149	3.6	18.3	63.9	14.2	0.0
Family Distribution by Income Level	42,090	22.1	16.8	20.1	41.0	0.0
Median Family Income: Kingston, NY MSA 28740		\$74,546	Median Housing Value Median Gross Rent Families Below Poverty Level			\$216,123 \$1,076 8.2%
Poughkeepsie-Newburgh-Middletown, NY MSA 39100		\$85,780				

*Source: 2015 ACS and 2020 D&B Data; (\*) the NA category consists of geographies that have not been assigned an income classification. Due to rounding, totals may not equal 100.0.*

The analysis of small business loans under the Borrower Profile criterion analyzes the distribution of the bank's small business loans by the gross annual revenue (GAR) of the business for each year. According to 2020 D&B data, there were 15,149 business establishments in the AA. Listed below are the GARs for these businesses:

- 85.6 percent have GARs of \$1 million or less;
- 4.6 percent have GARs more than \$1 million; and
- 9.8 percent have unknown revenues.

According to Moody's Analytics, a strong healthcare and university presence continues to buoy the Orange County portion of the AA. The AA's general proximity to New York City also materially affects the local economy, particularly Orange County. Many Orange County, and some Ulster County, residents commute to the greater New York City area for employment, which helps to stabilize local economies; however, this trend has been muted with the growth of working from home during the COVID-19 pandemic. The Ulster County portion of the AA faces continued economic challenges in particular, with a below-average concentration of high-wage jobs and an overreliance on government employment and few private sector growth drivers.

The November 2021 unemployment rates for Ulster and Orange Counties stood at 3.5 percent and 4.1 percent, respectively. These rates were slightly lower than the national level of 4.2 percent, and notably lower than the state level of 7.1 percent.

The top employers in the AA include: Mediacom Communications; Orange Regional Medical Center; Local Media Group; Kingston Hospital, Ulster-Greene ARC; United Cerebral Palsy of Ulster County; Orange County Community College; United HealthCare/Uniprise; and Middletown Central Schools.

### **Competition**

The AA is a competitive market for financial services. According to the FDIC Deposit Market Share report as of June 30, 2021, 21 financial institutions operated 60 branches in this AA. Of these institutions, CHB ranked sixteenth with a 1.6 percent deposit market share. The five institutions with the highest deposit market shares accounted for 55.1 percent of total market share. These entities are mainly large, multi-billion dollar depository institutions that serve a much larger multi-regional or multi-state area in addition to this AA.

### **Community Contact**

Examiners reviewed a community contact with a local housing organization that serves Ulster County. The organization provides homebuyer counseling; financial assistance for homeowners and landowners; emergency rental assistance; foreclosure prevention; and housing advocacy in the area it serves. The contact noted local and community banks are responsive to the credit needs of the community. The contact shared that affordable housing is the primary need in the area. Specifically, the contact noted there are financial incentives to build or purchase multi-family rental properties; however, there is a need for additional housing units, as overall housing needs are not fulfilled. Additionally, the contact shared it is beneficial when financial institutions focus on

fostering relationships with portions of the community that have previously experienced difficulties in banking.

### **Credit and Community Development Needs and Opportunities**

Based on information from bank management and the demographic and economic data, there are various ongoing credit needs in this AA. In particular, there is a need for affordable housing based on the demographics, and a need for financial literacy training and outreach.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN NEW YORK- NEWARK, NY-NJ-CT-PA CSA #408 ASSESSMENT AREA**

CHB demonstrated reasonable performance under the Lending Test in this AA. The bank's small business performance under the Borrower Profile and Geographic Distribution primarily supports this conclusion. As previously mentioned, the bank did not make a sufficient volume of 1-4 family residential loans in this AA upon which examiners could reach meaningful conclusions; therefore, this section does not present this loan type.

### **Geographic Distribution**

The geographic distribution of CHB's small business loans reflects reasonable penetration throughout this AA. Examiners focused on the bank's performance in the moderate-income census tracts, as there are only two low-income geographies in the AA.

<b>Geographic Distribution of Small Business Loans New York-Newark, NY-NJ-CT-PA CSA</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>					
2019	3.6	0	0.0	0	0.0
2020	3.6	0	0.0	0	0.0
<b>Moderate</b>					
2019	18.5	2	14.3	470	14.1
2020	18.3	25	54.3	1,396	37.8
<b>Middle</b>					
2019	64.5	12	85.7	2,865	85.9
2020	63.9	18	39.1	1,652	44.7
<b>Upper</b>					
2019	13.5	0	0.0	0	0.0
2020	14.2	3	6.5	648	17.5
<b>Not Available</b>					
2019	0.0	0	0.0	0	0.0
2020	0.0	0	0.0	0	0.0
<b>Totals</b>					
<b>2019</b>	<b>100.0</b>	<b>14</b>	<b>100.0</b>	<b>3,335</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>46</b>	<b>100.0</b>	<b>3,696</b>	<b>100.0</b>

*Source: 2019 and 2020 D&B Data, 2019 and 2020 Bank Data. Due to rounding, totals may not equal 100.0.*

As shown in the table above, CHB did not make any loans in the AA's two low-income census tracts in 2019 or 2020. Although not used as a direct comparison, examiners reviewed the 2019 aggregate lending data to assess potential small business loan demand in the two low-income tracts. Specifically, all 92 reporting lenders made only 126 total small business loans in these tracts in 2019, which represents only 3.0 percent of all small business loans reported. This level of lending indicates that significantly limited lending opportunity in these tracts. In addition, the top five institutions, which were mainly large national credit card lenders, accounted for about 64.1 percent of all reported loans in these tracts, which implies reduced traditional small business lending opportunities in general. Given the limited opportunities available and strong competition in the two low-income census tracts, the bank's small business lending performance in the low-income tracts receives less emphasis.

In 2019, the bank's level of lending in moderate-income geographies was below the demographic comparison. However, its level of lending in moderate-income tracts increased significantly in 2020, far exceeding demographics.

Considering the weighting of performance in moderate-income tracts, CHB's geographic distribution of small business loans is reasonable.

### **Borrower Profile**

The distribution of borrowers reflects, given the demographics of the AA, reasonable penetration of loans to businesses of different sizes.

Distribution of Small Business Loans by Gross Annual Revenue Category New York-Newark, NY-NJ-CT-PA CSA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<b>&lt;=\$1,000,000</b>					
2019	83.4	6	42.9	2,043	61.3
2020	85.6	24	52.2	1,463	39.6
<b>&gt;\$1,000,000</b>					
2019	5.4	8	57.1	1,292	38.7
2020	4.6	6	13.0	1,293	35.0
<b>Revenue Not Available</b>					
2019	11.3	0	0.0	0	0.0
2020	9.8	16	34.8	940	25.4
<b>Totals</b>					
<b>2019</b>	<b>100.0</b>	<b>14</b>	<b>100.0</b>	<b>3,335</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>46</b>	<b>100.0</b>	<b>3,696</b>	<b>100.0</b>

*Source: 2019 and 2020 D&B Data, 2019 and 2020 Bank Data. Due to rounding, totals may not equal 100.0.*

In 2019, the bank’s level of lending to businesses with GARs of \$1.0 million or less was below demographics. Although not used as a direct comparison, examiners reviewed the 2019 aggregate lending data to assess potential loan demand by businesses with GARs of \$1.0 million or less. Specifically, 40.6 percent of all reported small business loans during 2019 were to small businesses, indicating ample loan demand exists and that CHB’s 2019 lending levels are in line with loan demand, which is reasonable. Furthermore, the bank’s level of lending to businesses with GARs of \$1.0 million or less increased in 2020.

## COMMUNITY DEVELOPMENT TEST

CHB has an adequate level of community development loans, community development services, or qualified investments and donations. The following sections detail the institution’s community development loans, qualified investments, and community development services in this AA.

### Community Development Loans

CHB made seven community development loans totaling approximately \$949,000. The bank’s community development loans primarily funded affordable housing and economic development.

Community Development Loans – New York-Newark, NY-NJ-CT-PA CSA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2019 (Partial)	2	410	0	0	0	0	0	0	2	410
2020	0	0	0	0	3	339	0	0	3	339
2021	0	0	0	0	2	200	0	0	2	200
<b>Total</b>	<b>2</b>	<b>410</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>539</b>	<b>0</b>	<b>0</b>	<b>7</b>	<b>949</b>

*Source: Bank Records*

Below is an example of one of the bank’s community development loans.

- In 2019, the bank originated a \$300,000 loan for a multi-family property in Ulster County, in a moderate-income census tract. The rents were below the fair market rents established by HUD. This loan supports affordable housing for low- and moderate-income families in the assessment area.

**Qualified Investments**

The bank has eight qualified investments totaling \$2.7 million in this AA. This total includes approximately \$608,000 in outstanding investments from the prior evaluation period and \$2.1 million in new investments. All of the qualified investments are municipal bonds from the area’s towns and villages that finance community development activities benefiting low- and moderate-income areas and individuals in the AA. The bank also extended 24 donations totaling \$8,365 to community groups and organizations that support community development services throughout the AA.

**Community Development Services**

CHB employees, management, and Board members participated in eight different community development services in this AA. This represents a decrease from the 14 instances provided during the prior evaluation period. The following table illustrates community development services by purpose and year.

<b>Community Development Services - New York-Newark, NY-NJ-CT-PA CSA</b>					
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
2019 (Partial)	1	0	1	0	<b>2</b>
2020	1	0	2	0	<b>3</b>
2021	1	0	2	0	<b>3</b>
2022 (YTD)	0	0	0	0	<b>0</b>
<b>Total</b>	<b>3</b>	<b>0</b>	<b>5</b>	<b>0</b>	<b>8</b>
<i>Source: Bank Data</i>					

Below are notable examples of the bank’s community development services.

- An employee serves on a revolving loan committee that provides loans to new and existing businesses in a village of Ulster County. The loan committee serves the entire village, which includes a moderate-income census tract, and requires that loan proceeds must help create and retain jobs. The bank employee provides technical assistance by evaluating loan applications during monthly committee meetings.
- The bank’s President serves as the Chairman of the Board for Habitat for Humanity in Ulster County, which provides financial education and access to resources and housing for low- and moderate-income individuals.



**Branch Locations and Retail Services**

CHB operates one branch in a moderate-income census tract in Ulster County and one branch in a moderate-income census tract in Orange County, which improves access to banking services for low- and moderate-income residents

**ALBANY-SCHENECTADY-TROY, NY MSA #10580 ASSESSMENT AREA – Full-Scope Review**

**DESCRIPTION OF INSTITUTION’S OPERATIONS IN ALBANY-SCHENECTADY-TROY, NY MSA #10580 ASSESSMENT AREA**

CHB operates two branches and two ATMs in this AA. This AA, which includes significant portions of Albany, Rensselaer, Saratoga, and Schenectady Counties, which are all situated within the Albany-Schenectady-Troy, NY MSA. The bank also operates two new loan production LPOs, a commercial lending center in Albany County, and a residential loan center in Saratoga County.

The Albany-Schenectady-Troy, NY MSA accounted for 18.2 percent of the bank’s total branches, 10.1 percent of its total deposits, and 27.5 percent of its total 1-4 family and small business loans made in its AAs on a combined basis. However, examiners noted the bank made a majority of its total 1-4 family loans by number in this AA since the prior evaluation, at about 61.7 percent. Consequently, examiners placed significant weight on the bank’s 1-4 family performance in this AA in arriving at overall performance conclusions.

**Economic and Demographic Data**

The AA comprises 162 census tracts, including 21 low-, 34 moderate-, 70 middle-, and 34 upper-income tracts. The following table provides select demographic characteristics for this AA.

<b>Demographic Information Albany-Schenectady-Troy, NY MSA AA</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	162	13.0	21.0	43.2	21.0	1.8
Population by Geography	657,550	9.8	19.3	47.0	22.6	0.0
Owner-Occupied Units by Geography	157,989	4.1	14.8	53.1	28.0	0.1
Businesses by Geography	52,698	15.4	13.2	43.9	27.0	0.0
Family Distribution by Income Level	151,186	21.6	17.5	22.1	38.8	0.0
Median Family Income: Albany-Schenectady-Troy, NY MSA 10580		\$81,103	Median Housing Value Median Gross Rent Families Below Poverty Level			\$192,014 \$897 8.4%

*Source: 2015 ACS and 2020 D&B Data; (\*) the NA category consists of geographies that have not been assigned an income classification. Due to rounding, totals may not equal 100.0.*

The analysis of small business loans under the Borrower Profile criterion analyzes the distribution of the bank's small business loans by GARs of the business for each year. According to 2020 D&B data, there were 52,698 business establishments in the AA. Listed below are the GARs for these businesses:

- 83.5 percent have GARs of \$1 million or less;
- 5.3 percent have GARs more than \$1 million; and
- 11.2 percent have unknown revenues.

According to Moody's Analytics, the AA's economy has remained strong relative to the state as a whole, with one of the lowest unemployment rates. Historically, low business costs and affordable housing have been a strength, and housing construction has been playing an outsized role, fueled by a single-family market that is experiencing its strongest price growth in decades. The area also remains a semiconductor hub, with semiconductor company, Global Foundries, shifting its headquarters from Silicon Valley to the area in addition to the existing production facilities in the area. The area's central location relative to New York City and New England helps support growth in transportation and logistics.

The unemployment rate for the Albany-Schenectady-Troy, NY MSA is at 3.2 percent as of November 2021, which is slightly lower than the national level of 4.2 percent, and notably lower than the state level of 7.1 percent.

The top employers in the AA include: St. Peter's Health Partners; Albany Medical Center; Golub Corp.; Hannaford Supermarkets; General Electric; Ellis Medicine; Stewart's Shops Corp.; Global Foundries; Bechtel Marine Propulsion Corp.; and Glens Falls Hospital.

### **Competition**

The AA is a competitive market for financial services. According to the FDIC Deposit Market Share report as of June 30, 2021, 23 financial institutions operated 268 branches in the bank's AA. Of these institutions, CHB ranked 21<sup>st</sup> with a 0.2 percent deposit market share. The five most prominent institutions with the highest deposit market shares accounted for 71.4 percent of total market share. These entities are mainly large, multi-billion dollar depository institutions that serve a much larger multi-regional or multi-state area in addition to this AA.

### **Community Contact**

Examiners contacted a representative from a local home ownership organization in Albany County to help identify credit and community development needs. The contact identified a credit need for acquisition and rehabilitation loan products for investors and first-time homebuyers of 1-4 family properties. The contact further explained there are a number of vacant properties within the community that need to be rehabilitated before a resident moves in. The contact also identified a need for additional bank branches in the area. The contact noted that many members of the community have to travel miles to access in-person banking. The contact particularly noted a significant impact on small business owners in the area with no employees. These owners often have to close their businesses, while they travel to their bank branch during operating hours.

**Credit and Community Development Needs and Opportunities**

Based on information from bank management and the demographic and economic data, this AA has ongoing 1-4 family housing credit needs, as well as community development service needs.

**CONCLUSIONS ON PERFORMANCE CRITERIA IN ALBANY-SCHENECTADY-TROY, NY MSA #10580 ASSESSMENT AREA**

CHB demonstrated poor performance under the Lending Test in this AA. The bank’s poor 1-4 family lending performance under the Borrower Profile and Geographic Distribution criteria primarily support this conclusion. As previously mentioned, the bank did not make a sufficient volume of small business loans in this AA upon which examiners could reach meaningful conclusions; therefore, this section does not present this loan type.

**Geographic Distribution**

The geographic distribution of 1-4 family loans reflects poor penetration throughout this AA. Examiners focused on the bank’s performance in low- and moderate-income census tracts.

<b>Geographic Distribution of 1-4 Family Loans Albany-Schenectady-Troy, NY MSA</b>					
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>					
2019	4.1	0	0.0	0	0.0
2020	4.1	0	0.0	0	0.0
<b>Moderate</b>					
2019	14.8	4	16.0	1,089	13.1
2020	14.8	2	3.2	404	2.1
<b>Middle</b>					
2019	53.1	11	44.0	3,491	41.8
2020	53.1	40	64.5	11,924	62.9
<b>Upper</b>					
2019	28.0	10	40.0	3,765	45.1
2020	28.0	20	32.3	6,628	35.0
<b>Not Available</b>					
2019	0.1	0	0.0	0	0.0
2020	0.1	0	0.0	0	0.0
<b>Totals</b>					
<b>2019</b>	<b>100.0</b>	<b>25</b>	<b>100.0</b>	<b>8,345</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>62</b>	<b>100.0</b>	<b>18,956</b>	<b>100.0</b>

*Source: 2015 ACS Data, 2019 and 2020 Bank Data. Due to rounding, totals may not equal 100.0.*

As shown in the above table, the bank did not make any loans in low-income tracts in 2019 or 2020. In addition, although not used as a direct comparison to bank lending, the aggregate performance in low-income census tracts during 2019 and 2020 stood at 3.0 percent and 2.5 percent, respectively. This reflects limited market demand and opportunity for making loans the low-income census tracts in this AA.

In 2019, the bank’s percentage of 1-4 family loans in the moderate-income census tracts exceeded the demographic comparison. However, in 2020, CHB’s lending level dropped notably, and was below the demographic comparison. In addition, although not used as a direct comparison to bank lending, the aggregate performance in moderate-income census tracts during 2020 stood at 11.3 percent. This illustrates ample market demand and that 1-4 family loan opportunities exist in the moderate-income census tracts in this AA. As a result, CHB’s 1-4 family loan performance in moderate-income census tracts is poor.

**Borrower Profile**

The distribution of borrowers reflects, given the demographics of the AA, poor penetration of 1-4 family loans to low- and moderate-income borrowers as reflected in the following table.

<b>Distribution of 1-4 Family Loans by Borrower Income Level Albany-Schenectady-Troy, NY MSA</b>					
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low					
2019	21.6	0	0.0	0	0.0
2020	21.6	0	0.0	0	0.0
Moderate					
2019	17.5	2	8.0	393	4.7
2020	17.5	8	12.9	1,575	8.3
Middle					
2019	22.1	3	12.0	752	9.0
2020	22.1	19	30.6	4,992	26.3
Upper					
2019	38.8	19	76.0	7,076	84.8
2020	38.8	33	53.2	11,710	61.8
Not Available					
2019	0.0	1	4.0	124	1.5
2020	0.0	2	3.2	679	3.6
<b>Totals</b>					
<b>2019</b>	<b>100.0</b>	<b>25</b>	<b>100.0</b>	<b>8,345</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>62</b>	<b>100.0</b>	<b>18,956</b>	<b>100.0</b>

*Source: 2015 ACS Data, 2019 and 2020 Bank Data. Due to rounding, totals may not equal 100.0.*

As shown in the above table, the bank did not make any loans to low-income borrowers in 2019 or 2020. In addition, although not used as a direct comparison to bank lending, the aggregate performance among low-income borrowers during 2019 and 2020 stood at 9.1 percent and 9.9 percent, respectively. This illustrates general market demand and that 1-4 family loan opportunities exist among low-income individuals and families in this AA. As a result, CHB’s 1-4 family loan performance among low-income borrowers is poor.

In 2019, the bank’s level of lending to moderate-income borrowers was below the demographic comparison. In 2020, CHB’s lending activity increased, but was still below the demographic comparison. In addition, although not used as a direct comparison to bank lending, the aggregate performance among moderate-income borrowers during 2019 and 2020 stood at 23.7 percent and 23.8 percent, respectively. This illustrates ample market demand and that 1-4 family loan

opportunities exist among moderate-income individuals in this AA. As a result, the bank’s loan penetration among moderate-income borrowers is poor.

## **COMMUNITY DEVELOPMENT TEST**

CHB has an adequate level of community development loans, community development services, and qualified investments in this AA. The following sections detail the institution’s community development loans, qualified investments, and community development services in this AA.

### **Community Development Loans**

CHB originated three community development loans totaling \$9.0 million in this AA. These loans primarily supported economic development. For example, in 2019, the bank participated in a loan for the acquisition and development of a commercial, mixed-use property in a low-income census tract in Albany County. The development will include residential and commercial units, which helps address an identified community development need for affordable housing in the assessment area. Examiners qualified a pro-rata portion of the bank’s participation for \$3.0 million.

### **Qualified Investments**

During the evaluation period, the bank had one qualified investment totaling \$900,000 in the AA, which was a municipal bond for the Village of Green Island in Albany County. The bank also made eight donations totaling \$15,605 to community groups and organizations that support community development initiatives throughout the AA.

### **Community Development Services**

CHB’s employees, management, and Board members participated in eight community development services in this assessment area. This represents an increase from the four instances provided during the prior evaluation period. The following table illustrates community development services by purpose and year.

<b>Community Development Services – Albany-Schenectady-Troy, New York MSA #10580</b>					
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
2019 (Partial)	0	3	1	0	<b>4</b>
2020	0	1	1	0	<b>2</b>
2021	0	1	1	0	<b>2</b>
2022 (YTD)	0	0	0	0	<b>0</b>
<b>Total</b>	<b>0</b>	<b>5</b>	<b>3</b>	<b>0</b>	<b>8</b>
<i>Source: Bank Data</i>					

Below are notable examples of the bank's community development services.

- In 2019, 2020, and 2021, a Board member served as a Board Trustee of a foundation that supports a local hospital in Saratoga County. The foundation provides financial assistance to low- and moderate-income individuals.
- In 2019, 2020, and 2021, a Senior Vice President served on the Commercial Loan Committee of a Community Development Financial Institution that serves the capital region of New York, including Albany, Rensselaer, Saratoga, and Schenectady Counties. The officer's service and technical expertise helps the organization evaluate loan applications from small businesses and non-profit organizations.

## APPENDICES

### INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

#### **Lending Test**

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

#### **Community Development Test**

The Community Development Test considers the following criteria:

- 1) The number and amount of community development loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the bank provides community development services; and
- 4) The bank's responsiveness through such activities to community development lending, investment, and service needs.

## 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.

**American Community Survey (ACS):** A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

**Assessment Area:** A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

**Census Tract:** A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

**Combined Statistical Area (CSA):** A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

**Community Development:** For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

**Community Development Corporation (CDC):** A CDC allows banks and holding companies to make equity type of investments in community development projects. Institution CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Institution CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.



**Community Development Financial Institutions (CDFIs):** CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

**Community Development Loan:** A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose institution:
  - (i) Has not been reported or collected by the institution or an affiliate for consideration in the institution's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
  - (ii) Benefits the institution's assessment area(s) or a broader statewide or regional area including the institution's assessment area(s).

**Community Development Service:** A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the institution's retail banking services under § 345.24(d).

**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.

**Core Based Statistical Area (CBSA):** The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

**Distressed Middle-Income Nonmetropolitan Geographies:** A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

**FFIEC-Estimated Income Data:** The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

**Full-Scope Review:** A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g, innovativeness, complexity, and responsiveness).

**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 the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

**Home Mortgage Loans:** Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Limited-Scope Review:** A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.

Performance under applicable tests is often analyzed using only quantitative factors (e.g, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

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

**Low Income Housing Tax Credit:** The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Median Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

**Metropolitan Division (MD):** A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area (MSA):** CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

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

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

**Multi-family:** Refers to a residential structure that contains five or more units.

**Nonmetropolitan Area** (also known as **non-MSA**): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

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

**Rated Area:** A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

**Rural Area:** Territories, populations, and housing units that are not classified as urban.

**Small Business Investment Company (SBIC):** SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

**Small Business Loan:** A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small Farm Loan:** A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

**Underserved Middle-Income Nonmetropolitan Geographies:** A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area’s population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

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

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.