

# **PUBLIC DISCLOSURE**

September 14, 2009

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The Cortland Savings and Banking Company  
RSSD #846619

194 West Main Street  
Cortland, Ohio 44410

Federal Reserve Bank of Cleveland

P.O. Box 6387  
Cleveland, OH 44101-1387

**NOTE:** This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

## TABLE OF CONTENTS

Institution’s CRA Rating .....	1
Scope of Examination .....	2
Description of Institution .....	4
Conclusions with Respect to Performance Tests .....	6
Description of the Assessment Areas	
• Youngstown-Warren-Boardman, OH/PA Metropolitan Statistical Area ( <i>reviewed using full-scope review</i> ).....	10
• Akron Metropolitan Statistical Area ( <i>reviewed using full-scope review</i> ) .....	29
• Ohio Nonmetropolitan Statistical Area ( <i>reviewed using limited-scope review</i> ) .....	40
• Cleveland-Elyria-Mentor, OH Metropolitan Statistical Area ( <i>reviewed using limited-scope review</i> ) .....	43
Appendix A: Glossary.....	46
Appendix B: Core Tables ( <i>used in limited-scope review</i> ) .....	50
Appendix C: Assessment Area Maps .....	52

## INSTITUTION'S CRA RATING

**This institution is rated: “Satisfactory”**

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

**The Community Development Test is rated: “Satisfactory”**

The major factors and criteria contributing to this rating include:

- A reasonable loan-to-deposit ratio, given the bank’s size, financial condition, and assessment area credit needs;
- A substantial majority of loans and other lending-related activities are in the assessment area;
- The geographic distribution of loans reflects a reasonable dispersion throughout the assessment areas;
- A reasonable penetration among individuals of different income (including low- and moderate-income individuals) levels and businesses of different sizes;
- No complaints filed against the bank since the previous CRA examination; and,
- The bank’s community development performance demonstrates adequate responsiveness to community development needs of its assessment area through community development loans, qualified investments, and community development services, as appropriate, considering the bank’s capacity and the need and availability of such opportunities for community development in the bank’s assessment area.

The previous CRA evaluation conducted September 10, 2007 resulted in an overall rating of “Satisfactory.”

## SCOPE OF EXAMINATION

The CRA public evaluation is based on the level of the bank's lending within its assessment area, including the distribution to borrowers of different income levels and to small businesses of different revenue sizes, and is based on loans originated from January 1, 2007 to December 31, 2008. In addition, the bank's community development activity from September 1, 2007 through August 31, 2009 was evaluated using the interagency intermediate small bank examination procedures. Under this examination method, the bank is evaluated by considering lending and community development activity. The lending test includes the analysis of the following:

- The loan-to-deposit ratio;
- The volume of loans extended inside and outside of the bank's assessment areas;
- The geographic distribution of loans in the bank's assessment area, including low- and moderate-income census tracts;
- The extent of lending to borrowers of different income levels, including low- and moderate-income borrowers and businesses of different sizes, including small businesses and small farms; and,
- The bank's record of taking action in response to written complaints about its performance in helping to meet credit needs in its assessment areas.

The loan products evaluated included consumer loans, mortgage loans reported under the Home Mortgage Act (HMDA), and small business loans. Consumer loans are comprised of motor vehicle, other secured, home equity, and other unsecured loan types. Mortgage loans are comprised of home purchase, refinance, and home improvement loans. Consumer loans accounted for 57.2% of total loan volume, followed by mortgage loans at 31.4%, and small business loans at 11.4% during this review period. Based on volume, consumer loans received the greatest weight in this analysis, followed by mortgage loans, and small business loans.

As part of the overall lending test, the bank's geographic distribution with respect to consumer loans was assessed by comparing the percentage of loans made in each geography type (low-, moderate-, middle-, and upper-income) to the percentage of total households in each geographic category.

The bank's geographic distribution with respect to HMDA loans was assessed by comparing the percentage of loans made in each geography type (low-, moderate-, middle-, and upper-income) to the percentage of owner-occupied housing units by tract. Lending patterns in low- and moderate-income and distressed middle-income geographies were given more weight than lending in middle- and upper-income geographies.

Small business loans, also known as CRA loans, were compared to the percentage of businesses within each geographic income category, regardless of revenue size of the business. Small farm loans are also considered under CRA lending, but were not included in this analysis due to lack of volume.

The bank's borrower income distribution with respect to consumer loans was assessed by comparing the percentage of loans made to consumers in each income category (low-, moderate-, middle-, and upper-income) to the percentage of households in each income category. The bank's borrower distribution with respect to mortgage loans was assessed by comparing the percentage of loans made to borrowers in each income category to the percentage of families in each income category. In addition, poverty levels were considered in the analysis. Poverty level is determined by both income and family size. Generally, a larger proportion of families at poverty level are found in the low-income category, and to some extent, in the moderate-income category. Borrowers at poverty level often do not qualify for real estate loans, so the percentage of families below poverty level was considered when evaluating lending performance to low- and moderate-income borrowers. Because there was considerable variety among geographies and income levels, the geographic and borrower distribution were considered to be equally important and given equal weight in this analysis.

The bank's borrower distribution with respect to small business loans was assessed by comparing the percentage of loans made to businesses in each revenue category (less than or equal to \$1 million or greater than \$1 million) to the percentage of total businesses in each revenue category. The bank's lending pattern to businesses with \$1 million or less in revenue is weighted the most heavily in the analysis.

The bank's performance was also compared to the aggregate performance of all lenders required to report HMDA data within the assessment area for the year 2008 (the only data available at the time of this report). The bank's deposit market share is also discussed to provide a better understanding of how Cortland ranks within their respective market area.

The community development test provides for an analysis of the following factors:

- The number and dollar amount of community development loans;
- The number and dollar amount of qualified investments;
- The extent to which the bank provides community development services; and,
- The bank's responsiveness to the needs of its assessment area through community development activities.

## DESCRIPTION OF INSTITUTION

The Cortland Savings and Banking Company (Cortland) is a full-service retail bank headquartered in Cortland, Ohio. As of March 31, 2009, Cortland had total assets of \$493 million, which was an increase of 3.1% from \$478 million as of March 31, 2007. However, total assets have remained relatively unchanged in the past year. Cortland is the sole banking subsidiary and source of income for Cortland Bancorp.

As of March 31, 2009, loans represent 48% of total assets, with investments in municipal and U.S. government securities representing most of the remaining assets. Of the \$236 million in loans, 52% is secured by commercial real estate, 34% by 1-4 family dwellings, 6% commercial and industrial, 4% construction and land development, 3% consumer loans, and the remaining 1% is comprised of all other types of loans.

Since the previous evaluation, Cortland's assessment area has expanded to include all of Mahoning County and portions of Geauga County, increasing the bank's overall assessment area from 100 to 174 total census tracts. Cortland now serves Mahoning and Trumbull Counties in the Youngstown-Warren-Boardman OH-PA Metropolitan Statistical Area (MSA) 49660, portions of Portage County in the Akron OH MSA 10420, the southern portion of Ashtabula County in nonmetropolitan Ohio, and portions of Geauga County in the southeast quadrant of Geauga County in the Cleveland-Elyria-Mentor OH MSA 17460. The assessment area is comprised of the following tracts: 14 low-income, 34 moderate-income, 102 middle-income, 23 upper-income, and one unknown-income tracts. Also, the two middle-income census tracts that make up the assessment area in Ashtabula County are considered distressed due to unemployment.

In addition to the main office, the bank has 13 branch locations and 12 full-service ATMs serving these areas. Cortland has no stand-alone or cash-only ATMs. There are no branch offices or ATMs located in low-income tracts. There is one branch office with a full-service ATM located in a moderate-income tract. The majority of branch offices with ATMs are located in middle-income tracts (10 offices and 8 full-service ATMs) and the main office and two branch offices, each with a full-service ATM, are located in upper-income tracts.

Since the previous evaluation, no branch offices have been closed; however, both the Brookfield and North Lima branch offices were relocated. The Brookfield office was relocated from an upper- to a middle-income census tract and the North Lima office remained in a middle-income census tract. Also, in April 2008, Cortland opened a new office in a middle-income census tract in Middlefield, Ohio in conjunction with its expansion into Geauga County.

The bank's assessment area complied with the requirements of the Community Reinvestment Act and does not arbitrarily exclude low- or moderate-income census tracts. The bank's asset size and financial condition indicate that it has the ability to effectively meet the credit needs of its assessment area. There are no legal or other impediments that would hamper the bank's ability to meet the credit needs of the community.

The following table illustrates the demographics of the bank's entire assessment area.

## Combined Demographics Report

Cortland Bank

Assessment Group(s): Overall

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	14	8.0	4,937	2.8	1,753	35.5	32,110	18.4
Moderate-income	34	19.5	21,816	12.5	4,402	20.2	32,263	18.4
Middle-income	102	58.6	113,143	64.7	7,306	6.5	40,006	22.9
Upper-income	23	13.2	34,993	20.0	943	2.7	70,510	40.3
Unknown-income	1	0.6	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>174</b>	<b>100.0</b>	<b>174,889</b>	<b>100.0</b>	<b>14,404</b>	<b>8.2</b>	<b>174,889</b>	<b>100.0</b>
	<b>Housing Units by Tract</b>	<b>Housing Types by Tract</b>						
		<b>Owner-Occupied</b>			<b>Rental</b>		<b>Vacant</b>	
		<b>#</b>	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low-income	9,783	3,860	2.1	39.5	4,001	40.9	1,922	19.6
Moderate-income	40,902	20,209	10.9	49.4	15,549	38.0	5,144	12.6
Middle-income	172,954	121,732	65.8	70.4	41,189	23.8	10,033	5.8
Upper-income	49,558	39,302	21.2	79.3	8,037	16.2	2,219	4.5
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>273,197</b>	<b>185,103</b>	<b>100.0</b>	<b>67.8</b>	<b>68,776</b>	<b>25.2</b>	<b>19,318</b>	<b>7.1</b>
	<b>Total Businesses by Tract</b>	<b>Businesses by Tract &amp; Revenue Size</b>						
		<b>Less Than or = \$1 Million</b>		<b>Over \$1 Million</b>		<b>Revenue Not Reported</b>		
		<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	
Low-income	886	3.9	764	3.8	93	5.0	29	4.1
Moderate-income	2,748	12.1	2,386	11.8	266	14.3	96	13.6
Middle-income	13,601	59.6	12,140	60.0	1,048	56.2	413	58.5
Upper-income	5,516	24.2	4,910	24.3	439	23.6	167	23.7
Unknown-income	52	0.2	33	0.2	18	1.0	1	0.1
<b>Total Assessment Area</b>	<b>22,803</b>	<b>100.0</b>	<b>20,233</b>	<b>100.0</b>	<b>1,864</b>	<b>100.0</b>	<b>706</b>	<b>100.0</b>
	<b>Percentage of Total Businesses:</b>			<b>88.7</b>		<b>8.2</b>		<b>3.1</b>

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### Lending Test

The bank is rated “Satisfactory” under the lending test.

### *Loan-to-Deposit Ratio*

A financial institution’s loan-to-deposit ratio compares the institution’s aggregate loan balances outstanding to its total deposits outstanding. The ratio is a measure of an institution’s lending volume relative to its capacity to lend and is derived by adding the quarterly loan-to-deposit ratios and dividing the total by the numbers of quarters. Cortland’s peer group consists of all insured commercial banks having assets between \$300 million and \$1 billion.

Cortland’s loan-to-deposit ratio is reasonable given the bank’s size, financial condition, and assessment area credit needs. The bank averaged 60.1% over the past ten quarters of operation and is below the aggregate of all lenders group average ratio of 88.6%. The bank’s loan-to-deposit ratio has historically lagged behind aggregate of all lenders and has continued to do so over the most recent ten quarters. The bank did not experience extreme fluctuations in its loan-to-deposit ratio since the previous evaluation period. As a result, Cortland’s loan-to-deposit ratio was considered reasonable.

The table below illustrates Cortland’s quarterly loan-to-deposit ratios for ten quarters since the previous evaluation, along with the average loan-to-deposit for the same period:

<b>Loan-to-Deposit Ratios</b>				
<b>As of Date</b>	<b>Net Loans (000s)</b>	<b>Total Deposits (000s)</b>	<b>Bank Ratio</b>	<b>Peer Ratio</b>
June 30, 2009	233,096	387,087	60.22	86.02
March 31, 2009	233,826	383,054	61.04	86.85
December 31, 2008	243,547	380,599	63.99	89.30
September 30, 2008	229,059	362,125	63.25	91.10
June 30, 2008	226,857	364,295	62.27	91.00
March 31, 2008	224,311	360,693	62.19	89.47
December 31, 2007	221,488	367,096	60.34	89.45
September 30, 2007	218,893	376,116	58.20	88.56
June 30, 2007	213,624	372,303	57.38	87.86
March 31, 2007	207,019	362,352	57.13	86.56
<b>Quarterly Loan-to-Deposit Ratio Average Since Previous Evaluation</b>			<b>60.11</b>	<b>88.62</b>

There are several factors impacting Cortland's overall ability to make loans within its assessment area. The local economy continues to experience difficulties with declining levels of manufacturing jobs and limited development opportunities. Major employers such as Delphi and General Motors continue to downsize operations as a result of bankruptcy filings in late 2005 for Delphi and July 2009 for General Motors. In addition, other manufacturers are either experiencing extensive layoffs or temporary shutdowns. This is supported by the unemployment numbers within the bank's assessment area. According to the Ohio Department of Job and Family Services,<sup>1</sup> the nation's unadjusted unemployment rate is currently 9.7%, and Ohio's unadjusted unemployment rate is 11.1%. Both Mahoning and Trumbull Counties, which comprise the majority of the bank's assessment area, are at 14.3% and 15.6% unemployment, respectively. These rates are significantly above both the nation's and Ohio's unemployment rates. Having such high unemployment rates affects Cortland's ability to make loans.

Another factor contributing to the bank's ability to make loans within its assessment area is that Cortland serves a highly competitive market. According to the June 30, 2009 FDIC's Deposit Market Share Report,<sup>2</sup> there are 24 institutions insured by the FDIC operating 277 offices within the bank's assessment area. Out of these institutions, Cortland ranked eighth with only 3.38% of the market share. Some of Cortland's competitors include: Huntington National Bank which ranked first with 21.87% of the market share of deposits, followed by First Place Bank and Home Savings and Loan ranking 2<sup>nd</sup> and 3<sup>rd</sup>, respectively with 12.62% and 9.41% of the market share of deposits within the bank's assessment area.

---

1 Ohio Labor Market Information: [ohiolmi.com/laus/ColorRateMap.pdf](http://ohiolmi.com/laus/ColorRateMap.pdf)

2 FDIC/OTS Summary of Deposits: [www.fdic.gov](http://www.fdic.gov)

***Lending in the Assessment Area***

The following table illustrates that the 91.3% percent of loans were made inside the bank’s assessment area. Further, a majority (84.1%) of loans, when measured by dollar amount, were also made inside the assessment area. As a result, a substantial majority of the bank’s lending was made inside its assessment area.

<b>Lending Inside and Outside the Assessment Area</b>								
<b>Loan Type</b>	<b>Inside the Assessment Area</b>				<b>Outside the Assessment Area</b>			
	<b># of Loans</b>	<b>%</b>	<b>\$ (000s)</b>	<b>%</b>	<b># of Loans</b>	<b>%</b>	<b>\$ (000s)</b>	<b>%</b>
Home Purchase	153	82.3	13,341	78.2	33	17.7	3,725	21.8
Home Improvement	145	96.7	3,988	97.6	5	3.3	96	2.4
Refinance	205	96.7	15,238	97.1	7	3.3	456	2.9
<b>Total HMDA Related</b>	<b>503</b>	<b>91.8</b>	<b>32,567</b>	<b>88.4</b>	<b>45</b>	<b>8.2</b>	<b>4,277</b>	<b>11.6</b>
Small Business	183	89.7	33,167	82.8	21	10.3	6,901	17.2
<b>Total Small Bus. Related</b>	<b>183</b>	<b>89.7</b>	<b>33,167</b>	<b>82.8</b>	<b>21</b>	<b>10.3</b>	<b>6,901</b>	<b>17.2</b>
Home Equity	219	93.2	10,500	91.7	16	6.8	951	8.3
Motor Vehicle	252	91.6	2,994	90.5	23	8.4	316	9.5
Other - Secured	232	83.8	4,463	55.8	45	16.2	3,542	44.2
Other - Unsecured	214	98.6	1,288	95.3	3	1.4	63	4.7
<b>Total Consumer Related</b>	<b>917</b>	<b>91.3</b>	<b>19,245</b>	<b>79.8</b>	<b>87</b>	<b>8.7</b>	<b>4,872</b>	<b>20.2</b>
<b>TOTAL LOANS</b>	<b>1,603</b>	<b>91.3</b>	<b>84,979</b>	<b>84.1</b>	<b>153</b>	<b>8.7</b>	<b>16,050</b>	<b>15.9</b>

***Geographic and Borrower Distribution***

Both the bank’s geographic and borrower distribution was considered reasonable. Refer to each assessment area’s performance ratings for further details.

Cortland participates in the following secondary market affordable housing loan programs designed for low- and moderate-income homebuyers with limited cash resources: House America Program, My Community Mortgage, and USDA – Rural Housing Service. During this review period, Cortland originated 17 loans totaling approximately \$1.4 million within its assessment area and three loans totaling \$132,000 outside its assessment area through these loan programs. In addition, Cortland has its own loan program that helps reach low- and moderate-income families who have limited funds for down payments on homes with their Right at Home Program. During this review period, Cortland originated seven Right at Home loans aggregating \$491,899.

To enhance its efforts in addressing the credit needs of small businesses in its assessment area, Cortland participates in the Ohio Treasurer's GrowNOW program, which is an interest rate reduction program designed to help small businesses grow by providing them with critical cash flow. When a business is approved for a loan from an eligible bank in the state, GrowNOW provides an additional 3% discount on the loan's already-negotiated interest rate when the loan is linked to creating or saving jobs in Ohio. The treasury places a certificate of deposit (CD) with the bank at a reduced rate. The bank agrees to pass along the interest rate savings of 3% to the small business owner's loan. The treasurer's office estimates that this program saves the small business owner up to \$24,000 in interest over the two-year life of the loan. During this evaluation period, Cortland originated 50 loans through this program, aggregating \$10.9 million in CD deposits within the assessment area and 3 loans totaling approximately \$888,000 in CD deposits that benefitted three adjoining counties.

### **Response to Consumer Complaints**

No CRA-related complaints were filed against Cortland during this evaluation period.

### **Community Development Test**

The bank is rated "Satisfactory" under the community development test.

For the evaluation period, Cortland originated four community development loans aggregating \$297,000. In addition, the bank made \$32,669 in donations over the course of this evaluation period. Since the previous evaluation in 2007, the bank maintained positions with four mortgage backed-securities secured by home loans made to low- or moderate-income borrowers aggregating \$3.2 million. Two of the mortgage-backed securities aggregating \$1.8 million are secured by properties located within the bank's assessment area. The first property is located in Trumbull County and the second security contains two properties located in Ashtabula County. The remaining two mortgage-backed securities aggregating \$1.4 million are secured by properties located in Ohio, but outside the bank's assessment area. The bank also has a municipal bond that assists a local school district with an outstanding balance of approximately \$1.0 million.

Specific details of community development activities are discussed in the respective assessment area sections of this report.

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

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified. The bank continues the use of fair lending policies and procedures and has an effective fair lending training program.

**DESCRIPTION OF INSTITUTION'S OPERATIONS IN YOUNGSTOWN-WARREN-  
BOARDMAN, OH/PA METROPOLITAN AREA**  
*(Full-scope Review)*

The Youngstown-Warren-Boardman MSA 49660 (Youngstown-Warren) consists of Mahoning and Trumbull Counties in Ohio and Mercer County in Pennsylvania; however, this assessment area is comprised only of Mahoning and Trumbull Counties. As a result, the bank's assessment area consists of a total of 134 income tracts comprised of 14 low-income tracts, 30 moderate-income tracts, 69 middle-income tracts, 20 upper-income tracts, and one unknown-income tract.

The Youngstown-Warren MSA's population growth is declining. According to the Census Bureau's 2008 population estimates,<sup>3</sup> the population declined from 602,166 in 2000 to 565,890 in 2008, a 6.02% decrease. The population is projected to be 508,325 in 2020, which is a 15.58% decrease between 2000 and 2020.

Because Cortland's assessment area includes the city of Youngstown, it is important to understand how the city's challenges impact the bank's ability to serve its community. Youngstown is the largest city in Mahoning County and the ninth largest city in Ohio according to the Census Bureau's 2008 population estimates. Youngstown currently has 72,925 residents, and by 2030, the total population is projected to be only 54,000. According to an article in the Fall 2008 issue of *Next American City* by Brentin Mock entitled, "Can They Save Youngstown?"<sup>4</sup> Youngstown began losing residents at an average population decline of 16% annually since the 1950s. According to Mock, "Youngstown is a shrinking city, a municipality of arrested or regressive development, both in financial and demographic terms." Youngstown is a city that is suffering post-industrial losses; its plan is to embrace the "shrinking city model" or the method known in Europe as "unbuilding the city." Mock further explains, "unlike many other cities that relied on steel production, Youngstown is owning its population deficit." As a result, the Youngstown 2010 plan was developed. It is the city's guiding document that sets out a framework for understanding and addressing the issues that face Youngstown.

The plan addresses what Youngstown needs to do to recreate itself as a sustainable mid-size city, develop a post-steel industry economy, and become a healthier and better place to live and work before it can be positioned for growth again. At the same time the city prepares to shrink, it realizes that adverse economic impacts still exist; i.e., decreased property values, decreased tax base, reduced quality and quantity of public services, aging infrastructure, and concentrated poverty.

The largest city in Trumbull County is the city of Warren. According to the 2000 Census,<sup>3</sup> Warren had 46,832 residents and by 2007, the total population is estimated to be 44,270, which is a 5.5% decrease. The next largest city is Niles, whose population decreased by 7.0% since 2000 to current estimates of 19,477 residents. Trumbull County faces the same adverse economic impacts as Mahoning County.

<sup>3</sup> [www.census.gov](http://www.census.gov)

<sup>4</sup> [www.americancity.org/magazine/article/can-they-save-youngstown/](http://www.americancity.org/magazine/article/can-they-save-youngstown/)

According to the June 30, 2009 FDIC Deposit Market Share Report, Cortland ranked eighth out of 19 institutions in the market with a deposit share of 3.74% within the Youngstown-Warren MSA, and ranked seventh out of 14 institutions in the market with a deposit share of 4.85% within Mahoning and Trumbull Counties. Within the bank's assessment area, Huntington National Bank ranked first with 22.42% of the market share of deposits with 28 office locations, First Place Bank ranked second with 19.40% of the market share with 19 office locations, and Home Savings & Loan Co. ranked third with 14.57% of the market share of deposits with 14 office locations. In addition, National City Bank, JPMorgan Chase Bank NA and Farmers National Bank of Canfield all had higher deposit shares than Cortland.

Two community contacts were conducted within the bank's assessment area. The community contact in Mahoning County was with a non-profit organization that provides home repairs and maintenance to low- and moderate-income individuals, the elderly, and the physically challenged. The community contact indicated that there is a significant need for home repair services in Mahoning County. The majority of affordable housing in the county is located in Youngstown and consists of aging housing stock that is primarily owned by female head of households, senior citizens, and minorities. According to the contact, inner-city housing stock has experienced a severe decline in value. The average value of homes receiving home repairs ranges from \$8,000-\$15,000. The contact also indicated that the majority of affordable housing exists in portions of the city that are targeted to shrink and the majority of citizens who reside in these areas are low- and moderate-income individuals and families.

The second community contact was with a non-profit organization providing services to low- and moderate-income individuals within Trumbull County. This organization indicated there is an increased need and opportunity for banks to provide funding for program support. The current state of the economy has negatively impacted the level of corporate donations (including donations from large banking institutions). Also, according to the contact, it has become increasingly difficult to obtain grant monies for emergency situations (i.e., utility payments, etc.).

### **Population Characteristics**

According to the 2000 U.S. Census, the total population within this assessment area is 482,671 and 20.48% of the population lives in low- and moderate-income census tracts. The majority of the population (58.03%) lives in middle-income census tracts and 16.82% of the total population is now age 65 or older.

According to Ohio Department of Development's Office of Policy, Research, and Strategic Planning, the total population in Mahoning County decreased from 254,871 to 240,420 from 2001 to 2007. While the projected population is estimated to increase to 245,760 by 2010, the total population is projected to decrease by 2030 to 226,800, a 5.7% decrease from the current population. During the same time period, the total population in Trumbull County decreased from 223,926 to 213,475. Again, while the projected population is estimated to increase to 218,730 by 2010, the total population is projected to decrease by 2030 to 200,990, a 5.9% decrease from the current population.

### **Income Characteristics**

Based on the 2000 U.S. Census, the median family income for the bank's assessment area is \$45,160, which is below Ohio's median family income of \$50,037. The median household income for the bank's assessment area is \$36,745, which is below Ohio's median household income of \$40,956.

There are 191,610 households, of which 131,205 are designated as families and 11,561 (8.8%) of families are below poverty. The number of families living below poverty level as a percentage of families by tract income is as follows: 35.5% reside in low-income and 21.2% reside in moderate-income tracts; only 6.5% and 2.7% of families living below poverty level reside in middle- and upper-income tracts, respectively.

Further, of households in this assessment area receiving public assistance, over half are concentrated in low- and moderate-income tracts, specifically, 18.04% are in low- and 35.21% are in moderate-income tracts. Also, 40.98% of households receiving public assistance reside in middle-income tracts. Of the renters with a rent cost greater than 30% of their income, 8.72%, 28.26%, and 51.67% reside in low-, moderate-, and middle-income tracts, respectively.

### **Housing Characteristics**

According to the 2000 U.S. Census, there are 206,879 housing units in the assessment area, of which 89.22% are one-to-four family units, 68.06% are owner-occupied, 24.56% are rental units, and 7.38% are vacant. Of the total housing units, 39.46% are owner-occupied units located in low-income tracts, 51.06% are owner-occupied units located in moderate-income tracts, 71.11% are owner-occupied units located in middle-income tracts, and 79.55% are owner-occupied units located in upper-income tracts.

The median age of the housing stock is 43 years, with the oldest housing stock in low-income tracts at 56 years and 54 years in moderate-income tracts. The housing stock in middle- and upper-income tracts is 43 and 28 years, respectively. The age of the housing stock for these areas should indicate an opportunity for home improvement-type lending in low- and moderate-income tracts; however, according to a community contact, there is an oversupply of extremely low-value housing in these geographies. Therefore, the opportunity for the bank to make home improvement and home equity-type loans in low- and moderate-income tracts is lacking due to the area's extremely low housing values.

Renters with rent costs greater than 30% of median family income was 33.59% in the bank's assessment area, which means rents are equivalent to Ohio's rate at 33.76%. The median gross rent amount in the assessment area is \$453, which is slightly less than Ohio's at \$515 and the percent of rental units in this assessment area is slightly less than Ohio's at 28.71%.

The housing affordability ratio, calculated by dividing median family income by median housing value was 44% in the bank's assessment area. This figure supports the fact that there is an oversupply of older, lower-value housing stock in this MSA when compared to Ohio's ratio at 40%. The median housing value in the assessment area is \$82,237.

According to Sperling's Best Places,<sup>5</sup> the median cost of a home in Youngstown and Boardman Township in Mahoning County was \$49,960 and \$109,030, respectively, and home appreciation in the last year decreased by 4.60%. The median cost of a home in Warren and Niles in Trumbull County was \$65,980 and \$94,450, respectively, and home appreciation in the last year has decreased by 4.60% and 4.40%, respectively.

According to RealtyTrac,<sup>6</sup> foreclosure filings were reported on 11,368 Ohio properties in August 2009; one in every 445 Ohio households received a foreclosure filing. Ohio had the nation's eighth highest foreclosure filings total. Comparatively, there were 164 properties (one in every 695 households) in Mahoning County and 261 properties (one in 371 households) in Trumbull County that received a foreclosure filing. In Ohio, Trumbull County ranked tenth and Mahoning County ranked 19<sup>th</sup> in total foreclosures during the month of August.

### **Labor, Employment, and Economic Characteristics**

The largest type of employment and corresponding salary information for each county listed below is based on 2007 statistics obtained from the Ohio Department of Development.<sup>7</sup>

For Mahoning County, the largest industries by average employment are trade, transportation, and utilities; education and health services; professional and business services; leisure and hospitality; manufacturing, and local government. The largest industries by average weekly corresponding salaries are manufacturing (\$761); local government (\$705); education and health (\$601); professional and business (\$575); trade, transportation, and utilities (\$547); and leisure and hospitality (\$204). Some of the major employers in this county are HM Health Partners, Home Savings & Loan Company, Wal-Mart Stores, Inc., Youngstown City Board of Education, Youngstown State University, and Boardman Local Board of Education.

For Trumbull County, the largest industries by average employment are manufacturing; trade, transportation, and utilities; education and health services; and local government. The largest industries by average weekly corresponding salaries are manufacturing (\$1,366); local government (\$683); professional and business (\$667); and trade, transportation, and utilities (\$513). Some of the major employers in this county are Delphi Corporation, General Motors, Giant Eagle, Inc., Trumbull County Government, and Warren City Board of Education.

---

5 [www.bestplaces.net](http://www.bestplaces.net)

6 [www.realtytrac.com/contentmanagement/pressrelease](http://www.realtytrac.com/contentmanagement/pressrelease)

7 [www.odod.state.oh.us](http://www.odod.state.oh.us)

The table below lists the unadjusted unemployment rates for this assessment area, according to Ohio Job and Family Services:<sup>8</sup>

<b>Unadjusted Unemployment Rate</b>	<b>As of August 2009</b>	<b>Annual Average 2008</b>	<b>Annual Average 2007</b>
<b>Mahoning</b>	12.9%	7.1%	6.2%
<b>Trumbull</b>	14.4%	7.5%	6.2%
<b>Ohio</b>	9.6%	6.5%	5.6%
<b>United States</b>	10.5%	5.8%	4.6%

The unemployment gap continues to widen between Mahoning/Trumbull Counties and the state and national unemployment rates as a whole, because manufacturing is still a major sector in these counties' economies. While the Job and Family Services' leading indicator report<sup>9</sup> suggests the recession has bottomed out and growth in economic activity will likely begin soon for Ohio, the number of initial claims for unemployment increased 14.6% over the past 12 months in the Youngstown-Warren MSA. The number of nonfarm payroll employment on a seasonally adjusted basis decreased 6.4% and the total number of new housing permits decreased by 19.2%.

The following table illustrates the demographics in this assessment area.

<sup>8</sup> [www.lmi.state.oh.us](http://www.lmi.state.oh.us)

<sup>9</sup> [www.ohiolmi.com/PROJ/indicators/LI.pdf](http://www.ohiolmi.com/PROJ/indicators/LI.pdf)

## Combined Demographics Report

**Cortland Bank**

**Assessment Area(s): MSA 49660**

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	14	10.4	4,937	3.8	1,753	35.5	24,340	18.6
Moderate-income	30	22.4	18,403	14.0	3,908	21.2	24,012	18.3
Middle-income	69	51.5	77,909	59.4	5,089	6.5	29,157	22.2
Upper-income	20	14.9	29,956	22.8	811	2.7	53,696	40.9
Unknown-income	1	0.7	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>134</b>	<b>100.0</b>	<b>131,205</b>	<b>100.0</b>	<b>11,561</b>	<b>8.8</b>	<b>131,205</b>	<b>100.0</b>
	<b>Housing Units by Tract</b>	<b>Housing Types by Tract</b>						
		<b>Owner-Occupied</b>		<b>Rental</b>		<b>Vacant</b>		
		<b>#</b>	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low-income	9,783	3,860	2.7	39.5	4,001	40.9	1,922	19.6
Moderate-income	34,035	17,378	12.3	51.1	12,179	35.8	4,478	13.2
Middle-income	120,337	85,568	60.8	71.1	27,733	23.0	7,036	5.8
Upper-income	42,724	33,988	24.1	79.6	6,900	16.2	1,836	4.3
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>206,879</b>	<b>140,794</b>	<b>100.0</b>	<b>68.1</b>	<b>50,813</b>	<b>24.6</b>	<b>15,272</b>	<b>7.4</b>
	<b>Total Businesses by Tract</b>	<b>Businesses by Tract &amp; Revenue Size</b>						
		<b>Less Than or = \$1 Million</b>		<b>Over \$1 Million</b>		<b>Revenue Not Reported</b>		
		<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	
Low-income	886	5.3	764	5.2	93	6.8	29	5.7
Moderate-income	2,381	14.3	2,063	13.9	241	17.7	77	15.2
Middle-income	8,597	51.6	7,697	52.0	643	47.1	257	50.8
Upper-income	4,755	28.5	4,243	28.7	370	27.1	142	28.1
Unknown-income	52	0.3	33	0.2	18	1.3	1	0.2
<b>Total Assessment Area</b>	<b>16,671</b>	<b>100.0</b>	<b>14,800</b>	<b>100.0</b>	<b>1,365</b>	<b>100.0</b>	<b>506</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>				<b>88.8</b>		<b>8.2</b>		<b>3.0</b>

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### **Lending Test**

The assessment area's lending test is considered reasonable. The bank's performance for geographic distribution in low- and moderate- income tracts consistently fell below the demographics within the assessment area, as well as the lending for the aggregate of all HMDA lenders. The bank's performance for borrower distribution was either comparable or exceeded the aggregate of all lenders.

During the evaluation period, Cortland originated \$16.2 million in consumer loans, \$28.2 million in HMDA loans, and \$32.2 million in small business loans in this assessment area. This represented 85.2% of Cortland's total lending activity. The percentage of loans is higher than the percentage of bank branches (71.4%) and lower than the percentage of deposits (89.4%) in this assessment area. Cortland ranks 15<sup>th</sup> in HMDA loan originations among 220 HMDA reporters in this assessment area.

This analysis includes a breakdown of each individual product type. Also, the bank's HMDA performance was compared to the aggregate performance of all lenders required to report HMDA data within the assessment area for the year 2008 (the only data available at the time of this report).

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

An analysis of the geographic distribution of loans was conducted to determine the dispersion of loans among different census tracts within the assessment area. Cortland's geographic distribution of loans reflects a reasonable dispersion throughout its assessment area.

The tracts in the Youngstown-Warren MSA represent 77.0% of Cortland's assessment area. Within these 134 tracts, 44 (32.8%) are low- and moderate-income tracts and 90 (67.2%) are middle-, upper-, or unknown-income tracts.

During this evaluation period, Cortland originated 1,366 loans in 103 (76.9%) census tracts within this assessment area. The concentration of loans were made within the middle- and upper-income tracts because the bank does not have any branches in low-income or moderate-income tracts and the poor economic conditions of these income categories. As a result, Cortland penetrated 52.3% of the low- and moderate-income tract categories originating 4.2% of its loans in these areas, while penetrating 88.9% of middle- and upper-income tracts.

The majority of the tracts without loans are located within the city limits of Youngstown which is a considerable distance from the nearest branch offices in Mahoning County. Cortland only incorporated the entirety of Mahoning County into its assessment area as of April 2008. By doing so, Cortland increased its percentage of total geographies in this assessment area overall by 110% and in each category as follows: low-income by 600%, moderate-income by 275%, middle-income by 60%, and upper-income by 43%.

Although this evaluation is based on Cortland's lending performance throughout 2007 and 2008, the bank expanded this assessment area in April 2008. This area has extremely low housing values and high unemployment rates; therefore, the lending gaps noted in this evaluation are considered reasonable given these factors and information discussed in the performance context above.

### *Consumer Loans*

The percentage of households contained within designated census tracts is used as a proxy to estimate demand for consumer lending within such census tracts.

### *Motor Vehicle*

Cortland originated 199 motor vehicle loans for approximately \$2.5 million during this evaluation period. One (0.5%) of the bank's motor vehicle loans was made in a low-income tract, which was less than the 4.1% of households in the bank's low-income tracts. Nine (4.5%) of the bank's motor vehicle loans were made in moderate-income tracts, which was less than the 15.4% of households in the bank's moderate-income tracts. Based on this analysis, the bank's lending in low- and moderate-income tracts is considered adequate.

There were 72.4% of motor vehicle loans made in middle-income census tracts, which was significantly greater than the 59.2% of households in the bank's middle-income tracts. There were 22.6% of motor vehicle loans made in upper-income tracts, which was slightly greater than the 21.3% of households in upper-income tracts.

### *Other Secured*

Cortland originated 197 other secured loans for approximately \$4.1 million during this evaluation period. The bank made no other secured loans in low-income tracts, while 4.1% of households are located in the bank's low-income tracts. Seven (3.6%) of the bank's other secured loans were made in moderate-income tracts, which was less than the 15.4% of households in the bank's moderate-income tracts. Based on the economic conditions and this analysis, the bank's lending in low- and moderate-income tracts is considered adequate.

The bank made 72.6% of its other secured loans made in middle-income census tracts, which was significantly greater than the 59.2% of households in the bank's middle-income tracts. There were 23.9% of other secured loans made in upper-income tracts, which was greater than the 21.3% of households in upper-income tracts.

*Home Equity*

Cortland originated 179 home equity loans for approximately \$8.4 million during this evaluation period. The bank made no home equity loans in low-income tracts, while 4.1% of households are located in the bank’s low-income tracts. Three (1.7%) of the bank’s home equity loans were made in moderate-income tracts, which was less than the 15.4% of households in the bank’s moderate-income tracts. Based on this analysis and high unemployment rates, the bank’s lending in low- and moderate-income tracts is considered adequate.

Cortland made 66.5% home equity loans made in middle-income census tracts, which was greater than the 59.2% of households in the bank’s middle-income tracts. There were 31.8% of home equity loans made in upper-income tracts, which was greater than the 21.3% of households in upper-income tracts.

*Other Unsecured*

Cortland originated 187 other unsecured loans for approximately \$1.2 million during this evaluation period. The bank made no other unsecured loans in low-income tracts, while 4.1% of households are located in the bank’s low-income tracts. Five (2.7%) of the bank’s other unsecured loans were made in moderate-income tracts, which was less than the 15.4% of households in the bank’s moderate-income tracts. Based on this analysis and the factors aforementioned, the bank’s lending in low- and moderate-income tracts is considered adequate.

Cortland made 68.4% of other unsecured loans made in middle-income census tracts, which was significantly greater than the 59.2% of households in the bank’s middle-income tracts. There were 28.9% of other unsecured loans made in upper-income tracts, which was greater than the 21.3% of households in upper-income tracts.

The table below breaks down the geographic distribution of consumer loans.

<b>Geographic Distribution of Consumer Loans</b>										
<b>Assessment Area/Group: MSA 49660</b>										
	<b>Total Consumer Loans</b>		<b>Low-Income Geographies</b>		<b>Moderate-Income Geographies</b>		<b>Middle-Income Geographies</b>		<b>Upper-Income Geographies</b>	
	<b>#</b>	<b>% of Total</b>	<b>% of Hhlds</b>	<b>% Bank Loans</b>	<b>% of Hhlds</b>	<b>% Bank Loans</b>	<b>% of Hhlds</b>	<b>% Bank Loans</b>	<b>% of Hhlds</b>	<b>% Bank Loans</b>
Home Equity	179	23.5	4.1	0.0	15.4	1.7	59.2	66.5	21.3	31.8
Motor Vehicle	199	26.1	4.1	0.5	15.4	4.5	59.2	72.4	21.3	22.6
Other - Secured	197	25.9	4.1	0.0	15.4	3.6	59.2	72.6	21.3	23.9
Other - Unsecured	187	24.5	4.1	0.0	15.4	2.7	59.2	68.4	21.3	28.9

### *Mortgage Loans (HMDA)*

The percentage of owner-occupied housing units contained within the various income categories is used as a proxy to estimate demand for residential mortgage lending within such census tracts. In addition, 13.9% and 32.2% of households are below poverty and 18.1% and 35.2% of households are receiving public assistance in low- and moderate-income tracts, respectively. A lower level of owner-occupied units, coupled with higher levels of poverty, public assistance, and low housing values, limits the bank's lending opportunities in those tracts.

### *Refinance*

Cortland originated 181 refinance loans for approximately \$13.3 million during this evaluation period. The bank made no refinance loans in low-income tracts, while 2.7% of owner-occupied units are located in the bank's low-income tracts and the lending of the aggregate of all lenders was 0.7%. The bank made five (2.8%) refinance loans in moderate-income tracts, which was less than the percentage of owner-occupied housing units at 12.3% and the aggregate of all lenders at 6.3%. Based on the percentage of households below poverty, the percentage of households receiving public assistance and the fact Cortland expanded its market in this assessment area, the bank's lending in low- and moderate-income tracts is considered adequate.

The bank originated 65.2% of its refinance loans in middle-income tracts, which exceeded the percentage of owner-occupied housing units at 60.8% and lending for the aggregate of all lenders is 60.3%. In addition, the bank originated 32.0% of its loans in upper-income tracts, which exceed the percentage of owner-occupied units at 24.1% and was comparable to the aggregate of all lenders at 32.7%.

### *Home Purchase*

Cortland originated 135 home purchase loans for approximately \$11.7 million during this evaluation period. The bank made no home purchase loans in low-income tracts, while 2.7% of owner-occupied units are located in the bank's low-income tracts and the aggregate of all lenders at 0.4%. The bank made three (2.2%) home purchase loans in moderate-income tracts, which was less than the percentage of owner-occupied housing units at 12.3% and the aggregate of all lenders at 5.8%. Based on this analysis and the limited lending opportunity of home purchase loans in this assessment area, the bank's lending in low- and moderate-income tracts is considered adequate.

The bank originated 60.7% of its home purchase loans in middle-income tracts, which was equivalent to the percent of owner-occupied housing units at 60.8% and slightly exceeded the aggregate of all lenders at 61.6%. In addition, the bank originated 37.0% of its loans in upper-income tracts, which exceeded the percent of owner-occupied units at 24.1% and the lending of aggregate of all lenders at 32.1%.

*Home Improvement*

Cortland originated 113 home improvement loans for approximately \$3.2 million during this evaluation period. The bank made no home improvement loans in low-income tracts, while 2.7% of owner-occupied units are located in the bank’s low-income tracts and the aggregate of all lenders was at 1.3%. The bank made five (4.4%) home improvement loans in moderate-income tracts, which was less than the percentage of owner-occupied housing units at 12.3% and the aggregate of all lenders at 10.6%. Therefore, based on this analysis and the information aforementioned, the bank’s lending in low- and moderate-income tracts is considered adequate.

The bank originated 67.3% of its home improvement loans in middle-income tracts, which exceeded the percentage of owner-occupied housing units at 60.8% and lending of the aggregate of all lenders at 63.3%. In addition, the bank originated 28.3% of its loans in upper-income tracts, which exceeded the percentage of owner-occupied units at 24.1% and the aggregate of all lenders at 24.8%.

Geographic Distribution of HMDA Loans										
Assessment Area/Group: MSA 49660										
	Total HMDA Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies	
	#	% of Total	% of Owner Occ Units	% Bank Loans	% of Owner Occ Units	% Bank Loans	% of Owner Occ Units	% Bank Loans	% of Owner Occ Units	% Bank Loans
Home Purchase	135	31.5	2.7	0.0	12.3	2.2	60.8	60.7	24.1	37.0
Refinance	181	42.2	2.7	0.0	12.3	2.8	60.8	65.2	24.1	32.0
Home Improvement	113	26.3	2.7	0.0	12.3	4.4	60.8	67.3	24.1	28.3

*Small Business Loans*

The geographic distribution of small business loans was analyzed to determine the dispersion of these loans among different census tracts within the assessment area, including low- and moderate-income tracts. Penetration throughout the assessment area was considered adequate.

During the evaluation period, Cortland originated 175 loans in an aggregate amount of \$32.2 million, of which four (2.3%) were made in low-income tracts, which was less than the 5.3% of businesses located in these tracts. Fifteen (8.6%) were made in moderate-income tracts, which was less than 14.3% of businesses located in these tracts. Therefore, the bank’s lending in low- and moderate-income tracts was considered adequate.

The bank originated 48.6% and 40.6% of its small business loans in middle- and upper-income tracts, compared to the percents of businesses located in these tracts at 51.6% and 28.5%, respectively.

### ***Borrower Distribution***

Consumer, home mortgage, and small business lending data was analyzed in conjunction with the review of the demographic and economic characteristics of the assessment area to determine the extent of lending to borrowers of different incomes and to businesses of different sizes. Cortland's borrower distribution of loans reflects a good dispersion throughout its assessment area and an adequate distribution of lending to businesses with revenues of \$1 million or less.

### ***Consumer Loans***

The percentage of households is used as a proxy to estimate demand for consumer lending among borrowers of different income levels.

### ***Motor Vehicle***

The borrower distribution for motor vehicle loans is considered good. The bank made 15.1% of the motor vehicle loans to low-income borrowers, which was less than the 22.9% of households. Lending to low-income borrowers is considered adequate. The bank made 23.6% of the bank's motor vehicle loans to moderate-income borrowers, which was greater than the 16.4% of households and therefore considered excellent.

The bank made 25.1% of motor vehicle loans to middle-income borrowers, which was significantly greater than the 18.9% of households. The bank made 31.2% of the bank's motor vehicle loans to upper-income borrowers, which was significantly less than the 41.8% of households. Additionally, 5% of motor vehicle loans were made to borrowers with unknown-income levels.

### ***Other Secured***

The borrower distribution for other secured loans is considered good. There were 30 (15.2%) other secured loans made to low-income borrowers, which was less than the 22.9% of households. Based on the percentage, lending to low-income borrowers is considered adequate. There were 32 (16.2%) other secured loans made to moderate-income borrowers, which was equivalent to the 16.4% of households. Therefore, lending to moderate-income borrowers is considered good.

The bank made 16.2% of other secured loans to middle-income borrowers, which was less than the 18.9% of households. There were 26.4% of other secured loans made to upper-income borrowers, which was significantly less than the 41.8% of households. Also, 25.9% of other secured loans were made to borrowers with unknown-income levels.

*Home Equity*

The borrower distribution for home equity loans is considered good. The bank made 17 (9.5%) home equity loans to low-income borrowers, which was significantly less than the 22.9% of households. Lending to low-income borrowers is considered poor. The bank made 31 (17.3%) home equity loans to moderate-income borrowers, which was greater than the 16.4% of households. Lending to moderate-income borrowers is considered excellent.

There were 19.6% of home equity loans made to middle-income borrowers, which was greater than the 18.9% of households. There were 52.0% of home equity loans were made to upper-income borrowers, which was greater than the 41.8% of households. Also, 1.7% of home equity loans were made to borrowers with unknown-income levels.

*Other Unsecured*

The borrower distribution for other unsecured loans is considered good. The bank made 34 (18.2%) other unsecured loans to low-income borrowers, which was less than the 22.9% of households. Lending to low-income borrowers was considered good. The bank made 50 (26.7%) other unsecured loans to moderate-income borrowers, which was significantly greater than the 16.4% of households. Lending to moderate-income borrowers is considered excellent.

There were 17.6% of other unsecured loans made to middle-income borrowers, which was less than the 18.9% of households. There were 24.6% of other unsecured loans made to upper-income borrowers, which was significantly less than the 41.8% of households. Also, 12.8% of other unsecured loans were made to borrowers with unknown-income levels.

The table below breaks down the borrower distribution of consumer loans.

<b>Borrower Distribution of Consumer Loans</b>										
<b>Assessment Area/Group: MSA 49660</b>										
	<b>Total Consumer Loans</b>		<b>Low-Income Borrowers</b>		<b>Moderate-Income Borrowers</b>		<b>Middle-Income Borrowers</b>		<b>Upper-Income Borrowers</b>	
	<b>#</b>	<b>% of Total</b>	<b>% of Hhlds</b>	<b>% Bank Loans</b>	<b>% of Hhlds</b>	<b>% Bank Loans</b>	<b>% of Hhlds</b>	<b>% Bank Loans</b>	<b>% of Hhlds</b>	<b>% Bank Loans</b>
Home Equity	179	23.5	22.9	9.5	16.4	17.3	18.9	19.6	41.8	52.0
Motor Vehicle	199	26.1	22.9	15.1	16.4	23.6	18.9	25.1	41.8	31.2
Other - Secured	197	25.9	22.9	15.2	16.4	16.2	18.9	16.2	41.8	26.4
Other - Unsecured	187	24.5	22.9	18.2	16.4	26.7	18.9	17.6	41.8	24.6

*Mortgage Loans (HMDA)*

The percentage of families for each income category is used as a proxy to estimate demand for home mortgage lending within this assessment area.

The bank's distribution of borrowers reflects a reasonable penetration among borrowers of different income levels considering that the credit needs of the low-income segment of the population are difficult to address through conventional loan products, presenting a significant obstacle to homeownership. In particular, 33.6% of the assessment area's renters expend more than 30% of gross income for housing, making it difficult for renters to save the customary down payment and closing costs necessary to purchase a home. In addition, 8.8% of families residing in this assessment area live below the poverty level.

Cortland's *Right at Home loan program* addresses the specific credit needs of low- and moderate-income borrowers. Most notably, Cortland originated six loans aggregating \$436,300 through this program. This loan product helps reach low- and moderate-income families with limited funds for a down payment on a home purchase loan.

Cortland also participates in the secondary market affordable housing loan programs that are designed to assist low- and moderate-income homebuyers with limited cash resources purchase a home. Cortland originated three House America, nine My Community Mortgage, and three Rural Housing loans aggregating \$1.2 million.

### *Refinance*

The borrower distribution for refinance loans is considered good. Cortland originated 12 (6.6%) refinance loans to low-income borrowers, which is significantly less than the percentage of families in these tracts at 18.6% yet equivalent to the aggregate of all lenders at 6.9%. The borrower distribution of refinance loans to low-income borrowers is considered adequate. Cortland originated 41 (22.7%) refinance loans to moderate-income borrowers, which is greater than the percentage of families at 18.3% and the lending of aggregate of all lenders at 19.8%. The borrower distribution of refinance loans to moderate-income borrowers was excellent.

Cortland made 26.5% of its refinance loans to middle-income borrowers and 40.9% of its refinance loans to upper-income borrowers, compared to the percentage of families in these tracts at 22.2% and 40.9% respectively. The aggregate of all HMDA lenders made 25.1% and 38.8% of their loans to middle-and upper-income borrowers. The bank originated 3.7% and the aggregate of all lenders made 9.4% of its loans to borrowers with unknown incomes.

### *Home Purchase*

The borrower distribution for home purchase loans is considered good. Cortland originated eight (5.9%) home purchase loans to low-income borrowers, which is significantly less than the percentage of families in these tracts at 18.6% and less than the aggregate of all lenders at 9.4%. The borrower distribution of home purchase loans to low-income borrowers was poor. Cortland originated 31 (23.0%) home purchase loans to moderate-income borrowers, which is greater than the percentage of families at 18.3% but less than the aggregate of all lenders at 25.7%. The borrower distribution of home purchase loans to moderate-income borrowers was excellent.

Cortland made 28.1% of its home purchase loans to middle-income borrowers and 39.3% of its home purchase loans to upper-income borrowers, compared to the percentage of families in these tracts at 22.2% and 40.9%, respectively. The aggregate of all HMDA lenders made 24.6% and 31.1% of their loans to middle-and upper-income borrowers, respectively. The bank originated 3.7% and the aggregate of all lenders made 9.2% of its loans to borrowers with unknown incomes.

*Home Improvement*

The borrower distribution for home improvement loans is considered good. Cortland originated 15 (13.3%) home improvement loans to low-income borrowers, which was less than the percentage of families in these tracts at 18.6% yet greater than the aggregate of all lenders at 10.1%. The borrower distribution of home improvement loans to low-income borrowers is good. Cortland originated 33 (29.2%) home improvement loans to moderate-income borrowers, which is significantly greater than the percentage of families at 18.3% and more than the aggregate of all lenders at 24.5%. The borrower distribution of home improvement loans to moderate-income borrowers was excellent.

Cortland made 26.5% of its home improvement loans to middle-income borrowers and 27.4% of its home improvement loans to upper-income borrowers, compared to the percentage of families in these tracts at 22.2% and 40.9%, respectively. The aggregate of all HMDA lenders made 26.1% and 38.0% of their loans to middle-and upper-income borrowers, respectively,. The bank originated 3.5% and the aggregate of all lenders made 1.3% of its loans to borrowers with unknown incomes.

<b>Borrower Distribution of HMDA Loans</b>										
<b>Assessment Area/Group: MSA 49660</b>										
	<b>Total HMDA Loans</b>		<b>Low-Income Borrowers</b>		<b>Moderate-Income Borrowers</b>		<b>Middle-Income Borrowers</b>		<b>Upper-Income Borrowers</b>	
	<b>#</b>	<b>% of Total</b>	<b>% of Families</b>	<b>% Bank Loans</b>	<b>% of Families</b>	<b>% Bank Loans</b>	<b>% of Families</b>	<b>% Bank Loans</b>	<b>% of Families</b>	<b>% Bank Loans</b>
Home Purchase	135	31.5	18.6	5.9	18.3	23.0	22.2	28.1	40.9	39.3
Refinance	181	42.2	18.6	6.6	18.3	22.7	22.2	26.5	40.9	40.9
Home Improvement	113	26.3	18.6	13.3	18.3	29.2	22.2	26.5	40.9	27.4

*Small Business Loans*

Cortland originated three Small Business Administration (SBA) loans aggregating \$275,474. The SBA guarantees loans up to 80% of the loan value if the loans are \$100,000 or less and offer a longer amortization rate than most commercial loans. Originating these loans requires a special expertise and enhances the bank’s small business lending profile within its market.

Cortland originated 50 loans through the Ohio Treasurer’s GrowNOW program, aggregating \$10.9 million in CD deposits in this assessment area.

An analysis of small business lending was conducted to ascertain the extent of lending to businesses of different sizes, including small businesses. Cortland's distribution of loans to small businesses reflects an adequate penetration. Of the 175 small business loans, 94 (53.7%) were originated to businesses with less than \$1 million in revenue (small business), compared to 88.8% of total assessment area businesses with revenues less than a \$1 million. A further analysis shows that only 48.0% of the bank's small business loans were extended in an amount of \$100,000 or less.

### **Community Development Test**

Cortland's community development performance demonstrates an adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services, considering its capacity and the need and availability of community development opportunities in its assessment area. Cortland supported community growth activities, which is especially important during weakened economic conditions, throughout its assessment area. A variety of services were conducted, including a variety of services targeted toward low- and moderate-income individuals, affordable housing support, and financial education programs.

#### ***Community Development Loans***

The community development loans reviewed were originated from September 1, 2007 through August 31, 2009.

Cortland made three loans totaling \$192,000 that qualified for community development purposes, with the primary purpose being to promote economic development and stabilization and revitalization of a moderate-income geography. Two loans were used to finance small businesses through the county's mini-loan fund and the remaining loan assisted a small business with relocating to a moderate-income geography to promote the creation of new jobs in that area. The bank made an adequate level of community development loans within the bank's assessment area.

#### ***Qualified Investments***

For the evaluation period, the bank made investments totaling \$25,967. The bank's current investments were in the form of donations to several local organizations listed below. In addition, the bank had two investments from the previous evaluation with outstanding balances aggregating \$2.2 million. The first investment was a municipal bond that assists a local school district and has a remaining balance of approximately \$1.0 million. The second investment was a mortgage-backed security secured by home loans made to low- or moderate-income borrowers. As mentioned earlier, this mortgage-backed security contains a property located in Trumbull County; however, the remaining balance of \$1.2 million is listed as the outstanding balance, because the current value of the loan in Trumbull County could not be determined. Cortland has an adequate level of community development investments within the assessment area.

The following list is an example of organizations where Cortland has made donations:

- Christmas Family Basket Program- purchase of holiday food gift baskets for low- and moderate-income families that were identified by school districts within the assessment area.
- Rotary Club of Cortland (Cortland Area Cares)- raises funds to support local food banks.
- Warren Kiwanis Club benefiting the Children's Rehabilitation Center- funds divided between education and support services to low-and moderate-income children.
- Niles Kiwanis Club- proceeds raised will purchase books for the Niles City School libraries.
- Beatitude House of Warren- program assists disadvantaged women and children by creating homes, providing educational opportunities, and fostering healthy families.
- Heart Reach Ministries- targets the Youngstown area and directs its services to low- and moderate-income children who live in the Youngstown inner-city. In addition, it supports head-start programs.
- Kinsman Rotary Club- donations benefit low- and moderate-income students with financial aid for higher education and funds support local food banks.
- Canfield Community Care Net- organization helps with payments of medical needs, food, utilities, and other household expenses for low- and moderate-income individuals and families.
- Christ Episcopal Church- proceeds assist with outreach programs for low- and moderate-income individuals and families (i.e., Beatitude House of Warren, Red Door Café, Clothes Cupboard, and free lunch programs).
- SCOPE (senior citizens agency)- provides food baskets for low- and moderate-seniors in Lima, Ohio.
- Warren Grow- membership fee help to fund activities and projects in the downtown district to promote business and neighborhood stabilization.
- Warren City Schools- provides education funds to enable urban low- and moderate-income children experience the rural farm life.
- Someplace Safe- proceeds benefited Trumbull County's Domestic Violence Agency. Provides education and support programs to low- and moderate-income individuals.
- Family Service Agency- provides funds for monthly home buyers workshops for low- and moderate-income first-time homebuyers.
- Children's Museum of the Valley- provides low- and moderate-income individuals the ability to come to the museum without having to pay for admission.
- Second Harvest Food Bank- food bank.
- Habitat for Humanity- provides affordable housing to low- and moderate-income individuals.
- Consumer Credit Counseling- provides workshops for low- and moderate-income individuals.

- Trumbull County American Red Cross- funds went to local low- and moderate-income families who have suffered disasters.
- Greater Warren Youngstown Urban League’s Save Our Homes Task Force- provides low- and moderate-income individuals foreclosure and loan modification assistance.

***Community Development Services***

The majority of the low- and moderate-income census tracts is located in the inner city of Youngstown and is not in proximity to the bank’s branches located in rural portions of Trumbull and Mahoning Counties. The table below shows the total distribution of the bank’s branches and full-service ATMs compared to the families by tract income:

<b>Geography</b>	<b>Number of Branches</b>	<b>Percent</b>	<b>Number of ATMs (full service)</b>	<b>Percent</b>	<b>Percent of Families by Tract Income</b>
<b>Low-income</b>	0	0.0%	0	0.0%	3.8%
<b>Moderate-income</b>	0	0.0%	0	0.0%	14.0%
Middle-income	7	70.0%	6	60.7%	59.4%
Upper-income	3	30.0%	3	33.3%	22.8%
Totals	10	100.0%	9	100.0%	100.0%

Cortland’s employees reach out to the community through participation in various local community development organizations, in order to provide meaningful community development services to sectors of the community in need. The bank has an adequate level of community development services in its assessment area.

These services include serving on the boards of local organizations and offering a variety of financial services to these organizations. Although bank employees participate in meaningful capacities in various local organizations, only those participations providing explicit financial services to organizations with CRA-related purposes were given consideration in the bank’s CRA performance context. Cortland received consideration for the following community development services:

- Warren Trumbull County Mini-Loan Fund- employee serves as treasurer. Organization assists small businesses who do not qualify for traditional financing.
- Warren Area Regional Investment Corporation- employee serves as board member. Organization assists businesses for economic development purposes.
- Mahoning Valley Mini Loan Fund- employee serves as board member. Organization provides loans to businesses who do not qualify for traditional financing.
- Niles Council of the Youngstown Warren Regional Chamber of Commerce- employee serves as treasurer. Organization works to bring businesses into the community for economic development.
- Niles Housing Appeal Board- employee serves as chairman of the board. Board deals with affordable housing for low and moderate-income individuals.

- Workforce Investment Board (WIA)- employee serves as board member. Organization provides assistance with employment issues for former welfare recipients.
- Beatitude House of Warren- employee teaches financial literacy and budgeting classes to disadvantaged women.
- Girard City Schools- three employees teach financial education classes to low- and moderate-income high school students.
- Maplewood Local School District- two employees teach low- and moderate-income 8<sup>th</sup> graders about basic banking and establishing good credit.
- Small Business Association (SBA) loans- one employee originated three SBA loans for local small businesses. SBA loans promote economic development.

**DESCRIPTION OF INSTITUTION'S OPERATIONS IN AKRON, OHIO  
METROPOLITAN AREA  
(Full-scope Review)**

The Akron MSA 10420 (Akron MSA) consists of the entireties of Summit and Portage Counties in Ohio. The bank's assessment area is comprised of 31 out of 35 census tracts in Portage County. As a result, the bank's assessment area consists of the following income tracts: no low-income tracts, four moderate-income tracts, 24 middle-income tracts, and three upper-income tracts.

The Akron MSA's population growth is projected to increase slightly. According to the Census Bureau's 2008 population estimates, the population increased from 694,960 in 2000 to 698,553 in 2008, a less than 1% increase. The population is projected to be 769,430 in 2020, which is a 10.72% increase between 2000 and 2020.

Portage County is located in the midst of northeastern Ohio's urban centers – Greater Cleveland, Akron/Canton, and Warren/Youngstown. Cities in the county include Kent, Aurora, Streetsboro, and Ravenna, which is the county seat.

According to the June 30, 2009 FDIC Deposit Market Share Report, Cortland ranked 22<sup>nd</sup> out of 28 institutions in the market with a deposit share of 0.26% within the Akron MSA and ranked 12<sup>th</sup> out of 16 institutions in the market with a deposit share of 1.19% within Portage County. Huntington National Bank ranked first with 29.95% of the market share of deposits with 9 office locations, JPMorgan Chase Bank ranked second with 12.95% of the market share with 6 office locations, Portage Community Bank ranked third with 11.77% of the market share of deposits with 2 office locations. In addition, Key Bank, First Place Bank, Home Savings Bank, and Middlefield Banking Company all had higher deposit shares than Cortland.

**Population Characteristics**

According to the 2000 U.S. Census, the total population within this assessment area is 133,259 and 15.34% of the population lives in moderate-income census tracts. The majority of the population (71.75%) lives in middle-income census tracts and 10.81% of the total population is now age 65 or older.

According to the Ohio Department of Development's Office of Policy, Research, and Strategic Planning, the total population increased from 153,053 to 155,869. While the projected population is estimated to increase to 158,160 by 2010, the total population is projected to increase by 2030 to 161,880, a 3.9% increase from the current population.

### **Income Characteristics**

Based on the 2000 U.S. Census, the median family income for the bank's assessment area is \$52,680, which is above Ohio's median family income of \$50,037. The median household income for the bank's assessment area is \$43,840, which is above Ohio's median household income of \$40,956.

There are 49,477 households, of which 33,966 are designated as families and 2,114 (6.2%) of families are below poverty. The number of families living below poverty level as a percentage of families by tract income is as follows: 14.5% reside in moderate-income tracts, 5.8% reside in middle-income tracts, and 2.6% of families living below the poverty level reside upper-income tracts.

Further, of households in this assessment area receiving public assistance, about one quarter (23.87%) reside in moderate-income tracts. Also, 71.80% of households receiving public assistance reside in middle-income tracts. Of the renters with a rent cost greater than 30% of their income 26.77% and 65.76% reside in moderate- and middle-income tracts, respectively.

### **Housing Characteristics**

According to the 2000 U.S. Census, there are 52,467 housing units in the assessment area, of which 84.30% are one-to-four family units, 65.21% are owner-occupied, 29.16% are rental units, and 5.63% are vacant. Of the owner-occupied units, 41.23% are located in moderate-income tracts, 67.24% are located in middle-income tracts, and 77.76% are located in upper-income tracts.

The median age of the housing stock is 30 years in the assessment area. The housing stock in middle- and upper-income tracts is 32 and 24 years, respectively. The median age of the housing stock in the Akron MSA is 39 years and 38 years in Ohio.

Renters with rent costs greater than 30% of median family income was 38.24% in the bank's assessment area. This indicates that rents are less affordable for low- and moderate-income borrowers in the bank's assessment area as compared to the MSA's at 36.10% and Ohio's at 33.76%. The median gross rent amount in the assessment area is \$540, which is more than Ohio's at \$515 and the percent of rental units in this assessment area is slightly higher than Ohio's at 28.71%.

The housing affordability ratio, calculated by dividing median family income by median housing value was 36% in the bank's assessment area. This indicates a slightly greater challenge exists for low- and moderate-income borrowers to purchase a home in the bank's assessment area as compared to the MSA's ratio at 38% and Ohio's at 40%. The median housing value in the assessment area is \$118,012.

According to Sperling’s Best Places, the median cost of a home in the cities of Kent, Aurora, Streetsboro, and Ravenna was \$128,500, \$234,360, \$136,000, and \$115,940; and home appreciation in the last year decreased by 7.7%, 8.1%, 7.8%, and 8.0% respectively.

According to RealtyTrac, foreclosure filings were reported in August 2009 on 11,368 Ohio properties (one in every 445 Ohio households received a foreclosure filing). Ohio had the nation’s eighth highest foreclosure filings total. Comparatively, there were three properties (one in every 169 households) in Portage County receiving a foreclosure filing. In Ohio, Portage County ranked 22<sup>nd</sup> in total foreclosures during the month of August.

**Labor, Employment, and Economic Characteristics**

The largest type of employment and corresponding salary information for each county listed below is based on 2007 statistics obtained from the Ohio Department of Development.

For Portage County, the largest industries by average employment are manufacturing; trade, transportation, and utilities; local government; leisure and hospitality; education and health services; and state government. The largest industries by corresponding average weekly corresponding salaries are state government (\$979); manufacturing (\$867); natural resources and mining (\$730); local government (\$697); trade, transportation, and utilities (\$618); education and health services (\$532); and leisure and hospitality (\$233). Some of the major employers in this county are East Manufacturing, General Electric Company, Kent State University, Kent City Board of Education, McMaster-Carr Supply Company, Robinson Memorial Hospital, and State of Ohio.

The following table lists the unadjusted unemployment rates for this assessment area, according to Ohio Job and Family Services:

<b>Unadjusted Unemployment Rate</b>	<b>As of August 2009</b>	<b>Annual Average 2008</b>	<b>Annual Average 2007</b>
<b>Portage</b>	10.1%	6.3%	5.4%
<b>Ohio</b>	9.6%	6.5%	5.6%
<b>United States</b>	10.5%	5.8%	4.6%

Portage County’s unemployment rate has remained on par with both the state’s and the nation’s rates. The Job and Family Services leading indicator report suggests the recession has bottomed out and growth in economic activity will likely begin soon for Ohio; over the past 12 months in the Akron MSA, the number of initial claims for unemployment increased 28.2%. The number of nonfarm payroll employment on a seasonally adjusted basis decreased 4.1% and the total number of new housing permits decreased by 41.1%.

The following demographic table illustrates the bank’s entire assessment area.

## Combined Demographics Report

Cortland Bank

Assessment Area(s): MSA 10420

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	5,960	17.5
Moderate-income	4	12.9	3,413	10.0	494	14.5	6,285	18.5
Middle-income	24	77.4	25,516	75.1	1,488	5.8	8,440	24.8
Upper-income	3	9.7	5,037	14.8	132	2.6	13,281	39.1
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>31</b>	<b>100.0</b>	<b>33,966</b>	<b>100.0</b>	<b>2,114</b>	<b>6.2</b>	<b>33,966</b>	<b>100.0</b>
	<b>Housing Units by Tract</b>	<b>Housing Types by Tract</b>						
		<b>Owner-Occupied</b>			<b>Rental</b>		<b>Vacant</b>	
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	6,867	2,831	8.3	41.2	3,370	49.1	666	9.7
Middle-income	38,766	26,068	76.2	67.2	10,792	27.8	1,906	4.9
Upper-income	6,834	5,314	15.5	77.8	1,137	16.6	383	5.6
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>52,467</b>	<b>34,213</b>	<b>100.0</b>	<b>65.2</b>	<b>15,299</b>	<b>29.2</b>	<b>2,955</b>	<b>5.6</b>
	<b>Total Businesses by Tract</b>		<b>Businesses by Tract &amp; Revenue Size</b>					
			<b>Less Than or = \$1 Million</b>		<b>Over \$1 Million</b>		<b>Revenue Not Reported</b>	
			#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	367	7.9	323	7.9	25	6.4	19	12.8
Middle-income	3,515	75.7	3,115	75.9	295	75.8	105	70.5
Upper-income	761	16.4	667	16.2	69	17.7	25	16.8
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>4,643</b>	<b>100.0</b>	<b>4,105</b>	<b>100.0</b>	<b>389</b>	<b>100.0</b>	<b>149</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>				<b>88.4</b>		<b>8.4</b>		<b>3.2</b>

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### **Lending Test**

The lending test in this assessment area is considered excellent. The bank's performance in the moderate-income categories for geographic distribution was either comparable or exceeded the demographics within the assessment area, as well as the lending of the aggregate of all HMDA lenders. The bank's performance for borrower distribution was either comparable or exceeded the aggregate of all lenders and comparable or exceeded the demographics within the assessment area.

During the evaluation period, Cortland originated \$2.6 million in consumer loans, \$2.5 million in HMDA loans, and \$448 thousand in small business loans in this assessment area. This represented 10.1% of Cortland's total lending activity. The percentage of loans is lower than the percentage of bank branches (14.3%) and higher than the percentage of deposits (8.5%) in this assessment area. Overall, Cortland ranks 30<sup>th</sup> in HMDA loan originations among 197 HMDA reporters in this assessment area.

Consumer loans are comprised of home equity, motor vehicle, other secured, and other unsecured loans and were combined because there were not enough individual loans for each product to conduct a meaningful evaluation. Mortgage loans are comprised of home purchase, refinance, and home improvement loans, which were also combined for this analysis. The bank's performance was also compared to the aggregate performance of all lenders required to report HMDA data within the assessment area for the year 2008 (the only data available at the time of this report).

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

An analysis of the geographic distribution of loans was conducted to determine the dispersion of loans among different census tracts within the assessment area. Cortland's geographic distribution of loans reflects an excellent dispersion throughout its assessment area.

The tracts in the Akron MSA represent 17.8% of Cortland's overall assessment area. Within these 31 tracts, four (12.9%) are moderate-income tracts, 24 (7.4%) are middle- and 3 (9.7%) are upper-income tracts.

During this evaluation period, Cortland originated 162 loans in 13 (41.9%) census tracts within this assessment area. The bank originated 32.7% of its loans in moderate-income tracts.

Cortland only made loans in the easternmost moderate-income tract where its branch office is located. The remaining three tracts are located on the western edge of Portage County and not in proximity to Cortland's other branch office in the assessment area. This is also the case for 13 of the middle- and two of the upper-income tracts without loans. None of these tracts is in proximity to either branch office. Therefore, based on the branch distribution and competition from other financial institutions, the gaps and level of lending within this assessment are considered reasonable.

**Consumer Loans**

The percentage of households within designated census tracts was used as a proxy to estimate demand for consumer lending within such census tracts.

Cortland originated 106 consumer loans for approximately \$2.5 million during this evaluation period. Thirty-one (29.2%) of the bank’s consumer loans were made in moderate-income tracts, which was significantly greater than the 12.4% of households in the bank’s moderate-income tracts. The bank’s lending in moderate-income tracts is considered excellent.

68.9% of the bank’s consumer loans were made in middle-income census tracts, which was less than the 74.6% of households in the bank’s middle-income tracts. There were 1.9% of consumer loans made in upper-income tracts, which was significantly less than the 13.1% of households in upper-income tracts.

The table below details the geographic distribution of consumer loans.

<b>Geographic Distribution of Consumer Loans</b>								
<b>Assessment Area/Group: MSA 10420</b>								
	<b>Total Consumer Loans</b>		<b>Moderate-Income Geographies</b>		<b>Middle-Income Geographies</b>		<b>Upper-Income Geographies</b>	
	<b>#</b>	<b>% of Total</b>	<b>% of Hhlds</b>	<b>% Bank Loans</b>	<b>% of Hhlds</b>	<b>% Bank Loans</b>	<b>% of Hhlds</b>	<b>% Bank Loans</b>
Home Equity	32	30.2	12.4	15.6	74.6	81.3	13.1	3.1
Motor Vehicle	26	24.5	12.4	30.8	74.6	69.2	13.1	0.0
Other - Secured	27	25.5	12.4	37.0	74.6	63.0	13.1	0.0
Other - Unsecured	21	19.8	12.4	38.1	74.6	57.1	13.1	4.8

**Mortgage Loans (HMDA)**

The percentage of owner-occupied housing units within designated census tracts was used as a proxy to estimate demand for residential mortgage lending within such census tracts. In addition, 28.2% of households are below poverty and 23.9% of households are receiving public assistance in moderate-income tracts. A lower level of owner-occupied units, coupled with higher levels of poverty and public assistance, limits the bank’s lending opportunities in those tracts.

Cortland originated 50 mortgage loans for approximately \$2.5 million during this evaluation period. The bank made 20 (40.0%) mortgage loans in moderate-income tracts, which was significantly greater than the percent of owner-occupied housing units at 8.3% and the aggregate of all lenders at 6.5%. Therefore, the bank’s lending in moderate-income tracts is considered excellent.

The bank originated 60.0% of its mortgage loans in middle-income tracts, which is less than the percent of owner-occupied housing units at 76.2% and the aggregate of all lenders at 75.9%. In addition, the bank originated no loans in upper-income tracts in which the percent of owner-occupied units was 15.5% and the aggregate of all lenders was 35.3%.

Geographic Distribution of HMDA Loans								
Assessment Area/Group: MSA 10420								
	Total HMDA Loans		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies	
	#	% of Total	% of Owner Occ Units	% Bank Loans	% of Owner Occ Units	% Bank Loans	% of Owner Occ Units	% Bank Loans
Home Purchase	13	26.0	8.3	46.2	76.2	53.8	15.5	0.0
Refinance	13	26.0	8.3	23.1	76.2	76.9	15.5	0.0
Home Improvement	24	48.0	8.3	45.8	76.2	54.2	15.5	0.0

***Small Business Loans***

The geographic distribution of small business loans was analyzed to determine the dispersion of these loans among different census tracts within the assessment area. Penetration throughout the assessment area was considered adequate.

During the evaluation period, Cortland originated six loans in an aggregate amount of \$448,000, of which two loans (33.3%) were made in moderate-income tracts, which was greater than the 7.9% of businesses located in these tracts. Therefore, the bank’s lending moderate-income tracts is considered excellent.

The bank originated 66.7% its small business loans in middle-income tracts, compared to the proxy at 75.7%. The bank originated no loans in upper-income census tracts in which 16.4% of businesses are located.

***Borrower Distribution***

Consumer, home mortgage, and small business lending data were analyzed in conjunction with the review of the demographic and economic characteristics of the assessment area to determine the extent of lending to borrowers of different income levels and to businesses of different revenue sizes. Cortland’s borrower distribution of loans reflects an excellent dispersion throughout its assessment area and an adequate distribution of lending to businesses with revenues of \$1 million or less.

***Consumer Loans***

The percentage of households is used as a proxy to estimate demand for consumer lending among borrowers of different income levels.

The borrower distribution for consumer loans was considered excellent. There were 26 (24.5%) consumer loans were made to low-income borrowers, which was greater than the 21.4% of households. Lending to low-income borrowers is considered excellent. There were 27 (25.5%) consumer loans were made to moderate-income borrowers, which was greater than the 17.0% of households. Lending to moderate-income borrowers is considered excellent.

There were 26.4% of consumer loans made to middle-income borrowers, which was greater than the 20.2% of households. There were 20.8% of consumer loans made to upper-income borrowers, which was significantly less than the 41.4% of households. Also, 2.8% of consumer loans were made to borrowers with unknown-income levels.

The table below details the borrower distribution of consumer loans.

Borrower Distribution of Consumer Loans										
Assessment Area/Group: MSA 10420										
	Total Consumer Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers	
	#	% of Total	% of Hhlds	% Bank Loans	% of Hhlds	% Bank Loans	% of Hhlds	% Bank Loans	% of Hhlds	% Bank Loans
Home Equity	32	30.2	21.4	15.6	17.0	25.0	20.2	31.3	41.4	28.1
Motor Vehicle	26	24.5	21.4	26.9	17.0	30.8	20.2	19.2	41.4	15.4
Other - Secured	27	25.5	21.4	22.2	17.0	37.0	20.2	29.6	41.4	11.1
Other - Unsecured	21	19.8	21.4	38.1	17.0	4.8	20.2	23.8	41.4	28.6

### ***Mortgage Loans (HMDA)***

The percentage of families for each income category is used as a proxy to estimate demand for home mortgage lending within this assessment area.

The bank’s distribution of borrowers reflects an excellent penetration among borrowers of different income levels, considering that the credit needs of the low-income segment of the population are difficult to address through conventional loan products and present a significant obstacle to homeownership. In particular, 38.2% of the assessment area’s renters expend more than 30% of gross income for housing, making it difficult for renters to save the customary down payment and closing costs necessary to purchase a home. In addition 6.2% of families residing in this assessment area live below the poverty level. The bank had an adequate penetration among businesses of different sizes throughout the assessment area.

Cortland originated one loan for \$55,599 through its own Right at Home loan program. This program helps reach low- and moderate-income families who have limited funds for a down payment on a home.

Also, Cortland originated two My Community Mortgage loans aggregating \$171,000. This secondary market affordable housing loan program is designed to assist low- and moderate-income homebuyers with limited cash resources purchase homes.

The borrower distribution for mortgage loans is considered good. Cortland originated eight (16.0%) mortgage loans to low-income borrowers, which was slightly less than the percentage of families in these tracts at 17.5% and greater than the aggregate of all lenders at 7.2%. The borrower distribution of mortgage loans to low-income borrowers is considered good. Cortland originated 18 (36.02%) mortgage loans to moderate-income borrowers, which is significantly greater than the percentage of families at 18.5% and the aggregate of all lenders at 22.4%. The borrower distribution of mortgage loans to moderate-income borrowers is considered excellent.

Cortland made 24.0% of its mortgage loans to middle-income borrowers and 18.0% of mortgage loans to upper-income borrowers, compared to the percentage of families in these tracts at 24.8% and 39.1% respectively. The aggregate of all HMDA lenders made 25.3% and 35.3% of their loans to middle-and upper-income borrowers. The bank originated 6.0% and the aggregate of all lenders made 9.8% of its loans to borrowers with unknown incomes.

<b>Borrower Distribution of HMDA Loans</b>										
<b>Assessment Area/Group: MSA 10420</b>										
	<b>Total HMDA Loans</b>		<b>Low-Income Borrowers</b>		<b>Moderate-Income Borrowers</b>		<b>Middle-Income Borrowers</b>		<b>Upper-Income Borrowers</b>	
	<b>#</b>	<b>% of Total</b>	<b>% of Families</b>	<b>% Bank Loans</b>	<b>% of Families</b>	<b>% Bank Loans</b>	<b>% of Families</b>	<b>% Bank Loans</b>	<b>% of Families</b>	<b>% Bank Loans</b>
Home Purchase	13	26.0	17.5	7.7	18.5	61.5	24.8	15.4	39.1	15.4
Refinance	13	26.0	17.5	7.7	18.5	15.4	24.8	53.8	39.1	15.4
Home Improvement	24	48.0	17.5	25.0	18.5	33.3	24.8	12.5	39.1	20.8

### ***Small Business Loans***

An analysis of small business lending was conducted to ascertain the extent of lending to businesses of different sizes, including small businesses. Cortland’s distribution of loans to small businesses reflects an adequate penetration. Of the six small business loans, three (50.0%) were originated to businesses with less than \$1 million in revenue (small business), compared to the proxy at 88.4%.

Further analysis indicates that only 66.7% of the bank’s small business loans were extended in an amount of \$100,000 or less. Smaller size loans are generally commensurate with the borrowing needs of small businesses; this analysis demonstrates Cortland is meeting the credit needs of smaller businesses at an adequate level within this assessment area.

## **Community Development Test**

Cortland's community development performance demonstrates an adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services considering its capacity and the need and availability of community development opportunities in its assessment area. Cortland supported community growth activities, which is especially important during weakened economic conditions, throughout its assessment area. A variety of services were conducted, including a variety of services targeted toward low- and moderate-income individuals, affordable housing support, and financial education programs.

### ***Community Development Loans***

The community development loans reviewed were originated from September 1, 2007 through August 31, 2009.

Cortland made one loan for \$105,000 that qualified for community development purposes with the primary purpose being to promote economic development. The loan was to finance a small business opening in a moderate-income census tract.

### ***Qualified Investments***

For the evaluation period the bank made investments totaling \$5,881. The bank's current investments were in the form of donations to several local organizations listed below. Cortland has an adequate level of community development investments within the assessment area.

The following list is an example of organizations where Cortland has made donations:

- Christmas Family Basket Program- purchase of holiday food gift baskets for low- and moderate-income families which were identified by school districts within the assessment area.
- Windham City Schools- funds purchased materials to teach low- and moderate-income children how to use a checking account.
- Windham Lions Club- funds purchased eyeglasses for low- and moderate-income children and food baskets.
- Windham Volunteer Fire Department- funds from turkey raffle helped low- and moderate-income children to attend the circus.
- Blue Knights- Cops and Kids Program furnished low- and moderate-income children with school supplies, new toys, and coats.
- Crestwood 4C- donations helped fund the emergency food cupboard to assist low- and moderate-income families.

- Leadership Portage County- funds aided in the refurbishing of the Center of Hope in Ravenna, Ohio. The center provides low- and moderate-income families in Portage County with basic needs (i.e., food and personal care items).
- Consumer Credit Counseling- provides workshops for low- and moderate-income individuals.

***Community Development Services***

The branch distribution is representative of the overall makeup of the geographies in this assessment area, as 12.9% of the tracts are moderate-income, 10.1% of families reside in these tracts, and 50.0% of the bank’s branches are located in these geographies. The table below shows the total distribution of the bank’s branches and full-service ATMs compared to the families by tract income:

<b>Geography</b>	<b>Number of Branches</b>	<b>Percent</b>	<b>Number of ATMs (full service)</b>	<b>Percent</b>	<b>Percent of Families by Tract Income</b>
<b>Moderate-income</b>	1	50.0%	1	50.0%	10.1%
Middle-income	1	50.0%	1	50.0%	75.1%
Upper-income	0	0.0%	0	0.0%	14.8%
Totals	2	100.0%	2	100.0%	100.0%

Although bank employees participate in meaningful capacities in various local organizations, only those participations providing explicit financial services to organizations with CRA-related purposes were given consideration in the bank’s CRA performance context. Cortland had no qualified community development services in this assessment area; therefore, Cortland had a poor level of community development services within the assessment area.

**DESCRIPTION OF INSTITUTION'S OPERATIONS IN OHIO NONMETROPOLITAN  
STATISTICAL AREA**  
*(Limited-scope Review)*

Cortland's assessment area in Ashtabula County consists of two distressed middle-income census tracts located in the southernmost portion of the county. The entirety of Ashtabula County consists of 21 census tracts.

The tracts are considered distressed due to unemployment. Distressed areas as defined by the Community Development Financial Institutions (CDFI) Fund have an unemployment rate of at least one-and-one half times greater than the national average, a poverty rate of 20% or more, a population loss of 10% or more between decennial census years, and a net migration loss of 5% or more over the five-year period prior to the most recent census.

During the evaluation period, Cortland originated 61 loans totaling \$460,000 in consumer loans and \$1.5 million in HMDA loans in this assessment area. The bank did not originate any small business loans in this assessment area during this review period. There were no lending gaps; Cortland made loans in both census tracts. This represented 3.8% of Cortland's total lending activity. Overall, Cortland ranks seventh in HMDA loan originations among 69 HMDA reporters in this assessment area.

Cortland has one branch office and no full-service ATMs in this assessment area. According to the June 30, 2009 FDIC Deposit Market Share Report, Cortland ranked last of nine institutions in the market with a deposit share of 0.75% within Ashtabula County. KeyBank ranked first with 24.78% of the market share of deposits with 6 office locations, Andover ranked second with 22.98% of the market share with 8 office locations, FirstMerit ranked third with 17.11% of the market share of deposits with 5 office locations. In addition, Huntington National Bank, US Bank, Conneaut Savings Bank, Northwest Savings Bank, and Middlefield Banking Company all had higher deposit shares than Cortland.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

While this was a limited-scope review, it is noteworthy to mention that Cortland made two donations aggregating \$549 to one organization. In addition, the bank had an investment from the previous evaluation with an outstanding balance totaling approximately \$622,000, a mortgage-backed security secured by home loans made to low- or moderate-income borrowers. As mentioned earlier in this report, this mortgage-backed security contains two properties located in Ashtabula County; however, the remaining balance of the entire security is listed as the outstanding balance because the current value of the two loans could not be determined.

The bank's performance as it relates to the lending test in this assessment area was found to be consistent with the bank's lending in its other assessment areas. The bank's performance as it relates to community development lending, investments, and services were also found to be consistent with the bank's community development activities in its other assessment areas.

Facts and data reviewed, including performance and demographic information, can be found in the core tables accompanying this report.

Assessment Area	Lending Test	Community Development Test
Nonmetropolitan OH	Consistent	Consistent

### Combined Demographics Report

Cortland Bank

Assessment Area(s): NonMSA OH

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	823	20.9
Moderate-income	0	0.0	0	0.0	0	0.0	726	18.5
Middle-income	2	100.0	3,930	100.0	365	9.3	980	24.9
Upper-income	0	0.0	0	0.0	0	0.0	1,401	35.6
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>2</b>	<b>100.0</b>	<b>3,930</b>	<b>100.0</b>	<b>365</b>	<b>9.3</b>	<b>3,930</b>	<b>100.0</b>
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	0	0	0.0	0.0	0	0.0	0	0.0
Middle-income	6,036	4,165	100.0	69.0	1,072	17.8	799	13.2
Upper-income	0	0	0.0	0.0	0	0.0	0	0.0
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>6,036</b>	<b>4,165</b>	<b>100.0</b>	<b>69.0</b>	<b>1,072</b>	<b>17.8</b>	<b>799</b>	<b>13.2</b>
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	0	0.0	0	0.0	0	0.0	0	0.0
Middle-income	511	100.0	459	100.0	28	100.0	24	100.0
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>511</b>	<b>100.0</b>	<b>459</b>	<b>100.0</b>	<b>28</b>	<b>100.0</b>	<b>24</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>				<b>89.8</b>		<b>5.5</b>		<b>4.7</b>

**DESCRIPTION OF INSTITUTION'S OPERATIONS IN CLEVELAND-ELYRIA-  
MENTOR, OHIO METROPOLITAN STATISTICAL AREA**  
*(Limited-scope Review)*

Cortland's assessment area in Cleveland-Elyria-Mentor, OH MSA 17460 (Cleveland MSA) consists of seven middle-income census tracts located in southeast quadrant of Geauga County. Geauga County consists of 21 census tracts.

A limited scope review was conducted in this assessment area, because Cortland only incorporated these geographies into its overall assessment area in conjunction with opening its newest branch office in Middlefield, Ohio in April 2008.

During the evaluation period, Cortland originated 14 consumer loans totaling \$74,000, \$370,000 in HMDA, and \$504,000 in small business loans in this assessment area. Cortland made loans in three (43%) out of seven census tracts; therefore, there were no significant gaps in lending in this assessment area. This represented 0.87% of Cortland's total lending activity. Overall, Cortland ranks 17<sup>th</sup> in HMDA loan originations among 77 HMDA reporters in this assessment area.

Cortland has one branch office and one full-service ATM in this assessment area. According to the June 30, 2009 FDIC Deposit Market Share Report, Cortland ranked 16<sup>th</sup> out of 17 institutions in the market with a deposit share of 0.13% within Geauga County. Huntington National Bank ranked first with 16.28% of the market share of deposits with five office locations, Geauga Savings Bank ranked second with 14.04% of the market share with one office location, Middlefield Banking Company ranked third with 13.54% of the market share of deposits with four office locations. In addition, National City Bank, RBS Citizens National Bank, JPMorgan Chase Bank NA, KeyBank, National City Bank, and Fifth Third Bank all had higher deposit shares than Cortland.

One community contact was conducted within this assessment area. The community contact was with a chamber of commerce which helps promotes economic development in the area. The contact indicated that this region of Geauga County has a large Amish population who offer a unique perspective on small business development in the area. According to the contact, the Amish businesses have been prosperous even in this economy. While the area has lost some major employers, the area has gained several new smaller-sized businesses. The biggest challenge in this economy is finding decent fundraisers that successfully highlight local businesses. The contact stated that there is opportunity for banks to donate more to fundraisers and to make small loans to local businesses. The contact stated that Middlefield and Cortland banks are very proactive working with local businesses in order to obtain loans.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

While this was a limited-scope review, it is noteworthy to mention that Cortland made three donations totaling \$272 to three organizations during this review period.

The bank's performance as it relates to the lending test in this assessment area was found to be consistent with the bank's lending in its other assessment areas. However, the bank's performance as it relates to community development lending, investments, and services were found to be below the bank's community development activities in its other assessment areas.

Facts and data reviewed, including performance and demographic information, can be found in the core tables accompanying this report.

Assessment Area	Lending Test	Community Development Test
Cleveland MSA (Geauga County)	Consistent	Below

### Combined Demographics Report

Cortland Bank

Assessment Area(s): MSA 17460

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	987	17.1
Moderate-income	0	0.0	0	0.0	0	0.0	1,240	21.4
Middle-income	7	100.0	5,788	100.0	364	6.3	1,429	24.7
Upper-income	0	0.0	0	0.0	0	0.0	2,132	36.8
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>7</b>	<b>100.0</b>	<b>5,788</b>	<b>100.0</b>	<b>364</b>	<b>6.3</b>	<b>5,788</b>	<b>100.0</b>
	<b>Housing Units by Tract</b>	<b>Housing Types by Tract</b>						
		<b>Owner-Occupied</b>			<b>Rental</b>		<b>Vacant</b>	
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	0	0	0.0	0.0	0	0.0	0	0.0
Middle-income	7,815	5,931	100.0	75.9	1,592	20.4	292	3.7
Upper-income	0	0	0.0	0.0	0	0.0	0	0.0
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>7,815</b>	<b>5,931</b>	<b>100.0</b>	<b>75.9</b>	<b>1,592</b>	<b>20.4</b>	<b>292</b>	<b>3.7</b>
	<b>Total Businesses by Tract</b>		<b>Businesses by Tract &amp; Revenue Size</b>					
			<b>Less Than or = \$1 Million</b>		<b>Over \$1 Million</b>		<b>Revenue Not Reported</b>	
			#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	0	0.0	0	0.0	0	0.0	0	0.0
Middle-income	978	100.0	869	100.0	82	100.0	27	100.0
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>978</b>	<b>100.0</b>	<b>869</b>	<b>100.0</b>	<b>82</b>	<b>100.0</b>	<b>27</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>				<b>88.9</b>		<b>8.4</b>		<b>2.8</b>

## APPENDIX A

### GLOSSARY

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

**Census tract:** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

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

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

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

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

**Family:** 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, which 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).

**Full-scope review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, 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 applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

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

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited-scope review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, 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.

**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.

**Metropolitan area (MA):** A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

**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 percent 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 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

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

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

**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.

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

**Small loan(s) to farm(s):** 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, or are classified as loans to finance agricultural production and other loans to farmers.

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

## APPENDIX B

### CRA CORE TABLES

Geographic Distribution of Consumer Loans										
Assessment Area/Group: Overall										
	Total Consumer Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies	
	#	% of Total	% of Hhlds	% Bank Loans	% of Hhlds	% Bank Loans	% of Hhlds	% Bank Loans	% of Hhlds	% Bank Loans
Home Equity	219	23.9	3.1	0.0	14.0	3.7	64.2	69.9	18.6	26.5
Motor Vehicle	252	27.5	3.1	0.4	14.0	6.7	64.2	75.0	18.6	17.9
Other - Secured	232	25.3	3.1	0.0	14.0	7.3	64.2	72.4	18.6	20.3
Other - Unsecured	214	23.3	3.1	0.0	14.0	6.1	64.2	68.2	18.6	25.7

Geographic Distribution of HMDA Loans										
Assessment Area/Group: Overall										
	Total HMDA Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies	
	#	% of Total	% of Owner Occ Units	% Bank Loans	% of Owner Occ Units	% Bank Loans	% of Owner Occ Units	% Bank Loans	% of Owner Occ Units	% Bank Loans
Home Purchase	153	30.4	2.1	0.0	10.9	5.9	65.8	61.4	21.2	32.7
Refinance	205	40.8	2.1	0.0	10.9	3.9	65.8	67.8	21.2	28.3
Home Improvement	145	28.8	2.1	0.0	10.9	11.0	65.8	66.9	21.2	22.1

Borrower Distribution of Consumer Loans										
Assessment Area/Group: Overall										
	Total Consumer Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers	
	#	% of Total	% of Hhlds	% Bank Loans	% of Hhlds	% Bank Loans	% of Hhlds	% Bank Loans	% of Hhlds	% Bank Loans
Home Equity	219	23.9	22.5	10.5	16.5	18.7	19.2	22.4	41.8	47.0
Motor Vehicle	252	27.5	22.5	16.7	16.5	24.2	19.2	25.8	41.8	28.2
Other - Secured	232	25.3	22.5	17.2	16.5	18.5	19.2	18.1	41.8	24.1
Other - Unsecured	214	23.3	22.5	20.1	16.5	25.2	19.2	18.2	41.8	24.8

Borrower Distribution of HMDA Loans										
Assessment Area/Group: Overall										
	Total HMDA Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers	
	#	% of Total	% of Families	% Bank Loans	% of Families	% Bank Loans	% of Families	% Bank Loans	% of Families	% Bank Loans
Home Purchase	153	30.4	18.4	7.2	18.4	26.8	22.9	26.1	40.3	36.6
Refinance	205	40.8	18.4	6.3	18.4	22.0	22.9	29.3	40.3	39.0
Home Improvement	145	28.8	18.4	15.2	18.4	29.0	22.9	24.1	40.3	27.6

<b>Borrower Distribution of Consumer Loans</b>										
<b>Assessment Area/Group: NonMSA OH</b>										
	<b>Total Consumer Loans</b>		<b>Low-Income Borrowers</b>		<b>Moderate-Income Borrowers</b>		<b>Middle-Income Borrowers</b>		<b>Upper-Income Borrowers</b>	
	#	% of Total	% of Hhlds	% Bank Loans	% of Hhlds	% Bank Loans	% of Hhlds	% Bank Loans	% of Hhlds	% Bank Loans
Home Equity	8	19.5	22.1	12.5	19.4	25.0	17.7	50.0	40.9	12.5
Motor Vehicle	24	58.5	22.1	20.8	19.4	20.8	17.7	33.3	40.9	20.8
Other - Secured	4	9.8	22.1	25.0	19.4	25.0	17.7	25.0	40.9	25.0
Other - Unsecured	5	12.2	22.1	20.0	19.4	60.0	17.7	0.0	40.9	20.0

<b>Borrower Distribution of HMDA Loans</b>										
<b>Assessment Area/Group: NonMSA OH</b>										
	<b>Total HMDA Loans</b>		<b>Low-Income Borrowers</b>		<b>Moderate-Income Borrowers</b>		<b>Middle-Income Borrowers</b>		<b>Upper-Income Borrowers</b>	
	#	% of Total	% of Families	% Bank Loans	% of Families	% Bank Loans	% of Families	% Bank Loans	% of Families	% Bank Loans
Home Purchase	3	15.0	20.9	0.0	18.5	66.7	24.9	0.0	35.6	33.3
Refinance	9	45.0	20.9	0.0	18.5	11.1	24.9	44.4	35.6	44.4
Home Improvement	8	40.0	20.9	12.5	18.5	12.5	24.9	25.0	35.6	50.0

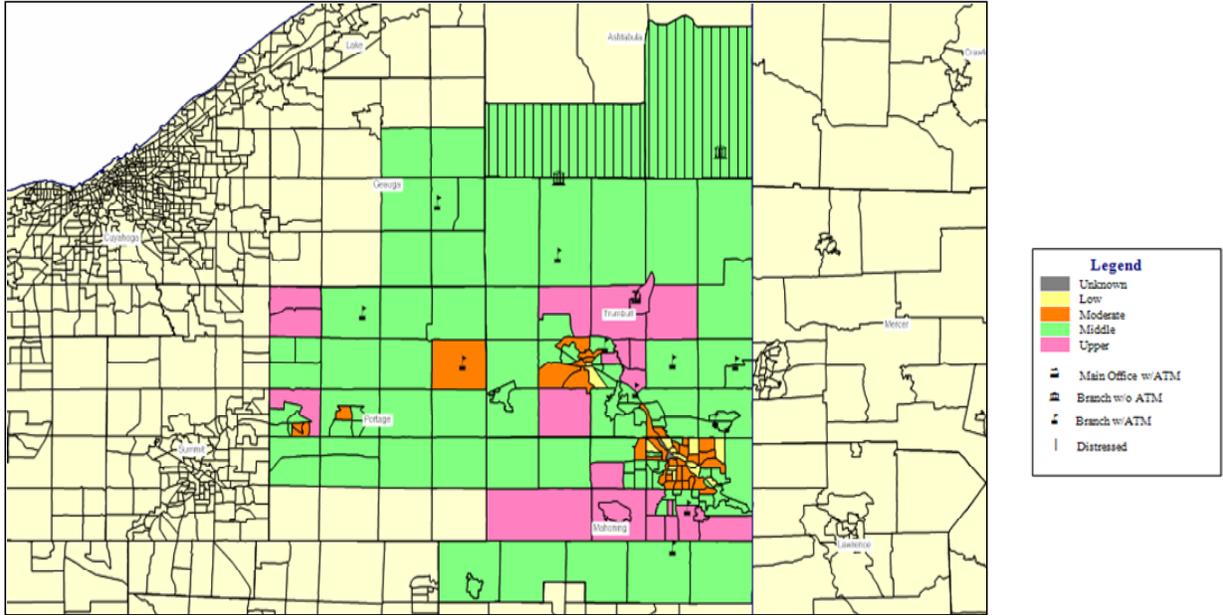
<b>Borrower Distribution of Consumer Loans</b>										
<b>Assessment Area/Group: MSA 17460</b>										
	<b>Total Consumer Loans</b>		<b>Low-Income Borrowers</b>		<b>Moderate-Income Borrowers</b>		<b>Middle-Income Borrowers</b>		<b>Upper-Income Borrowers</b>	
	#	% of Total	% of Hhlds	% Bank Loans	% of Hhlds	% Bank Loans	% of Hhlds	% Bank Loans	% of Hhlds	% Bank Loans
Home Equity	0	0.0	18.1	0.0	16.7	0.0	20.7	0.0	44.5	0.0
Motor Vehicle	3	37.5	18.1	0.0	16.7	33.3	20.7	66.7	44.5	0.0
Other - Secured	4	50.0	18.1	75.0	16.7	0.0	20.7	25.0	44.5	0.0
Other - Unsecured	1	12.5	18.1	0.0	16.7	0.0	20.7	100.0	44.5	0.0

<b>Borrower Distribution of HMDA Loans</b>										
<b>Assessment Area/Group: MSA 17460</b>										
	<b>Total HMDA Loans</b>		<b>Low-Income Borrowers</b>		<b>Moderate-Income Borrowers</b>		<b>Middle-Income Borrowers</b>		<b>Upper-Income Borrowers</b>	
	#	% of Total	% of Families	% Bank Loans	% of Families	% Bank Loans	% of Families	% Bank Loans	% of Families	% Bank Loans
Home Purchase	2	50.0	17.1	100.0	21.4	0.0	24.7	0.0	36.8	0.0
Refinance	2	50.0	17.1	0.0	21.4	50.0	24.7	50.0	36.8	0.0
Home Improvement	0	0.0	17.1	0.0	21.4	0.0	24.7	0.0	36.8	0.0

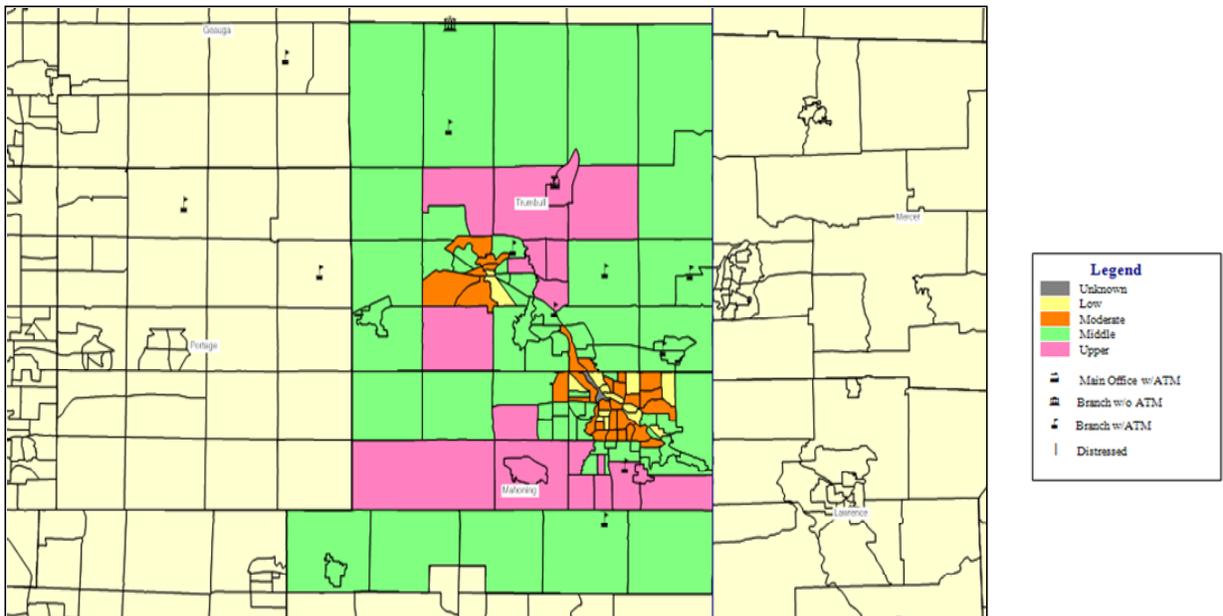
### APPENDIX C

### ASSESSMENT AREA MAPS

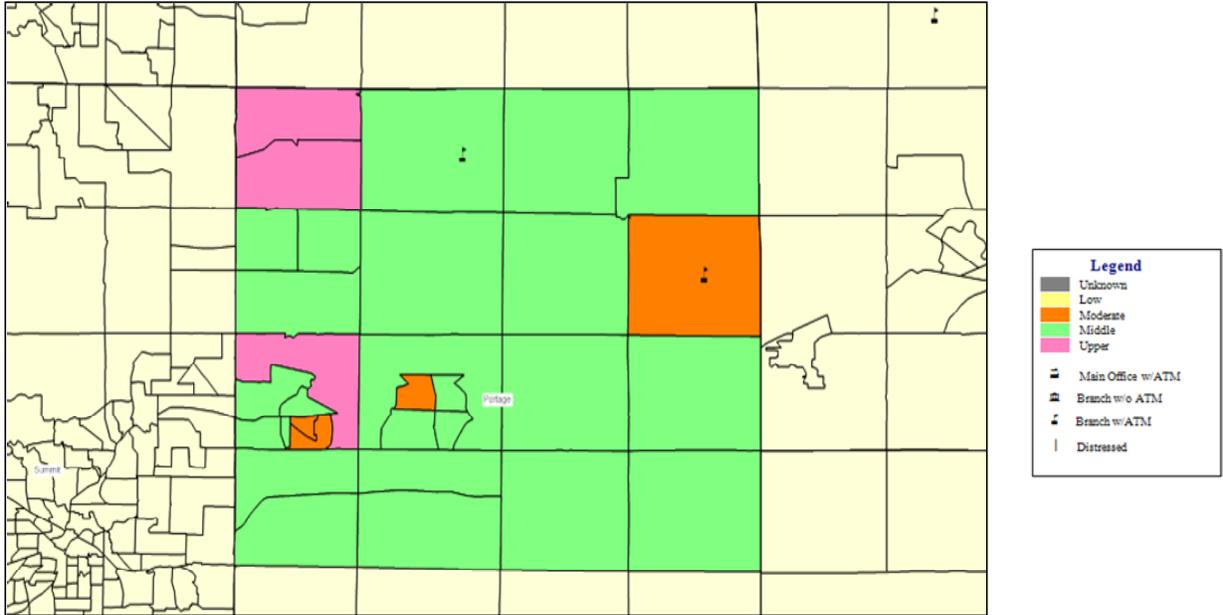
The Cortland Savings & Banking Company  
Assessment Area: Overall



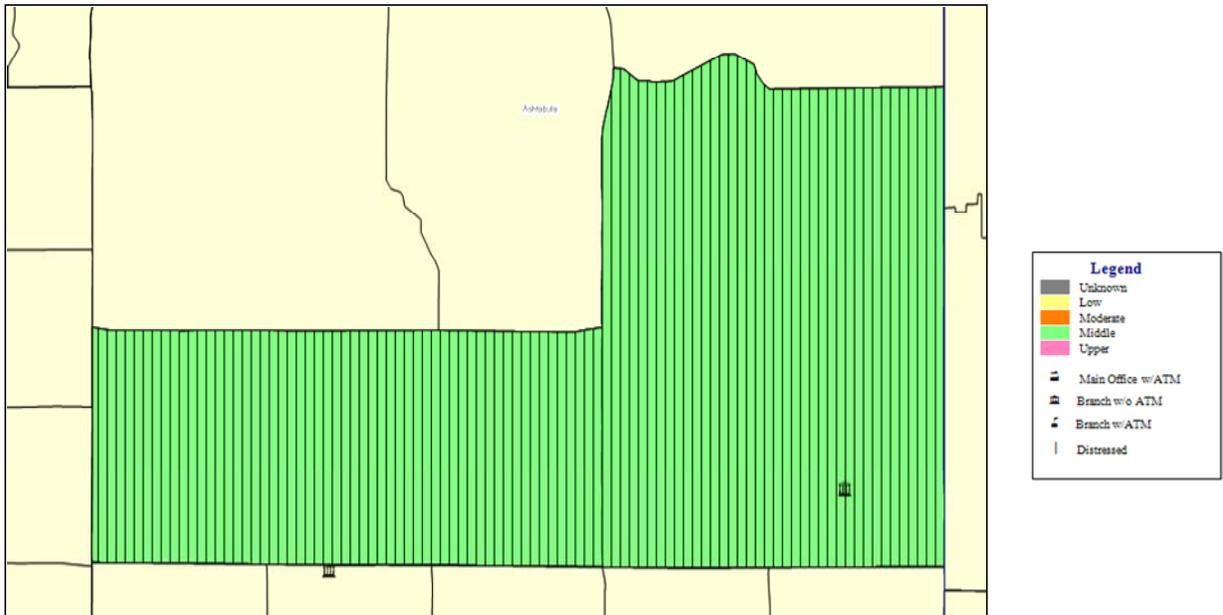
Cortland Bank  
Assessment Area: MSA 49660



Cortland Bank  
Assessment Area: MSA 10420



Cortland Bank  
Assessment Area: NonMSA OH



Cortland Bank  
Assessment Area: MSA 17460

