

PUBLIC DISCLOSURE

April 4, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Conneaut Savings Bank
Certificate Number: 28677**

**305 Main Street
Conneaut, Ohio 44030**

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

300 South Riverside Plaza, Suite 1700
Chicago, Illinois 60606

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

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INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**. An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Conneaut Savings Bank's satisfactory performance under the Federal Financial Institutions Examination Council (FFIEC) Small Institution CRA Procedures supports the overall rating. Examiners did not identify any evidence of discriminatory or other illegal credit practices. The following points summarize the bank's performance:

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and credit needs of the assessment areas.
- A majority of loans and other lending related activities are in the assessment areas.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas.
- The distribution of borrowers reflects reasonable penetration among individuals of different income levels (including low- and moderate-income).
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the rating.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated April 26, 2010, to the current evaluation dated April 4, 2016. Examiners used the FFIEC Small Institution CRA Procedures to evaluate the bank's performance according to the following criteria:

- LTD ratio;
- Assessment area concentration;
- Geographic distribution;
- Borrower profile; and
- Response to CRA-related complaints

Loan Products Reviewed

Examiners determined the bank's major product line is home mortgage loans, based on the bank's business strategy and the number of home mortgage originations during the evaluation period. The bank's mortgage lending activities for 2014 and 2015 were used to evaluate CRA performance. The bank originated 44 home mortgage loans totaling \$3.7 million in 2014 and 69 home mortgage loans totaling \$6.0 million in 2015.

Small business, farm and consumer loans do not represent major product lines and together, comprise approximately 10 percent of the loan portfolio. Examiners did not consider these products in this evaluation given that the small number of originations would not provide meaningful conclusions.

All tables presented include the number and dollar volume of loans; however, examiners emphasized performance by number of loans originated, because the number of loans is a better indicator of the number of individuals served.

DESCRIPTION OF INSTITUTION

Background

Conneaut Savings Bank is headquartered in Conneaut, Ohio and operates in the far northeastern portion of Ohio and the far northwestern portion of Pennsylvania. The bank is owned by Conneaut Bancorp, Inc., a one-bank holding company. The bank received a "Satisfactory" rating at its previous FDIC Performance Evaluation dated April 26, 2010, also based on the FFIEC Small Institution CRA Procedures. The prior evaluation did not include the operations in the State of Pennsylvania, as the bank opened its branch in Girard, Pennsylvania in June 2010.

Operations

Conneaut Savings Bank operates three full-service offices in its assessment areas, including two in the State of Ohio, and one in the State of Pennsylvania as noted above. The main office (Conneaut, Ohio) is in a middle-income census tract; the Austinburg, Ohio office is in an upper-income tract, and the Girard, Pennsylvania office is in a middle-income tract. All office locations have deposit-taking automated teller machines (ATMs) and drive-thru facilities. The bank offers a variety of loan products including, home mortgage, consumer, auto, and commercial loans. The bank does not offer secondary mortgage loans. The bank offers a variety of deposit services including checking, money market, and savings accounts, certificates of deposit, individual retirement accounts, and business savings and checking accounts.

The bank closed a branch at 382 Main Street in Conneaut, Ohio on November 9, 2012 in a middle-income census tract. The main office is located 2.7 miles from this branch in the same census tract. As noted, the bank opened the Girard, Pennsylvania branch office in June 2010. No merger or acquisition activities occurred since the previous evaluation.

Ability and Capacity

Assets totaled approximately \$78.7 million as of December 31, 2015 and included total loans of \$50.9 million and total securities of \$8.6 million. The following table illustrates the loan portfolio.

Loan Portfolio Distribution as of 12/31/2015		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	678	1.3
Secured by Farmland	449	0.9
Secured by 1-4 Family Residential Properties	45,659	89.7
Secured by Multi-Family (5 or more) Residential Properties	785	1.5
Secured by Non-farm Non-residential Properties	2,274	4.5
Agricultural Production and Other Loans to Farmers	0	0.0
Commercial and Industrial Loans	549	1.1
Consumer	511	1.0
Obligations of States and Political Subdivisions in the United States	0	0.0
Other Loans	0	0.0
Lease Financing Receivables (net of unearned income)	0	0.0
Gross Loans	50,905	100.0
Less: Unearned Income	(0)	(0.0)
Total Loans and Leases	50,905	100.0

Source: 12/31/2015 Call Report

Examiners did not identify any financial, legal, or other impediments that affect the bank's ability to meet the credit needs of the assessment areas.

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. Conneaut Savings Bank designated a single assessment area in northeastern Ohio and northwestern Pennsylvania. It is contiguous in design, but crosses the state line. The CRA regulations state that an assessment area may not extend substantially beyond an MSA boundary or beyond a state boundary unless the assessment area is located in a multistate MSA. If a bank serves a geographic area that extends substantially beyond a state boundary, the bank shall delineate separate assessment areas for the areas in each state. If a bank serves a geographic area that extends substantially beyond an MSA boundary, the bank shall delineate separate assessment areas for the areas inside and outside the MSA.

For these reasons, Conneaut Savings Bank has two assessment areas: Ashtabula County in Ohio and Erie County in Pennsylvania. The Ohio assessment area is located in a Non-MSA area and consists of a portion of Ashtabula County. The Pennsylvania assessment area consists of a portion of Erie County, in the Erie, PA MSA 21500. The following sections discuss demographic and economic information for the assessment areas.

Economic and Demographic Data

The assessment areas include 9 of 28 census tracts in the northern eastern portion of Ashtabula County; and 7 of 71 contiguous census tracts in the northwestern portion of Erie County. The Erie MSA consists solely of Erie County. These tracts reflect the following income designations according to the 2010 U.S. Census:

- 0 low-income tracts,
- 2 moderate-income tracts,
- 11 middle-income tracts,
- 2 upper-income tract, and
- 1 census tract with no income designation.

Both Ashtabula and Erie Counties are located in the Appalachian region of each state. Ohio's Appalachian Plateau region covers 32 of Ohio's 88 counties. Pennsylvania's Appalachian Plateau region covers 52 of Pennsylvania's 71 counties. The region is less populated and developed than most of each state's areas. Conclusions with respect to the bank's performance presented later in this evaluation are separated by the assessment areas in Ohio and Pennsylvania. Separate CRA ratings are also assigned for each state.

Reasonableness of Business Hours and Services in Meeting Assessment Area Needs – Overall

Services and business hours do not vary in a way that inconveniences certain portions of the assessment areas, particularly low- and moderate-income geographies and/or individuals. Operating hours and services at the full service branches do not vary from branch-to-branch and reflect the needs of the local communities they serve. Each branch office offers extended hours through drive-up windows or weekend hours on Saturday.

CONCLUSIONS ON PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The LTD ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. The bank's LTD ratio, calculated from Call Report data, averaged 79.2 percent over the past 23 calendar quarters from June 30, 2010 to December 31, 2015. The ratio ranged from a high of 81.9 percent as of December 31, 2010 to a low of 75.3 percent as of June 30, 2010. There are only large national and regional institutions in the assessment area; therefore, no similarly situated institutions were available for comparison.

Assessment Area Concentration

The bank made a majority of home mortgage loans, 85.0 percent by number and 82.0 percent by dollar volume, within its assessment areas. At the previous evaluation, the ratio by number was 75.0 percent, showing a significant increase in home mortgage loans within the assessment area at this evaluation. See the following table for details.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollars Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
HMDA										
2014	40	90.9	4	9.1	44	3,555	95.5	168	4.5	3,723
2015	56	81.2	13	18.8	69	4,451	73.6	1,595	26.4	6,046
Total	96	85.0	17	15.0	113	8,006	82.0	1,763	18.0	9,769

Source: 2014 and 2015 HMDA records

Geographic Distribution

Because the Ohio assessment area does not include any low- or moderate-income geographies, review of the Geographic Distribution criterion would not result in meaningful conclusions for this area. Therefore, this criterion was based solely on the Pennsylvania assessment area results, which was reasonable. Refer to the data presented in the discussions of each assessment area for details.

Borrower Distribution

The distribution of borrowers reflects reasonable penetration among individuals of different income levels in the assessment area. The bank's performance of home mortgage supports this conclusion. Examiners focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers. Refer to the data presented in the discussions of each assessment area for details.

Response to Complaints

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

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

STATE OF OHIO

CRA RATING FOR OHIO: Satisfactory.

Comeaut Savings Bank demonstrated reasonable performance in the State of Ohio. Geographic distribution was not evaluated, because the assessment area is comprised only of middle- and upper-income census tracts. Conclusions are based primarily on the penetration of home mortgage lending to borrowers of different income levels.

SCOPE OF EVALUATION

The rating for the State of Ohio is based upon the full scope evaluations of the bank's performance in the Ashtabula County Non-MSA Ohio assessment area. The assessment area was selected for full scope review, as this assessment area is where the majority of the bank's branches, loans, and deposits exist. The bank's lending performance was evaluated based upon a review of all home mortgages reported for 2014 and 2015.

DESCRIPTION OF ASSESSMENT AREA

This assessment area consists of a portion of Ashtabula County in Ohio, which is not located in an MSA. Two of the bank's three offices are located in this assessment area. The assessment area accounted for 96.2 percent of the bank's total deposits as of June 30, 2015. The assessment area accounted for 91.1 percent of the bank's home mortgage loans in 2015. This assessment area includes 56.3 percent of the total census tracts in the bank's assessment areas and 63.7 percent of the population. Examiners performed a full-scope review, and performance was given the most weight in the CRA analysis, because the majority of the bank's offices and lending activities occurred within this assessment area.

Economic and Demographic Data

The assessment area includes 9 of 28 census tracts in Ashtabula County. These tracts reflect the following income designations according to the 2010 U.S. Census:

- 0 low-income tracts,
- 0 moderate-income tracts,
- 7 middle-income tracts,
- 2 upper-income tracts

Ashtabula County is located in far northeastern Ohio, just east of Lake County and just west of Erie County, PA. The northern border of each of these counties is Lake Erie. The following sections discuss demographic and economic information for the assessment area. All seven of the middle-income census tracts in the Ashtabula County Assessment Area are designated as distressed in both 2014 and 2015. The following table illustrates select demographic characteristics of the assessment area in 2015.

Demographic Information for the Assessment Area – 2015						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (Census Tracts)	9	0.0	0.0	77.8	22.2	0.0
Population by Geography	40,990	0.0	0.0	78.0	22.0	0.0
Owner-Occupied Housing Units by Geography	12,218	0.0	0.0	75.3	24.7	0.0
Distribution of Families by Income Level	10,959	15.8	16.6	23.8	43.8	0.0
Median Family Income (2010 U.S. Census)		\$57,296	Median Housing Value			\$128,892
2015 FFIEC-Estimated Median Family Income		\$56,900	Unemployment Rate			7.5%
Families Below Poverty Level		7.6%				

Sources: 2010 U.S. Census data, 2015 FFIEC Estimated Median Family Income

The Borrower Profile criterion uses the 2014 and 2015 FFIEC-updated median family incomes of \$55,700 and \$56,900, respectively to analyze home mortgage loans. The following table presents the low-, moderate-, middle-, and upper-income categories.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2014 (\$55,700)	<\$27,850	\$27,850 to <\$44,560	\$44,560 to <\$66,840	≥\$66,840
2015 (\$56,900)	<\$28,450	\$28,450 to <\$45,520	\$45,520 to <\$68,280	≥\$68,280

Source: 2014 and 2015 FFIEC Estimated Medium Family Income data

Based on 2010 U.S. Census data, there are 17,671 housing units. Of these, 69.1 percent are owner-occupied, 17.5 percent are occupied rental units, and 13.4 percent are vacant. The geographic distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. All census tracts in the assessment area with housing data have an income designation.

Data obtained from the U. S. Bureau of Labor and Statistics indicates that the January 2016 unemployment rate was 4.9 percent statewide and 5.2 percent for the United States (U.S.). The Ohio and U.S. unemployment rates continue to decline from the previous evaluation when the State of Ohio rate was 6.5 percent and the U.S. rate was 5.9 percent. Ashtabula County reported to the U.S Bureau of Labor and Statistics a rate of 7.5 percent in January 2016 which is similar to the 7.6 percent at the previous evaluation.

Competition

The assessment area is a fairly competitive market for financial services. According to the FDIC Deposit Market Share data as of June 30, 2015, nine financial institutions operated 33 full-service branches within the bank's assessment area. Of these institutions, Conneaut Savings Bank ranked sixth, with a 6.3 percent deposit market share. Since the Ohio Assessment Area is not located in a MSA, no loan peer data is available.

Community Contact

As part of the evaluation process, examiners contacted a third-party active in the assessment area to assist in identifying the credit and community development needs. This information helps determine whether local financial institutions are responsive to these needs. It also shows what credit and

community development opportunities are available.

Examiners contacted a representative of an economic development organization in the assessment area. The contact noted no particular need for financing of projects within Ashtabula County. The contact stated that high unemployment has hampered the area for several years. Half of the residents in the area work locally while the other half commute to Cleveland, Ohio and Erie, Pennsylvania. The housing stock is older, and few new construction projects have started in the past several years. One private group completed a 40-unit LMI housing project in the City of Ashtabula in 2015, which is completely occupied. Overall, the contact indicated that financial institutions have been somewhat responsive to credit needs; however, there is still a need for low- and moderate-income financing and financial education in the area. In addition, the contact stated that larger regional financial institutions ignore the rural areas in the Cleveland Ohio market area and making contact with them is sometimes difficult.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that affordable housing represents the primary credit need for the assessment area along with financial education.

CONCLUSIONS ON PERFORMANCE CRITERIA

The bank's lending performance reflects good responsiveness to the credit needs in this assessment area. This conclusion was determined by the bank's lending to borrowers of difference income levels.

Geographic Distribution

Because the assessment area does not include any low- or moderate-income geographies, review of the Geographic Distribution criterion would not result in meaningful conclusions. Therefore, this criterion was not evaluated.

Borrower Profile

The distribution of borrowers reflects reasonable penetration among individuals of different income levels in the Ohio assessment area. Examiners focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers. The distribution of home mortgage loans to individuals of different income levels, including low-and moderate-income borrowers is reasonable. Examiners focused on the comparison to aggregate data in 2014.

There was no home mortgage lending to low-income borrowers in 2014, which is considered weak when compared to the aggregate at 7.3 percent and percentage of families at 15.7 percent. However, a low-income family in the assessment area, with an income of \$27,850, would not likely qualify for a mortgage under conventional underwriting standards, especially considering the median housing value of \$128,892. In addition, the poverty level is 7.6 percent. Individuals below this level would not generally qualify for home mortgage loans. This effectively reduces the potential market of low-income families who may qualify for loans to 8.1 percent. Therefore, the demand and opportunity for lending to low-income families are relatively limited, but nevertheless exist. Bank management

indicated that more effort will be directed towards lending to low-income borrowers. The bank does not market loan products and this may have contributed to the lack of lending to low-income applicants. During 2015, the bank granted 3 loans, or 5.9 percent of the total lending in the Ohio Assessment area to low-income borrowers. Aggregate data for 2015 is not yet available.

Lending to moderate-income borrowers is reasonable. During 2014, 17.2 percent of the loans granted in the Ohio assessment area were to moderate-income borrowers, which is slightly higher than percentage of families in this category. The bank's performance is also slightly lower than the aggregate percentage of lending by all lenders in this area. During 2015, 15.7 percent of the bank's total lending activities in the State of Ohio were to moderate-income borrowers, which is reasonable compared to the percentage of moderate-income families in the assessment area.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2014	15.7	7.3	0	0.0	0	0.0
2015	15.7	--	3	5.9	91	2.2
Moderate						
2014	16.7	18.9	5	17.2	316	15.4
2015	16.7	--	8	15.7	402	9.9
Middle						
2014	23.8	21.9	7	24.1	266	13.0
2015	23.8	--	13	25.5	1,219	29.9
Upper						
2014	43.8	38.4	17	58.7	1,472	71.6
2015	43.8	--	23	45.1	1,837	45.0
Income Not Available						
2014	--	13.5	0	0.0	0	0.0
2015	--	--	4	7.8	534	13.0
Total						
2014	100.0	100.0	29	100.0	2,054	100.0
2015	100.0	--	51	100.0	4,083	100.0

Source: 2014 and 2015 U.S. Census data; 2014 and 2015 HMDA data

STATE OF PENNSYLVANIA

CRA RATING FOR PENNSYLVANIA: Satisfactory.

Conneaut Savings Bank demonstrated reasonable performance in the State of Pennsylvania. Geographic distribution and borrower profile performance primarily support this conclusion.

SCOPE OF EVALUATION

The rating for the State of Pennsylvania is based on a full scope evaluation of the bank's performance in the assessment area. The bank began operations in this area with the opening of a full service branch office in Girard, Pennsylvania in June 2010. The bank's lending performance was evaluated based upon a review of all home mortgage loans reported for 2014 and 2015.

DESCRIPTION OF ASSESSMENT AREA

This assessment area consists of a portion of Erie County in the Erie, PA MSA 21500. The bank has one office in this assessment area. The assessment area accounted for 3.8 percent of the bank's total deposits as of June 30, 2015. The assessment area accounted for 8.9 percent of the bank's home mortgage loans in 2015. This assessment area includes 43.7 percent of the total census tracts in the bank's assessment areas and 36.3 percent of the population. This assessment area received a full scope review, but was given the less weight in the CRA analysis due to the bank's length of time in this assessment area and smaller branch presence relative to the bank's total number of offices.

Economic and Demographic Data

The assessment area includes 7 of 71 census tracts in Erie County. These tracts reflect the following income designations according to the 2010 U.S. Census:

- 0 low-income tracts,
- 2 moderate-income tracts,
- 4 middle-income tracts,
- 0 upper-income tracts
- 1 NA tract (State Correctional Facility)

Erie County is located in the far northwestern Pennsylvania, just east of Ashtabula County Ohio. The northern border of each of these counties is Lake Erie. The following sections discuss demographic and economic information for the assessment area. The following table illustrates select demographic characteristics of the assessment area in 2015.

Demographic Information for the Assessment Area - 2015						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (Census Tracts)	7	0.0	28.6	57.1	0.0	14.3
Population by Geography	23,334	0.0	23.6	67.0	0.0	9.4
Owner-Occupied Housing Units by Geography	6,815	0.0	25.9	74.0	0.0	0.1
Distribution of Families by Income Level	5,932	21.0	21.1	23.7	34.2	0.0
Median Family Income (2010 U.S. Census)		\$50,733	Median Housing Value		\$107,784	
2015 FFIEC-Estimated Median Family Income		\$62,000	Unemployment Rate		4.9%	
Families Below Poverty Level		8.6%				

Sources: 2010 U.S. Census data, 2015 FFIEC Estimated Median Family Income

The Borrower Profile criterion uses the 2014 and 2015 FFIEC-updated median family incomes of \$55,500 and \$62,000, respectively, to analyze home mortgage loans. The following table presents the low-, moderate-, middle-, and upper-income categories.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2014 (\$55,500)	<\$27,750	\$27,750 to <\$44,400	\$55,400 to <\$66,600	≥\$66,600
2015 (\$62,000)	<\$31,000	\$31,000 to <\$49,600	\$49,600 to <\$74,400	≥\$74,400

Source: 2014 and 2015 FFIEC Estimated Medium Family Income data

Based on 2010 U.S. Census data, there are 8,941 housing units. Of these, 76.2 percent are owner-occupied, 16.2 percent are occupied rental units, and 7.6 percent are vacant. The geographic distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. All census tracts in the assessment area with housing data have an income designation, except for one (9801.009) which is the location of the State Correctional Facility.

Data obtained from the U. S. Bureau of Labor and Statistics indicates that the January 2016 unemployment rate was 4.6 percent statewide and 4.9 percent for the United States (U.S.). The Pennsylvania and U.S. unemployment rates continue to steadily decline. Erie County reported to the U.S Bureau of Labor and Statistics a rate of 6.1 percent in January 2016.

Competition

The assessment area is highly competitive market for financial services. According to the FDIC Deposit Market Share data as of June 2015, 12 financial institutions operated 83 full-service branches within the bank's assessment area. Of these institutions, Conneaut Savings Bank ranked tenth with a 0.05 percent deposit market share.

There is a high level of competition for home mortgage loans among several banks, credit unions, and non-depository mortgage lenders. In 2014, 65 lenders reported 441 residential mortgage loans originated or purchased totaling \$43.6 million. Conneaut Savings Bank ranked 13th out of this group of lenders, with a market share of 2.5 percent. The ten highest-ranking home mortgage lenders accounted for 61.0 percent of total market share. The two highest-ranking banks had 12.7 percent and 10.9 percent market share, respectively.

Community Contact

Examiners utilized a recently completed community contact with a third-party that is active in the assessment areas to assist in identifying the credit and community development needs. This information helps determine whether local financial institutions are responsive to these needs. It also shows what credit and community development opportunities are available.

FDIC examiners recently contacted a representative of an economic development organization in the assessment area, and this contact information was utilized for this examination. The contact indicated that the Erie population is aging and that younger people in the area tend to move out of the area and find employment elsewhere. Unemployment in the area stems primarily from a skill gap, with a lack of highly skilled technology employees in the area. Housing stock is available; however, not all available homes are in desirable areas. There is renovation, but not much new housing development. New construction in desirable areas is hampered due to competition from older homes that are less expensive. Erie neighborhoods are declining with a mix of well-maintained and unmaintained homes. There are a large number of non-owner occupied, rental homes in the area. According to the contact, housing is affordable, but young couples are not buying starter homes, they instead are buying larger homes, and many prefer to rent rather than buy given they are more transient. The contact also indicated that young people are burdened with student loan debt and are unable to save for a down-payment. Overall, the contact indicated that financial institutions have been responsive to credit and community development needs.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that residential housing represents the primary credit need for the assessment area.

CONCLUSIONS ON PERFORMANCE CRITERIA

The bank's lending performance reflects good responsiveness to the credit needs in this assessment area. This conclusion was determined by evaluating the geographic distribution of loans and borrowers' profile. While the geographic lending was reasonable, the distribution of loans to borrowers of different incomes was weak. Taken together, the bank's performance is satisfactory overall.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. There are no low-income census tracts; therefore, this conclusion is based primarily upon the home mortgage lending in moderate-income census tracts. Examiners focused on the percentage by number of loans in moderate-income census tracts.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. Examiners focused on the bank's performance in moderate-income tracts compared to the percentage of owner-occupied housing in 2014 and 2015 and aggregate data for 2014. The following table shows that the bank's 2014 performance in moderate-income census tracts at 36.4

percent, which is higher than the percentage of owner-occupied housing units and the aggregate performance by all reporting lenders. In 2015, the lending was at 20.0 percent, which is lower than the percentage of owner-occupied housing units, but is reasonable.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate						
2014	25.9	22.7	4	36.4	249	16.6
2015	25.9	--	1	20.0	10	2.7
Middle						
2014	74.0	77.1	7	63.6	1,252	83.4
2015	74.0	--	4	80.0	358	97.3
NA						
2014	0.1	0.2	0	0.0	0	0.0
2015	0.1	--	0	0.0	0	0.0
Totals						
2014	100.0	100.0	11	100.0	1,501	100.0
2015	100.0	--	5	100.0	368	100.0

Source: 2014 and 2015 U.S. Census; 2014 and 2015 HMDA data. The NA tract is the State Correctional Institute

Borrower Profile

The distribution of home mortgage loans to individuals of different income levels, including low-and moderate-income borrowers is weak. Examiners focused on the comparison to aggregate data in 2014.

There was no home mortgage lending to low-income or moderate-income borrowers in 2014 or 2015. This is considered weak when compared to the aggregate at 7.3 percent and the fact that 42.2 percent of the families in this assessment area have either low- or moderate-income. However, a low-income family in the assessment area, with an income of \$27,750, would not likely qualify for a mortgage under conventional underwriting standards, especially considering the median housing value of \$107,784. In addition, the poverty level is 8.6 percent. Therefore, the demand and opportunity for lending to low-income families are relatively limited. While demand is limited, opportunities exist as aggregate lending data shows that other lenders originated loans to these borrowers.

As mentioned in the community contact section, the housing stock is aging and limited. Since there is limited desirable housing, i.e., newer and larger homes, young residents in the assessment area are more inclined to rent as opposed to buy. Bank management stated that they are attempting to grant loans in this area, but the demand has been slow, and that they do not market loan products. Management also indicated that the bank is still relatively unknown in the area.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2014	21.0	7.3	0	0.0	0	0.0
2015	21.0	--	0	0.0	0	0.0
Moderate						
2014	21.1	19.3	0	0.0	0	0.0
2015	21.1	--	0	0.0	0	0.0
Middle						
2014	23.7	27.7	5	45.4	377	25.1
2015	23.7	--	2	40.0	35	9.5
Upper						
2014	34.2	36.7	6	54.6	1,124	74.9
2015	34.2	--	3	60.0	333	90.5
Income Not Available						
2014	--	9.0	0	0.0	0	0.0
2015	--	--	0	0.0	0	0.0
Total						
2014	100.0	100.0	11	100.0	1,501	100.0
2015	100.0	--	5	100.0	368	100.0

Source: 2014 and 2015 U.S. Census data; 2014 and 2015 HMDA data

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.

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

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

Census Tract: A small, relatively permanent statistical subdivision of a county. Census tract boundaries normally follow visible features, but they may follow governmental unit boundaries and other non-visible features in some instances. They always nest within counties. Census tracts average about 4,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogenous for population characteristics, economic status, and living conditions to allow for statistical comparisons.

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

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

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms;
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved non-metropolitan middle-income geographies; or
- (5) Enable or facilitate projects or activities that address needs regarding foreclosed or abandoned residential properties in designated target areas.

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

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

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

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

Community Development Loan: A loan that

(1) Has as its primary purpose community development; and

(2) Except in the case of a wholesale or limited purpose bank:

(i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and

(ii) Benefits the bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

Community Development Service: A service that

(1) Has as its primary purpose community development;

(2) Is related to the provision of financial services; and

(3) Has not been considered in the evaluation of the bank's retail banking services under § 345.24(d).

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

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

(1) an unemployment rate of at least 1.5 times the national average;

(2) a poverty rate of 20 percent or more; or,

(3) a population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

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

Family Income: Includes the income of all members of a family that are age 15 and older.

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

Full-Scope Review: Performance under the applicable tests is analyzed considering performance context, quantitative factors (geographic loan distribution, borrower profile loan distribution, and total number and dollar amount of investments), and qualitative factors (innovativeness, complexity, and responsiveness).

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

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

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement, and temporary-to-permanent construction loans.

Home Mortgage Loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans to purchase 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.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households are only one person, median household income is usually less than median family income.

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

Limited-Scope Review: Performance under the applicable tests is analyzed using only quantitative factors (for example, geographic loan distribution, borrower profile loan 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.

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

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

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

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

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

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

Micropolitan Statistical Area: CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

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

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

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

Non-metropolitan Area: All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and non-metropolitan areas.

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

Qualified Investment: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

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

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

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

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

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

Underserved middle-income nonmetropolitan geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for

- Population size, density, and dispersion indicating the area’s population is sufficiently small, thin, and
- Distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

Upper-Income: Individual income that is 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.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin). “Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.