



**NEW YORK STATE
DEPARTMENT OF FINANCIAL SERVICES
FINANCIAL FRAUDS AND CONSUMER PROTECTION DIVISION**

One State Street
New York, NY 10004

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: December 31, 2016

Institution: Fulton Savings Bank
Address: 75 South First Street
Fulton, NY 13069

Note: This evaluation is not an assessment of the financial condition of this institution. The rating assigned does not represent an analysis, conclusion or opinion of the New York State Department of Financial Services concerning the safety and soundness of this financial institution.

TABLE OF CONTENTS

	Section
General Information	1
Overview of Institution's Performance	2
Performance Context	3
Institution Profile	
Assessment Area	
Demographic & Economic Data	
Community Information	
Performance Standards and Assessment Factors	4
Lending Test	
Loan-to-Deposit Ratio and Other Lending-Related Activities	
Assessment Area Concentration	
Distribution by Borrower Characteristics	
Geographic Distribution of Loans	
Action Taken in Response to Written Complaints with Respect to CRA	
Community Development Test	
Community Development Loans	
Community Development Investments	
Community Development Services	
Additional Factors	
Glossary	5

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of Fulton Savings Bank (“FSB”) prepared by the New York State Department of Financial Services (“DFS” or the “Department”). This evaluation represents the Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of December 31, 2016.

Section 28-b of the New York Banking Law, as amended, requires that when evaluating certain applications, the Superintendent of Financial Services shall assess a banking institution’s record of helping to meet the credit needs of its entire community, including low- and moderate-income (“LMI”) areas, consistent with safe and sound operations.

Part 76 of the General Regulations of the Superintendent (“GRS”) implements Section 28-b and further requires that the Department assess the CRA performance records of regulated financial institutions. Part 76 establishes the framework and criteria by which the Department will evaluate the performance. Section 76.5 further provides that the Department will prepare a written report summarizing the results of such evaluation and will assign to each institution a numerical CRA rating based on a 1 to 4 scoring system. The numerical scores represent an assessment of CRA performance as follows:

- (1) Outstanding record of meeting community credit needs;
- (2) Satisfactory record of meeting community credit needs;
- (3) Needs to improve in meeting community credit needs; and
- (4) Substantial noncompliance in meeting community credit needs.

Section 76.5 further requires that the CRA rating and the written summary (“Evaluation”) be made available to the public. Evaluations of banking institutions are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Sections 76.8 through 76.13. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York Banking Law.

For an explanation of technical terms used in this report, please consult the **GLOSSARY** at the back of this document.

OVERVIEW OF INSTITUTION'S PERFORMANCE

The Department evaluated FSB under the intermediate small banking institution performance standards pursuant to Sections 76.7 and 76.12 of the GRS. The Department evaluated FSB's performance under the lending test in calendar years 2014, 2015, and 2016, and its performance under the community development test from January 1, 2014 through June 30, 2017. FSB is rated "Satisfactory," or "2." This rating means FSB had a satisfactory record of meeting community credit needs.

The rating is based on the following factors:

Lending Test: "Satisfactory"

Loan-to-Deposit Ratio and Other Lending-Related Activities: "Satisfactory"

FSB's average loan-to-deposit ("LTD") ratio was reasonable considering its size, business strategy, financial condition, and peer group activity.

FSB's average LTD ratio of 61.7% for the evaluation period was significantly below its peer group's average LTD ratio of 87.3%.

Assessment Area Concentration: "Satisfactory"

FSB originated 81.9% by number and 76.5% by dollar value of its HMDA-reportable loans within its assessment area. This majority of lending inside its assessment area reflects a reasonable concentration of lending.

Distribution by Borrower Characteristics: "Satisfactory"

FSB's HMDA-reportable lending demonstrated a reasonable distribution of loans among individuals of different income levels and businesses of different revenue sizes. FSB's overall rates of lending to low- and moderate-income borrowers were higher than those of the aggregate.

Geographic Distribution of Loans: "Satisfactory"

FSB's origination of loans in census tracts of varying income levels demonstrated a reasonable distribution of lending.

Action Taken in Response to Written Complaints with Respect to CRA: "N/A"

Neither DFS nor FSB received any written complaints during the evaluation period regarding FSB's CRA performance.

Community Development Test: “Satisfactory”

FSB’s community development performance demonstrated reasonable responsiveness to the community development needs of its assessment area through community development loans and services, considering FSB’s capacity and the need for and availability of opportunities for community development in its assessment area.

Community Development Lending: “Satisfactory”

During the evaluation period, FSB originated \$2 million in new community development loans. FSB had no outstanding community development loans from prior evaluation periods. FSB’s new community development loans demonstrated a reasonable level of lending during the evaluation period.

Qualified Investments: “Needs to Improve”

FSB made \$83,000 in new community development investments during the evaluation period, and had \$307,000 in outstanding investments from prior evaluation periods. FSB also made \$249,000 in community development grants. This demonstrated a less than reasonable level of qualified investments over the course of the evaluation period.

Community Development Services: “Outstanding”

FSB demonstrated an excellent level of community development services through participation in multiple non-profit and affordable housing organizations.

Responsiveness to Credit and Community Development Needs

FSB has a loan restructuring program through which FSB restructured more than fifty loans during the evaluation period, thereby allowing borrowers to maintain ownership of their property.

This evaluation was conducted based on a review of the 12 assessment factors set forth in Section 28-b of the New York Banking Law and GRS Part 76.

PERFORMANCE CONTEXT

Institution Profile

Chartered in 1871, FSB is a mutually-owned savings bank headquartered in Fulton, NY. FSB provides banking services to individuals and small business organizations within its marketplace. In the short term, FSB's emphasis is on strengthening, improving, and refining its delivery of product offerings and services.

FSB's branch network consists of seven full service offices in Oswego and Onondaga counties, and a loan operations center in Fulton, NY. FSB is focused on increasing its checking account base and being competitive in a marketplace shared by other financial services providers. FSB's banking services include deposit accounts such as certificate of deposits, money market, checking, individual retirement accounts; loan programs including one-to-four family residential mortgage, commercial, and consumer loans; and other services including wire transfers, safe deposit boxes, bank-by-mail, and internet banking. FSB is also focused on making banking convenient for small businesses and consumers.

Per the Consolidated Report of Condition (the "Call Report") as of December 31, 2016, filed with the Federal Deposit Insurance Corporation ("FDIC"), FSB reported total assets of \$374.8 million, of which \$133.1 million were net loans and lease financing receivables. It also reported total deposits of \$247.5 million, resulting in a LTD ratio of 53.7%. According to the latest available comparative deposit data as of June 30, 2016, FSB had a market share of 2.1%, or \$243.1 million in a market of \$11.4 billion, ranking it thirteenth among sixteen deposit-taking institutions in its assessment area.

The following is a summary of FSB's loan portfolio, based on Schedule RC-C of the bank's December 31, 2014, 2015, and 2016 Call Reports:

TOTAL GROSS LOANS OUTSTANDING						
Loan Type	12/31/2014		12/31/2015		12/31/2016	
	\$000's	%	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	133,553	83.6	117,171	82.5	110,170	82.8
Commercial & Industrial Loans	1,881	1.2	1,975	1.4	1,531	1.2
Commercial Mortgage Loans	17,600	11.0	17,310	12.2	16,610	12.5
Multifamily Mortgages	2,441	1.5	1,730	1.2	1,006	0.8
Consumer Loans	3,685	2.3	3,468	2.4	3,425	2.6
Construction Loans	227	0.1	195	0.1	175	0.1
Other Loans	283	0.2	182	0.1	210	0.2
Total Gross Loans	159,670		142,031		133,127	

As illustrated in the above table, FSB is primarily a residential real estate lender, with 82.8% of its loan portfolio in residential real estate, followed by commercial mortgage loans at 12.5%, and consumer loans at 2.6%. FSB's loan portfolio decreased each of

the three years during the evaluation period. FSB attributed this decrease to local economic conditions, such as population migration and a reduction in employment opportunities within its assessment area.

FSB operates seven banking offices. Five are in Oswego County and two are in Onondaga County. Each office has an automated teller machine (“ATM”). In addition, FSB has six off-site ATMs at various locations within its assessment area. None of FSB’s ATMs accept deposits. Two branches are in moderate-income areas and five are either in middle- or upper-income areas. One off-site ATM is in a moderate-income area and the remaining ATMs are in middle- and upper-income areas.

Examiners did not find evidence of financial or legal impediments that had an adverse impact on FSB’s ability to meet the credit needs of its community.

Assessment Area

FSB’s assessment area is comprised of portions of Oswego and Onondaga counties. These counties are part of the Syracuse Metropolitan Statistical Area in central New York State.

There are 56 census tracts in the area, of which one is low-income, nine are moderate-income, 31 are middle-income, and 15 are upper-income.

Assessment Area Census Tracts by Income Level							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
Oswego	0	1	6	17	1	25	28.0
Onondaga	0	0	3	14	14	31	9.7
Total	0	1	9	31	15	56	17.9

Demographic & Economic Data

In 2016, the assessment area had a population of 233,691. About 11.9% of the population were over the age of 65 and 20.5% were under the age of sixteen.

Of the 60,007 families in the assessment area, 17.4% were low-income, 17.3% were moderate-income, 23.4% were middle-income and 41.9% were upper-income. There were 89,483 households in the assessment area, of which 10.2% had income below the poverty level and 1.57% were on public assistance.

The weighted average median family income in the assessment area was \$68,262.

There were 97,218 housing units within the assessment area, of which 79.6% were

one-to-four family units, and 12.3% were multifamily units. A majority (68.5%) of the area's housing units were owner-occupied, while 23.5% were rental units. Of the 66,599 owner-occupied housing units, 10.8% were in low- and moderate-income census tracts while 89.2% were in middle- and upper-income census tracts. The median age of the housing stock was 48 years, and the median home value in the assessment area was \$113,717.

There were 10,660 non-farm businesses in the assessment area. Of these, 81.8% were businesses with reported revenues of less than or equal to \$1 million, 5.1% reported revenues of more than \$1 million, and 13.1% did not report their revenues. Of the businesses in the assessment area, 96.8% had less than fifty employees, and 86.2% operated from a single location. The largest industries in the assessment area were services (46.7%), retail trade (16.6%), and construction (9.7%); 3.7% of businesses were not classified.

According to the New York State Department of Labor, the average unemployment rate for New York State in 2016 was 4.8%, which declined from 6.3% in 2014. Oswego County had higher unemployment rates than the statewide average, while Onondaga County's rates were lower than the statewide average.

Assessment Area Unemployment Rate			
	Statewide	Oswego	Onondaga
2014	6.3	8.0	5.5
2015	5.3	7.2	4.9
2016	4.8	6.4	4.5

Community Information

DFS examiners interviewed an organization whose objective is to provide low-income families with decent, safe and sanitary housing at an affordable cost. Property owners can make improvements to their properties and be involved in the program, which in turn helps improve the housing stock throughout the communities.

According to the contact, housing quality has not improved, and housing values throughout the city of Fulton, particularly in Oswego County, remain stagnant. There is a great need for affordable housing. The City of Fulton has among the highest poverty levels in New York State. Although some local financial institutions have participated in projects, such as neighborhood revitalization, by making investments or funding community projects, there are still many opportunities for participation by local financial institutions. Funding from local financial institutions would help with housing programs offered by the organization. Such programs would benefit seniors, the disabled, and low-income individuals.

DFS examiners interviewed another organization that has programs designed to help

first-time homebuyers, owner-investors, economic developers, and those who require rental assistance in the City of Fulton. Such programs include homeownership & housing counseling, housing rehabilitation, and rental assistance. They provide potential homeowners and existing homeowners with the tools they need to acquire or maintain their homes.

The contact indicated that there is a high concentration of poverty in areas of Oswego County. However, major improvements have been made, especially in areas where there was a greater number of owner-occupied than investor-owned housing. Although housing pricing is currently very attractive, local financial institutions can participate by offering programs such as credit counseling for families who are looking to buy a home, home improvement programs, or working with families who are at risk of losing their homes.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

The Department evaluated FSB under the intermediate small banking institution performance standards in accordance with Parts 76.7 and 76.12 of the GRS, which consist of the lending test and the community development test.

The lending test includes:

- 1. Loan-to-deposit ratio and other lending-related activities;*
- 2. Assessment area concentration;*
- 3. Distribution of loans by borrower characteristics;*
- 4. Geographic distribution of loans; and*
- 5. Action taken in response to written complaints regarding CRA.*

The community development test includes:

- 1. Community development lending;*
- 2. Community development investments;*
- 3. Community development services; and*
- 4. Responsiveness to community development needs.*

DFS also considered the following factors in assessing the bank's record of performance:

- 1. The extent of participation by the board of directors or board of trustees in formulating CRA policies and reviewing CRA performance;*
- 2. Evidence of any practices intended to discourage credit applications;*
- 3. Evidence of prohibited discriminatory or other illegal credit practices;*
- 4. Record of opening and closing offices and providing services at offices; and*
- 5. Process factors, such as activities to ascertain credit needs and the extent of marketing and special credit related programs.*

DFS derived statistics employed in this evaluation from various sources. FSB submitted bank-specific information both as part of the examination process and on its Call Report. DFS obtained aggregate lending data from the Federal Financial Institutions Examination Council ("FFIEC") and deposit data from the FDIC. DFS calculated LTD ratios from information shown in the Bank's Uniform Bank Performance Report, submitted to the FDIC.

DFS derived the demographic data referred to in this report from the 2010 U.S. Census and the FFIEC. DFS based business data on Dun & Bradstreet reports, which Dun & Bradstreet updates annually. DFS obtained unemployment data from the New York State Department of Labor. Some non-specific bank data were only available on a county-wide basis, and DFS used this information even where the institution's assessment area includes partial counties.

The evaluation period included calendar years 2014, 2015 and 2016 for the lending test. For the community development test, the evaluation period included through June 30, 2017.

Because FSB is primarily a residential real estate lender, examiners focused on FSB's HMDA-reportable loans in evaluating factors (2), (3), and (4) of the lending test noted above.

At its **prior** Performance Evaluation, as of December 31, 2013, DFS assigned FSB a rating of "2," reflecting a "Satisfactory" record of helping to meet community credit needs.

Current CRA Rating: "Satisfactory"

Lending Test: "Satisfactory"

FSB's HMDA-reportable lending activities were reasonable in light of FSB's size, business strategy, and financial condition, aggregate and peer group activity, and the demographic characteristics and credit needs of the assessment area.

Loan-to-Deposit Ratio and other Lending-Related Activities: "Satisfactory"

FSB's average LTD ratio was reasonable considering its size, business strategy, financial condition, peer group activity, and local economic conditions.

FSB's average LTD ratio was 61.7%, which was 25.6% lower than the peer group's 87.3% average LTD ratio and a considerable decrease from the bank's 94.9% average LTD ratio during the prior evaluation period. FSB's LTD ratios decreased in each quarter covered by this evaluation, from a high of 70.9% in the first quarter of 2014 to a low of 53.5% in the fourth quarter of 2016. According to bank management, the low LTD ratios were due to poor economic conditions in the City of Fulton. This has resulted in a lack of lending opportunities within FSB's assessment area.

The table below shows FSB's LTD ratios in comparison with the peer group's ratios for the twelve quarters since the prior evaluation.

Loan-to-Deposit Ratios													
	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4	Avg.
Bank	70.9	69.7	68.8	67.6	63.9	61.4	60.8	58.4	56.8	55.2	53.6	53.5	61.7
Peer	83.4	84.8	85.6	87.5	87.0	87.4	87.8	88.0	88.2	89.4	89.1	89.3	87.3

Assessment Area Concentration: "Satisfactory"

During the evaluation period, FSB originated 81.9% by number and 76.5% by dollar value of its total HMDA-reportable loans within its assessment area. This majority of lending inside of its assessment area was a reasonable concentration of lending. The number of HMDA-reportable loans within the assessment area decreased slightly each year during

the evaluation period, from 139 loans in 2014 to 127 loans in 2016.

The following table shows the percentages of HMDA-reportable loans originated inside and outside of the assessment area.

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Loans in Dollars (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
HMDA-Reportable										
2014	139	84.2%	26	15.8%	165	11,301	79.7%	2,880	20.3%	14,181
2015	138	84.7%	25	15.3%	163	12,774	78.2%	3,557	21.8%	16,331
2016	127	77.0%	38	23.0%	165	12,786	72.2%	4,911	27.8%	17,697
Total	404	81.9%	89	18.1%	493	36,861	76.5%	11,348	23.5%	48,209

Distribution by Borrower Characteristics: "Satisfactory"

FSB's HMDA-reportable lending demonstrated a reasonable distribution of loans among individuals of different income levels.

During the evaluation period, FSB originated 31.4% by number and 19.2% by dollar value of its HMDA-reportable loans to LMI individuals, compared to the aggregate's ratios of 31.8% and 22.4%, respectively.

The following table provides a summary of the distribution of FSB's 1-4 family loans by borrower income.

2014									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	13	9.8%	485	4.4%	443	8.1%	24,174	4.2%	17.4%
Moderate	33	24.8%	1,866	17.0%	1,268	23.3%	105,814	18.6%	17.3%
LMI	46	34.6%	2,351	21.4%	1,711	31.4%	129,988	22.8%	34.7%
Middle	28	21.1%	1,948	17.7%	1,360	25.0%	137,931	24.2%	23.4%
Upper	59	44.4%	6,703	60.9%	1,700	31.2%	227,746	39.9%	41.9%
Unknown	0	0.0%	0	0.0%	670	12.3%	74,513	13.1%	0.0%
Total	133		11,002		5,441		570,178		
2015									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	19	14.3%	698	5.7%	465	9.9%	24,694	5.0%	17.4%
Moderate	19	14.3%	1,217	9.9%	1,041	22.2%	84,128	17.0%	17.3%
LMI	38	28.6%	1,915	15.6%	1,506	32.1%	108,822	22.0%	34.7%
Middle	42	31.6%	3,607	29.3%	1,305	27.8%	130,858	26.5%	23.4%
Upper	53	39.8%	6,769	55.1%	1,707	36.4%	233,196	47.2%	41.9%
Unknown	0	0.0%	0	0.0%	169	3.6%	20,888	4.2%	
Total	133		12,291		4,687		493,764		
2016									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	16	13.1%	841	6.7%	449	9.5%	23,485	4.5%	17.4%
Moderate	22	18.0%	1,772	14.1%	1,082	22.9%	90,522	17.2%	17.3%
LMI	38	31.1%	2,613	20.8%	1,531	32.3%	114,007	21.7%	34.7%
Middle	35	28.7%	3,730	29.7%	1,320	27.9%	140,354	26.7%	23.4%
Upper	49	40.2%	6,211	49.5%	1,733	36.6%	252,380	47.9%	41.9%
Unknown	0	0.0%	0	0.0%	149	3.1%	19,749	3.8%	
Total	122		12,554		4,733		526,490		
GRAND TOTAL									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	48	12.4%	2,024	5.6%		9.1%		4.5%	
Moderate	74	19.1%	4,855	13.5%		22.8%		17.6%	
LMI	122	31.4%	6,879	19.2%		31.9%		22.2%	
Middle	105	27.1%	9,285	25.9%		26.8%		25.7%	
Upper	161	41.5%	19,683	54.9%		34.6%		44.9%	
Unknown	0	0.0%	0	0.0%		6.6%		7.2%	
Total	388		35,847						

Geographic Distribution of Loans: "Satisfactory"

FSB's origination of loans in census tracts of varying income levels demonstrated a reasonable distribution of lending.

During the evaluation period, FSB originated 17.1% by number and 13% by dollar value of its HMDA-reportable loans in LMI census tracts. These rates were higher than those of the aggregate's 10.2% and 8.4%, respectively. In addition, FSB's rates of lending in

LMI census tracts were in line with the owner-occupied demographics of 10.8% during the evaluation period.

The following table provides a summary of the distribution of FSB's HMDA-reportable loans by the income level of the geography where the property was located.

Distribution of HMDA-Reportable Lending by Geographic Income of the Census Tract									
2014									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	2	1.4%	78	0.7%	33	0.6%	1,319	0.2%	0.6%
Moderate	21	15.1%	1,391	12.3%	540	9.6%	52,972	8.1%	10.2%
LMI	23	16.5%	1,469	13.0%	573	10.2%	54,291	8.3%	10.8%
Middle	103	74.1%	8,405	74.4%	3,158	56.4%	360,975	55.3%	59.6%
Upper	13	9.4%	1,427	12.6%	1,870	33.4%	237,820	36.4%	29.6%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	139		11,301		5,601		653,086		
2015									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	1	0.7%	122	1.0%	31	0.6%	6,126	1.1%	0.6%
Moderate	26	18.8%	1,981	15.5%	464	9.5%	43,154	7.5%	10.2%
LMI	27	19.6%	2,103	16.5%	495	10.2%	49,280	8.6%	10.8%
Middle	90	65.2%	8,419	65.9%	2,698	55.5%	292,105	50.9%	59.6%
Upper	21	15.2%	2,252	17.6%	1,668	34.3%	232,291	40.5%	29.6%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	138		12,774		4,861		573,676		
2016									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	2	1.6%	97	0.8%	28	0.6%	3,698	0.7%	0.6%
Moderate	17	13.4%	1,114	8.7%	450	9.1%	38,216	6.8%	10.2%
LMI	19	15.0%	1,211	9.5%	478	9.7%	41,914	7.5%	10.8%
Middle	89	70.1%	9,069	70.9%	2,728	55.4%	288,440	51.5%	59.6%
Upper	19	15.0%	2,506	19.6%	1,714	34.8%	229,413	41.0%	29.6%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	127		12,786		4,920		559,767		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	5	1.2%	297	0.8%		0.4%		0.6%	
Moderate	64	15.8%	4,486	12.2%		9.5%		7.5%	
LMI	69	17.1%	4,783	13.0%		9.9%		8.1%	
Middle	282	69.8%	25,893	70.2%		55.9%		52.7%	
Upper	53	13.1%	6,185	16.8%		34.2%		39.2%	
Unknown	0	0.0%	0	0.0%		0.0%		0.0%	
Total	404		36,861		15,354				

Action Taken in Response to Written Complaints with Respect to CRA: “N/A”

Neither DFS nor FSB received any written complaints during the evaluation period regarding FSB’s CRA performance.

Community Development Test: “Satisfactory”

FSB’s community development performance demonstrated reasonable responsiveness to the community development needs of its assessment area through community development loans, investments and services, considering FSB’s capacity, and the need for and availability of opportunities for community development in its assessment area.

During the evaluation period, FSB originated \$2 million in new community development loans and had no loans outstanding from prior evaluation periods. FSB made \$332,000 in new qualified investments, including \$83,000 in community development loans and \$249,000 in community development grants, and had \$307,000 in outstanding qualified investments from prior evaluation periods.

Community Development Lending: “Satisfactory”

During the evaluation period, FSB originated \$2 million in new community development loans and had no loans outstanding from prior evaluations. This demonstrated a reasonable level of community development lending over the course of the evaluation period.

Community Development Loans		
	This Evaluation Period	
Purpose	# of Loans	\$000
Affordable Housing	1	50
Economic Development	3	1,330
Community Services	0	0
Revitalize/Stabilize	2	628
Total	6	2,008

Below are highlights of FSB’s community development lending.

In April 2017, FSB extended a \$575,000 commercial loan to a private entity for the purchase of a supermarket in Fulton, NY. While the supermarket is located in a middle-income census tract, it services LMI individuals residing in adjacent LMI census tracts.

A manufacturing company in the City of Fulton experienced a complete loss of its facility in 2013 due to a fire. The company completely rebuilt its facility and was up and running in six months' time. To support economic development, in June 2016, FSB extended a \$550,000 commercial mortgage loan to this company. The loan proceeds were used for working capital. The company employs twenty-five full-time workers and the facility is located in a moderate-income census tract.

In August 2016, FSB made a commercial mortgage loan in the amount of \$480,000 to support economic development in the City of Fulton. The funds were used for the construction of a fast food restaurant that would employ primarily LMI individuals.

FSB made a \$50,000 construction loan to a nonprofit community housing action group that revitalizes neighborhoods by rehabilitating blighted properties in the City of Fulton. This organization purchases tax-foreclosed properties, rehabs them and makes them available for purchase by first-time homebuyers.

Qualified Investments: "Needs to Improve"

During the evaluation period, FSB made \$332,000 in new qualified investments, including \$83,000 in community development loans and \$249,000 in community development grants, and had \$307,000 in outstanding qualified investments from prior evaluation periods. This demonstrated a less than reasonable level of community development investments over the course of the evaluation period, compared to FSB's average asset size. This can be attributed in part to the economic conditions in the city of Fulton and the limited opportunities for qualified investments within FSB's assessment area.

Qualified Investments				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Inv.	\$000	# of Inv.	\$000
CD Investments				
Affordable Housing				
Economic Development	1	83	4	307
Community Services				
Other (Please Specify)				
Total	1	83	4	307
CD Grants	# of Grants	\$000	Not Applicable	
Affordable Housing	4	1		
Economic Development	37	50		
Community Services	278	188		
Revitalize and Stabilize	1	10		
Total	320	249		

Examples of FSB's qualified investments are described below.

Investments

- During the current evaluation period, FSB invested \$83,000 in a New York based corporation that promotes and advances prosperity and economic welfare by providing small business loans. FSB's investment helps the organization in its goal to fund small businesses, including start-ups, early stage and mature businesses, and women-owned businesses.
- FSB has outstanding investments in that same corporation from prior evaluation periods, as well as in an organization whose purpose is to stimulate economic development and opportunities in New York's empire zones. Additionally, FSB has an investment in a nationwide wholesale commercial lender that does multifamily and commercial lending. These organizations have helped to revitalize neighborhoods and provided quality housing for low-income population and senior citizens in the assessment area.

Grants

- FSB contributed \$15,000 to two organizations in the City of Fulton that promote neighborhood revitalization through property rehabilitation, affordable housing, and home ownership. Per 2015 census bureau data, the City of Fulton has a poverty rate of 31.1%. FSB's financial contribution helps to assist in community revitalization, property rehabilitation, and provide affordable housing to LMI individuals.
- FSB contributed \$7,150 to two nonprofit organizations that focus on workforce development in Oswego County. The organizations' mission is to educate citizens, as well as existing and prospective businesses, about the economic development services in the area. FSB's financial contribution helped in providing education on economic development to individuals and small businesses as well.
- FSB contributed a total of \$11,970 to three organizations that promote small businesses within Oswego County. FSB's contributions helped to provide financial assistance to small businesses and women-owned businesses within the bank's assessment area.
- FSB contributed a total of \$71,250 to three nonprofit organizations that provide various services to LMI individuals. Such services include food pantries, education, and other opportunities or financial assistance that benefit LMI individuals within the bank's assessment area.

Community Development Services: “Outstanding”

FSB demonstrated an excellent level of community development services over the course of the evaluation period.

Below are highlights of FSB’s community development services.

- Two FSB trustees and a loan officer serve as board members for nonprofit organizations in Oswego County. The mission of these organizations is to educate local citizens as well as existing and prospective businesses about the economic development services and resources available to them. In addition, the organizations focus on workforce and small businesses development.
- Five members of FSB’s senior management participate with local nonprofit organizations that assist LMI individuals with services pertaining to health, education, financial stability, and access to food. These individuals serve as a board president, co-chairperson of allocations committee, board member, and treasurer for these organizations.
- An FSB senior vice president serves as a member of three affordable housing related organizations. These organizations serve low-income individuals in Oswego County by offering grant programs to first-time homebuyers and home renovations for single family owner-occupied homes. A vice president of the bank serves as a regional mortgage loan committee member of an organization that promotes affordable housing and community development in underserved areas with the goal of revitalizing these areas.

Responsiveness to Community Development Needs

During the evaluation period, FSB restructured several delinquent loans. FSB worked with borrowers whose loans were delinquent by restructuring and modifying their loans. FSB’s troubled debt restructuring program allowed borrowers to maintain ownership of their property. More than fifty loans were restructured and modified in the process. FSB also contacted various organizations and municipal community development agencies and sought to provide financial assistance in the form of community development loans or investments.

Additional Factors

The extent of participation by the banking institution’s Board of Directors or Board of Trustees in formulating CRA policies and reviewing CRA performance

The executive committee of the Board of Trustees reviews FSB’s CRA program. The agenda for meetings held during the first three quarters of 2017 was submitted to the compliance committee for review. Areas covered included compliance on deposits,

lending, new employees, and product disclosures. In addition, the bank performed internal audits that covered areas such as, loan documentation, journal entries, and employee account review.

Discrimination and other illegal practices

- *Any practices intended to discourage applications for types of credit set forth in the banking institution's CRA Public File.*

DFS examiners did not note evidence of practices by FSB intended to discourage applications for the types of credit offered by FSB.

- *Evidence of prohibited, discriminatory or other illegal credit practices.*

DFS examiners did not note evidence of prohibited, discriminatory or other illegal practices.

Record of opening and closing offices and providing services at offices

Since the prior evaluation period, FSB has not closed or opened any branches. FSB maintains seven banking offices, of which five are located in Oswego County and two in Onondaga County. Two branches are in moderate-income areas, and five are either in middle- or upper-income areas. Additionally, FSB has an ATM at each branch office and six off-site ATMs at various remote locations within its assessment area. The ATMs do not accept deposits. One off-site ATM is in a moderate-income area, and the others are in middle- and upper-income areas. FSB has extended hours Thursday and Friday until 5:00 PM. Saturday hours are from 9:00 AM to 12:00 PM. Products and services that benefit LMI customers include:

- Totally free checking – a low-cost account that requires no minimum balance, no monthly service charge, and has unlimited check writing;
- 50+free interest checking, which benefits seniors. This account requires no minimum balance and no monthly service charge; has no per check charge and easy-to-balance monthly statement;
- First-time home club with matching funds; and
- Direct deposit services, which provide convenience and a reduction of monthly account fee; free ATM transactions at all of FSB's ATMs and at over 55,000 ATMs worldwide.

Distribution of Branches within the Assessment Area							
County	N/A #	Low #	Moderate #	Middle #	Upper #	Total #	LMI %
Oswego			2	3		5	40%
Onondaga				1	1	2	0%
Total			2	4	1	7	29%

Process Factors

- *Activities conducted by FSB to ascertain the credit needs of its community, including the extent of FSB's efforts to communicate with members of its community regarding the credit services being provided by the banking institution.*

FSB tailors its products and services to meet the needs of its community. The bank offers a variety of checking accounts, residential mortgage, and consumer loan programs designed for low- and moderate-income individuals. FSB has a residential loan program that provides down payment assistance to income eligible homebuyers in the form of matching funds. FSB pays four dollars for every dollar a potential homebuyer saves in the program. In addition, potential homebuyers receive mortgage counseling from FSB. The bank partners with various community development organizations and has provided financial support in the form of grants to several organizations that service the LMI population.

- *The extent of the banking institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the banking institution.*

FSB focuses on cost-effective methods to advertise its products and services. Such methods include flyers, brochures, and print media.

Other factors that in the judgment of the Superintendent bear upon the extent to which FSB is helping to meet the credit needs of its entire community

FSB has its main business footprint in the City of Fulton which has one of the highest poverty rates in the nation. According to the 2016 US Census Report, almost a third of its population (31.1%) is in poverty, compared to a nationwide rate of 12.7% and a statewide rate of 14.7%.

While there are other larger banks servicing the city, FSB's involvement with various local and county government agencies addressing the affordable housing and community development needs of the region is noteworthy.

GLOSSARY

Aggregate Penetration Rate

The number of loans originated and purchased by all reporting lenders in specified categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the assessment area.

Community Development

“Community development”:

1. Affordable housing (including multifamily housing) for low- or moderate-income (“LMI”) individuals;
2. Community services targeted to LMI individuals;
3. Activities that promote economic development by financing business or farms that meet the size eligibility standards of the United States Small Business Administration (“SBA”) Development Company or Small Business Investment Company programs, or have gross annual incomes of \$1 million or less;
4. Activities that revitalize or stabilize LMI geographies; and
5. Activities that seek to prevent defaults and/or foreclosures in loans included in (1) and (3) above.

Community Development Loan

A loan that has its *primary purpose* community development. This includes but is not limited to loans to:

- Borrowers for affordable housing rehabilitation and construction, including construction and permanent financing for multifamily rental property serving low or moderate income (“LMI”) persons;
- Nonprofit organizations serving primarily LMI or other community development needs;
- Borrowers to construct or rehabilitate community facilities that are located in LMI areas or that primarily serve LMI individuals;
- Financial intermediaries including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds or pools, micro-finance institutions, and low-income or community development credit unions that primarily lend or facilitate lending to promote community development;
- Local, state and tribal governments for community development activities; and
- Borrowers to finance environmental clean up or redevelopment of an industrial site as part of an effort to revitalize the LMI community in which the property is located.

Community Development Service

Service that has community development as its *primary purpose*, is related to the provision of financial services, and has not been considered in the evaluation of the banking institution's retail banking services. This includes but is not limited to:

- Providing technical assistance on financial matters to nonprofit, tribal or government organizations serving LMI housing or economic revitalization and development needs;
- Providing technical assistance on financial matters to small businesses or community development organizations;
- Lending employees to provide financial services for organizations facilitating affordable housing construction and rehabilitation or development of affordable housing;
- Providing credit counseling, home buyers and home maintenance counseling, financial planning or other financial services education to promote community development and affordable housing;
- Establishing school savings programs for LMI individuals;
- Providing seminars for LMI persons on banking and bank account record-keeping;
- Making ATM “Training Machines” available for extended periods at LMI community sites or at community facilities that serve LMI individuals; and
- Technical assistance activities to community development organizations such as:
 - ❖ Serving on a loan review committee;
 - ❖ Developing loan application and underwriting standards;
 - ❖ Developing loan processing systems;
 - ❖ Developing secondary market vehicles or programs;
 - ❖ Assisting in marketing financial services, including the development of advertising and promotions, publications, workshops and conferences;
 - ❖ Furnishing financial services training for staff and management;
 - ❖ Contributing accounting/bookkeeping services; and
 - ❖ Assisting in fund raising, including soliciting or arranging investments.

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 Home Mortgage Disclosure Act, enacted by Congress in 1975, and subsequently amended, requires institutions to annually report data about applications for residential (including multifamily) financing.

Income Level

The income level for borrowers is based on household or family income. A geography's income is categorized by median family income for the geography. In both cases, the income is compared to the MSA or statewide nonmetropolitan median income.

Income level of individual or geography	% of the area median income
Low-income	Less than 50
Moderate-income	At least 50 and less than 80
Middle-income	At least 80 and less than 120
Upper-income	120 or more

Small Business Loan

A small business loan is a loan less than or equal to \$1 million.

Low or Moderate Income (“LMI”) Geographies

Those census tracts or block numbering areas where, according to the 2000 U.S. Census, the median family income is less than 80% of the area median family income. In the case of tracted areas that are part of a Metropolitan Statistical Area (“MSA”) or Primary Metropolitan Statistical Area (“PMSA”), this would relate to the median family income for the MSA or PMSA in which the tracts are located. In the case of BNAs and tracted areas that are not part of a MSA or PMSA, the area median family income would be the statewide non-metropolitan median family income.

LMI Borrowers

Borrowers whose income, as reported on the loan application which the lender relied upon in making the credit decision, is less than 80% of the area median family income. In cases where the residential property is located in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure borrower income levels are updated annually by the U.S. Department of Housing and Urban Development (“HUD”).

LMI Individuals/Persons

Individuals or persons whose income is less than 80% of the area median family income. In the case where the individual resides in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure individual income levels are updated annually by HUD.

LMI Penetration Rate

A number that represents the percentage of a bank's total loans (for a particular product) that was extended to LMI geographies or borrowers. For example, an LMI penetration rate of 20% would indicate that the bank made 20 out of a total of 100 loans in LMI geographies or to LMI borrowers.

Low-Income Housing Tax Credit (LIHTC)

A dollar for dollar tax credit for affordable housing, created under the Tax Reform Act of 1986, that provides incentives to invest in projects for the utilization of private equity in the development of affordable housing aimed at low income Americans. It is also more commonly called Section 42 credits in reference to the applicable section of the IRC. The tax credits are more attractive than tax deductions as they provide a dollar for dollar reduction in a taxpayer's federal income tax. It is more commonly attractive to corporations since the passive loss rules and similar tax changes greatly reduced the value of tax credits and deductions to individual taxpayers.

New Markets Tax Credit (NMTC)

The New Markets Tax Credits (NMTC) Program was established by Congress in December 2000 to stimulate economic and community development and job creation in low-income communities. It permits individual and corporate taxpayers to receive a credit against federal income taxes for making qualified equity investments in Community Development Entities (CDEs). The credit provided to the investor totals 39% of the cost of the investment and is claimed over a 7-year period. CDEs must use substantially all of the taxpayer's investments to make qualified investments in low-income communities. The Fund is administered by the US Treasury Department's Community Development Financial Institutions Fund (CDFI).

Qualified Investment

A lawful investment, deposit, membership share or grant that has community development as its *primary purpose*. This includes but is not limited to investments, deposits, membership shares or grants in or to:

- Financial intermediaries (including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds, micro-finance institutions and low-income or community development credit unions) that primarily lend or facilitate lending in LMI areas or to LMI individuals in order to promote community development;
- Organizations engaged in affordable housing rehabilitation and construction;
- Organizations, including, for example, small business investment corporations that promote economic development by financing small businesses;
- Facilities that promote community development in LMI areas or LMI individuals, such as youth programs, homeless centers, soup kitchens, health care facilities, battered women's centers, and alcohol and drug recovery centers;
- Projects eligible for low-income housing tax credits;

- State and municipal obligations, such as revenue bonds that specifically support affordable housing or other community development needs;
- Organizations serving LMI housing or other community development needs, such as counseling for credit, home ownership, home maintenance, and other financial services education; and
- Organizations supporting activities essential to the capacity of LMI individuals or geographies to utilize credit to sustain economic development, such as day care operations and job training programs that facilitate access to permanent jobs.