



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

One State Street  
New York, NY 10004

**PUBLIC SUMMARY**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**Date of Evaluation:** December 31, 2017

**Institution:** Fairport Savings Bank  
45 South Main Street  
Fairport, NY 14450

**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.

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## **GENERAL INFORMATION**

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of Fairport Savings Bank (“FSB or the “Bank”) 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, 2017.

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 institutions’ performance. Section 76.5 further provides that the Department will prepare a written report summarizing the results of such assessment 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.

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## **OVERVIEW OF INSTITUTION'S PERFORMANCE**

The Department evaluated FSB according to the small banking institution performance standards pursuant to Sections 76.7 and 76.12 of the GRS. The evaluation period included calendar years 2015, 2016, and 2017. FSB is rated "**Satisfactory**" or "**2.**" This rating means FSB had a satisfactory record of helping to meet community credit needs.

The rating is based on the following factors:

**Lending Test:** Satisfactory

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

FSB's average loan-to-deposit ("LTD") ratio was excellent considering its size, business strategy, financial condition, and peer group activity. FSB's average LTD ratio of 117.3% for the evaluation period significantly exceeded the peer's average LTD ratio of 84.5%.

**Assessment Area Concentration:** "Satisfactory"

During the evaluation period, FSB originated 58.9% by number and 55.4% by dollar value of its total HMDA-reportable and small business loans within the assessment area. This majority of lending inside of its assessment area reflects a reasonable concentration of lending.

**Distribution by Borrower Characteristics:** "Satisfactory"

FSB's one-to-four family HMDA-reportable and small business lending demonstrated a reasonable distribution of loans among individuals of different income levels and businesses of different revenue sizes. FSB originated 30.6% by number and 19.8% by dollar value of its one-to-four family HMDA-reportable loans to low- and moderate-income borrowers, slightly lower but otherwise comparable with the aggregate's rates of 32.9% and 21.7%, respectively.

**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 regarding FSB's CRA performance during the evaluation period.

*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.*

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## **PERFORMANCE CONTEXT**

### **Institution Profile**

Previously a federally chartered bank, FSB converted to a New York State-charter in 2012. The corporate headquarters are located at 45 South Main Street, Fairport, New York. FSB Bancorp, Inc. is the bank holding company of FSB.

FSB conducts business from its main office in Fairport, New York and four other branches all located in Monroe County. FSB's principal business consists of originating one-to-four family residential real estate mortgages. The Bank also offers a variety of retail deposit products. In 2010, the Bank formed a mortgage division, Fairport Mortgage to expand its mortgage loan products and provide an increased presence in its lending area. FSB also has two wholly-owned subsidiaries, Fairport Wealth Management, Inc. and FSB Insurance Agency, that provide a range of investment, insurance and financial planning options.

In its Consolidated Report of Condition (the "Call Report") as of December 31, 2017, filed with the Federal Deposit Insurance Corporation ("FDIC"), FSB reported total assets of \$312.9 million, of which \$262.7 million were net loans and lease financing receivables. The Bank also reported total deposits of \$216.7 million, resulting in an LTD ratio of 121.2%. According to the latest available comparative deposit data, as of June 30, 2018, FSB had a market share of 1.29%, or \$222 million in a market of \$17.19 billion, ranking it 11th among 19 deposit-taking institutions in the assessment area.

The following is a summary of FSB's loan portfolio, based on Schedule RC-C of the Bank's December 31, 2015, 2016, and 2017 Call Reports:

<b>TOTAL GROSS LOANS OUTSTANDING</b>						
Loan Type	12/31/2015		12/31/2016		12/31/2017	
	\$000's	%	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	195,689	94.8	207,542	90.5	226,790	85.0
Commercial & Industrial Loans	853	0.4	1,947	0.8	4,699	1.8
Commercial Mortgage Loans	3,522	1.7	8,440	3.7	13,783	5.2
Multifamily Mortgages	5,146	2.5	5,103	2.2	10,650	4.0
Consumer Loans	60	0.0	75	0.0	70	0.0
Construction Loans	1,251	0.6	6,134	2.7	10,750	4.0
Other Loans		0.0		0.0	5	0.0
<b>Total Gross Loans</b>	<b>206,521</b>	<b>100.0</b>	<b>229,241</b>	<b>100.0</b>	<b>266,747</b>	<b>100.0</b>

FSB operates five full service branches, all located in Monroe County. Additionally, the Bank has four loan production offices where mortgage loan applications can be taken: two in Monroe County, one in Erie County, and one in Jefferson County. Regular branch hours are generally from 9:00 AM to 4:00 PM with extended hours on Thursdays to 5:00 PM and Fridays to 6:00 PM. Except for the Fairport main office, the other four branches have limited banking hours on Saturdays (9:00 AM to 1:00 PM). FSB also offers a drive-up teller service daily at 8:30 AM before normal branch hours.

Supplementing the banking offices is an automated teller machine (“ATM”) network consisting of one machine at each of the branches with deposit-taking capabilities. In addition to FSB’s ATM network, FSB’s customers can use M&T Bank ATMs (for withdrawals only) without incurring any fees.

*Examiners found no 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**

The Bank’s assessment area is comprised of Monroe, Ontario, and Wayne counties in their entireties. The assessment area has not changed since the prior evaluation period. Monroe County has 80.1% of the total census tracts in FSB’s assessment area.

There are 241 census tracts in the area, of which 44 are low-income, 41 are moderate-income, 91 are middle-income, 59 are upper-income, and 6 are tracts with no income indicated. Of the total 85 LMI census tracts, 73 or 85.9% are located in Monroe County, and all 44 low income census tracts are in the City of Rochester.

<b>Assessment Area Census Tracts by Income Level</b>							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
Monroe	5	44	29	62	53	193	37.8
Ontario	0	0	5	16	4	25	20.0
Wayne	1	0	7	13	2	23	30.4
<b>Total</b>	<b>6</b>	<b>44</b>	<b>41</b>	<b>91</b>	<b>59</b>	<b>241</b>	<b>35.3</b>

*The assessment area appears reasonable based upon the location of the bank’s offices and its lending patterns. There is no evidence that [Bank]FSB has arbitrarily excluded LMI areas.*

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## **Demographic & Economic Data**

The assessment area had a population of 950,964 during the evaluation period. About 15.4% of the population were over the age of 65 and 19.1% were under the age of sixteen.

Of the 235,828 families in the assessment area, 21.6% were low-income, 16.8% were moderate-income, 19.8% were middle-income, and 41.8% were upper-income. There were 380,492 households in the assessment area, of which 13.2% had income below the poverty level and 4.3% were on public assistance.

The weighted average median family income in the assessment area was \$71,309.

There were 414,117 housing units within the assessment area, of which 82.3% were one-to-four family units, and 15.2% were multifamily units. A majority (61.1%) of the area's housing units were owner-occupied, while 33.2% were rental units. Of the 252,842 owner-occupied housing units, 15.8% were in LMI census tracts, while 84.2% were in middle- and upper-income census tracts. The median age of the housing stock was 54 years, and the median home value in the assessment area was \$132,957.

There were 49,923 non-farm businesses in the assessment area. Of these, 80.2% were businesses with reported revenues of less than or equal to \$1 million, 7.6% reported revenues of more than \$1 million, and 12.2% did not report their revenues. Of the businesses in the assessment area, 96% were businesses with less than fifty employees while 86.1% operated from a single location. The largest industries in the area were services (46.7%), followed by retail trade (14.9%) and finance, insurance & real estate (7.4%); 6.2% of businesses in the assessment area were not classified.

According to the New York State Department of Labor, the average unemployment rate for New York State was 4.7% for 2017, down from 5.3% in 2015 and 4.8% in 2016. Monroe County had lower unemployment rates than New York State in both 2015 and 2016, but higher in 2017. Ontario County had lower unemployment rates than New York State throughout the evaluation period while Wayne County had the highest unemployment rates in the assessment area throughout the period.

<b>Assessment Area Unemployment Rate</b>				
	Statewide	Monroe	Ontario	Wayne
2015	5.3	5.1	4.7	5.3
2016	4.8	4.7	4.3	5.0
2017	4.7	5.0	4.5	5.0

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## **Community Information**

DFS examiners conducted community contact interviews with two nonprofit organizations providing products and services in the assessment area. One organization is the local branch of an international nonprofit organization with a mission to help low-income families build and improve homes. The other organization is a nonprofit community development and human service organization serving families and individuals in Monroe County by offering comprehensive housing counseling services.

The first community contact's program services manager discussed the financial needs of the organization's applicants and the general community. Those needs included affordable rentals and affordable new housing construction due to aging housing stock. The community contact also indicated that financial education, especially programs for credit counseling for those with poor or no credit and debt issues, is a significant need.

The second organization provides housing counseling services for tenants, homeowners, and the homeless, serving the residents of Monroe County, of which approximately fifty percent are from the City of Rochester. The director of the organization mentioned the need for tools to rebuild credit, affordable housing, financial education, credit and debt counseling, and special loan programs.



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## **PERFORMANCE STANDARDS AND ASSESSMENT FACTORS**

*The Department evaluated FSB under the small banking institution performance standards in accordance with Sections 76.7 and 76.12 of the GRS, which consist of the following lending test criteria:*

- 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.*

*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 practices intended to discourage credit applications;*
- 3. Evidence of prohibited discriminatory or other illegal credit practices;*
- 4. The institution's 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.*

*Finally, DFS considered other factors as delineated in Section 28-b of the New York Banking Law that reasonably bear upon the extent to which FSB helps meet the credit needs of its entire community.*

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 submitted to the FDIC. DFS obtained aggregate lending data from the Federal Financial Institutions Examination Council ("FFIEC") and deposit data from the FDIC. DFS obtained LTD ratios from information shown in the Bank's Uniform Bank Performance Report compiled by the FFIEC from Call Report data.

DFS derived the demographic data referred to in this report from the 2010 U.S. Census and the FFIEC. DFS based business demographic data on Dun & Bradstreet reports, which Dun & Bradstreet updates annually. DFS obtained unemployment data from the New York State Department of Labor.

The evaluation period included calendar years 2015, 2016, and 2017.

Examiners considered FSB's HMDA-reportable and small business loans in evaluating factors (2), (3), and (4) of the lending test noted above.

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HMDA-reportable and small business loan data evaluated in this performance evaluation represented actual originations.

As a small bank, FSB is not required to report small business and/or small farm loan data. Therefore FSB's small business and small farm lending is not included in the aggregate data. The aggregate data are shown only for comparative purposes. Because FSB did not make any small farm loans, DFS based all analyses on small business lending only.

Examiners gave greater weight to FSB's HMDA-reportable lending in this evaluation because HMDA-reportable loan originations comprised 94% by dollar value of the total HMDA-reportable/small business loan originations during the evaluation period.

At its **prior** Performance Evaluation as of December 31, 2014, DFS assigned FSB a rating of "2," reflecting a "Satisfactory" record of helping to meet the credit needs of the Bank's community.

**Current CRA Rating: "Satisfactory"**

**Lending Test:** "Satisfactory"

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

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

FSB's average LTD ratio was excellent considering its size, business strategy, and financial condition, as well as the lending activity of its peer group and the demographic characteristics and credit needs of its assessment area.

FSB's average LTD ratio for the evaluation period was 117.3%, which was significantly higher than its peer group ratio of 84.5%.

FSB's average annual LTD ratio increased in each year of the current evaluation period, from 111.5% in 2015, to 115.3% in 2016, and 125.2% in 2017. FSB's LTD ratio was significantly higher than that of its peers in each year.

The table below shows FSB's LTD ratios in comparison with the peer group's ratios for the 12 quarters since the prior evaluation.

<b>Loan-to-Deposit Ratios</b>													
	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	Avg.
Bank	109.0	112.6	113.5	110.9	111.7	102.1	122.7	124.8	128.4	121.1	128.9	122.5	117.3
Peer	80.7	82.7	84.1	83.8	83.0	83.7	84.4	84.6	83.8	85.4	86.2	91.5	84.5

Assessment Area Concentration: “Satisfactory”

During the evaluation period, FSB originated 58.9% by number and 55.4% by dollar value of its total HMDA-reportable and small business loans within its assessment area. This majority of lending inside of its assessment area reflects a reasonable concentration of lending within FSB’s assessment area.

Overall assessment area concentration results were primarily driven by HMDA-reportable loan originations which represented 94% of the total amount of loans originated within the Bank’s assessment area.

HMDA-Reportable Loans

FSB originated 57.8% by number and 53.9% by dollar value of its HMDA-reportable loans within its assessment area. This majority of lending inside of its assessment area reflects a reasonable concentration of lending.

However, the results reflect a downward trend of lending within its assessment area in 2016 and 2017.

Conversely, an upward trend of lending was noted for HMDA-reportable lending outside its assessment area in 2016 and 2017, at 50.2% and 54.9%, respectively, for dollar value, particularly in Erie County where FSB maintains a loan production office.

Small Business Loans

FSB originated 92.3% by number and 92.7% by dollar value of its small business loans within its assessment area, reflecting an excellent concentration of lending. However, small business lending only represented 5% by number and 6% by dollar value of total loans made inside the assessment area.

The following table shows the percentages of FSB’s HMDA-reportable and small business 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										
2015	412	69.8%	178	30.2%	590	60,005	71.1%	24,389	28.9%	84,394
2016	375	55.5%	301	44.5%	676	54,266	49.8%	54,688	50.2%	108,954
2017	340	49.8%	343	50.2%	683	51,120	45.1%	62,253	54.9%	113,373
Subtotal	1,127	57.8%	822	42.2%	1,949	165,391	53.9%	141,330	46.1%	306,721
Small Business										
2015	17	94.4%	1	5.6%	18	2,948	98.4%	48	1.6%	2,996
2016	21	95.5%	1	4.5%	22	4,898	93.4%	348	6.6%	5,246
2017	22	88.0%	3	12.0%	25	3,292	87.3%	479	12.7%	3,771
Subtotal	60	92.3%	5	7.7%	65	11,138	92.7%	875	7.3%	12,013
Grand Total	1,187	58.9%	827	41.1%	2,014	176,529	55.4%	142,205	44.6%	318,734

\* DFS based its analysis of HMDA-reportable /small business lending on actual loans.

### Distribution by Borrower Characteristics: "Satisfactory"

FSB's HMDA-reportable and small business lending demonstrated a reasonable distribution of loans among individuals of different income levels and businesses of different revenue sizes.

#### One-to-Four Family HMDA-Reportable Loans

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

FSB originated 30.6% by number and 19.8% by dollar value of its one-to-four family HMDA-reportable loans to LMI borrowers, slightly lower but otherwise comparable with the aggregate's 32.9% and 21.7%, respectively. FSB's and the aggregate's rates of lending to LMI borrowers were somewhat lower than the assessment area family demographics during the evaluation period which indicated that a range of 37% to 38% of families in the assessment area qualified as LMI borrowers.

The following table provides a summary of the distribution of FSB's one-to-four family HMDA-reportable loans by borrower income.

Distribution of 1-4 Family Loans by Borrower Income									
2015									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	32	7.8%	2,438	4.2%	1,766	10.0%	104,736	5.0%	20.4%
Moderate	96	23.5%	9,666	16.5%	4,458	25.2%	379,030	18.2%	17.0%
LMI	128	31.3%	12,104	20.7%	6,224	35.2%	483,766	23.3%	37.4%
Middle	113	27.6%	15,329	26.2%	4,473	25.3%	476,084	22.9%	21.9%
Upper	165	40.3%	30,757	52.5%	6,442	36.4%	1,029,164	49.5%	40.7%
Unknown	3	0.7%	345	0.6%	548	3.1%	90,229	4.3%	
<b>Total</b>	<b>409</b>		<b>58,535</b>		<b>17,687</b>		<b>2,079,243</b>		
2016									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	28	7.5%	2,120	3.9%	1,668	9.0%	108,064	4.7%	20.4%
Moderate	84	22.5%	8,579	15.9%	4,263	23.0%	368,150	16.0%	17.0%
LMI	112	29.9%	10,699	19.8%	5,931	32.0%	476,214	20.7%	37.4%
Middle	117	31.3%	14,432	26.7%	4,785	25.8%	514,771	22.3%	21.9%
Upper	143	38.2%	28,098	51.9%	7,179	38.7%	1,203,762	52.2%	40.7%
Unknown	2	0.5%	859	1.6%	650	3.5%	109,321	4.7%	
<b>Total</b>	<b>374</b>		<b>54,088</b>		<b>18,545</b>		<b>2,304,068</b>		
2017									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	27	8.1%	2,137	4.3%	1,609	9.1%	106,141	4.9%	21.6%
Moderate	75	22.5%	7,193	14.6%	4,013	22.6%	353,228	16.3%	16.8%
LMI	102	30.5%	9,330	18.9%	5,622	31.7%	459,369	21.2%	38.4%
Middle	92	27.5%	11,727	23.8%	4,577	25.8%	503,572	23.2%	19.8%
Upper	132	39.5%	24,354	49.3%	6,957	39.2%	1,127,289	52.0%	41.8%
Unknown	8	2.4%	3,947	8.0%	575	3.2%	78,414	3.6%	
<b>Total</b>	<b>334</b>		<b>49,358</b>		<b>17,731</b>		<b>2,168,644</b>		
GRAND TOTAL									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	87	7.8%	6,695	4.1%	5,043	9.3%	318,941	4.9%	
Moderate	255	22.8%	25,438	15.7%	12,734	23.6%	1,100,408	16.8%	
LMI	342	30.6%	32,133	19.8%	17,777	32.9%	1,419,349	21.7%	
Middle	322	28.8%	41,488	25.6%	13,835	25.6%	1,494,427	22.8%	
Upper	440	39.4%	83,209	51.4%	20,578	38.1%	3,360,215	51.3%	
Unknown	13	1.2%	5,151	3.2%	1,773	3.3%	277,964	4.2%	
<b>Total</b>	<b>1,117</b>		<b>161,981</b>		<b>53,963</b>		<b>6,551,955</b>		

### Small Business Loans

FSB's small business lending demonstrated an excellent distribution of loans among businesses of different revenue sizes.

FSB's average rates of lending of 60% by number and 54.8% by dollar value of loans to

small businesses with gross annual revenue of \$1 million or less were above the aggregate's rates of 46.4% and 31%, respectively. FSB's annual rates of lending by dollar value exceeded the aggregate's rates for each year of the evaluation period.

The following table provides a summary of the distribution of FSB's small business lending distribution based on revenue size during the evaluation period.

<b>Distribution of Small Business Lending by Revenue Size of Business</b>									
<b>2015</b>									
<b>Rev. Size</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Rev. <= \$1MM	14	82.4%	2,258	76.6%	6,054	44.3%	214,882	30.7%	76.5%
Rev. > \$1MM	1	5.9%	520	17.6%					6.4%
Rev. Unknown	2	11.8%	170	5.8%					17.1%
<b>Total</b>	<b>17</b>		<b>2,948</b>		<b>13,671</b>		<b>700,453</b>		
<b>2016</b>									
<b>Rev. Size</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Rev. <= \$1MM	14	66.7%	2,439	49.8%	6,359	45.3%	221,436	31.3%	80.5%
Rev. > \$1MM	5	23.8%	2,384	48.7%					7.5%
Rev. Unknown	2	9.5%	75	1.5%					12.0%
<b>Total</b>	<b>21</b>		<b>4,898</b>		<b>14,052</b>		<b>708,537</b>		
<b>2017</b>									
<b>Rev. Size</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Rev. <= \$1MM	8	36.4%	1,403	42.6%	7,177	49.6%	209,194	31.1%	80.2%
Rev. > \$1MM	6	27.3%	1,598	48.5%					7.6%
Rev. Unknown	8	36.4%	291	8.8%					12.2%
<b>Total</b>	<b>22</b>		<b>3,292</b>		<b>14,465</b>		<b>671,642</b>		
<b>GRAND TOTAL</b>									
<b>Rev. Size</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Rev. <= \$1MM	36	60.0%	6,100	54.8%	19,590	46.4%	645,512	31.0%	
Rev. > \$1MM	12	20.0%	4,502	40.4%	-				
Rev. Unknown	12	20.0%	536	4.8%	0				
<b>Total</b>	<b>60</b>		<b>11,138</b>		<b>42,188</b>		<b>2,080,632</b>		

### Geographic Distribution of Loans: "Satisfactory"

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

### HMDA-Reportable Loans

FSB's average rates of lending in LMI geographies of 8.8% by number and 7% by dollar value were lower than the aggregate's respective rates of 12.4% and 9.1%. Additionally, a significant majority of the LMI census tracts in the Bank's assessment area are in the City of Rochester or its immediate vicinity, where FSB has only one branch. However,

FSB competes with much larger mortgage lenders (credit unions, banks, and mortgage companies with national presence) in the Rochester area.

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.

<b>Distribution of HMDA-Reportable Lending by Geographic Income of the Census Tract</b>									
<b>2015</b>									
<b>Geographic</b>	<b>Bank</b>				<b>Aggregate</b>				<b>OO Hus</b>
<b>Income</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	4	1.0%	498	0.8%	427	2.4%	53,746	2.3%	3.5%
Moderate	26	6.3%	2,166	3.6%	1,531	8.5%	121,323	5.1%	10.4%
LMI	30	7.3%	2,664	4.4%	1,958	10.9%	175,069	7.4%	13.9%
Middle	200	48.5%	26,171	43.6%	9,750	54.4%	1,107,860	47.0%	52.9%
Upper	182	44.2%	31,170	51.9%	6,222	34.7%	1,074,656	45.6%	33.2%
Unknown	0	0.0%	0	0.0%	2	0.0%	141	0.0%	0.0%
<b>Total</b>	<b>412</b>		<b>60,005</b>		<b>17,932</b>		<b>2,357,726</b>		
<b>2016</b>									
<b>Geographic</b>	<b>Bank</b>				<b>Aggregate</b>				<b>OO Hus</b>
<b>Income</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	2	0.5%	148	0.3%	426	2.3%	89,878	3.5%	3.5%
Moderate	28	7.5%	3,311	6.1%	1,652	8.8%	142,063	5.5%	10.4%
LMI	30	8.0%	3,459	6.4%	2,078	11.0%	231,941	9.0%	13.9%
Middle	207	55.2%	24,630	45.4%	10,191	54.2%	1,226,100	47.4%	52.9%
Upper	138	36.8%	26,177	48.2%	6,539	34.8%	1,127,838	43.6%	33.2%
Unknown	0	0.0%	0	0.0%	1	0.0%	150	0.0%	0.0%
<b>Total</b>	<b>375</b>		<b>54,266</b>		<b>18,809</b>		<b>2,586,029</b>		
<b>2017</b>									
<b>Geographic</b>	<b>Bank</b>				<b>Aggregate</b>				<b>OO Hus</b>
<b>Income</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	7	2.1%	1,331	2.6%	495	2.8%	78,611	3.0%	3.9%
Moderate	32	9.4%	4,194	8.2%	2,232	12.4%	202,129	7.8%	11.9%
LMI	39	11.5%	5,525	10.8%	2,727	15.2%	280,740	10.8%	15.8%
Middle	171	50.3%	21,855	42.8%	8,767	48.7%	1,127,662	43.3%	48.0%
Upper	130	38.2%	23,740	46.4%	6,497	36.1%	1,196,290	45.9%	36.2%
Unknown	0	0.0%		0.0%	5	0.0%	604	0.0%	0.0%
<b>Total</b>	<b>340</b>		<b>51,120</b>		<b>17,996</b>		<b>2,605,296</b>		
<b>GRAND TOTAL</b>									
<b>Geographic</b>	<b>Bank</b>				<b>Aggregate</b>				<b>OO Hus</b>
<b>Income</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	13	1.2%	1,977	1.2%	1,348	2.5%	222,235	2.9%	
Moderate	86	7.6%	9,671	5.8%	5,415	9.9%	465,515	6.2%	
LMI	99	8.8%	11,648	7.0%	6,763	12.4%	687,750	9.1%	
Middle	578	51.3%	72,656	43.9%	28,708	52.4%	3,461,622	45.9%	
Upper	450	39.9%	81,087	49.0%	19,258	35.2%	3,398,784	45.0%	
Unknown	-	0.0%	-	0.0%	8	0.0%	895	0.0%	
<b>Total</b>	<b>1,127</b>		<b>165,391</b>		<b>54,737</b>		<b>7,549,051</b>		

### Small Business Loans

The distribution of FSB's small business loans among census tracts of varying income

levels was reasonable.

FSB's average rate of lending of 21.7% by number of loans to borrowers in LMI census tracts exceeded the aggregate's rate of 18.4%, while its rate of lending of 13.8% by dollar value was less than the aggregate's rate of 21.6%.

The following table provides a summary of FSB's small business lending distribution based on the income level of the geography.

<b>Distribution of Small Business Lending by Geographic Income of the Census Tract</b>									
<b>2015</b>									
<b>Geographic Income</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	6	35.3%	502	17.0%	1,263	9.2%	92,610	13.2%	10.2%
Moderate	0	0.0%	0	0.0%	1,191	8.7%	55,483	7.9%	10.6%
LMI	6	35.3%	502	17.0%	2,454	18.0%	148,093	21.1%	20.9%
Middle	5	29.4%	1,073	36.4%	6,243	45.7%	291,510	41.6%	46.9%
Upper	6	35.3%	1,373	46.6%	4,957	36.3%	258,231	36.9%	32.0%
Unknown	0	0.0%	0	0.0%	17	0.1%	2,619	0.4%	0.2%
<b>Total</b>	<b>17</b>		<b>2,948</b>		<b>13,671</b>		<b>700,453</b>		
<b>2016</b>									
<b>Geographic Income</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	3	14.3%	698	14.3%	1,199	8.5%	80,900	11.4%	10.5%
Moderate	2	9.5%	102	2.1%	1,159	8.2%	60,227	8.5%	10.8%
LMI	5	23.8%	800	16.3%	2,358	16.8%	141,127	19.9%	21.3%
Middle	10	47.6%	2,848	58.1%	6,618	47.1%	301,033	42.5%	46.7%
Upper	6	28.6%	1,250	25.5%	5,062	36.0%	264,669	37.4%	31.8%
Unknown	0	0.0%	0	0.0%	14	0.1%	1,708	0.2%	0.2%
<b>Total</b>	<b>21</b>		<b>4,898</b>		<b>14,052</b>		<b>708,537</b>		
<b>2017</b>									
<b>Geographic Income</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	1	4.5%	200	6.1%	1,259	8.7%	73,395	10.9%	10.2%
Moderate	1	4.5%	35	1.1%	1,674	11.6%	87,189	13.0%	14.1%
LMI	2	9.1%	235	7.1%	2,933	20.3%	160,584	23.9%	24.3%
Middle	6	27.3%	708	21.5%	5,975	41.3%	255,976	38.1%	41.6%
Upper	14	63.6%	2,349	71.4%	5,537	38.3%	253,789	37.8%	33.9%
Unknown	0	0.0%	0	0.0%	20	0.1%	1,293	0.2%	0.2%
<b>Total</b>	<b>22</b>		<b>3,292</b>		<b>14,465</b>		<b>671,642</b>		
<b>GRAND TOTAL</b>									
<b>Geographic Income</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	10	16.7%	1,400	12.6%	3,721	8.8%	246,905	11.9%	
Moderate	3	5.0%	137	1.2%	4,024	9.5%	202,899	9.8%	
LMI	13	21.7%	1,537	13.8%	7,745	18.4%	449,804	21.6%	
Middle	21	35.0%	4,629	41.6%	18,836	44.6%	848,519	40.8%	
Upper	26	43.3%	4,972	44.6%	15,556	36.9%	776,689	37.3%	
Unknown	-	0.0%	-	0.0%	51	0.1%	5,620	0.3%	
<b>Total</b>	<b>60</b>		<b>11,138</b>		<b>42,188</b>		<b>2,080,632</b>		



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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.

**Additional Factors**

**The extent of participation by the banking institution's board of directors or board of trustees in formulating the banking institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act**

DFS examiners noted that FSB does not have a CRA policy; neither does it perform any CRA performance reviews. FSB performs an analysis of the prior year's HMDA data and presents the results to the Board and senior management, but this analysis is primarily from a fair lending perspective. The Board also participates in an informal assessment area review performed on an annual basis.

**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 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 by FSB of prohibited discriminatory or other illegal practices.

**Record of opening and closing offices and providing services at offices**

FSB operates five full service retail branch offices, all located in Monroe County, none of which are located in LMI census tracts. The Irondequoit branch, located in a middle-income census tract within the Rochester area is adjacent to LMI census tracts and is on a public bus line.

FSB did not open or close any branches (including limited branches or ATMs) during the current evaluation period.

Distribution of Branches within the Assessment Area							
County	N/A #	Low #	Moderate #	Middle #	Upper #	Total #	LMI %
Monroe				2	3	5	0%
<b>Total</b>	-	-	-	2	3	5	0%

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FSB also operates four mortgage loan production offices: two in Monroe County (one in an upper income census tract and one in a middle-income census tract); one in Erie County, and one in Jefferson County (both in middle-income census tracts).

### **Process Factors**

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

During the current evaluation period, FSB employed an average of nine to twelve mortgage loan originators. These mortgage loan originators represent FSB in the community, attend various community events and functions, have established relationships with local realtors, partner with nonprofit organizations involved in housing and other community initiatives, and interact with groups that provide first-time homebuyer education.

These ongoing relationships enable FSB to recognize and react to the current and changing credit needs of the community. As a result of established relationships, the Bank offered mortgage loan products which provided LMI borrowers the opportunity to purchase homes with down payment assistance or no down payment requirement.

- *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*

The aforementioned activities of FSB's mortgage loan originators are instrumental in informing the community of the credit services offered by the Bank.

FSB utilizes print publications, online/digital channels, direct mail (limited basis), and radio/TV advertising as part of its overall marketing plan. The Bank's marketing/advertising efforts are designed to reach all of Monroe County and the areas of Wayne and Ontario counties that border Monroe County. Radio and internet advertising reach the Bank's entire assessment area.

Home mortgage loans, including special loan programs, are featured in FSB's advertising efforts, as well as the Bank's certificate of deposit special offerings.

### **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**

DFS noted no other factors.

## GLOSSARY

### Aggregate Lending

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 Metropolitan Statistical Area ("MSA") or statewide nonmetropolitan median income.

<b>Income level of individual or geography</b>	<b>% of the area median income</b>
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 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.