



**NEW YORK STATE BANKING DEPARTMENT
CONSUMER SERVICES DIVISION**

One State Street
New York, NY 10004

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: December 31, 2001

Institution: Massena Savings and Loan Association
255 Main Street
Massena, NY 13662

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 Banking Department 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 Massena Savings and Loan Association (“MSLA” or “Massena”) prepared by the New York State Banking Department. The evaluation represents the Banking Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of December 31, 2001.

Section 28-b of the New York State Banking Law, as amended, requires that when evaluating certain applications, the Superintendent of Banks 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 Banking Board implements Section 28-b and further requires that the Banking 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 Banking 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 record of 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 be made available to the public (“Evaluation”). Evaluations are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Sections 76.8 – 76.13. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York State Banking Law.

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

OVERVIEW OF INSTITUTION'S PERFORMANCE

MSLA is rated "2", indicating a satisfactory record of helping to meet community credit needs. This rating is based on the following factors:

➤ *Loan-to-Deposit ("LTD") Ratio and Other Lending Related Activities:* Massena's LTD is more than reasonable given the bank's size, financial condition and assessment area credit needs. According to the Thrift Financial Report of Consolidated Statement of Operations, Massena's average LTD for the ten quarters ending December 31, 2001 was 116.0%, significantly above 73.1% average for the peer group.

In 2000, Massena contributed \$4.3 thousand to the Federal Home Loan Bank of New York's ("FHLBNY") Affordable Housing Program. The contribution represents MSLA's pro-rata share of FHLBNY's earnings for the year that were set aside for the program.

➤ *Assessment Area Lending:* Massena originated a substantial majority of its Home Mortgage Disclosure Act ("HMDA")-reportable loans in the assessment area. In 2000, Massena originated 97.8% of the number and 98.0% of the dollar volume of its loans within the assessment area. In 2001, MSLA's ratios decreased to 95.0% and 91.1%, respectively, although the absolute number and dollar volume of assessment area loans increased over the prior year's levels.

➤ *Geographic Distribution of Lending:* The geographic distribution of loans reflects reasonable dispersion throughout the assessment area, given the limited opportunities to lend in LMI areas. In 2000, Massena originated one HMDA-reportable loan in the only moderate-income area within the assessment area. In 2001, MSLA originated all of its loans in middle-income areas.

➤ *Borrower Distribution of Lending:* The distribution of lending based on borrower characteristics reflects reasonable penetration among individuals of different income levels. In 2000, Massena extended 17.6% of the number and 12.8% of the dollar volume of HMDA-reportable loans to LMI individuals within the assessment area. In 2001, MSLA's ratios declined to 15.1% and 12.2%, respectively.

➤ *Complaints:* Neither the bank nor the New York State Banking Department received any CRA-related complaints during the evaluation period.

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

PERFORMANCE CONTEXT

Institution's Profile:

Established in 1924, MSLA is a single office bank located in Massena, in St. Lawrence County, New York. Massena is equipped with an Automated Teller Machine ("ATM") capable of taking deposits, and operates a drive-up window that maintains the same hours as the branch. MSLA also provides a night depository for local merchants.

According to the Thrift Financial Report Consolidated Statement of Condition as of December 31, 2001, Massena reported total assets of \$69.8 million, consisting primarily of net loans and leases of \$62.5 million (89.5%) and cash, deposits and investment securities of \$5.4 million (7.7%). At the same date, deposits totaled \$57.7 million, equity capital \$7.0 million and net income \$96 thousand.

MSLA is a retail independent community-oriented financial institution with a commitment to local real estate financing. Massena's main competitors include Community Bank, Key Bank, North Country Savings Bank, Upstate National Bank, BNT Bank, and HSBC Bank USA, among others.

MSLA generates all of its retail deposits from within the assessment area. According to the latest available comparative deposit data, dated June 30, 2001, the bank had total deposits of \$52.2 million, with a 5.2% market share, ranking it seventh out of ten banks.

The institution offers a wide variety of lending products including primary residential mortgages, home equity loans, home equity lines of credit, home improvement loans, automobile loans and other consumer loans.

MSLA participates in the following government-sponsored or -guaranteed affordable housing programs:

St. Lawrence Housing Council, Inc. ("SLHCI"): SLHCI is a Direct Homeownership Assistance Program that provides assistance for first time homebuyers through a U.S. Department of Housing and Urban Development ("HUD") grant award to St. Lawrence County. Participating households must be able to obtain a mortgage from a bank or other financial institutions for the remainder of the cost of the home.

Home Ownership Program: A joint effort of the Village of Massena and local banks, this program provides assistance and mortgage financing for first time homebuyers. Loans and grants are made available through the Village, utilizing HUD funds from the Small Cities Community Development Block Grant Program ("CDBG"). Grants can be used for down payment, closing costs, a portion of the purchase price, and the necessary rehabilitation improvements. CDBG loans have 20-year term with interest of 3%.

The following table shows Massena's gross loans on December 31, 2001 and 2000, according to the Thrift Financial Report Consolidated Statement of Condition:

TOTAL GROSS LOANS OUTSTANDING				
LOAN TYPE	12/31/2001		12/31/2000	
	\$000	%	\$000	%
1-4 family mortgage loans	53,266	85.4	51,947	86.7
Commercial Mortgage Loans	1,077	1.7	968	1.6
Mutifamily Mortgages	382	0.6	265	0.4
Consumer Loans	6,971	11.2	6,018	10.0
Construction Loans	650	1.0	723	1.2
Total Gross Loans	62,346	100.0	59,921	100.0

MSLA is primarily a 1-4 family residential real estate lender. Real estate related loans accounted for 88.7% in 2000 and 87.7% in 2001, of the total loan portfolio. Consumer loans accounted for 10.0% and 11.2%, respectively.

MSLA received a rating of "2" at its last CRA evaluation by the Banking Department dated June 4, 1999, reflecting a satisfactory record of helping to meet community credit needs.

There are no legal or financial impediments that adversely impact Massena's ability to meet the credit needs of its assessment area.

Assessment Area:

MSLA's assessment area includes the northern portion of St. Lawrence County, bordering Franklin County in the east and Canada in the west. Massena's assessment area is not located in a metropolitan statistical area ("MSA"). The area consists of the townships of Massena, Louisville, Waddington, Madrid, Norfolk, Brasher, Stockholm, Lawrence and Hopkinton.

The assessment area comprises eight of the 29 block numbering areas ("BNAs") in the County. One (12.5%) is moderate-income area and seven (87.5%) are middle-income areas. The assessment area has no low, upper and zero-income geographies.

In 1990, according to the U.S. Census Bureau, the assessment area had a population of 32.8 thousand, of which 4.6 thousand (13.9%) were over the age of 65 and 7.8 thousand (23.8%) were under the age of 16.

In 1990, there were 9.1 thousand families in the assessment area, of which 2.3 thousand (25.4%) were low-income, 1.7 thousand (18.5%) were moderate-income, 2.1 thousand (23.4%) were middle-income and 3.0 thousand (32.7%) were upper-income. Of the 4.0 thousand LMI families, 352 (8.8%) lived in the only moderate-income tract, accounting for 50.8% of all families (693) that lived in the moderate-income tract. There were 12.4 thousand

households in the assessment area, of which 2.1 thousand (16.8%) had incomes below the poverty level.

There were 14.0 thousand housing units in the assessment area, of which 11.5 (81.6%) were 1 to 4 family units, 783 (5.6%) were multifamily units and 1.6 thousand (11.3%) were mobile homes. Almost 8.8 thousand (63.0%) of the housing units were owner occupied and 696 (7.9%) of these were in the only moderate-income tract in the assessment area. A further 3.5 thousand (25.1%) were rental-occupied units and 175 (5.0%) of these were in the moderate-income tract. About 1.7 thousand (12.3%) housing units were vacant and/or boarded up. In 1990, the median housing value was \$44.0 thousand and the median age of the housing was 38 years.

In 1990, the weighted average median family income of tracts in the assessment area was \$28.3 thousand and the weighted average of MSA/non-MSA's census median family income was \$31.5 thousand. The weighted average of MSA/non-MSAs median family income updated by HUD for 2001 was \$41.4 thousand.

According to a Dun and Bradstreet survey, in 2001, there were 1.2 thousand businesses in Massena's assessment area, of which 1.0 thousand (88.7%) had revenues of \$1.0 million or less. A further 68 (5.8%) had revenues of more than \$1.0 million and 64 (5.5%) were businesses on which no revenues were reported. About 1.1 thousand (93.5%) businesses in the assessment area had fewer than 50 employees and 906 (77.8%) operated from a single location.

About 381 (32.7%) firms were service providers, 319 (27.4%) were in the retail trade, 106 (9.1%) in agriculture, forestry and fishing, 85 (7.3%) in construction, 69 (5.9%) in transportation and communication and 68 (5.8%) in finance, insurance and real estate.

According to the New York Department of Labor, St. Lawrence County's average unemployment rates were 7.9% in 2000 and 7.6% in 2001. The county's average unemployment rates were significantly above the New York State's average rate of 4.6% in 2000 and 4.9% in 2001.

The assessment area appears reasonable and there is no evidence that LMI areas are arbitrarily excluded

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

MSLA's performance for the years 2000 and 2001 was evaluated under the small bank performance criteria, which include the following: (1) Loan-to-Deposit Ratio and other Lending-Related Activities; (2) Proportion of Lending in the Assessment Area; (3) Geographic Distribution of Lending; (4) Distribution of Lending by Borrower Characteristics; and (5) Action Taken in Response to Written Complaints Regarding CRA.

As noted above, MSLA's primary business is the origination of residential mortgage loans and accordingly, the institution's HMDA-reportable lending was the focus of this evaluation.

The demographic data referred to in this report was obtained from the 1990 U.S. Census, with 2001 estimated income figures furnished by HUD.

- **Loan-to-Deposit Analysis and other lending related activities: "Outstanding"**

Massena's loan-to-deposit LTD ratio is more than reasonable given the bank's size, financial condition and assessment area credit needs. According to the Thrift Financial Report of Consolidated Statement of Operations, Massena's average LTD for the ten quarters ending December 31, 2001 was 116.0%, significantly above the 73.1% average for the peer group.

Qualified Investments: In 2000, Massena contributed \$4.3 thousand to the FHLBNY's Affordable Housing Program. The contribution represents MSLA's pro-rata share of the 10% of FHLBNY's earnings for the year that were set aside for the program.

- **Proportion of Lending Within Assessment Area: "Outstanding"**

Massena originated a substantial majority of its HMDA-reportable loans in the assessment area. As shown in the table below, Massena originated 176 (97.8%) loans totaling \$8.5 million (98.0%) within the assessment area in 2000 and 192 (95.0%) loans totaling \$10.7 million (91.1%) in 2001. While the assessment area concentration decreased slightly in 2001, the absolute number and dollar volume of assessment area loans increased by 9.1% and 25.9%, respectively, when compared with 2000 levels.

HMDA-REPORTABLE LOANS								
Location	2000				2001			
	#	#%	\$000's	\$%	#	#%	\$000's	\$%
In Assessment Area	176	97.8%	8,488	98.0%	192	95.0%	10,700	91.1%
Outside Assessment Area	4	2.2%	172	2.0%	10	5.0%	1,045	8.9%
Total	180	100.0%	8,660	100.0%	202	100.0%	11,745	100.0%

- **Geographic Distribution of Lending: “Satisfactory”**

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. As noted above, the assessment area is comprised of just one (12.5%) moderate-income and seven (87.5%) middle-income BNAs. The assessment area has no low- or upper-income areas. Moreover only 7.9% of owner-occupied units are located in the moderate-income area.

The following table shows that in 2000, Massena originated one HMDA-reportable loan (0.6%) for \$86 thousand (1.0%) in the moderate-income area and 175 loans (99.4%) for \$8.4 million (99.0%) in middle-income areas. In 2001, MSLA originated all of its loans in middle-income areas.

Distribution of HMDA Reportable Loans By Geography Income Level								
Geography	2000				2001			
	#	#%	\$000's	\$%	#	#%	\$000's	\$%
Low	0	0.0	-	0.0	-	0.0	-	0.0
Moderate	1	0.6	86	1.0	-	0.0	-	0.0
Middle	175	99.4	8,402	99.0	192	100.0	10,700	100.0
Upper	0	0.0	-	0.0	-	0.0	-	0.0
Total	176	100.0	8,488	100.0	192	100.0	10,700	100.0

- **Borrower Distribution of Lending: “Satisfactory”**

The distribution of lending according to borrower characteristics reflects reasonable penetration among individuals of different income levels. According to the table below, in 2000, Massena extended 17.6% of the number and 12.8% of the dollar volume of HMDA-reportable loans to LMI individuals within the assessment area. In 2001, MSLA’s LMI penetration rates declined to 15.1% and 12.2%, respectively. As noted in the *Performance Context*, approximately 43.9% of families in the assessment area are LMI.

Additionally, the institution’s penetration of lending to middle-income individuals is consistent with the demographic composition of the area. Approximately 23.4% of families in the bank’s assessment area are middle-income.

Distribution of HMDA Reportable Loans By Borrower Income Level								
Geography	2000				2001			
	#	#%	\$000's	\$%	#	#%	\$000's	\$%
Low	3	1.7	81	1.0	7	3.6	266	2.5
Moderate	28	15.9	998	11.8	22	11.5	1,036	9.7
Middle	43	24.4	1,805	21.3	39	20.3	1,999	18.7
Upper	102	58.0	5,604	66.0	124	64.6	7,399	69.1
Total	176	100.0	8,488	100.0	192	100.0	10,700	100.0

- **Action Taken In Response to Written Complaints With Respect to CRA**

Neither Massena nor the Banking Department has received any complaints concerning the bank's performance in helping to meet the credit needs of its community or other CRA-related matters.

- **Discrimination or Other Illegal Practices**

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

Examiners noted no practices that were intended to discourage applications for the types of credit offered by the institution.

Evidence of prohibited discriminatory or other illegal credit practices.

The most recent regulatory compliance report conducted concurrent with this assessment indicates satisfactory adherence to antidiscrimination or other applicable laws and regulations. No evidence of prohibited discriminatory or other illegal credit practices was noted.

- **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.

To ascertain local credit needs and to communicate the credit products available, MSLA's officers and directors are involved with a number of nonprofit organizations in various capacities. A director of the bank is on the board of the Massena Housing Authority. In addition, management maintains ongoing contact with local government officials and major local industrial employers to determine their employees' credit needs. A vice president of the bank is on the board of the Rotary Club and the Salvation Army, and acts as Coach for the youth team. The bank president serves on the boards of the Massena Electric Board and the Rotary Club.

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.

MSLA utilizes radio and television advertisements to make members of the community aware of its credit products and services. However, most advertising takes the form of sponsorship

activities, such as high school athletic programs, and hospital and local scholarship events. In addition, loan officers maintain regular contact with realtors to provide information concerning credit products and services offered by the institution.

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

The board's review of the CRA activities includes the annual review and approval of the CRA statement. The board also reviews CRA performance periodically.

- **Other Factors**

Other factors that in the judgement of the Superintendent and Banking Board, bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community.

None noted.

GLOSSARY

Aggregate

The cumulative lending by all HMDA-reporting lenders in the same geographic area under evaluation.

Community Development

The term “community development” is defined to mean:

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.

A “community development loan” is defined as a loan that has as 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.

A “qualified investment” is defined as a lawful investment, deposit, membership share or grant that has as its *primary purpose* community development. 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.

A “community development service” is defined as a service that has as its *primary purpose* community development, 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.

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.

Loans to Small Businesses

Small business loans to businesses with gross annual revenues of \$1 million or less.

Low or Moderate Income (“LMI”) Geographies

Those census tracts or block numbering areas (“BNAs”), where according to the 1990 US 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 nonmetropolitan 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 the case 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 nonmetropolitan 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

Those individuals, 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 nonmetropolitan 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 depicts the percentage of a bank's total loans 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 to LMI geographies or borrowers.

Small Business Loans

Loans to businesses with original amounts of \$1 million or less.