



**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, 2006

**Institution:** Fulton Savings Bank  
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 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 Fulton Savings Bank (“FSB”) 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, 2006.

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 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**

### **Overall Rating**

FSB is rated "1", indicating an Outstanding record of helping to meet community credit needs.

### **Lending Test- "Outstanding"**

- The level of lending reflects adequate responsiveness to community credit needs. During the evaluation period, FSB originated a combined total of 472 HMDA-reportable and small business loans amounting to \$42 million.
- A substantial majority of loans were originated inside the assessment area, based on number, 78.4% of HMDA-reportable loans and 88.1% of small business loans were originated inside the assessment area.
- The geographic distribution of loans reflects excellent penetration among census tracts of different income levels.

In 2005, FSB originated 14.9% of its HMDA-reportable loans in LMI areas and 18.6% in 2006. In both years, FSB's performance exceeded the aggregate penetration rates of 8.4% and 9.0%, respectively. FSB's penetration rates in LMI areas for small business loans were 27.5% in 2005 and 36.8% in 2006, which significantly exceeded the aggregate of 13.1% and 12.9%, respectively.

- Lending distribution based on borrower characteristics reflects excellent penetration among individuals of different income levels and businesses of different revenue sizes.
- FSB makes an adequate level of community development loans. During the evaluation period, the bank had loans totaling \$560 thousand compared to the previous evaluation's \$300 thousand.
- The bank makes use of flexible lending practices to serve the credit needs of its assessment area.

### **Community Development Performance Ratings "Outstanding"**

FSB's community development performance demonstrates excellent responsiveness to the needs of its AA through CD loans, qualified investments and CD services, as appropriate considering the bank's capacity and the need and availability such opportunities for community development in its assessment area..

This 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:**

FSB is a mutual savings bank that was established in 1871 and is headquartered in the city of Fulton in Oswego County, New York. The bank reported total assets of \$395 million, as of December 31, 2006. FSB also reported total deposits of \$218.4 million with a 134.6% net loan to deposit ratio compared to the peer's 90.4%. As of June 30, 2006 FSB ranks 2<sup>nd</sup> in total deposits among 10 deposit-taking institutions in Oswego County with a market share of 18.9% (\$197.5million out of \$1.0 billion), but ranks 13<sup>th</sup> with a 2.9% market share among 21 institutions in its assessment area encompassing portions of Oswego and Onondaga Counties.

FSB operates eight offices located in or adjacent to LMI areas offering a diversity of products and services. Each office is supplemented by drive-up facilities and a network of ATMs.

The bank provides a variety of loan products including residential and commercial mortgages, commercial and industrial loans, construction and land development, and consumer loans.

The following is a summary of the bank's lending portfolio, based on Schedule RC-C of the bank's December 31, 2004, December 31, 2005, and December 31, 2006 Call Reports:

<b>TOTAL GROSS LOANS OUTSTANDING</b>						
LOAN TYPE	12/31/2004		12/31/2005		12/31/2006	
	\$('000)	%	\$('000)	%	\$('000)	%
1-4 Family Residential Mortgages	258,665	85.2	265,498	86.6	255,848	86.7
Multifamily Mortgages	7,890	2.6	5,804	1.9	4,477	1.5
Commercial Mortgage Loans	27,802	9.2	28,942	9.4	28,144	9.5
Commercial & Industrial Loans	5,445	1.8	2,803	0.9	2,864	1.0
Construction and Land Dev	785	0.3	848	0.3	807	0.3
Consumer Loans	2,763	0.9	2,414	0.8	2,854	1.0
Other Loans	181	0.1	242	0.1	248	0.1
<b>Total Gross Loans</b>	<b>303,531</b>	<b>100.0</b>	<b>306,551</b>	<b>100.0</b>	<b>295,242</b>	<b>100.0</b>

FSB is primarily a residential mortgage lender. As of December 31, 2006, 1-4 family residential mortgage loans comprised 86.7% of the total loan portfolio, while commercial mortgage/industrial loans combined comprised 10.5%.

There are no known financial or legal impediments that could adversely impact the bank's ability to meet the credit needs of its community.

## Assessment Area

The bank's assessment area comprises 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 eight are moderate-income, 33 are middle-income and 15 are upper-income. There are no low or zero-income tracts.

The assessment area appears reasonable based upon the location of branches and lending patterns. There is no evidence that LMI areas are arbitrarily excluded.

The following chart illustrates the distribution of census tracts inside the assessment area:

Distribution of Assessment Area Census Tracts by Income Level							
County	Zero	Low	Moderate	Middle	Upper	Total	LMI %
Oswego	0	0	7	16	2	25	28.0
Onondaga	0	0	1	17	13	31	3.2
<b>Total</b>	<b>0</b>	<b>0</b>	<b>8</b>	<b>33</b>	<b>15</b>	<b>56</b>	<b>14.3</b>

### Details of Assessment Area:

*Chart #1: Shows population and income.*

*Chart #2: Shows housing demographics.*

*Chart #3: Shows business demographics.*

### Local Economy

The economy in the bank's assessment area has remained stagnant since the previous examination when several notable companies such as Nestle Company, Hammermill Paper, Miller Brewery, Owens Illinois, and Sonoco Flexible Packaging closed plants or offices within the assessment area.

### Unemployment Rates:

#### Oswego County

The U.S. Department of Labor, Bureau of Labor Statistics annual unemployment rates of 6.3% for 2005 and 5.9% for 2006 for Oswego County were high compared to New York State's annual unemployment rates of 5.0% and 4.6%, respectively.

#### Onondaga County

Based on the U.S. Department of Labor, Bureau of Labor Statistics, the annual unemployment rates of 4.5% for 2005 and 4.2% for 2006 in Onondaga County were lower than the state's annual rates of 5.0% and 4.6%, respectively.

### **Business Demographics**

In 2006 the major industries in Oswego County consisted of 1,878 (31.9%) in services, 1,167(19.8%) in non-classifiable establishments, and 973 (16.5%) in retail trade.

In 2006 the major industries in Onondaga County, consisted of 2,687(35.2%) in services, 1,282 (16.8%) in retail trade, and 1,271(16.7%) non-classifiable establishments.

**CHART # 1**

<b>ASSESSMENT AREA POPULATION AND INCOME CHARACTERISTICS BY COUNTY</b>																						
<b>COUNTY</b>	Total Population	Age 65 and over		Age 16 and less		Median Family Income(MFI)	HUD MSA MFI	# of Households		# of HH below poverty level		Total Families	Low income		Moderate income		Middle income		Upper income		LMI families in LMI tracts	
		#	%	#	%			#	%	#	%		#	%	#	%	#	%	#	%	#	%
<b>Oswego</b>	108,974	12,257	11.2	25,648	23.5	44,575	59,500	40,455	5,362	13.3	27,748	6,497	23.4	5,792	20.9	6,450	23.2	9,009	32.5	3,781	30.8	
<b>Onondaga</b>	118,739	12,315	10.4	29,214	24.6	58,925	59,500	45,345	2,558	5.6	32,556	4,049	12.4	5,315	16.3	7,516	23.1	15,676	48.2	478	5.1	
<b>TOTAL A/A*</b>	227,713	24,572	10.8	54,862	24.09	52,322	59,500	85,800	7,920	9.2	60,304	10,546	17.5	11,107	18.4	13,966	23.2	24,685	40.9	4,259	19.7	

\*Assessment Area

**CHART # 2**

<b>ASSESSMENT AREA HOUSING CHARACTERISTICS BY COUNTY</b>																			
<b>COUNTY</b>	Total Housing Units	1-4 family Units		Multifamily Units		Owner-Occupied Units (O-O)		O-O Units in Low-income Tracts		O-O Units in Mod-income Tracts		O-O Units in Mid-income Tracts		O-O Units in Upp-income Tracts		Rental Units		Vacant/ Boarded-up Units	
		#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%
<b>Oswego</b>	45,129	42,041	93.2	3,088	6.8	29,382	65.1	0	0.0	6,551	22.3	20,799	70.8	2,032	6.9	12,640	28.0	4,698	10.4
<b>Onondaga</b>	47,497	39,805	83.8	7,692	16.2	34,143	71.9	0	0.0	137	0.4	19,291	56.5	14,716	43.1	12,137	25.6	2,238	4.7
<b>TOTAL A/A*</b>	92,626	81,846	88.4	10,780	11.6	63,525	68.6	0	0.0	6,688	10.5	40,089	63.1	16,748	26.4	24,777	26.8	6,936	7.5

\* Assessment Area

### CHART # 3

<b>BUSINESS DEMOGRAPHICS BY COUNTY</b>											
COUNTY AND ASSESSMENT AREA(A/A)	Number of Businesses*	Businesses with Rev. of \$1 million or less		Businesses with Rev. of more than \$1 million		Bussinesses with no revenues reported		Businesses with less than 50 employees		Operating from a single location	
		#*	%	#*	%	#*	%	#**	%	#**	%
Oswego	5,681	3,473	61.1	206	3.6	2,002	35.2	4,298	73.1	5,135	87.3
Onondaga	7,429	4,747	63.9	334	4.5	2,348	31.6	5,765	75.6	6,634	87.0
<b>Total A/A</b>	13,110	8,220	62.7	540	4.1	4,350	33.2	10,063	74.5	11,769	87.1

\* Non-farm businesses only

## **PERFORMANCE TESTS AND ASSESSMENT FACTORS**

This performance evaluation is based on a review of FSB's lending activities within the assessment area during 2005 and 2006 and including 2004 for the community development loans, innovative and flexible lending and qualified investments in accordance with Parts 76.8, 76.9 and 76.10 of the General Regulations of the Banking Board.

Statistics contained in this evaluation were derived primarily from the HMDA reportable and small business loan information submitted by FSB. Aggregate data for HMDA-reportable and small business loans were obtained from the Federal Financial Examination Council ("FFIEC") and PCI Corporation, Inc's. CRA Wiz© software. Lending comparisons were based on 2005 and 2006 aggregate data. Demographic data were taken from the 2000 U.S. census and the U.S. Department of Housing and Urban Development ("HUD"), estimated median family income for 2006. Deposit data were derived from the FDIC's website.

### **I. Lending Test: "Outstanding"**

*The bank's lending performance is evaluated pursuant to the following criteria: (1) Lending Activity; (2) Assessment Area Concentration; (3) Geographic Distribution of Loans; (4) Borrower Characteristics; (5) Community Development Lending; and (6) Innovative or Flexible Lending Practices. HMDA-reportable loans were assigned more weight in this evaluation because they account for more than 86% of the bank's assets.*

#### **Lending Activity: "Low Satisfactory"**

FSB's lending levels reflect adequate responsiveness to assessment area credit needs.

During the evaluation period, FSB extended a total of 472 loans within its assessment area, which consisted of 413 HMDA and 59 small business loans. The assessment area's continuing stagnant economy, and significant job losses contributed to FSB's lower volume of loan originations compared to the previous evaluation.

In 2006, FSB ranked 18<sup>th</sup> out of 217 HMDA lending institutions within the assessment area with a market share of 1.9% in loan volume (145 loans) and 1.8% in dollar volume (\$11.9 million). During the same year FSB ranked 27<sup>th</sup> out of 67 institutions in small business lending within its assessment area with a market share of 0.11% in loan volume (22 loans) and 0.46% in dollar volume (\$2.9 million).

#### **Assessment Area Lending: "Outstanding"**

The bank originated a substantial majority of its loans in the assessment area.

The following table shows the distribution of FSB's HMDA reportable and small business loans inside and outside the assessment area.

<b>Distribution of Loans Inside and Outside of the Assessment Area</b>										
<b>Loan Type</b>	<b>Number of Loans</b>					<b>Loans in Dollars (in thousands)</b>				
	<b>Inside</b>		<b>Outside</b>		<b>Total</b>	<b>Inside</b>		<b>Outside</b>		<b>Total</b>
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
HMDA										
2005	268	76.4	83	23.6	351	24,541	68.1	11,474	31.9	36,015
2006	145	82.4	31	17.6	176	11,873	78.5	3,260	21.5	15,133
<b>Subtotal</b>	<b>413</b>	<b>78.4</b>	<b>114</b>	<b>21.6</b>	<b>527</b>	<b>36,414</b>	<b>71.2</b>	<b>14,734</b>	<b>28.8</b>	<b>51,148</b>
Small Business										
2005	40	90.9	4	9.1	44	3,110	75.2	1,025	24.8	4,135
2006	19	82.6	4	17.4	23	2,447	82.3	525	17.7	2,972
<b>Subtotal</b>	<b>59</b>	<b>88.1</b>	<b>8</b>	<b>11.9</b>	<b>67</b>	<b>5,557</b>	<b>78.2</b>	<b>1,550</b>	<b>21.8</b>	<b>7,107</b>
<b>Total</b>	<b>472</b>	<b>79.5</b>	<b>122</b>	<b>20.5</b>	<b>594</b>	<b>41,971</b>	<b>72.0</b>	<b>16,284</b>	<b>28.0</b>	<b>58,255</b>

### HMDA Reportable Loans

FSB originated a high percentage of its HMDA reportable loans within its assessment area. Although there were fewer loans made in 2006, the ratios of 82.4% by number and 78.5% by dollar volume were higher than the 76.4% and 68.1%, respectively in 2005.

### Small Business Loans

FSB originated a high percentage of its small business loans within its assessment area. The bank originated approximately 53.0% fewer of its small business loans in 2006 than 2005 in the assessment area, however, the small business loans increased to 82.3% from 75.2% by dollar volume, but decreased to 82.6% from 90.9% by number.

### **Geographic Distribution of Loans: “Outstanding”**

The geographic distribution of HMDA-reportable and small business loans reflects excellent penetration among census tracts of different income levels.

### HMDA Loans

The following chart provides a summary of the bank’s HMDA lending distribution during the evaluation period:

Distribution of HMDA-reportable Loans by Geographic Income Level*								
Geography Income Level	Bank				Aggregate			
	#	%	\$*	%	#	%	\$*	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	40	14.9	2,239	9.1	636	8.4	41,119	6.0
Middle	184	68.7	15,832	64.5	4,575	60.2	380,903	55.6
Upper	44	16.4	6,470	26.4	2,381	31.4	262,037	38.2
N/A	0	0.0	0	0.0	2	0.0	1,292	0.2
<b>Total</b>	<b>268</b>	<b>100.0</b>	<b>24,541</b>	<b>100.0</b>	<b>7,594</b>	<b>100.0</b>	<b>685,351</b>	<b>100.0</b>

  

Geography Income Level	Bank				Aggregate			
	#	%	\$*	%	#	%	\$*	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	27	18.6	1,527	12.9	677	9.0	39,672	6.0
Middle	106	73.1	8,880	74.8	4,449	58.9	370,278	56.2
Upper	12	8.3	1,466	12.3	2,430	32.2	249,047	37.8
N/A	0	0.0	0	0.0	1	0.0	17	0.0
<b>Total</b>	<b>145</b>	<b>100.0</b>	<b>11,873</b>	<b>100.0</b>	<b>7,557</b>	<b>100.0</b>	<b>659,014</b>	<b>100.0</b>

\*Amount in thousands.

In 2005, the bank originated 40 HMDA reportable loans (14.9%) totaling \$2.2 million (9.1%) in moderate-income geographies. These ratios are well above the corresponding aggregate ratios of 8.4% by number and 6.0% by dollar volume. In 2006 the number and dollar volume of HMDA reportable loans decreased, but in terms of percentage of total originations, the loans in moderate-income geographies increased to 18.6% by number and 12.9% by dollar volume, which were much higher than the aggregate of 9.0% and 6.0%, respectively.

### Small Business Loans

The following chart provides a summary of the bank's small business and small farm lending distribution during the evaluation period:

\*Amount in thousands.

Distribution of Small Business Loans by Geographic Income Level								
Geography Income Level	Bank				Aggregate			
	#	%	\$*	%	#	%	\$*	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	11	27.5	618	19.9	592	13.1	25,946	19.5
Middle	28	70.0	2,482	79.8	2,798	62.1	72,740	54.5
Upper	1	2.5	10	0.3	1,115	24.8	34,680	26.0
<b>Total</b>	<b>40</b>	<b>100.0</b>	<b>3,110</b>	<b>100.0</b>	<b>4,505</b>	<b>100.0</b>	<b>133,366</b>	<b>100.0</b>

  

Geography Income Level	Bank				Aggregate			
	#	%	\$*	%	#	%	\$*	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	7	36.8	1,114	45.5	870	12.9	36,535	21.6
Middle	10	52.6	1,173	47.9	4,206	62.3	88,551	52.3
Upper	2	10.5	160	6.5	1,678	24.8	44,200	26.1
<b>Total</b>	<b>19</b>	<b>100.0</b>	<b>2,447</b>	<b>100.0</b>	<b>6,754</b>	<b>100.0</b>	<b>169,286</b>	<b>100.0</b>

In 2005, the bank extended 11 (27.5%) small business loans totaling \$618 thousand (19.9%) in moderate-income geographies compared to the aggregate of 13.1% and 19.5%, respectively. In 2006, the number of small business loans originated in moderate income-geographies was lower than the level in 2005, but the percentage of these loans in moderate income geographies increased to 36.8% by number and 45.5% by dollar volume, which were well above the aggregate ratios of 12.9% and 21.6%.

### **Borrower Characteristics: “Outstanding”**

The distribution of loans based on borrower characteristics reflects excellent penetration among individuals of different income levels and businesses of different revenue size.

### HMDA Loans

The following chart provides a summary of the bank’s HMDA reportable lending distribution based on individuals of different income levels.

<b>Borrower Income Level</b>	<b>Bank</b>				<b>Aggregate</b>			
	#	%	\$**	%	#	%	\$**	%
Low	30	11.2	1,067	4.3	595	7.8	29,195	4.3
Moderate	64	23.9	3,657	14.9	1,701	22.4	112,029	16.3
Middle	70	26.1	5,532	22.5	2,222	29.3	185,204	27.0
Upper	103	38.4	14,260	58.1	2,800	36.9	305,507	44.6
Income N/A	1	0.4	25	0.1	276	3.6	53,416	7.8
<b>Total</b>	<b>268</b>	<b>100.0</b>	<b>24,541</b>	<b>100.0</b>	<b>7,594</b>	<b>100.0</b>	<b>685,351</b>	<b>100.0</b>

  

<b>Borrower Income Level</b>	<b>Bank</b>				<b>Aggregate</b>			
	#	%	\$	%	#	%	\$	%
Low	27	18.6	899	7.6	573	7.6	26,171	4.0
Moderate	33	22.8	1,691	14.2	1,664	22.0	103,362	15.7
Middle	32	22.1	3,151	26.5	2,289	30.3	180,786	27.4
Upper	50	34.5	5,922	49.9	2,797	37.0	294,627	44.7
Income N/A	3	2.1	210	1.8	234.0	3.1	54,068.0	8.2
<b>Total</b>	<b>145</b>	<b>100.0</b>	<b>11,873</b>	<b>100.0</b>	<b>7,557</b>	<b>100.0</b>	<b>659,014</b>	<b>100.0</b>

\*Amount in thousands.

In 2005, the bank extended 94 loans (35.1%) totaling \$4.7 million (19.3%) to LMI individuals in its assessment area, significantly exceeding the aggregate of 30.2% and 20.6%, respectively. In 2006, fewer loans were extended to LMI individuals, but the ratios of 41.4% by number and 21.8% by dollar volume exceeded the aggregate’s lending performance of 29.6% and 19.7%, respectively.

### Small Business Loans

FSB’s small business lending distribution based on borrower characteristics reflects excellent penetration among businesses of different sizes.

The following chart provides a summary of the bank's small business lending distribution based on borrower revenues during the evaluation period:

\*Amount in thousands.

Distribution of Small Business Loans by Business Revenue Size								
Revenue Size	Bank				Aggregate			
	#	%	\$*	%	#	%	\$*	%
\$1 million or less	39	97.5	3,025	97.3	2,134	47.4	47,813	35.9
Over \$1 million	1	2.5	85	2.7		0.0		0.0
<b>Total</b>	40	100.0	3,110	100.0	4,505	100.0	133,366	100.0
Revenue Size	Bank				Aggregate			
	#	%	\$*	%	#	%	\$*	%
\$1 million or less	19	100.0	2,447	100.0	2,614	38.7	68,451	40.4
Over \$1 million	0	0.0	0	0.0		0.0		0.0
<b>Total</b>	19	100.0	2,447	100.0	6,754	100.0	169,286	100.0

In 2005, FSB originated 39 loans (97.5%) amounting to \$3.0 million (97.3%) to small businesses with gross annual revenues (“GAR”) of \$1 million or less. Although there were fewer loans in 2006, all loans were extended to small businesses with GAR of \$1 million or less. These ratios are well above the aggregate ratios of 47.4% in 2005 and 38.7%.

### Community Development Performance: “Outstanding”

FSB's community development performance demonstrates excellent responsiveness to the needs of its AA through CD loans, qualified investments and CD services, as appropriate considering the bank's capacity and the need and availability such opportunities for community development in its assessment area..

During the evaluation period, the bank had community development loans totaling \$560.0 thousand, which was an increase of 87% over the prior evaluation level of \$300 thousand. Here are some examples of FSB's community development loans:

- Fulton Community Revitalization Corporation (“FCRC”) - FCRC is a not-for-profit corporation organized for the purpose of improving the housing and economic conditions and providing opportunities to LMI residents seeking decent affordable housing. The organization plans and implements projects and activities in cooperation and in conjunction with governmental agencies and other community organizations. During the evaluation period, the bank provided the organization with a \$267 thousand commitment for construction of affordable housing.
- Community Preservation Trust (CPC) - CPC is a lending consortium that makes construction and permanent loans for the development, rehabilitation and preservation of affordable housing throughout the State of New York. CPC's bank sponsors provide secured financing and revolving lines of credit for housing

construction and rehabilitation, and permanent financing through the purchase of collateral trust notes backed by CPC mortgages. The bank has an outstanding \$300.0 thousand revolving line of credit agreement with CPC. As of the evaluation date, \$220.5 thousand was outstanding.

The bank had \$1.9 million of innovative or flexible lending loans consisting of \$162.2 thousand of its own affordable housing program, \$1.4 million in conjunction with different agencies involved in affordable housing, and \$320 thousand in SBA loans. Here are some examples:

- Fulton Savings Bank Affordable Mortgage Housing Program-This program includes special features such as: free appraisal, free credit report, free flood certification, maximum \$300 document preparation fee, and a 30-year fixed term using a 20-year rate. During the evaluation period, the bank originated four loans for \$162.2 thousand in the assessment area.
- State of New York Mortgage Agency (“SONYMA”) is a public-private partnership with the NYS Housing Finance Agency (HFA) and its affiliates, the Affordable Housing Corporation (AHC) and the Mortgage Insurance Fund (MIF). Through its access to tax-exempt financing, SONYMA provides participating lenders with a secondary market for low down-payment (3%), below market rate loans to lower income borrowers who have completed an approved homebuyer education program. SONYMA also administers a mortgage insurance program through which it guarantees mortgage payments on higher risk construction and rehabilitation properties. To qualify, borrowers must meet SONYMA's household income limit requirements, which average about \$64 thousand for a 1-2 person household to \$75 thousand for larger households. Eleven loans totaling \$680.1 thousand were extended in the assessment area through this program.
- The City of Fulton Community Development Agency (FCDA), The City of Oswego Community Development Agency (OCDA), and Oswego Housing Development Council (OHDC) are government and non-profit organizations that administer federal and state grants from HUD Home Mortgage Assistance Program, HUD Community Development Block Grant Small Cities Program, Restore Program, and New York State Department of Housing and Community Renewal Funding. These organizations provide housing and affordable home ownership opportunities, housing rehabilitation and economic development to low and moderate income individuals and small businesses in the assessment area. During the evaluation period 12 loans totaling \$453.3 thousand were originated through FCDA, four through OCDA for \$188.0 thousand, and one through OHDC for \$70.2 thousand..
- U.S. Small Business Administration Section 7 (a) program (SBA)- Under its 7(a) Program, the SBA provides lenders with up to an 80% guarantee for small business loans of less than \$100 thousand and up to 75% for loans of \$100 thousand or more (up to a maximum guaranty of \$750 thousand). Proceeds may be used for business expansion or renovation; new facility construction; purchase of buildings, equipment

and fixtures; leasehold improvements; working capital; seasonal lines of credit; and inventory. During the evaluation period, the bank extended two loans totaling \$320 thousand through this program in the assessment area.

The bank has an adequate level of qualified investments and grants in the assessment area, totaling approximately \$834.0 thousand as of 12/31/2006, which reflects a decrease of 16.6% since the previous evaluation.

Investments that benefited the assessment area were attained through participation with the following agencies involved in affordable housing, economic development, and revitalization and stabilization of LMI geographies:

- Community Preservation Corporation (CPC) – The CPC is a lending consortium that makes construction and permanent loans for the development, rehabilitation and preservation of affordable housing throughout the State of New York. CPC's bank sponsors provide secured financing, under revolving bank lines of credit, for housing construction and rehabilitation, as well as permanent financing through purchases of collateral trust notes backed by CPC mortgages. The bank committed \$600 thousand in collateral trust note agreements and as of the evaluation date the bank had invested \$274.2 thousand.
- Statewide Zone Capital Corporation of New York (SZCC) - The SZCC was formed to promote the development of new businesses, the expansion of existing businesses, and the development of human resources within the 51 participating economic development zones created under the New York State Economic Development Zones Act. The bank maintains a capital investment of shares of stock in this corporation worth \$400 thousand.
- New York Business Development Corporation (NYBDC)-The NYBDC is a privately-owned entity created by New York State statute and funded by commercial and savings banks under lines of credit - typically at a LIBOR based rate - that are utilized to provide a broad range of financing to small and mid-sized businesses located in New York State. The bank committed \$83 thousand towards the purchase of collateral trust note agreement issued by the agency and as of the evaluation date the bank had a \$7.6 thousand balance on this commitment. In addition the bank maintains a \$36.3 thousand equity investment in this institution.
- Community Lending Corporation (CLC) - (CLC) is the upstate division of CPC (See above description of CPC).The bank maintains a \$6 thousand investment in this organization, which provides financing for affordable housing.
- The bank provided grants or contributions totaling \$55 thousand to various organizations engaged in community services and economic development programs in the assessment area.

## **FSB provides retail banking services throughout its assessment area.**

### Accessibility of Delivery Systems

FSB's delivery systems are readily accessible to all portions of its assessment area. FSB operates eight offices offering a diverse array of products and services. Five of the eight offices (62.5%), are located in, or adjacent to LMI areas. The bank provides drive-up facilities and an ATM at each office and six offsite ATM kiosks. ATM transactions are free of charge when using a FSB/ATM debit card at FSB and KeyBank ATM locations in New York State.

### Changes in Branch Locations

The Fulton Commons Plaza branch located adjacent to an LMI area opened in 2005. In the same year the Hannibal Village Market branch, located in a moderate-income tract, closed, but the ATM remained.

The change in branch location has not adversely affected the accessibility of its delivery systems throughout the assessment area.

### Reasonableness of Business Hours and Services

Services are tailored to the convenience and needs of the bank's assessment area.

FSB's business hours for all offices are from 9:00AM to 4:00PM in the lobby on Mondays, Tuesdays and Wednesdays with drive up tellers available from 8:00AM to 5:00 PM. Also, these offices have extended hours from 9:00AM to 5:00PM on Thursdays and Fridays with the drive-up tellers from 8:00AM to 6:00PM. Saturday hours are from 9:00AM to 12:00PM except for the River Glen office, which is open from 10:00AM to 1:00PM and serves a moderate income community.

FSB offers various banking services that serve the needs in its assessment area:

- Express Banking Line- Through touch-tone telephone, customers can call a toll-free number to check account balances, transfer funds, and make loan payments. This service is available free of charge.
- Express On-Line Internet Banking-Customers can do their banking and bill paying on line.
- Express Banking Debit Card-Provides access to funds free of charge at any FSB, KeyBank or HSBC ATM in New York State. The card can also be used in other outlets and point of sale terminals free of charge if identified as a credit transaction. There is no annual fee for this service.

- Bank by Mail-Customers are provided with postage paid envelopes at every branch.
- Totally Free Checking- This is an approved alternative to the basic banking account with no minimum balance requirement, no monthly service charge, no per check charge, and unlimited check writing.
- Totally Free Business Checking-For business organizations, no minimum balance requirement, no monthly service charge, 500 free items per month, and up to \$10,000 free coin/currency deposit per month.
- Business Interest Checking-For sole proprietorships and not-for-profit organizations, \$7,500 minimum balance to earn interest, no monthly service charges (regardless of balance), and up to \$10,000 free coin/currency deposit per month.
- Wire Transfer Services.
- Night Depository at each branch office.
- Direct deposit by ACH and by mail for small companies that do not have ACH capabilities.

FSB provides an adequate level of community development services.

- USB's officers serve as board members of various community organizations to provide technical and financial expertise. The following are samples of some of the organizations where these bank officers have rendered their assistance:
  - A bank vice president is on the Central Region Mortgage Loan Committee of the Community Preservation Corporation, a private, non-profit organization which works to stabilize, strengthen and sustain low and moderate income communities in New York.
  - The chairperson of FSB's board of trustees is the chairperson for the Oswego County Industrial Development Agency, which promotes economic development in Oswego County.
  - FSB's executive vice president serves as board vice chairman of the Fulton Community Revitalization Corporation, which promotes economic development within the City of Fulton.
  - FSB's senior vice president is the treasurer of the Oswego United Way, a non-profit agency which provides various family services to low and moderate income individuals.

- FSB also sponsored the following events: SBA Straight Talk Seminars held each January in Buffalo; and a series of six breakfasts for various municipal government agencies within its assessment area to discuss municipal financial services.

#### **IV. 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.**

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

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

#### **V. 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.**

FSB ascertains the credit needs of its community through staff outreach such as sponsorship of homebuyers/mortgage loan seminars and involvement with community development organizations. Bank officers also serve in different capacities in the board or management of civic and religious organizations. Some of these organizations include Oswego Housing Development Council, Diocese of Syracuse-Catholic Charities, Community Preservation Corporation, United Way, etc.

**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 bank's advertising includes radio, local newspapers and local trade publications, posters and brochures, direct mail, and participation in buyers' seminars.

**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 of Trustees reviews and approves FSB's CRA statement on an annual basis and at the monthly Board meetings reviews all loans made during the preceding month.

**VI. Other Factors**

**Other factors that in the judgment 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.

### **Demand-Adjusted Penetration Rate**

The number of owner-occupied loans made by the institution (or aggregate as appropriate) in a geographic area per thousand owner-occupied housing units in that area. Mathematically, it is arrived at by dividing the number of owner-occupied housing units into the number of loans made and then multiplying by 1,000.

### **Demand-Adjusted Penetration Ratio**

A ratio that depicts geographic penetration of loans by comparing demand-adjusted lending in LMI areas with non-LMI areas. Mathematically, it is arrived at by dividing the demand-adjusted penetration rate in non-LMI areas into the demand-adjusted penetration rate in LMI areas and then expressed as a percentage.

A ratio of 100% means that the institution (or aggregate as appropriate) made an equal number of loans proportionally in LMI and non-LMI areas. Less than 100 percent would indicate less lending in LMI areas on the same basis compared to non-LMI areas, whereas over 100 percent would indicate a greater level of lending in LMI areas versus non-LMI areas.

### **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.

### **Small Business Loans**

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