



**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, 2009

**Institution:** Oneida Savings Bank  
182 Main Street  
Oneida, New York 13421

**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 Oneida Savings Bank (“OSB”) 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 12/31/2009.

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 of small banking institutions are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Section 76.12. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York State 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

OSB's performance was evaluated according to the intermediate bank performance criteria pursuant to Part 76.12 of the General Regulations of the Banking Board. This assessment period included calendar years 2007, 2008 and 2009. OSB is rated "1," indicating an "**Outstanding**" 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:** "Satisfactory"

The bank's LTD ratio is reasonable considering its size, financial condition and the credit needs of the assessment area.

- **Assessment Area Concentration:** "Outstanding"

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

For the 2009 evaluation, OSB extended a substantial majority of its HMDA and Small Business loans within its assessment area. Overall, the bank extended 87.7% by number and 86.4% by dollar value of its total loans in the assessment area.

- **Distribution by Borrowers Characteristics:** "Satisfactory"

The distribution of loans based on borrower characteristics for all products reflected a reasonable penetration of lending to individuals of different income levels and businesses of different revenue sizes. This is the result of reasonable geographic distribution of lending in HMDA and Small Business loans.

- **Geographic Distribution of Loans:** "Needs to Improve"

The distribution of both HMDA-reportable loans and small business loans demonstrated a less than reasonable penetration rate of lending based on the income level of the geography.

It is recommended that the distribution of loans based on lending in census tracts of varying income levels be reviewed and monitored periodically by management.

- **Action Taken in Response to Written Complaints With Respect to CRA:** "Satisfactory"

Neither STB nor the New York State Banking Department has received any written complaints regarding its CRA performance.

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- **Community Development Test** “Outstanding”

Community Development Lending: “Outstanding”

As of 12/31/2009, OSB had community development loans of \$ 13.2 million. This reflected an increase of \$5.6 million from the prior evaluation period.

Qualified Investments: “Outstanding”

As of 12/31/2009, OSB had 3 qualified investments for approximately \$3.4 million, and various grants, totaling \$162,000. This represents a substantial increase of approximately \$2 million in qualified investments and grants since the prior evaluation.

Community Development Services: “Outstanding”

OSB employees, senior management and officers have contributed their experience and technical skills to organizations that provide various community development services.

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.

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## PERFORMANCE CONTEXT

### Institution Profile:

Chartered in 1866, OSB is a mutually-owned savings association located in Oneida, New York. In 1998 Oneida Savings Bank completed its conversion from a mutual savings bank into a two-tier mutual holding company structure and became a wholly-owned subsidiary of Oneida Financial Corporation (OFC). OFC sold a minority of its common stock to the public, and the remaining majority of its shares were retained by Oneida Financial, MHC. Presently, the organizational structure is converting to a public holding company. Upon completion of the conversion and offering, Oneida Financial, MHC will cease to exist, which will complete the transition from partial to full public stock ownership.

OSB maintains several wholly-owned subsidiaries, including the following:

- **Oneida Preferred Funding Corporation** – a wholly owned real estate investment trust;
- **State Bank of Chittenango** – a New York-chartered limited-purpose commercial bank headquartered in Chittenango, New York that accepts municipal deposits;
- **Bailey & Haskell Associates, Inc.** – a full-service insurance and financial services firm;
- **Benefit Consulting Group, Inc.** – an employee benefits consulting and retirement plan administrator;
- **Workplace Health Solutions, Inc.** – a risk management company providing services to help mitigate and prevent work related injuries.

As per the Consolidated Report of Condition (the Call Report) dated December 31, 2009, filed with the Federal Deposit Insurance Corporation (“FDIC”), OSB reported total assets of \$591.2 million, of which \$298.1 million were net loans and lease finance receivables. It also reported total deposits of \$490.1 million, resulting in a loan-to-deposit ratio of 61%. According to the latest available comparative deposit data as of June 30, 2010, OSB obtained a market share of 4.06%, or \$521.9 million in a market of \$12.8 billion inside its market, ranking it 9th among 25 deposit-taking institutions in Madison, Oneida and Onondaga Counties.

The following is a summary of OSB’s loan portfolio, based on Schedule RC-C of the bank’s December 31, 2007, December 31, 2008, December 31, 2009 Call Reports:

Loan Type	2007		2008		2009	
	\$000's	%	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	131,644	45.9	149,080	48.8	144,323	48.3
Commercial & Industrial Loans	39,648	13.8	42,528	13.9	34,768	11.6
Commercial Mortgage Loans	68,372	23.8	64,357	21.1	62,187	20.8
Multifamily Mortgages	2,036	0.7	1,777	0.6	8,915	3.0
Consumer Loans	44,451	15.5	46,866	15.4	43,116	14.4
Agricultural Loans	562	0.2	507	0.2	384	0.1
Construction Loans	189	0.1		0.0	5,045	1.7
Obligations of States & Municipalities		0.0		0.0		0.0
Other Loans		0.0	95	0.0	85	0.0
Lease financing		0.0		0.0		0.0
<b>Total Gross Loans</b>	<b>286,902</b>		<b>305,210</b>		<b>298,823</b>	

As illustrated in the above chart, OSB is primarily a residential real estate lender, with 48.3% of its loan portfolio in residential real estate.

OSB has 12 bank branches, of which 6 are located in Madison County, 5 in Oneida County and 1 in Onondaga County. Supplementing the bank branches is an automated teller machine (“ATM”) network consisting of 12 machines, one each at 11 of its branches and one off-site ATM at SUNY Morrisville.

In April 2007 with the acquisition of the National Bank of Vernon and the opening of the Griffins Park Office, OSB expanded to 12 offices from 11.

*There are no known financial or legal impediments that adversely impacted the bank’s ability to meet the credit needs of its community.*

**Assessment Area:**

The bank’s assessment area is comprised of Madison, Oneida and Onondaga Counties. There are 46 census tracts in the area, of which one is low-income, eight are moderate-income, 22 are middle-income, and 15 are upper-income. There are no census tracts with no income indicated.

Assessment Area Census Tracts by Income Level							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
Madison	0	0	3	10	3	16	18.8
Oneida*	0	1	5	10	4	20	30.0
Onondaga*	0	0	0	2	8	10	0.0
Total	0	1	8	22	15	46	19.6

\* Partial county

The assessment area appears reasonable based upon the location of the bank's offices and its lending patterns. There is no evidence that LMI areas have been arbitrarily excluded.

### **Demographic & Economic Data**

The assessment area had a population of 178.4 thousand during the examination period. About 14.3% of the population were over the age of 65 and 21.9% were under the age of 16.

Of the 46,298 families in the assessment area, 16.6% were low-income, 17.9% were moderate-income, 22.7% were middle-income and 42.8% were upper-income families. There were 67,632 households in the assessment area, of which 8.9% had income below the poverty level and 2.3% were on public assistance.

The MSA median family income within the assessment area was \$47.4 thousand. The U.S. Department of Housing and Urban Development ("HUD") estimated median family income for the area was \$60.3 thousand in 2009.

There were 75,851 housing units within the assessment area, of which 90.7% were one- to four-family units, and 9.3% were multifamily units. A majority (65.5%) of the area's housing units were owner-occupied, while 26.8% were rental units. Of the 49,669 owner-occupied housing units, 9.3% were in moderate-income geographies while 61% were in middle-income tracts. The median age of the housing stock was 51 years and the median home value in the assessment area was \$81.1 thousand.

There were 11,991 non-farm businesses in the assessment area. Of these, 76.6% were businesses with reported revenues of less than or equal to \$1 million, 3.9% reported revenues of more than \$1 million and 19.5% did not report their revenues. Of all the businesses in the assessment area, 86.1% were businesses with less than fifty employees while 90.5% operated from a single location. The largest industries in the area were services (46.8%), followed by retail trade (14.6%) and construction (7.5%), while 7.7% of businesses in the assessment area were not classified.

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According to the New York State Department of Labor, the average unemployment rate for New York State increased from 4.5% to 8.4% during the evaluation period. The average unemployment rates for the respective counties also increased proportionately.

<b>Assessment Area Unemployment Rate</b>				
	Statewide	Madison	Oneida	Onondaga
2007	4.5	4.7	4.3	4.1
2008	5.3	5.7	5.3	5.1
2009	8.4	8	7.4	7.6

### **Community Information**

A community contact was interviewed as part of the CRA evaluation. The contact represented a community-based nonprofit organization working in partnership with local, state and national government, financial institutions, and public and private funders to increase successful home ownership in Oneida, Herkimer and Madison Counties.

The community contact stated that the area has encountered a loss of jobs due to various manufacturers exiting the state. Presently the largest employer in the area is the Turning Stone Casino, followed by healthcare facilities. According to the community contact, the economic downturn has contributed to the unemployment rate, lack of economic development and decreasing funding resources.

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## **PERFORMANCE STANDARDS AND ASSESSMENT FACTORS**

*OSB was evaluated under the intermediate small banking institution's performance standards in accordance with Parts 76.7 and 76.12 of the General Regulations of the Banking Board. OSB's performance was evaluated according to the intermediate small bank performance criteria, which consists of the lending test and the community development test. The lending test includes (1) loan-to-deposit ratio and other lending-related activities; (2) assessment area concentration; (3) distribution by borrower characteristics; (4) geographic distribution of loans; and (5) action taken in response to written complaints regarding CRA. The community development test includes: (1) community development lending; (2) community development investments; (3) community development services; (4) innovative or complex practices; and (5) responsiveness to community development needs. The following factors were also considered in assessing the bank's record of performance: the extent of participation by the board of directors or board of trustees in formulating CRA policies and reviewing CRA performance; any practices intended to discourage credit applications, evidence of prohibited discriminatory or other illegal credit practices; record of opening and closing offices and providing services at offices; and process factors, such as activities to ascertain credit needs and the extent of marketing and special credit related programs. Finally, the evaluation considered other factors as delineated in Section 28-b of the Banking Law that reasonably bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community.*

Statistics employed in this evaluation were derived from various sources. Bank-specific information was submitted by the bank both as part of the examination process and on its Call Report submitted to the Federal Deposit Insurance Corporation ("FDIC"). Aggregate lending data were obtained from the Federal Financial Institutions Examination Council ("FFIEC") and deposit data were obtained from the FDIC. Loan-to-deposit ratios were calculated from information shown in the bank's Uniform Bank Performance Report ("UBPR") as submitted to the FDIC.

The demographic data referred to in this report were derived from the 2000 U.S. Census and the U.S. Department of Housing and Urban Development ("HUD"). Business demographic data used in this report provide information on US businesses, enhanced by Dun & Bradstreet reports and updated annually. Unemployment data were obtained from the New York State Department of Labor. Some non-specific bank data are only available on a county-wide basis, and were used even where the institution's assessment area includes partial counties.

The assessment period included calendar years 2007, 2008 and 2009.

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

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Small business loan aggregate data are shown for comparative purposes. OSB is not required to report this data. As such, OSB is not included in the aggregate data.

HMDA-reportable loan data evaluated in this performance evaluation represented actual originations. Small business loan results were extrapolated from a random sample of 121 loans.

HMDA-reportable lending was given greater weight in this evaluation because OSB's primary business is commercial and residential mortgage lending. As of December 31, 2009, 48.3% of OSB's loan portfolio was comprised of residential mortgage loans, 20.8% were commercial real estate loans, 11.6% were commercial and industrial loans and 14.4% were consumer loans.

OSB received a rating of "1", reflecting an "Outstanding" record of helping to meet community credit needs at its **prior** Performance Evaluation conducted by the New York State Banking Department as of December 31, 2006.

**Current CRA Rating: "OUTSTANDING"**

**LENDING TEST:** "Satisfactory"

OSB's small business and HMDA-reportable lending activities were reasonable in light of aggregate and peer group activity and demographics.

**Loan-to-Deposit Ratio (LTD) and other Lending-Related Activities:** "Satisfactory"

OSB's average LTD ratio was reasonable considering its size, business strategy, financial condition, aggregate and peer group activity.

OSB's average LTD ratio for the prior 12 quarters ending December 31, 2009, was 68%, which is below the peer group's average of 92.2%. The peer group includes all FDIC insured commercial banks having assets between \$300 million and \$1 billion. In addition OSB ranked 9<sup>th</sup> among its peer group with a deposit market share of 4.06%.

As of December 31, 2009, OSB reported a loan-to-deposit ratio of 60.4%. This ratio also included all deposits held in its limited-purpose commercial bank subsidiary, the State Bank of Chittenango (SBC). SBC's charter is limited to municipal deposit gathering activities and does not provide for any lending activities. Further, the limited charter of SBC makes this subsidiary exempt from CRA ratings.

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

Loan-to-Deposit Ratios													
	2007 Q1	2007 Q2	2007 Q3	2007 Q4	2008 Q1	2008 Q2	2008 Q3	2008 Q4	2009 Q1	2009 Q2	2009 Q3	2009 Q4	Avg.
Bank	76.3	72.0	71.3	71.0	66.5	67.9	67.9	71.1	66.4	63.5	61.6	60.4	68.0
Peer	90.0	90.3	91.7	93.8	93.7	94.8	95.7	96.7	92.4	90.9	88.7	87.6	92.2

**Assessment Area Concentration:** “Outstanding”

During the evaluation period, OSB originated a substantial majority of its lending inside its assessment area. OSB originated 87.7% by number, and 86.4% by dollar value of its HMDA reportable and small business loans within its assessment area.

OSB originated 86.3% by number, and 84.7% by dollar value of its HMDA-reportable loans within its assessment area. Similarly, OSB originated over 90% of its small business loans both in number and dollar value within its assessment area. This substantial majority of lending inside of its assessment area reflected an “Outstanding” record of HMDA-reportable and small business lending.

The following table shows the percentages of OSB’s small business and HMDA-reportable loans originated inside and outside of its 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										
2007	431	88.9%	54	11.1%	485	35,393	86.9%	5,316	13.1%	40,709
2008	440	86.8%	67	13.2%	507	44,277	86.8%	6,729	13.2%	51,006
2009	569	84.0%	108	16.0%	677	62,096	82.0%	13,643	18.0%	75,739
Subtotal	1,440	86.3%	229	13.7%	1,669	141,766	84.7%	25,688	15.3%	167,454
Small Business										
2007	223	97.5%	6	2.5%	229	18,368	99.1%	170	0.9%	18,538
2008	193	92.5%	16	7.5%	209	13,071	87.7%	1,841	12.3%	14,912
2009	163	82.9%	34	17.1%	197	15,780	88.6%	2,040	11.4%	17,820
Subtotal	580	91.3%	55	8.7%	635	47,219	92.1%	4,051	7.9%	51,270
Grand Total	2,020	87.7%	284	12.3%	2,304	188,985	86.4%	29,739	13.6%	218,724

The small business lending analysis was performed on a sample of 40 loans in 2007, 40 loans in 2008 and 41 in 2009. The number and dollar value of loans were then extrapolated from the resulting percentages and are not actual results. HMDA-reportable lending analyses were based on actual lending.

**Distribution by Borrower Characteristics:** “Satisfactory”

The distribution of loans based on borrower characteristics demonstrated a reasonable penetration rate of lending among individuals of different income levels and businesses of different revenue sizes.

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*HMDA-Reportable Loans: "Satisfactory"*

OSB's HMDA-reportable loans demonstrated a reasonable penetration rate of lending among borrowers of different income levels. OSB's penetration ratios to LMI borrowers were comparable to the aggregate in all the three years of the evaluation period but slightly below the demographics of the assessment area.

The following chart provides a summary of the HMDA-reportable lending distribution based on borrower income.

Distribution of HMDA-Reportable Lending by Borrower Income									
2007									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	34	7.9%	1,278	3.6%	335	6.8%	15,411	3.2%	16.6%
Moderate	94	21.8%	5,258	14.9%	973	19.8%	60,234	12.5%	17.9%
LMI	128	29.7%	6,536	18.5%	1,308	26.6%	75,645	15.7%	34.5%
Middle	110	25.5%	7,925	22.4%	1,325	26.9%	101,172	21.0%	22.7%
Upper	174	40.4%	19,282	54.5%	2,179	44.3%	268,216	55.6%	42.8%
Unknown	19	4.4%	1,650	4.7%	110	2.2%	37,087	7.7%	0.0%
<b>Total</b>	<b>431</b>		<b>35,393</b>		<b>4,922</b>		<b>482,120</b>		
2008									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	33	7.5%	1,670	3.8%	246	6.2%	12,480	3.1%	16.6%
Moderate	91	20.7%	6,854	15.5%	759	19.2%	53,682	13.4%	17.9%
LMI	124	28.2%	8,524	19.3%	1,005	25.4%	66,162	16.5%	34.5%
Middle	121	27.5%	9,807	22.1%	946	23.9%	84,237	21.0%	22.7%
Upper	175	39.8%	21,804	49.2%	1,919	48.4%	232,084	57.8%	42.8%
Unknown	20	4.5%	4,142	9.4%	92	2.3%	18,735	4.7%	0.0%
<b>Total</b>	<b>440</b>		<b>44,277</b>		<b>3,962</b>		<b>401,218</b>		
2009									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	31	5.4%	1,741	2.8%					16.6%
Moderate	112	19.7%	7,841	12.6%					17.9%
LMI	143	25.1%	9,582	15.4%			0		34.5%
Middle	173	30.4%	15,347	24.7%					22.7%
Upper	228	40.1%	32,402	52.2%					42.8%
Unknown	25	4.4%	4,765	7.7%					0.0%
<b>Total</b>	<b>569</b>		<b>62,096</b>		<b>-</b>		<b>-</b>		
GRAND TOTAL									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	98	6.8%	4,689	3.3%		6.5%		3.2%	
Moderate	297	20.6%	19,953	14.1%		19.5%		12.9%	
LMI	395	27.4%	24,642	17.4%		26.0%	41,807	16.1%	
Middle	404	28.1%	33,079	23.3%		25.6%		21.0%	
Upper	577	40.1%	73,488	51.8%		46.1%		56.6%	
Unknown	64	4.4%	10,557	7.4%		2.3%		6.3%	
<b>Total</b>	<b>1,440</b>		<b>141,766</b>						

### Small Business Loans: "Outstanding"

The distribution of small business loans based on the revenue size of the business demonstrated an excellent penetration rate of lending among individuals of different income levels and businesses of different revenue sizes.

On average, OSB made 76.5% (by number) and 71.5% (by dollar) of its small business loans to businesses with revenue of \$1 million or less, significantly outperforming the

aggregate. In addition, OSB's performance exceeded the business demographics in all three years of the evaluation period.

The following chart provides a summary of OSB's small business lending distribution based on revenue size during the evaluation period:

Distribution of Small Business Lending by Revenue Size of Business									
2007									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	194	84.6%	16,448	88.7%	2,084	37.7%	43,697	35.2%	68.9%
Rev. > \$1MM	35	15.4%	2,090	11.3%					4.1%
Rev. Unknown	-	0.0%	-	0.0%					26.9%
<b>Total</b>	<b>229</b>		<b>18,538</b>		<b>5,526</b>		<b>124,002</b>		
2008									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	147	70.3%	9,436	63.3%	1,366	32.5%	40,826	39.4%	59.7%
Rev. > \$1MM	45	21.6%	4,807	32.2%					4.0%
Rev. Unknown	17	8.1%	669	4.5%					36.3%
<b>Total</b>	<b>209</b>		<b>14,912</b>		<b>4,203</b>		<b>103,525</b>		
2009									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	145	73.5%	10,773	60.5%	0		0		76.6%
Rev. > \$1MM	52	26.5%	7,047	39.5%					3.9%
Rev. Unknown	-	0.0%	-	0.0%					19.5%
<b>Total</b>	<b>197</b>		<b>17,820</b>		<b>0</b>		<b>0</b>		
GRAND TOTAL									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	485	76.5%	36,658	71.5%		35.5%		37.1%	
Rev. > \$1MM	133	20.9%	13,943	27.2%					
Rev. Unknown	17	2.7%	669	1.3%					
<b>Total</b>	<b>635</b>		<b>51,270</b>						

The small business lending analyses were performed on a sample of 39 loans in 2007, 37 loans in 2008 and 34 loans in 2009. The number and dollar volume of loans were then extrapolated from the resulting percentages and are not actual results. HMDA-reportable lending analyses were based on actual lending.

### **Geographic Distribution of Loans: "Needs to Improve"**

The distribution of loans based on lending in census tracts of varying income levels demonstrated a less than reasonable penetration rate of lending.

### *HMDA-Reportable Loans: "Needs to Improve"*

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The distribution of HMDA-reportable loans based on the income level of the geography demonstrated a less than reasonable penetration rate of lending.

During the evaluation period, OSB originated an average of 4.6% (by number) and 3.9% (by dollar value) of its HMDA reportable loans in moderate-income census tracts. Compared to the aggregate penetration rates in moderate-income areas, this performance is considered poor. OSB's penetration rates in moderate-income areas were consistently below the aggregates during the evaluation period both in number and dollar value. Additionally, OSB's performance was below the demographics of its assessment area.

The following chart provides a summary of OSB's HMDA-reportable lending distribution based on the income level of the geography.

Distribution of HMDA-Reportable Lending by Geographic Income of the Census Tract									
2007									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	3	0.1%	173	0.0%	0.0%
Moderate	21	4.9%	1,804	5.1%	436	8.9%	25,066	5.2%	9.3%
LMI	21	4.9%	1,804	5.1%	439	8.9%	25,239	5.2%	9.3%
Middle	340	78.9%	25,404	71.8%	3,052	62.0%	264,557	54.9%	61.0%
Upper	70	16.2%	8,185	23.1%	1,430	29.1%	192,288	39.9%	29.7%
Unknown	0	0.0%	0	0.0%	1	0.0%	36	0.0%	0.0%
<b>Total</b>	<b>431</b>		<b>35,393</b>		<b>4,922</b>		<b>482,120</b>		
2008									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	5	0.1%	434	0.1%	0.0%
Moderate	21	4.8%	1,520	3.4%	306	7.7%	19,267	4.8%	9.3%
LMI	21	4.8%	1,520	3.4%	311	7.8%	19,701	4.9%	9.3%
Middle	352	80.0%	34,561	78.1%	2,514	63.5%	230,297	57.4%	61.0%
Upper	67	15.2%	8,196	18.5%	1,137	28.7%	151,220	37.7%	29.7%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
<b>Total</b>	<b>440</b>		<b>44,277</b>		<b>3,962</b>		<b>401,218</b>		
2009									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%					0.0%
Moderate	24	4.2%	2,202	3.5%					9.3%
LMI	24	4.2%	2,202	3.5%	0		0		9.3%
Middle	424	74.5%	41,641	67.1%					61.0%
Upper	121	21.3%	18,253	29.4%					29.7%
Unknown	0	0.0%	0	0.0%					0.0%
<b>Total</b>	<b>569</b>		<b>62,096</b>		<b>-</b>		<b>-</b>		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%		0.1%		0.1%	
Moderate	66	4.6%	5,526	3.9%		8.4%		5.0%	
LMI	66	4.6%	5,526	3.9%	750	8.4%	44,940	5.1%	
Middle	1,116	77.5%	101,606	71.7%		62.7%		56.0%	
Upper	258	17.9%	34,634	24.4%		28.9%		38.9%	
Unknown	-	0.0%	-	0.0%		0.0%		0.0%	
<b>Total</b>	<b>1,440</b>		<b>141,766</b>						

*Small Business Loans: "Needs to Improve"*

The distribution of small business loans based on the income level of the geography of the business demonstrated a less than reasonable penetration rate of lending.

During the evaluation period, OSB's overall performance was comparable to the aggregate by number but below by dollar value of loans. In the beginning of the evaluation period, OSB started with very low penetration rates in moderate-income census tracts, and was significantly below the aggregate's penetration rates by both

number and dollar value of loans. However, OSB increased its penetration rates in 2008 and 2009 making it comparable in number of loans to the aggregate in 2008. However, OSB's performance remained lower than the business demographics of its assessment area.

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

Distribution of Small Business Lending by Geographic Income of the Census Tract									
2007									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	51	0.9%	8,316	6.7%	1.0%
Moderate	12	5.1%	137	0.7%	636	11.5%	12,539	10.1%	13.1%
LMI	12	5.1%	137	0.7%	687	12.4%	20,855	16.8%	14.1%
Middle	194	84.6%	18,002	97.1%	2,888	52.3%	61,660	49.7%	52.9%
Upper	23	10.3%	399	2.2%	1,951	35.3%	41,487	33.5%	12.8%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
<b>Total</b>	<b>229</b>		<b>18,538</b>		<b>5,526</b>		<b>124,002</b>		
2008									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	48	1.1%	6,145	5.9%	1.2%
Moderate	23	10.8%	677	4.8%	435	10.3%	9,819	9.5%	13.5%
LMI	23	10.8%	677	4.8%	483	11.5%	15,964	15.4%	14.7%
Middle	136	64.9%	8,781	61.9%	2,208	52.5%	49,579	47.9%	52.7%
Upper	51	24.3%	4,733	33.4%	1,512	36.0%	37,982	36.7%	32.7%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
<b>Total</b>	<b>209</b>		<b>14,192</b>		<b>4,203</b>		<b>103,525</b>		
2009									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0		0		1.2%
Moderate	35	17.6%	3,379	19.0%	0		0		13.0%
LMI	35	17.6%	3,379	19.0%	0		0		14.2%
Middle	139	70.6%	13,832	77.6%	0		0		52.5%
Upper	23	11.8%	608	3.4%	0		0		33.3%
Unknown	0	0.0%	0	0.0%	0		0		0.0%
<b>Total</b>	<b>197</b>		<b>17,820</b>		<b>-</b>		<b>-</b>		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%		1.0%		6.4%	
Moderate	69	10.9%	4,194	8.3%		11.0%		9.8%	
LMI	69	10.9%	4,194	8.3%		12.0%	36,619	16.2%	
Middle	468	73.8%	40,615	80.3%		52.4%		48.9%	
Upper	98	15.4%	5,741	11.4%		35.6%		34.9%	
Unknown	0	0.0%	0	0.0%		0.0%		0.0%	
<b>Total</b>	<b>635</b>		<b>50,550</b>						

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

“Satisfactory”

Since the latest CRA evaluation as of December 31, 2006, neither OSB nor the New York State Banking Department has received any written complaints regarding its CRA performance.

**COMMUNITY DEVELOPMENT TEST: “Outstanding”**

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

During the evaluation period, OSB originated \$13.1 million in new community development loans, and had \$78 thousand outstanding from prior evaluation periods. Also, OSB made \$2.5 million in new community development investments and had \$862 thousand outstanding from prior evaluation periods. OSB made \$162 thousand in community development grants.

A more detailed description of the OSB’s community development activity follows:

**Community Development Lending:** “Outstanding”

During the evaluation period, OSB originated \$13.1 million in new community development loans, and still had \$78 thousand outstanding from prior evaluation periods. This demonstrated an excellent level of community development lending over the course of the evaluation period<sup>1</sup>.

Community Development Loans				
Purpose	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Loans	\$000	# of Loans	\$000
Affordable Housing	2	3,000		
Economic Development	3	600	1	9
Community Services	7	9,500	2	69
Other (Please Specify)				
Total	12	13,100	3	78

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<sup>1</sup> For analysis purposes, renewals of lines of credit that occur during the evaluation period are considered new extensions of credit. However, the level of lending is reviewed across the time period of the exam.

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Below are highlights of OSB's community development lending.

- A \$2 million first mortgage was extended to a housing project subsidized under the Section 8 HUD program, which provides rental assistance payments to keep tenant contributions at 30% of their adjusted gross incomes.
- In 2007 and 2008, OSB renewed a \$2.4 million line of credit with a one year maturity to New York State Association of Regional Councils ("NYSARC"), Madison Cortland Chapter, a non-profit organization that provides community development services to people of all ages with developmental and intellectual disabilities, many of whom are LMI individuals. The majority of the organization's revenues are derived from Medicaid and the New York State Office of Mental Retardation and Developmental Disabilities.
- During the evaluation period OSB committed \$600 thousand in demand loans to the New York Business Development Corporation ("NYSBDC"), a privately-owned entity created by New York statute and funded by commercial and savings banks under lines of credit that NYSBDC utilizes to provide a broad range of financing to small and mid-sized businesses located in New York State.

**Community Development Investments: "Outstanding"**

During the evaluation period, OSB made \$2.5 million in new community development investments, and still had \$862 thousand outstanding from prior evaluation periods. In addition, OSB made \$162 thousand in community development grants. This demonstrated an excellent level of community development investments over the course of the evaluation period.

OSB extended grants to various local non-profit organizations engaged in community service programs within its assessment area. Recipients included the following: United Way of Greater Oneida; SCORE; Morrisville Area Improvement Network; Cazenovia Community Development Agency; Madison Cortland ARC and Oneida Health Care Center.

Community Development Investments and Grants				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Inv.	\$000	# of Inv.	\$000
CD Investments				
Affordable Housing				
Economic Development				
Community Services	2	\$ 2,508	1	862
Other (Please Specify)				
<b>Total</b>	<b>2</b>	<b>\$ 2,508</b>	<b>1</b>	<b>862</b>
CD Grants	# of Grants	\$000	Not Applicable	
Affordable Housing				
Economic Development				
Community Services	50	\$ 162		
Other (Please Specify)				
<b>Total</b>	<b>50</b>	<b>\$ 162</b>		

During the evaluation period, OSB made a \$2.5 million investment to Cazenovia, Chittanango, Little Falls (“CCLF”) Senior Housing, LP, a partnership formed to acquire and rehabilitate 5 existing low-income housing projects that are in need of capital repairs.

**Community Development Services:** “Outstanding”

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

Below is a description of OSB’s community development services.

- During the evaluation period, several open-houses and first-time homebuyer workshops were conducted by OSB.
- OSB’s president was the treasurer of Oneida Area Industries, Inc., a non-profit organization that promotes economic development throughout the assessment area, primarily to small businesses.
- A vice president served on the board of the Canastota Development Corporation which promotes economic development.
- A vice president was a board member of Griffiss Local Development Corporation which provides business assistance.
- OSB’s employees served in various community organizations by providing

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technical and financial expertise. These organizations included: United Way of Greater Oneida, Inc., City of Sherrill, Madison-Cortland Chapter of NYSARC, Inc., Oneida IDA, and Madison-Cortland ARC.

**Innovative or Flexible Practices:** “Outstanding”

OSB demonstrated an excellent level of innovative or flexible community development practices.

OSB offered home loans for first-time homebuyers, and also for low- or moderate-income borrowers under the following loan programs:

- Madison County Community Action Program (“CAP”) – This program administers federal grant funds for first-time homebuyers in Madison County. The program criterion includes homeownership counseling, maximum income levels, and a maximum purchase price. Although OSB offers reduced closing costs with this program, the underwriting guidelines are no more or less favorable than with conventional loan underwriting. During the evaluation period, OSB extended seven loans with a total of \$447,000 under this program.
- State of New York Mortgage Agency (SONYMA) – OSB is an approved SONYMA lender. This program, financed by the State of New York, provides mortgages to low- and moderate-income households at fixed interest rates which are below prevailing conventional rates. OSB made 29 SONYMA loans during the evaluation period.
- FHA/VA – OSB offered government-insured FHA loans, and government-guaranteed VA loans. Both of these products feature low down payment requirements, which appeal to low- and moderate-income borrowers. During the evaluation period, a total of 89 loans for \$888,300 were originated by the bank.
- OSB participated in several SBA loan programs that allowed OSB to finance small businesses that would not otherwise have met general underwriting guidelines such as: new businesses, businesses with weak capitalization, guarantors with limited net worth, businesses with inadequate collateral and businesses with new products or services. OSB made a total of 40 SBA loans during the evaluation period.
- The New York State “Linked Deposit” program through the New York State Short Term Investment Pool - This is a program that allows lenders to offer a lower loan interest rate to businesses that are able to meet criteria set by the state for business development.
- OSB provided loan rate reductions through New York State Energy Research and Development Authority (“NYSERDA”), on loans for energy efficiency

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improvements and renewable technologies. These loans were provided to small businesses.

- USDA government loan guarantee program allowed OSB to reduce the risk of lending to LMI borrowers that otherwise would not have met OSB's general underwriting guidelines.

### **Responsiveness to Community Development Needs: "Outstanding"**

OSB demonstrated an excellent level of responsiveness to the credit and community development needs of its assessment area through community development lending, investments and services. OSB participated in activities that assisted LMI individuals and promoted economic development opportunities for small businesses.

### **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.**

The directors of OSB took an active role in formulating and reviewing the institution's CRA policies as well as in OSB's performance in meeting the communities' credit needs. A formal loan policy was in place at OSB throughout the evaluation period, the contents of which were reviewed by the board, including all updates and amendments. The monthly board meeting included a review and approval of all loans over specified amounts as determined by the loan policy. .

In 1990, OSB formed a Compliance Council, appointed by the board of directors to monitor various activities including CRA performance. The institution's Compliance and CRA Officer was chair of the Council and reported quarterly to the Audit and Examination Committee of the board of directors. Items discussed in the quarterly report included, but were not limited to, CRA activities, training, compliance monitoring and changes in federal regulations and New York State laws.

#### **Discrimination and other illegal practices**

The NYS Banking Department (NYSBD) noted no practices that were intended to discourage applications for the types of credit offered by OSB. In addition, the NYSBD noted no evidence of prohibited discriminatory or other illegal practices.

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

In April 2007, with the acquisition of the National Bank of Vernon and the opening of the Griffiss Park Office, OSB increased its number of branches to twelve from eight. The opening of the Griffiss Park Office, which is located in a low-income census tract, increased OSB's presence in LMI areas from 6.5% (at its prior evaluation) to 17%.

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Distribution of Branches within the Assessment Area							
County	N/A #	Low #	Moderate #	Middle #	Upper #	Total #	LMI %
Madison			1	3	2	6	17%
Oneida		1		3	1	5	20%
Onondaga				1		1	0%
<b>Total</b>	-	1	1	7	3	12	17%

## **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.**

OSB directed its mortgage originators to make regular calls to realtors, builders, and the legal/financial services sectors in each of its market areas to obtain input on credit needs in the community. Emphasis was placed on gathering information on community needs. As a result of this initiative, OSB offered the following programs designed to meet the needs of low- and moderate-income groups. Specific programs included:

- Community Action Program - down payment and closing cost grant for 1<sup>st</sup> time homebuyers;
- SONYMA;
- FHA/VA Mortgages; and
- Mortgages on Manufactured Homes - which typically serve low to moderate income housing needs.

### **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**

OSB's marketing efforts, in addition to print, radio and TV advertisement included:

- Attendance at various business expos and trade shows to promote products and services;
- Offering home ownership counseling to recipients of the Community Action Program grant; and
- Personal marketing efforts by mortgage originators through membership in civic/community service organizations.

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**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.

## GLOSSARY

### Aggregate Penetration Rate

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

### Community Development

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.

**Income Level**

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

<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

**Loans to Small Businesses**

Small business loans to businesses with gross annual revenues (“GAR”) of \$1 million or less (“< = \$ 1MM”).

**Low or Moderate Income (“LMI”) Geographies**

Those census tracts or block numbering areas (“BNAs”), where according to the 2000 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 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 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 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 depicts 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.

### **Small Business Loans**

Loans to businesses with original amounts of  $\leq$  \$1MM.