



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

One State Street  
New York, NY 10004

**PUBLIC SUMMARY**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**Date of Evaluation:** December 31, 2016

**Institution:** Medina Savings and Loan  
11182 Maple Ridge Road  
Medina, NY 14103

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

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## TABLE OF CONTENTS

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

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## **GENERAL INFORMATION**

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

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

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

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

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

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

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

DFS evaluated MSL according to the small bank performance criteria pursuant to Part 76.7 and 76.12 of the General Regulations of the Superintendent. The assessment period included calendar years 2010, 2011, 2012, 2013, 2014, 2015, and 2016. MSL is rated "2," indicating a "Satisfactory" record of helping to meet community credit needs.

The rating is based on the following factors:

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

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

MSL's average LTD ratio of 57.2% for the evaluation period was below the peer group's average LTD ratio of 70.6%. MSL's low LTD ratios can be partially attributed to deposit growth significantly exceeding its growth in loans (53% versus 36% since 2009). Restrictions placed on Savings and Loans such as the cap placed on commercial loans at 20% of the total loan portfolio and the presence of larger financial institutions in the assessment area negatively impact MSL's ability to significantly increase loans.

### **Assessment Area Concentration: "Satisfactory"**

During the entire current evaluation period, MSL originated 88.7% by number of loans and 76.6% by dollar value of its total HMDA-reportable loans within the assessment area. This substantial majority of lending inside of its assessment area reflects a satisfactory concentration of lending within MSL's assessment area.

Most of the loans within the assessment area were in Orleans County (73% by number of loans). For the current evaluation period, the percentage of MSL HMDA-reportable loan originations within the assessment area by number of loans ranged from a high of 92.6% in 2011 to a low of 83.3% in 2012.

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

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

For the overall current evaluation period, MSL's rate of lending to LMI borrowers exceeded its aggregate by number of loans and performed slightly below the aggregate by dollar value.

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Geographic Distribution of Loans: “Satisfactory”

MSL’s origination of HMDA-reportable loans in census tracts of varying income levels demonstrated a reasonable distribution of lending. For the overall current evaluation period, MSL’s rate of lending to LMI geographies exceeded that of the aggregate.

Action Taken in Response to Written Complaints with Respect to CRA: Not Rated

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

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

## PERFORMANCE CONTEXT

### Institution Profile

Founded in 1888, MSL is a full-service New York State chartered mutual savings bank headquartered in Medina, New York. MSL has two offices, including its main office in Medina, NY and one in a Walmart superstore in Albion, NY. Both offices are in Orleans County. MSL offers traditional personal banking products, such as checking, money market savings, regular savings, mortgages, personal loans and electronic banking.

Per the Consolidated Report of Condition (the “Call Report”) as of December 31, 2016, filed with the Federal Deposit Insurance Corporation (“FDIC”), MSL reported total assets of \$52.4 million, of which \$26.0 million were net loans and lease finance receivables. It also reported total deposits of \$47.9 million, resulting in a loan-to-deposit ratio of 54.3%. Per the latest available comparative deposit data as of June 30, 2016 MSL obtained a market share of 1.22%, or \$46.0 million in a market of \$3.8 billion, ranking it eighth among 12 deposit-taking institutions in its assessment area.

The following is a summary of MSL’s loan portfolio, based on the OTS Thrift Financial Report for the years ended December 31, 2010 and December 31, 2011 in addition to Schedule RC-C of the bank’s December 31, 2012, 2013, 2014, 2015, and 2016 Call Reports:

<b>TOTAL GROSS LOANS OUTSTANDING</b>														
Loan Type	2010		2011		2012		2013		2014		2015		2016	
	\$000's	%												
1-4 Family Residential Mtg Loans	15,002	76.1	19,188	82.8	19,724	84.5	20,400	84.5	21,237	87.3	21,297	87.4	22,415	85.3
Commercial & Industrial Loans	930	4.7	522	2.3	533	2.3	402	1.7	475	2.0	382	1.6	199	0.8
Commercial Mortgage Loans	1,256	6.4	1,137	4.9	1,008	4.3	1,153	4.8	1,011	4.2	1,124	4.6	1,372	5.2
Multifamily Mortgages	216	1.1	182	0.8	160	0.7	93	0.4	77	0.3	38	0.2	158	0.6
Consumer Loans	2,024	10.3	1,785	7.7	1,626	7.0	1,294	5.4	1,120	4.6	1,068	4.4	989	3.8
Construction Loans	278	1.4	337	1.5	304	1.3	814	3.4	403	1.7	449	1.8	1,156	4.4
Other Loans	1	0.0	14	0.1	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Gross Loans</b>	<b>19,707</b>		<b>23,165</b>		<b>23,355</b>		<b>24,156</b>		<b>24,323</b>		<b>24,358</b>		<b>26,289</b>	

As illustrated in the above table, MSL is primarily a residential real estate lender, with a total of 85.3% of its loan portfolio in 1-4 family residential mortgage loans. MSL’s secondary lending products are commercial lending and construction lending which represented 6.0% and 4.4% of loans, respectively. MSL’s gross loan portfolio trended upward, increasing by \$7.0 million or 36.5% from the prior evaluation period.

MSL’s two banking offices are supplemented by an automated teller machine (“ATM”) network. The ATMs do not have deposit-taking capabilities. One of the offices is in a middle-income census tract, and the other is in a moderate-income census tract.

*Examiners found no evidence of financial or legal impediments that had an adverse impact on MSL’s ability to meet the credit needs of its community.*

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## **Assessment Area**

MSL's assessment area is comprised of Genesee (\*Partial), Niagara (\*Partial), and all of Orleans counties.

There are 17 census tracts in the area, of which two are moderate-income, 14 are middle-income and one is upper-income.

County	N/A	Low	Mod	Middle	Upper	Total	LMI %	LMI & Dis-tressed %
Genesee*				2	1	3	0.0	0%
Niagara*				4		4	0.0	0%
Orleans			2	8		10	20.0	20%
Total			2	14	1	17	11.8	12%

\* *Partial county*

## **Demographic & Economic Data**

The assessment area had a population of 74,592 during the evaluation period, with 13.7% of the population over the age of 65 and 19.6% under the age of sixteen.

Of the 19,481 families in the assessment area 19.3% were low-income, 19.7% were moderate-income, 23.6% were middle-income and 37.4% were upper-income families. There were 27,726 households in the assessment area, of which 10.8% had income below the poverty level and 3.5% were on public assistance.

The weighted average median family income in the assessment area was \$59,363.

There were 31,181 housing units within the assessment area, of which 86.2% were one-to-four family units, and 4.3% were multifamily units. A majority (69.9%) of the area's housing units were owner-occupied, while 19.0% were rental-occupied. Of the 21,808 owner-occupied housing units, 10.1% were in low- and moderate-income census tracts while 89.9% were in middle- and upper-income census tracts. The median age of the housing stock was 65 years, and the median home value in the assessment area was \$92,441.

There were 3,138 non-farm businesses in the assessment area. Of these, 83.3% were businesses with reported revenues of less than or equal to \$1 million, 4.0% reported revenues of more than \$1 million and 12.7% did not report their revenues. Of all the

businesses in the assessment area, 97.2% were businesses with less than fifty employees while 88.7% operated from a single location. The largest industries in the area were services (42.7%), retail trade (12.3%), agriculture, forestry & fishing (11.2%), and 4.7% of businesses in the assessment area were not classified.

According to the New York State Department of Labor, the average unemployment rate for New York State decreased to 8.3% in 2011 from 8.6% in 2010, and then increased slightly in 2012 to 8.5%. The unemployment rates have been decreasing since 2012 from 8.5% to 4.8% in 2016. Similarly, the average unemployment rates for the assessment area have been trending down each year, except for a slight increase during 2012. Niagara County recorded the highest unemployment rate (5.8%) in 2016, while Genesee County had the lowest rate (4.6%) in the assessment area.

<b>Assessment Area Unemployment Rates</b>				
	NY State	Genesee*	Niagara*	Orleans
2010	8.6	8.0	9.6	9.6
2011	8.3	7.8	9.1	9.2
2012	8.5	7.9	9.3	9.7
2013	7.7	6.8	8.4	9.1
2014	6.3	5.5	7.0	7.6
2015	5.3	5.0	6.2	6.4
2016	4.8	4.6	5.8	5.7
Average	7.1	6.5	7.9	8.2

\* Partial County

### **Community Information**

Three nonprofit community contacts that support economic development and community service were interviewed for this evaluation. One was a local organization in Medina, NY that provides charitable donations to the community. A second contact was a local organization whose mission is to provide services to low-income families and economically distressed communities throughout New York. The third contact was an organization that provides services to low-income and disadvantaged families in Orleans and Genesee counties.

The organizations indicated a need for more affordable housing opportunities for LMI individuals, more flexible loan products to accommodate these people, new housing construction financing, credit counseling and assistance in restoring historical sites.

The community contacts mentioned that the Medina area is growing slightly with potential for more growth, while the Albion area is struggling. Medina has several large employers such as Baxter, Takeform and Associated Brands. No such industries are in the Albion area. There are more pockets of poverty in eastern Orleans County. One

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contact mentioned that the neighboring counties of Monroe and Niagara provide homeless shelters, however this is not the case for Orleans County. All community contacts stated that they were not aware of any criticisms or complaints about MSL.

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## **PERFORMANCE STANDARDS AND ASSESSMENT FACTORS**

*DFS evaluated MSL under the small bank performance standards in accordance with Parts 76.7 and 76.12 of the General Regulations of the Superintendent, which consist of the following lending test criteria:*

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

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

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

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

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

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

The evaluation period included calendar years 2010 through 2016.

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

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

At its **prior** Performance Evaluation, as of December 31, 2009, DFS assigned MSL a rating of “1,” reflecting an “Outstanding” record of helping to meet the credit needs of its assessment area.

**Current CRA Rating: “Satisfactory”**

**Lending Test: “Satisfactory”**

MSL’s HMDA-reportable loan activity was reasonable in light of its size, business strategy, and financial condition, as well as aggregate and peer group activity and the demographic characteristics and credit needs of its assessment area.

**Loan-to-Deposit Ratio and Other Lending-Related Activities: “Satisfactory”**

MSL’s average loan-to-deposit (“LTD”) ratio was reasonable considering its size, business strategy, and financial condition, as well as the lending activity of its peer group and the demographic characteristics and credit needs of its assessment area.

MSL’s average LTD ratio for the current evaluation period was 57.2%, underperforming the peers’ average LTD ratio of 70.6%. For the prior evaluation period (2004 – 2009), the bank’s average LTD ratio was 64.1%, which was higher than the peers’ average LTD ratio of 58.7%. MSL’s deposit growth significantly exceeded its growth in loans during the current evaluation period. Deposits increased 53% while loans increased 36%.

During the current evaluation period, MSL’s LTD ratio ranged from a low of 51.2% in the second quarter of 2015, to a high of 65.3% in the fourth quarter 2011. The peers’ LTD ratio ranged from a low of 61.5% in the first quarter of 2010 to a high of 76.6% in the second quarter of 2012.

MSL exists in a very competitive market for home loans through much of Orleans County. The competition is mainly from larger institutions which makes it difficult for the bank to originate loans. MSL does not have the resources to compete with loan programs for first-time homebuyers. The loan servicing requirements for federal government programs such as VA and FHA are too difficult for MSL to meet and thus they do not participate in them.

The table below shows MSL’s LTD ratios in comparison with the peer group’s ratios for the current evaluation period.

Loan-to-Deposit Ratios																													
	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4	Avg.
Bank	61.6	61.0	61.8	60.5	61.3	61.0	62.7	65.3	60.6	57.6	57.5	57.9	56.4	55.5	56.6	58.3	57.3	55.5	55.4	53.4	52.6	51.2	54.1	52.4	53.3	53.3	53.0	54.2	57.2
Peer	61.5	61.9	64.7	65.1	68.3	67.8	69.2	74.4	75.5	76.6	76.0	74.8	69.4	69.8	70.4	69.9	69.5	70.0	70.9	71.8	70.8	71.3	72.8	72.2	72.5	73.5	73.0	72.6	70.6

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Assessment Area Concentration: “Satisfactory”

During the current evaluation period, MSL originated 88.7% by number and 76.6% by dollar value of its total HMDA-reportable loans within its assessment area. This substantial majority of lending inside of its assessment area reflects a reasonable concentration of lending.

During the current evaluation period, MSL’s total HMDA-reportable loans originated within the assessment area ranged from 83.3% to 92.6% by number of loans, and 67.5% to 94.0% by dollar value. These percentages compare favorably to the prior evaluation period, where the loans originated within the assessment area ranged from 83.8% to 87.5% for number of loans, and 63.3% to 85.3% for dollar value.

The following table shows the percentages of MSL’s HMDA-reportable loans originated inside and outside of the assessment area during the evaluation period.

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										
2010	27	87.1%	4	12.9%	31	1,370	71.5%	547	28.5%	1,917
2011	25	92.6%	2	7.4%	27	1,013	74.0%	356	26.0%	1,369
2012	25	83.3%	5	16.7%	30	1,557	67.5%	748	32.5%	2,305
2013	37	92.5%	3	7.5%	40	2,500	94.0%	159	6.0%	2,659
2014	20	90.9%	2	9.1%	22	1,412	90.6%	146	9.4%	1,558
2015	32	84.2%	6	15.8%	38	1,745	69.3%	773	30.7%	2,518
2016	46	90.2%	5	9.8%	51	3,203	73.2%	1,172	26.8%	4,375
Grand Total	212	88.7%	27	11.3%	239	12,800	76.6%	3,901	23.4%	16,701

Distribution by Borrower Characteristics: “Satisfactory”

MSL’s HMDA-reportable (1-4 family) lending demonstrated a reasonable distribution of loans among individuals of different income levels.

For the current evaluation period, MSL’s rate of lending to LMI borrowers was 42.9% by number of loans and 27.8% by dollar value. This compared with 39.7% by number of loans and 31.3% by dollar value for the aggregate.

In the prior evaluation period, MSL’s rate of lending to LMI borrowers was 43.6% by number of loans and 31.8% by dollar value versus 46.2% and 37.8%, respectively, for the aggregate. Both MSL and the aggregate had lower overall rates of lending to LMI borrowers in the current evaluation period compared to the prior evaluation period.

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

**Distribution of 1-4 Family Loans by Borrower Income**

2010										
Borrower Income	Bank				Aggregate				Fam.Dem.	
	#	%	\$000's	%	#	%	\$000's	%	%	
Low	4	14.8%	163	11.9%	116	12.6%	6,317	8.0%	19.1%	
Moderate	10	37.0%	282	20.6%	262	28.6%	18,935	23.9%	23.1%	
LMI	14	51.9%	445	32.5%	378	41.2%	25,252	31.9%	42.2%	
Middle	6	22.2%	266	19.4%	253	27.6%	21,877	27.6%	25.4%	
Upper	7	25.9%	659	48.1%	264	28.8%	30,369	38.4%	32.4%	
Unknown	0	0.0%		0.0%	22	2.4%	1,644	2.1%		
<b>Total</b>	<b>27</b>		<b>1,370</b>		<b>917</b>		<b>79,142</b>			
2011										
Borrower Income	Bank				Aggregate				Fam.Dem.	
	#	%	\$000's	%	#	%	\$000's	%	%	
Low	4	16.0%	121	11.9%	123	12.9%	6,680	7.9%	19.1%	
Moderate	8	32.0%	245	24.2%	259	27.1%	20,410	24.3%	23.1%	
LMI	12	48.0%	366	36.1%	382	40.0%	27,090	32.2%	42.2%	
Middle	7	28.0%	216	21.3%	278	29.1%	25,014	29.7%	25.4%	
Upper	6	24.0%	431	42.5%	271	28.4%	29,739	35.3%	32.4%	
Unknown	0	0.0%	0	0.0%	24	2.5%	2,289	2.7%		
<b>Total</b>	<b>25</b>		<b>1,013</b>		<b>955</b>		<b>84,132</b>			
2012										
Borrower Income	Bank				Aggregate				Fam.Dem.	
	#	%	\$000's	%	#	%	\$000's	%	%	
Low	5	20.0%	235	15.1%	114	11.4%	6,573	7.3%	19.5%	
Moderate	7	28.0%	361	23.2%	257	25.8%	19,936	22.2%	19.9%	
LMI	12	48.0%	596	38.3%	371	37.2%	26,509	29.5%	39.4%	
Middle	4	16.0%	215	13.8%	291	29.2%	26,760	29.8%	23.6%	
Upper	9	36.0%	746	47.9%	297	29.8%	32,686	36.4%	37.1%	
Unknown	0	0.0%	0	0.0%	39	3.9%	3,941	4.4%		
<b>Total</b>	<b>25</b>		<b>1,557</b>		<b>998</b>		<b>89,896</b>			
2013										
Borrower Income	Bank				Aggregate				Fam.Dem.	
	#	%	\$000's	%	#	%	\$000's	%	%	
Low	4	10.8%	115	4.6%	116	9.9%	6,059	5.9%	19.5%	
Moderate	13	35.1%	609	24.4%	324	27.7%	23,093	22.6%	19.9%	
LMI	17	45.9%	724	29.0%	440	37.6%	29,152	28.6%	39.4%	
Middle	9	24.3%	514	20.6%	328	28.1%	28,428	27.9%	23.6%	
Upper	11	29.7%	1,262	50.5%	352	30.1%	39,520	38.8%	37.1%	
Unknown	0	0.0%	0	0.0%	49	4.2%	4,877	4.8%		
<b>Total</b>	<b>37</b>		<b>2,500</b>		<b>1,169</b>		<b>101,977</b>			
2014										
Borrower Income	Bank				Aggregate				Fam.Dem.	
	#	%	\$000's	%	#	%	\$000's	%	%	
Low	5	25.0%	230	16.3%	100	11.2%	5,183	6.9%	19.3%	
Moderate	4	20.0%	127	9.0%	253	28.3%	17,744	23.6%	19.7%	
LMI	9	45.0%	357	25.3%	353	39.5%	22,927	30.5%	39.0%	
Middle	6	30.0%	507	35.9%	246	27.5%	21,619	28.7%	23.6%	
Upper	5	25.0%	548	38.8%	264	29.6%	28,005	37.2%	37.4%	
Unknown	0	0.0%	0	0.0%	30	3.4%	2,691	3.6%		
<b>Total</b>	<b>20</b>		<b>1,412</b>		<b>893</b>		<b>75,242</b>			
2015										
Borrower Income	Bank				Aggregate				Fam.Dem.	
	#	%	\$000's	%	#	%	\$000's	%	%	
Low	3	9.4%	59	3.4%	131	13.1%	7,808	8.5%	19.3%	
Moderate	14	43.8%	621	35.6%	314	31.3%	25,336	27.6%	19.7%	
LMI	17	53.1%	680	39.0%	445	44.4%	33,144	36.1%	39.0%	
Middle	9	28.1%	764	43.8%	289	28.8%	27,841	30.4%	23.6%	
Upper	6	18.8%	301	17.2%	249	24.9%	28,259	30.8%	37.4%	
Unknown	0	0.0%	0	0.0%	19	1.9%	2,464	2.7%		
<b>Total</b>	<b>32</b>		<b>1,745</b>		<b>1,002</b>		<b>91,708</b>			
2016										
Borrower Income	Bank				Aggregate				Fam.Dem.	
	#	%	\$000's	%	#	%	\$000's	%	%	
Low	5	10.9%	172	5.4%	108	10.3%	6,806	6.7%	19.3%	
Moderate	5	10.9%	220	6.9%	293	28.0%	24,367	24.0%	19.7%	
LMI	10	21.7%	392	12.2%	401	38.3%	31,173	30.7%	39.0%	
Middle	19	41.3%	970	30.3%	314	30.0%	29,521	29.1%	23.6%	
Upper	17	37.0%	1,841	57.5%	306	29.3%	37,850	37.3%	37.4%	
Unknown	0	0.0%	0	0.0%	25	2.4%	2,885	2.8%		
<b>Total</b>	<b>46</b>		<b>3,203</b>		<b>1,046</b>		<b>101,429</b>			
GRAND TOTAL										
Borrower Income	Bank				Aggregate				Fam.Dem.	
	#	%	\$000's	%	#	%	\$000's	%	%	
Low	30	14.2%	1,095	8.6%		11.6%		7.3%		
Moderate	61	28.8%	2,465	19.3%		28.1%		24.0%		
LMI	91	42.9%	3,560	27.8%		39.7%		31.3%		
Middle	60	28.3%	3,452	27.0%		28.6%		29.0%		
Upper	61	28.8%	5,788	45.2%		28.7%		36.3%		
Unknown	0	0.0%	0	0.0%		3.0%		3.3%		
<b>Total</b>	<b>212</b>		<b>12,800</b>							

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### Geographic Distribution of Loans: “Satisfactory”

MSL’s origination of HMDA-reportable loans in census tracts of varying income levels demonstrated a reasonable distribution of lending.

For the current evaluation period, MSL’s rate of lending in LMI geographies exceeded that of the aggregate. MSL’s overall rate of lending in LMI geographies was 25.0% by number of loans and 17.6% by dollar value, greater than the 11.5% by number of loans and 8.8% by dollar value for the aggregate.

In 2014, MSL originated only one loan in LMI geographies. This was partially attributable to an assessment area census tract change in 2014, wherein one of the three moderate-income census tracts were changed to a middle-income census tract. This resulted in three moderate-income census tracts in the assessment area in 2013 and two in 2014. The changed tract is adjacent to MSL’s main office census tract, historically a source of home loans for the bank. MSL’s pattern of lending was relatively unchanged in these three census tracts. If not for the reclassification of the one census tract, MSL would have had nine loans in three moderate-income census tracts, rather than the one loan in the two moderate-income census tracts.

For the prior evaluation period, MSL’s rate of lending in LMI geographies was higher than the current evaluation period at 44.0% by number of loans and 38.5% by dollar value. The same was true for the aggregate, with a rate of 23.7% by number of loans and 20.0% by dollar value.

The following table provides a summary of the distribution of MSL’s HMDA-reportable loans by the income level of the geography where the property is located.

Distribution of HMDA-Reportable Lending by Geographic Income of the Census Tract									
2010									
Geographic Income	Bank				Aggregate				OO Hus
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	9	33.3%	354	25.8%	146	15.5%	10,407	12.8%	19.5%
LMI	9	33.3%	354	25.8%	146	15.5%	10,407	12.8%	19.5%
Middle	18	66.7%	1,016	74.2%	712	75.8%	64,214	79.1%	72.5%
Upper	0	0.0%	0	0.0%	81	8.6%	6,610	8.1%	8.1%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
<b>Total</b>	<b>27</b>		<b>1,370</b>		<b>939</b>		<b>81,231</b>		
2011									
Geographic Income	Bank				Aggregate				OO Hus
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	8	32.0%	260	25.7%	141	14.4%	9,818	11.5%	19.5%
LMI	8	32.0%	260	25.7%	141	14.4%	9,818	11.5%	19.5%
Middle	17	68.0%	753	74.3%	742	75.9%	67,265	78.8%	72.5%
Upper	0	0.0%	0	0.0%	95	9.7%	8,234	9.7%	8.1%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
<b>Total</b>	<b>25</b>		<b>1,013</b>		<b>978</b>		<b>85,317</b>		
2012									
Geographic Income	Bank				Aggregate				OO Hus
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	10	40.0%	374	24.0%	80	7.8%	5,380	5.9%	12.7%
LMI	10	40.0%	374	24.0%	80	7.8%	5,380	5.9%	12.7%
Middle	15	60.0%	1,183	76.0%	852	83.3%	78,712	86.0%	79.2%
Upper	0	0.0%	0	0.0%	91	8.9%	7,481	8.2%	8.1%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
<b>Total</b>	<b>25</b>		<b>1,557</b>		<b>1,023</b>		<b>91,573</b>		
2013									
Geographic Income	Bank				Aggregate				OO Hus
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	10	27.0%	431	17.2%	123	10.1%	7,881	7.5%	12.7%
LMI	10	27.0%	431	17.2%	123	10.1%	7,881	7.5%	12.7%
Middle	27	73.0%	2,069	82.8%	980	80.9%	86,865	82.8%	79.2%
Upper	0	0.0%	0	0.0%	109	9.0%	10,106	9.6%	8.1%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
<b>Total</b>	<b>37</b>		<b>2,500</b>		<b>1,212</b>		<b>104,852</b>		
2014									
Geographic Income	Bank				Aggregate				OO Hus
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	1	5.0%	12	0.8%	77	8.4%	5,132	6.7%	10.1%
LMI	1	5.0%	12	0.8%	77	8.4%	5,132	6.7%	10.1%
Middle	19	95.0%	1,400	99.2%	771	84.0%	64,694	84.7%	81.9%
Upper	0	0.0%	0	0.0%	70	7.6%	6,526	8.5%	8.1%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
<b>Total</b>	<b>20</b>		<b>1,412</b>		<b>918</b>		<b>76,352</b>		
2015									
Geographic Income	Bank				Aggregate				OO Hus
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	6	18.8%	337	19.3%	89	8.6%	7,002	7.5%	10.1%
LMI	6	18.8%	337	19.3%	89	8.6%	7,002	7.5%	10.1%
Middle	26	81.3%	1,408	80.7%	853	82.0%	77,892	82.9%	81.9%
Upper	0	0.0%	0	0.0%	98	9.4%	9,036	9.6%	8.1%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
<b>Total</b>	<b>32</b>		<b>1,745</b>		<b>1,040</b>		<b>93,930</b>		
2016									
Geographic Income	Bank				Aggregate				OO Hus
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	9	19.6%	483	15.1%	95	8.8%	6,365	6.2%	10.1%
LMI	9	19.6%	483	15.1%	95	8.8%	6,365	6.2%	10.1%
Middle	37	80.4%	2,720	84.9%	887	81.8%	87,805	84.9%	81.9%
Upper	0	0.0%	0	0.0%	102	9.4%	9,259	9.0%	8.1%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
<b>Total</b>	<b>46</b>		<b>3,203</b>		<b>1,084</b>		<b>103,429</b>		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				OO Hus
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	53	25.0%	2,251	17.6%	11.5%	8.8%			
LMI	53	25.0%	2,251	17.6%	11.5%	8.8%			
Middle	159	75.0%	10,549	82.4%	79.3%	82.4%			
Upper	0	0.0%	0	0.0%	9.2%	8.7%			
Unknown	0	0.0%	0	0.0%	0.0%	0.0%			
<b>Total</b>	<b>212</b>		<b>12,800</b>						

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Action Taken in Response to Written Complaints with Respect to CRA: “Not Rated”

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

**Additional Factors**

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

The MSL board takes an active role in formulating the bank’s CRA policies. The bank’s CRA statement is reviewed and approved annually by the board. All CRA policies are approved annually by the board. Certain aspects of CRA performance, such as loan distribution, are not formally tracked within the bank, and therefore, there is no full performance presentation or review involving the board.

Meeting minutes from the Business Development Committee and the Ethics, Governance, and Compliance Committee are provided to the board for its meetings and may include discussion of CRA-related items such as marketing/advertising activities and the assessment area.

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

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

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

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

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

In 2013 MSL removed three ATMs located in middle-income census tracts in Medina, NY. In 2014 the bank removed two additional ATM’s located in middle-income census tracts in Medina, NY. All of these ATMs were removed at the request of the host locations. The census tracts for the five ATM’s were formerly moderate-income census tracts that were reclassified as middle income in 2012.

Subsequent to these removals, MSL has six off-site ATMs, all located in middle-income census tracts in Orleans County. MSL’s main branch is located in a moderate-income census tract, which borders a middle-income census tract. Its second branch, located in the Walmart Supercenter in Albion, NY, is in a middle-income census tract, in Orleans County. None of MSL’s ATMs accepts deposits.

Since April 2014, MSL's customers can use any ATM in over sixty Rite Aid stores, free of service fee. All Rite Aid store ATMs in Orleans, Monroe, Genesee, Niagara, and Erie counties are free. However, the vast majority of Rite Aid store ATMs are located outside MSL's assessment area.

There are no bank-owned ATMs or Rite Aid store ATMs in the portions of MSL's assessment area located in Niagara County and Genesee County, and in two moderate-income census tracts in Orleans County. However, MSL offers an array of electronic services to customers.

Distribution of Branches within the Assessment Area								
County	N/A #	Low #	Moderate #	Middle #	Upper #	Total #	LMI %	LMI and Distressed or Underserved
Branches - Orleans			1	1		2	50%	50%
Off-site ATMs				6		6	0%	0%
<b>Total</b>			<b>1</b>	<b>7</b>		<b>8</b>	<b>13%</b>	<b>13%</b>

## 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.

MSL is a community-based banking institution involved in community events and sponsorships. Members of the board are area business people and members of the local chamber of commerce, as well as many civic and social organizations. MSL's president is a long-time board member of the Medina Sandstone Society and Medina's Lions Club. The vice president/CRA officer is a member of the board of the Medina Hospital, the Medina Health Care Foundation, and the Medina Memorial Health Care Twig Association. Through their business and social contacts, bank management is aware of the credit needs of the community.

MSL's community involvement is confined to the Medina area in Orleans County. Since the bank is a small institution with few employees, its involvement is limited throughout its assessment area, particularly in Niagara County and Genesee County. Only 15% of MSL's total HMDA-reportable loans originated in the Niagara County and Genesee County portions of the bank's assessment area. The Genesee County portion represented only three loans. For four of the seven years of the current evaluation period, no loans were originated in the Genesee County portion of the bank's assessment area. There needs to be more of a concerted effort towards community involvement in these areas.

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- *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*

In MSL's Business Development – Savings Solicitation Policy, several advertising methods were identified as follows: Print media, local news website, community event and team sponsorships, and promotional items. MSL advertising is included in the local newspaper (electronic version of *Orleans Hub*), local telephone books (*Orleans County Community Directory*), a local golf course scorecard, *Lake Country Pennysaver* which covers the entire bank assessment area, and direct mailings to local realtors throughout and beyond the assessment area. The organizations for which MSL sponsors or provides support include a local little league team, the local girls softball league, the historical society, local schools, and nonprofit organizations. The advertising and sponsorships cover most of MSL's assessment area but are largely concentrated in the Medina area and Orleans County.

There are currently no special credit-related programs. Efforts in this regard in past years were not successful.

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

DFS examiners noted that restrictions involved in being a Savings and Loan Association negatively impact MSL's ability to provide and expand credit services. The two prominent restrictions cited are:

- Inability to hold municipal deposits
- Restriction on commercial loans at 20% of MSL's loan portfolio

Cost, capital, and competitive issues are also impacting MSL's ability to expand.

## **GLOSSARY**

### **Aggregate Penetration Rate**

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

### **Community Development**

“Community development”:

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

### **Community Development Loan**

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

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

## **Community Development Service**

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

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

## **Geography**

A census tract delineated by the United States Bureau of the Census in the most recent decennial census

## **Home Mortgage Disclosure Act (“HMDA”)**

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

## **Income Level**

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

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

### **Small Business Loan**

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

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

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

### **LMI Borrowers**

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

### **LMI Individuals/Persons**

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

### **LMI Penetration Rate**

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

### **Low-Income Housing Tax Credit (LIHTC)**

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

### **New Markets Tax Credit (NMTC)**

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

### **Qualified Investment**

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

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

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