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

One State Street
New York, NY 10004

PUBLIC SUMMARY

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Date of Evaluation: March 31, 2020

Institution: Fulton Savings Bank
75 First South Street
Fulton, NY 13069

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

TABLE OF CONTENTS

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act ("CRA") performance of Fulton Savings Bank ("FSB" or the "Bank") prepared by the New York State Department of Financial Services ("DFS" or the "Department"). This evaluation represents the Department's current assessment and rating of the institution's CRA performance based on an evaluation conducted as of March 31, 2020.

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

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

(1) Outstanding record of meeting community credit needs;

(2) Satisfactory record of meeting community credit needs;

(3) Needs to improve in meeting community credit needs; and

(4) Substantial noncompliance in meeting community credit needs.

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

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

OVERVIEW OF INSTITUTION’S PERFORMANCE

DFS evaluated FSB according to the intermediate small bank performance criteria pursuant to Sections 76.7 and 76.12 of the General Regulations of the Superintendent (“GRS”). The assessment period consisted of the calendar years 2017, 2018 and 2019 for the Lending Test and the period July 1, 2017 to March 31, 2020 for the Community Development Test. FSB is rated “**2**,” indicating a “**Satisfactory”** record of helping to meet community credit needs.

The rating is based on the following factors:

Lending Test: Satisfactory

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

FSB’s average loan-to-deposit (“LTD”) ratio was reasonable considering its size, business strategy, financial condition and peer group activity.

FSB’s average LTD ratio was 53.1%, well below its peer group’s average ratio of 91%. The Bank’s LTD ratio decreased 8.6 percentage points from the prior evaluation’s average of 61.7%. However, the ratio steadily improved from 52.2% in the first quarter of 2017 to 58.5% in the fourth quarter of 2019.

Assessment Area Concentration: Satisfactory

During the evaluation period, FSB originated 74.3% by number and 70.8% by dollar value of its total HMDA-reportable loans within the assessment area, demonstrating a reasonable concentration of lending.

Distribution by Borrower Characteristics: Satisfactory

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

During the evaluation period, FSB originated 33.9% by number and 23.8% by dollar value of its one-to-four family loans to LMI individuals, which was comparable to the aggregate’s ratios of 32.8% and 23.9% respectively.

Geographic Distribution of Loans: Outstanding

FSB’s origination of loans in census tracts of varying income levels demonstrated an excellent distribution of lending.

During the evaluation period, FSB originated 20.5% by number and 14.9% by dollar value of its HMDA-reportable loans in LMI census tracts, exceeding the aggregate’s rates of 13.1% and 12.2%, respectively.

Action Taken in Response to Written Complaints with Respect to CRA: N/A

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

Community Development Test: Satisfactory

FSB's community development performance demonstrated reasonable responsiveness to the community development needs of its assessment area through community development loans, investments and services, considering FSB's capacity, and the need for and availability of opportunities for community development in its assessment area.

Community Development Lending: Satisfactory

During the evaluation period, FSB originated $1.4 million in new community development loans, and had $1.2 million outstanding from prior evaluation periods. This demonstrated a reasonable level of community development lending over the course of the evaluation period.

Qualified Investments: Satisfactory

During the evaluation period, FSB made $1.7 million in new community development investments and had no outstanding investments from prior evaluation periods. In addition, FSB made $245,000 in qualified grants. This demonstrated a reasonable level of community development investments over the course of the evaluation period.

Community Development Services: Satisfactory

FSB demonstrated a reasonable level of community development services over the course of the evaluation period, with members of the board of trustees and senior management actively serving on committees of nonprofit and other local organizations.

Responsiveness to Community Development Needs:

FSB demonstrated a reasonable level of responsiveness to credit and community development needs.

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

FSB is a New York State-chartered mutual savings bank headquartered in Fulton, New York.

FSB operates six full-service branch offices, of which four are located in Oswego County and two in Onondaga County. Each branch office has an automated teller machine ("ATM"). In addition, FSB has five off-site ATMs, of which three are in moderate-income and two are in middle-income census tracts within the Bank's assessment area. None of FSB's ATMs accept deposits.

The Bank offers banking services and products to consumers and small businesses. Deposit products offered include checking, savings, time deposit and retirement savings accounts; loan products include residential mortgage, commercial and consumer loans. Services offered include wire transfers, safe deposit boxes, bank-by-mail and internet banking.

In its Consolidated Report of Condition (the "Call Report") as of December 31, 2019, filed with the Federal Deposit Insurance Corporation ("FDIC"), FSB reported total assets of $379.9 million, of which $144.6 million were net loans and lease financing receivables. It also reported total deposits of $247.4 million, resulting in a loan-to-deposit ratio of 58.4%. According to the latest available comparative deposit data as of June 30, 2019, FSB had a market share of 2.1%, or $252.2 million in a market of $12.1 billion, ranking it 12th among 16 deposit-taking institutions in the assessment area.

The following is a summary of the Bank's loan portfolio, based on Schedule RC-C of the Bank's December 31, 2017, 2018, and 2019 Call Reports:

TOTAL GROSS LOANS OUTSTANDING						
	12/31/2017		12/31/2018		12/31/2019	
Loan Type	$000's	%	$000's	%	$000's	%
1-4 Family Residential Mortgage Loans	109,936	83.5	113,669	84.8	125,800	86.8
Commercial & Industrial Loans	2,030	1.5	1,564	1.2	1,424	1.0
Commercial Mortgage Loans	14,948	11.4	14,056	10.5	13,141	9.1
Multifamily Mortgages	866	0.7	750	0.6	640	0.4
Consumer Loans	3,562	2.7	3,524	2.6	3,644	2.5
Construction Loans	136	0.1	214	0.2	149	0.1
Other Loans	194	0.1	206	0.2	201	0.1
Total Gross Loans	131,672		133,983		144,999	

As illustrated in the above table, FSB is primarily a residential real estate lender, with 86.8% of its loan portfolio in residential mortgage loans. The composition of FSB's loan portfolio remained relatively unchanged during the evaluation period.

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

<u>Assessment Area</u>

FSB's assessment area is comprised of portions of Onondaga and Oswego counties, which are a part of the Syracuse Metropolitan Statistical Area in central New York.

There are 56 census tracts in the area, of which one is low-income, 11 are moderate-income, 31 are middle-income, 13 are upper-income, and there are zero tracts with no income indicated.

Assessment Area Census Tracts by Income Level							
County	N/A	Low	Moderate	Middle	Upper	Total	LMI %
Oswego*	0	0	10	15	0	25	40.0
Onondaga*	0	1	1	16	13	31	6.5
Total	0	1	11	31	13	56	21.4

** Partial county*

<u>Demographic & Economic Data</u>

As of 2019, the assessment area had a population of 234,568. Approximately 14% of the population was over the age of 65 and 19.6% was under the age of 16.

Of the 61,106 families in the assessment area, 20.1% were low-income, 17.4% were moderate-income, 20.9% were middle-income and 41.6% were upper-income families. There were 90,539 households in the assessment area, of which 11.5% had income below the poverty level and 3.3% were on public assistance.

The weighted average median family income in the assessment area was $71,883.

There were 99,267 housing units within the assessment area, of which 80.2% were one- to four-family units, and 11.8% were multifamily units. A majority (67.6%) of the area's housing units were owner-occupied, while 23.6% were rental units. Of the 67,144 owner-occupied housing units, 15.4% were in low- and moderate-income census tracts while 84.6% were in middle- and upper-income census tracts. The median age of the housing stock was 48 years, and the median home value in the assessment area was $122,721.

There were 11,621 non-farm businesses in the assessment area. Of these, 82.7% were businesses with reported revenues of less than or equal to $1 million, 4.9% reported revenues of more than $1 million, and 12.4% did not report their revenues.

Of all the businesses in the assessment area, 96.8% were businesses with less than fifty employees, while 87.2% operated from a single location. The largest industries in the area were services (41.1%), followed by retail trade (15.5%) and construction (9.3%); 10.3% of businesses in the assessment area were not classified.

According to the New York State Department of Labor, the average annual unemployment rate for New York State and Oswego and Onondaga counties steadily declined during the evaluation period. Annual average unemployment rates for Oswego County peaked at 6.5% in 2017 and were consistently higher than the unemployment rates for Onondaga County and New York State.

Assessment Area Unemployment Rate			
	Statewide	Oswego	Onondaga
2017	4.7%	6.5%	4.7%
2018	4.1%	5.5%	4.0%
2019	4.0%	5.4%	3.9%
Average of years above	**4.3%**	**5.8%**	**4.2%**

Community Contact Information

As a part of the CRA evaluation, DFS examiners conducted a community contact interview with the manager of a charitable organization that serves several counties in upstate New York including Onondaga and Oswego counties. The organization's mission is to provide college scholarships, early childhood literacy programs, prevent and deal with lead poisoning, and improve the quality of life for LMI individuals and businesses.

The organization's representative noted that the COVID-19 has been a major crisis and providing necessities to those affected has been a key focus of the organization, which has provided $2 million in grants to frontline organizations in response to the COVID-19. As the pandemic continues, an increase in unemployment and evictions is a rising concern. The representative also noted a concern about a lack of childcare, as many of these facilities closed during the pandemic, that may impede individuals from being able to return to work. While the representative noted that local financial institutions have been receptive to community needs, more institutions need to provide nonprofit organizations with funding or lines-of-credit to allow them to continue to offer their programs and services to their communities.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

The Department evaluated FSB under the intermediate small bank performance standards in accordance with GRS Sections 76.7 and 76.12, which consist 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 of loans 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; and*
4. *Responsiveness to community development needs.*

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 any practices intended to discourage credit applications.*
3. *Evidence of prohibited discriminatory or other illegal credit practices.*
4. *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.*

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

DFS derived the demographic data referred to in this report from the 2010 U.S. Census and the FFIEC. DFS based business 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 2017, 2018 and 2019 for the lending test and the period from July 1, 2017 through March 31, 2020 for the community development test.

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

At its prior Performance Evaluation, as of December 31, 2016, DFS assigned FSB a rating of “2” reflecting a “Satisfactory” record of helping to meet the credit needs of FSB’s communities.

Current CRA Rating: Satisfactory

Lending Test: Satisfactory

FSB’s HMDA-reportable activities were reasonable in light of the Bank’s 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

FSB’s average LTD ratio was reasonable considering its size, business strategy, financial condition and peer group activity.

FSB’s average LTD ratio for the evaluation period was 53.1%, well below its peer group’s average ratio of 91%. While the Bank’s average LTD ratio decreased 8.6 percentage points from the prior evaluation’s average of 61.7%, its quarterly average LTD ratios increased from 52.2% in the first quarter of 2017 to 58.5% in the fourth quarter of 2019.

A majority of the Bank’s branch offices and operations are in Oswego County which continues to suffer from economic challenges such as high unemployment and poverty rates that impact the Bank’s lending opportunities and contribute to its low LTD ratio.

The table below shows FSB’s LTD ratios in comparison with the peer group’s ratios for the 12 quarters of this evaluation period.

Loan-to-Deposit Ratios													
	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2	2019 Q3	2019 Q4	Avg.
Bank	52.2	51.8	52.7	52.6	50.7	50.8	52.5	53.2	53.2	53.8	55.5	58.5	53.1
Peer	88.6	89.6	90.5	91.5	91.1	92.1	92.5	92.5	91.2	90.5	90.7	90.7	91.0

Assessment Area Concentration: Satisfactory

During the evaluation period, FSB originated 74.3% by number and 70.8% by dollar value of its total HMDA-reportable loans within the assessment area, demonstrating a reasonable concentration of lending.

The following table shows the percentages of FSB's HMDA-reportable loans originated inside and outside of the assessment area.

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Loans in Dollars (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		$	%	$	%	
HMDA-Reportable										
2017	146	75.6%	47	24.4%	193	15,747	72.9%	5,846	27.1%	21,593
2018	127	74.7%	43	25.3%	170	11,393	69.5%	5,011	30.5%	16,404
2019	137	72.5%	52	27.5%	189	15,999	69.8%	6,931	30.2%	22,930
Grand Total	410	74.3%	142	25.7%	552	43,139	70.8%	17,788	29.2%	60,927

Distribution by Borrower Characteristics: Satisfactory

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

During the evaluation period, FSB originated 33.9% by number and 23.8% by dollar value of its one-to-four family loans to LMI individuals, which was comparable to the aggregate's ratios of 32.8% and 23.9% respectively. The Bank's lending rates to LMI borrowers for 2017 and 2018 exceeded the aggregate's lending rates; however, in 2019, FSB's rates trailed the aggregate's rates. Both the Bank's and the aggregate's rates were just below the percentage of LMI families (demographics) living in the assessment area.

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

Distribution of 1-4 Family Loans by Borrower Income									
2017									
Borrower Income	**Bank**				**Aggregate**				**Fam.Dem.**
	#	%	$000's	%	#	%	$000's	%	%
Low	12	8.7%	693	4.5%	337	7.2%	19,404	3.4%	20.1%
Moderate	34	24.6%	2,662	17.4%	1,034	22.0%	88,529	15.7%	17.4%
LMI	46	33.3%	3,355	22.0%	1,371	29.1%	107,933	19.1%	37.5%
Middle	34	24.6%	3,401	22.3%	1,314	27.9%	134,231	23.7%	20.9%
Upper	58	42.0%	8,505	55.7%	1,899	40.3%	272,332	48.1%	41.6%
Unknown	0	0.0%	0	0.0%	123	2.6%	51,096	9.0%	0.0%
Total	**138**		**15,261**		**4,707**		**565,592**		
2018									
Borrower Income	**Bank**				**Aggregate**				**Fam.Dem.**
	#	%	$000's	%	#	%	$000's	%	%
Low	13	10.3%	645	5.7%	485	9.5%	34,925	6.0%	20.1%
Moderate	36	28.6%	2,388	21.2%	1,225	24.0%	114,175	19.7%	17.4%
LMI	49	38.9%	3,033	26.9%	1,710	33.5%	149,100	25.7%	37.5%
Middle	43	34.1%	3,831	34.0%	1,358	26.6%	147,990	25.5%	20.9%
Upper	34	27.0%	4,411	39.1%	1,912	37.5%	270,170	46.6%	41.6%
Unknown	0	0.0%	0	0.0%	121	2.4%	12,875	2.2%	0.0%
Total	**126**		**11,275**		**5,101**		**580,135**		
2019									
Borrower Income	**Bank**				**Aggregate**				**Fam.Dem.**
	#	%	$000's	%	#	%	$000's	%	%
Low	11	8.0%	723	4.5%	560	10.7%	41,520	6.6%	20.1%
Moderate	30	21.9%	3,023	18.9%	1,304	24.8%	126,290	19.9%	17.4%
LMI	41	29.9%	3,746	23.4%	1,864	35.5%	167,810	26.5%	37.5%
Middle	42	30.7%	4,451	27.8%	1,410	26.8%	164,720	26.0%	20.9%
Upper	54	39.4%	7,802	48.8%	1,840	35.0%	282,890	44.7%	41.6%
Unknown	0	0.0%	0	0.0%	143	2.7%	17,755	2.8%	0.0%
Total	**137**		**15,999**		**5,257**		**633,175**		
GRAND TOTAL									
Borrower Income	**Bank**				**Aggregate**				**Fam.Dem.**
	#	%	$000's	%	#	%	$000's	%	%
Low	36	9.0%	2,061	4.8%	1,382	9.2%	95,849	5.4%	
Moderate	100	24.9%	8,073	19.0%	3,563	23.7%	328,994	18.5%	
LMI	136	33.9%	10,134	23.8%	4,945	32.8%	424,843	23.9%	
Middle	119	29.7%	11,683	27.5%	4,082	27.1%	446,941	25.1%	
Upper	146	36.4%	20,718	48.7%	5,651	37.5%	825,392	46.4%	
Unknown	-	0.0%	-	0.0%	387	2.6%	81,726	4.6%	
Total	**401**		**42,535**		**15,065**		**1,778,902**		

Geographic Distribution of Loans: Outstanding

FSB's origination of loans in census tracts of varying income levels demonstrated an excellent distribution of lending.

During the evaluation period, FSB originated 20.5% by number and 14.9% by dollar value of its HMDA-reportable loans in LMI census tracts, exceeding the aggregate's rates of 13.1% and 12.2%, respectively. In addition, the Bank's rate of lending in LMI census tracts by number of loans exceeded the LMI owner-occupied demographics of 15.4% during the evaluation period.

The following table provides a summary of the distribution of FSB's HMDA-reportable loans by the income level of the geography where the property was located.

Distribution of HMDA-Reportable Lending by Geographic Income of the Census Tract									
2017									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	$000's	%	#	%	$000's	%	%
Low	0	0.0%	0	0.0%	7	0.1%	579	0.1%	0.2%
Moderate	33	22.6%	2,383	15.1%	690	14.1%	117,637	16.0%	15.2%
LMI	33	22.6%	2,383	15.1%	697	14.2%	118,216	16.0%	15.4%
Middle	103	70.5%	11,905	75.6%	2,777	56.7%	382,817	52.0%	58.8%
Upper	10	6.8%	1,459	9.3%	1,420	29.0%	235,730	32.0%	25.7%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	**146**		**15,747**		**4,894**		**736,763**		
2018									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	$000's	%	#	%	$000's	%	%
Low	0	0.0%	0	0.0%	15	0.3%	4,515	0.7%	0.2%
Moderate	24	18.9%	1,817	15.9%	631	12.3%	54,915	9.0%	15.2%
LMI	24	18.9%	1,817	15.9%	646	12.6%	59,430	9.7%	15.4%
Middle	87	68.5%	7,789	68.4%	2,909	56.9%	340,715	55.8%	58.8%
Upper	16	12.6%	1,787	15.7%	1,560	30.5%	209,920	34.4%	25.7%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	**127**		**11,393**		**5,115**		**610,065**		
2019									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	$000's	%	#	%	$000's	%	%
Low	0	0.0%	0	0.0%	7	0.1%	7,255	1.0%	0.2%
Moderate	27	19.7%	2,244	14.0%	660	12.5%	68,990	9.3%	15.2%
LMI	27	19.7%	2,244	14.0%	667	12.6%	76,245	10.3%	15.4%
Middle	90	65.7%	10,894	68.1%	2,952	55.9%	409,420	55.3%	58.8%
Upper	20	14.6%	2,861	17.9%	1,661	31.5%	254,405	34.4%	25.7%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	**137**		**15,999**		**5,280**		**740,070**		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	$000's	%	#	%	$000's	%	%
Low	0	0.0%	0	0.0%	29	0.2%	12,349	0.6%	
Moderate	84	20.5%	6,444	14.9%	1,981	13.0%	241,542	11.6%	
LMI	84	20.5%	6,444	14.9%	2,010	13.1%	253,891	12.2%	
Middle	280	68.3%	30,588	70.9%	8,638	56.5%	1,132,952	54.3%	
Upper	46	11.2%	6,107	14.2%	4,641	30.4%	700,055	33.5%	
Unknown	-	0.0%	-	0.0%	-	0.0%	-	0.0%	
Total	**410**		**43,139**		**15,289**		**2,086,898**		

<u>Action Taken in Response to Written Complaints with Respect to CRA</u>: N/A

Neither DFS nor FSB received any written complaints during the evaluation period regarding the Bank's CRA performance.

<u>Community Development Test</u>: Satisfactory

FSB's community development performance demonstrated reasonable responsiveness to the community development needs of its assessment area through community development loans, investments and services, considering FSB's capacity, and the need for and availability of opportunities for community development in its assessment area.

<u>Community Development Lending</u>: Satisfactory

During the evaluation period, FSB originated $1.4 million in new community development loans and had $1.2 million outstanding from prior evaluation periods. This demonstrated a reasonable level of community development lending over the course of the evaluation period.

The majority of the Bank's community development loans were for the purpose of economic development.

Community Development Loans				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
Purpose	# of Loans	$000	# of Loans	$000
Affordable Housing	1	153	0	0
Economic Development	10	1,278	2	786
Community Services			1	439
Revitalize/Stablize			0	0
Total	11	1,431	3	1,225

Below are highlights of FSB's community development lending.

- FSB made a $600,000 loan to establish a start-up business located in moderate-income census tracts in Oswego County; the business will help support economic development by employing and creating job opportunities for low- and moderate-income residents of Oswego County.

- The bank originated a $100,000 loan for the renovation of a motel in middle-income census tracts in Oswego County adjacent to moderate-income census tracts. The motel will provide employment opportunities for low- and moderate-income individuals.

- FSB made a $357,000 commercial mortgage for the purchase of 14 residential units, one of which is a multifamily building containing seven rental units; six of the units are rented at lower or within the U.S. Department of Housing and Urban Development fair market rent guidelines for Oswego County; as a result, DFS credited $153,510 of the loan as community development that supports affordable housing.

Qualified Investments: Satisfactory

During the evaluation period, FSB made $1.7 million in new community development investments and had no outstanding investments from prior evaluation periods. In addition, FSB made $245,000 in qualified grants. This demonstrated a reasonable level of community development investments over the course of the evaluation period.

Community Development Investments and Grants				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
CD Investments	# of Inv.	$000	# of Inv.	$000
Community Services	2	329		
Revitalize/Stablize	1	1,401		
Total	3	1,730	0	0
CD Grants	# of Grants	$000	Not Applicable	
Community Services	25	175		
Revitalize/Stablize	6	70		
Total	31	245		

Below are highlights of FSB's qualified investments and grants.

- FSB invested in three public improvement bonds for the City of Fulton totaling $1.4 million. The bonds help revitalize the City of Fulton, which has a poverty rate of 24%, and is comprised mostly of moderate-income census tracts.

- FSB made $40,000 in grants to an organization that offers matching funds up to $1,000 to neighborhood home and property owners for exterior improvements to help revitalize the neighborhood. The organization serves targeted neighborhoods located in the City of Fulton.

- FSB, in partnership with two local higher education institutions, provided $82,000 in scholarships to high school students based on merit and financial need.

Community Development Services: Satisfactory

FSB demonstrated a reasonable level of community development services over the course of the evaluation period, with trustees of the board and senior management actively serving on the board and committees of nonprofit and other local organizations.

Summary of Community Development Services	
Activity Type	Number of Activities
On-Going Board and Committee Memberships	16
Technical Assistance	0
Seminars	0
Credit/Counseling Programs	0
Other Services	0
Total CD Services	**16**

Below are examples of FSB's community development services:

- A trustee serves as a board member of an organization that aims to stop hunger, help children succeed, and provide health and wellness to the community.

- A trustee serves as a board member of a nonprofit organization that is dedicated to caring for those in need while promoting human development services and the elimination of poverty and injustice.

- A trustee serves as a board member of an organization that promotes economic development and develops educational programs to enhance the developmental skills of its members.

Innovativeness of Community Development Investments:

FSB did not use innovative investments to support community development needs.

Responsiveness to Community Development Needs:

FSB demonstrated a reasonable level of responsiveness to credit and community development needs. The majority of the Bank's community developments loans were made for the purpose of economic development and geared toward providing employment for residents of the assessment area, which has areas of high unemployment.

Additional Factors

The extent of participation by the banking institution's Board of Trustees in formulating the banking institution's policies and reviewing its performance with respect to the purposes of the CRA.

FSB's Board of Trustees reviews and ratifies the CRA policy annually and is kept abreast of the Bank's CRA activity by its board's Executive Committee. During the committee's monthly meetings, the CRA officer presents monthly status reports relating to all CRA activities and in its quarterly meetings the committee is provided a more in-depth analysis, which includes the CRA Performance Report and CRA Quarterly reports.

Discrimination and other illegal practices

- *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 FSB intended to discourage applications for the types of credit offered by the Bank.

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

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

Record of opening and closing offices and providing services at offices

During the evaluation period, the Bank closed one branch located in a middle-income census tract in Oswego County.

FSB operates six branches, of which four are located in Oswego County and two in Onondaga County. One branch is in a moderate-income census tract, and the other five are in middle-income census tracts. FSB's hours of operations are Monday through Wednesday 9:00 AM to 4:00 PM, with extended hours to 5:00 PM on Thursday and Friday and drive-thru/walk-up windows open from 8:00 AM to 5:00 PM. All branches offer Saturdays hours from 9:00 AM to 12:00 PM and have on-site ATMs accessible 24 hours a day; in addition, FSB has five off-site ATMs at various locations within its assessment area. Three of the off-site ATMs are in moderate-income areas, and two are in the middle-income census tracts. None of the bank's ATMs have deposit taking capabilities.

Products and services that benefit LMI customers include:

- The "Totally Free Checking Account" is an account that requires no minimum balance, has no monthly service charge, and allows unlimited check writing.

- The "50+ Free Interest Checking Account" is specifically for seniors. This account offers competitive interest rates, requires no minimum balance, has no monthly service charge, no per check charge and an easy-to-balance monthly statement.

- Flexible lending programs such as the "Homebuyer Dream Program", which provides grants to first-time homebuyers earning less than 80% of the area median income to assist with the down payment or closing costs.

Distribution of Branches within the Assessment Area							
County	**N/A #**	**Low #**	**Moderate #**	**Middle #**	**Upper #**	**Total #**	**LMI %**
Oswego			1	3		4	25%
Onondaga				2		2	0%
Total			**1**	**5**		**6**	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*.

  FSB trustees and senior management are members of boards or committees of various local organizations that operate programs and offer services that help to revitalize and stabilize areas within the Bank's assessment area or provide affordable housing to residents. These ongoing relationships allow the Bank to ascertain the credit needs of its community and offer responsive products and services.

- *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*

  FSB's marketing activities are overseen by the Officers Marketing Committee and Trustees Planning and Marketing Committee. The Bank primarily markets its products and services via newspaper ads; direct and electronic mailings; seminars; and community involvement by the Bank's trustees, officers and employees.

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

In addition, to its community development activities within its assessment area, FSB also made a $326,000 community development loan to help refinance two multifamily properties containing 33 residential rental units located in moderate-income census tracts in Onondaga County, but outside the Bank's assessment area. All the units were rented at or below the HUD fair market guidelines for the area.

GLOSSARY

Aggregate Lending

"Aggregate lending" means 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.

Banking Development District ("BDD") Program

The BDD Program is a program designed to encourage the establishment of bank branches in areas across New York State where there is a demonstrated need for banking services, in recognition of the fact that banks can play an important role in promoting individual wealth, community development, and revitalization. Among others, the BDD Program seeks to reduce the number of unbanked and underbanked New Yorkers and enhance access to credit for consumers and small businesses. More information about the program, may be found at https://www.dfs.ny.gov and search for the BDD Program.

Community Development

"Community development" means:

- Affordable housing (including multifamily housing) for LMI individuals;
- Community services targeted to LMI individuals;
- 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;
- Activities that revitalize or stabilize LMI geographies, designated disaster areas, or distressed or underserved metropolitan middle-income geographies designated by the Board of Governors of the federal Reserve System, FDIC and the Office of Comptroller of the Currency; and
- Activities that seek to prevent defaults and/or foreclosures in loans included in the first and third bullet points above.

Community Development Loan

"Community development loan" means 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 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.

<u>Community Development Service</u>

"Community development service" means a 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.

Community Development Financial Institution ("CDFI")

A CDFI is a financial institution that provides credit and financial services to underserved markets and populations and has a primary mission of community development, serves a target market, is a financing entity, provides development services, remains accountable to its community, and is a non-governmental entity. CDFIs are certified as such by United States Treasury Department's CDFI Fund.

Geography

"Geography" means a census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act ("HMDA")

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

Income Level

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

Income level of individual or geography	% of the area median income
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.

LMI Geographies

"LMI geographies" means those census tracts or block numbering areas where, according to the most current U.S. Census, the median family income is less than 80% of the area median family income. In the case of tracted areas that are part of a MSA or Primary Metropolitan Statistical Area ("PMSA"), this would relate to the median family income for the MSA or PMSA in which the tracts are located. In the case of Block Numbering Areas ("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

"LMI borrowers" means 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 Federal Financial Institutions Examination Council ("FFIEC").

LMI Individuals/Persons

"LMI individuals" or "LMI persons" means 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 the FFIEC.

LMI Penetration Rate

"LMI penetration rate" means the percentage of a bank's total loans (for a particular product) that was extended to LMI geographies or borrowers. For example, if a bank made 20 out of a total of 100 loans in LMI geographies or to LMI borrowers, the penetration rate would be 20%.

Low-Income Housing Tax Credit ("LIHTC")

LIHTC were 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. The tax credits 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.

Minority Depository Institutions ("MDIs")

An MDI is defined as a federal insured depository institution for which (1) 51 percent or more of the voting stock is owned by minority individuals; or (2) a majority of the board of directors is minority and the community that the institution serves is predominantly minority. For more of MDIs, go to FDIC.gov (Minority Depository Institutions Program) including list of MDIs.

New Markets Tax Credit ("NMTC")

The NMTC Program was established by Congress in December 2000 to stimulate economic and community development and job creation in low-income communities. It permits 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 CDFI Fund, an agency of the United States Department of the Treasury.

Qualified Investment

"Qualified investment" means 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.

Paycheck Protection Program ("PPP") Loans

The Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") temporarily permits the U.S. Small Business Administration ("SBA") to guarantee 100% of 7(a) loans under a new program titled the "Paycheck Protection Program". The intent of the PPP is to help small business cover payroll costs providing for forgiveness of up to the full principal of qualifying loans guaranteed under the PPP subject to certain rules including how much or percentage of the loan proceeds a borrower spends on payroll costs. A small business owner can apply through any existing SBA 7(a) lender or through any federally insured depository institution, federally insured credit union, and Farm Credit System institution that is participating. Any amount of the PPP loan that is not forgiven shall be repaid over a 5-year term at a fixed interest rate of 1%.