



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

January 04, 2013

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Seneca FS&LA  
Charter Number 703552

35 Oswego Street  
Baldwinsville, NY 13027-2425

Office of the Comptroller of the Currency

Syracuse Field Office  
5000 Brittonfield Parkway, Suite 102  
East Syracuse, NY 13057

**NOTE:** This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income (LMI) neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

**INSTITUTION'S CRA RATING: This institution is rated Satisfactory.**

**The Lending Test is rated: Satisfactory.**

- Seneca Federal Savings & Loan Association (Seneca) had a reasonable average loan-to deposit ratio during the evaluation period.
- A substantial majority of home mortgage loans originated during the evaluation period were inside the bank's assessment area (AA).
- The bank met the standard for satisfactory performance for the distribution of home mortgage loans to borrowers of different income levels within the AA.
- The bank met the standard for satisfactory performance for the geographic distribution of home mortgage loans within the AA.

## **SCOPE OF EXAMINATION**

The evaluation period covers the time period from July 25, 2007, through January 7, 2013. The loans included in the review were originated during the time period of January 1, 2010, through December 31, 2011. This time period was representative of the entire evaluation period, as no strategic changes or changes in lending standards took place. We determined that residential mortgage loans are the bank's primary product. For purposes of this evaluation, residential loans are loans originated for the purpose of home purchase, home refinance, and home improvement reported pursuant to the Home Mortgage Disclosure Act (HMDA). Our review evaluated the bank's distribution of loans originated during the evaluation period by income designation of geographies and to borrowers of different income levels. We also evaluated the amount of loans originated in the bank's AA and the bank's average loan-to-deposit ratio. As part of the examination, we also validated the accuracy of the HMDA Loan Application Register (LAR).

## **DESCRIPTION OF INSTITUTION**

Seneca is a federally chartered mutual savings bank headquartered in Onondaga County, in the village of Baldwinsville, New York (NY). The bank also maintains branch locations in Liverpool and North Syracuse, NY. All locations are in middle-income geographies.

The bank offers a variety of mortgage loan products including: one to three year, and five/one and ten/one adjustable rate mortgages, six to thirty year fixed rate mortgages, and construction financing to permanent mortgage financing loans. The various fixed and adjustable rate residential mortgage products are available for the purchase, refinance, and improvement of one-to-four family dwellings. Home equity loans are also offered; however, management does not offer a home equity line of credit. Additionally,

Seneca offers a variety of secured and unsecured consumer loan products including: auto and recreational vehicle loans, home improvement loans, checking lines of credit and savings account loans. Management also makes commercial and commercial real estate loans, including multifamily residential mortgage loans. Deposit products offered include: NOW accounts, passbook savings, personal and business checking, Holiday Club, money market, certificates of deposit, and individual retirement accounts. The bank offers a number of different account access alternatives including automated clearing house (ACH) debits and credits, wire transfers, automatic in-house loan payments, debit cards, and online banking.

The bank participates in a variety of community development housing programs offered by Onondaga County Community Development (OCCD) and the Federal Home Loan Bank of NY (FNLB NY). Through the OCCD, the bank provides reduced rate home improvement loans. The bank also participates in the OCCD's Home Ownership Program and The FHLB's First Home Club Program. All programs promote either home ownership or home improvement for low- and moderate-income individuals.

As of September 30, 2012, Seneca had total assets of \$147.1 million and a total loan portfolio of \$86.6 million. Interest bearing balances and investments comprise the bulk of the remaining total assets. Since the prior evaluation, assets increased \$19 million, or 14.1%, while loan balances increased by approximately \$6.6 million, or 8.27%. Table 1 shows the dollar amount, percentage to total loans, and percentage to total assets of each loan category.

<b>Loan Category</b>	<b>Amount (\$000's)</b>	<b>Percent of Total Loans</b>	<b>Percent of Total Assets</b>
Residential Mortgage	72,298	83.45	49.15
Nonresidential Mortgage	5,296	6.11	3.60
Land	0	0.00	0.00
Commercial Non-mortgage	7,659	8.84	5.21
Consumer Non-mortgage	1,384	1.60	0.94
Total	86,637	100.00	58.90

Seneca offers non-deposit investment products through its Financial Quest Division, and insurance products through a wholly owned subsidiary, Financial Quest Incorporated. These products are available at all banking offices and at a non-banking facility located in Canastota, New York.

There were no legal, financial, or other factors that would impede the bank's ability to help meet the credit needs in its AA. At the last CRA evaluation dated July 24, 2007, Seneca received a rating of "Satisfactory" CRA performance from The Office of Thrift Supervision (OTS).

## DESCRIPTION OF ASSESSMENT AREA

Seneca’s AA is defined as Onondaga County, NY. Onondaga County is one of three counties located in the Syracuse, NY, Metropolitan Statistical Area (MSA), #45060, and contains 144 geographies (census tracts). Table 2 illustrates demographic data on population, families, and housing units within the AA.

<b>Table 2 - Demographic Data (Based on 2000 U.S. Census Data)</b>	
<b>Demographic Data</b>	<b>2000 Census</b>
Population	458,336
Total Families	116,136
1-4 Family Units	156,827
Multi-family Units	37,068
% Owner-Occupied Units	59%
% Rental-Occupied Units	33%
% Vacant Housing Units	8%
Weighted Average Median Housing	\$84,771

Table 3 indicates the number of geographies designated in each income level and compares it to the distribution of families living in those geographies and to 1-4 family dwellings located within those geographies.

<b>Table 3 - Distribution of Geographies, Families and Housing Units In the Assessment Area</b>						
<b>Geog Inc Level</b>	<b>Geographies</b>		<b>Total Area Families</b>		<b>1-4 Family Dwellings</b>	
<b>2000 Census:</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	21	14.6%	9,346	8.0%	13,213	8.4%
Moderate	23	16.0%	13,415	11.6%	21,221	13.5%
Middle	56	38.8%	50,194	43.2%	67,265	42.9%
Upper	44	30.6%	43,181	37.2%	55,128	35.2%
Total	144	100.0%	116,136	100.0%	156,827	100.0%

According to 2000 census data, 36.7% of the families in the AA are designated as low- or moderate-income (LMI), with 12.26% of the households reporting income below the poverty level. The Department of Housing and Urban Development (HUD) annually adjusts the 2000 census data to update the income levels. The adjusted figures are used in the Lending to Borrowers of Different Incomes section of this Performance Evaluation. Table 3(a) indicates the median family income ranges of each income category, based on the 2011 HUD adjustment. Table 3(b) reflects the updated HUD median family income from 2008 and Table 3(c) shows the distribution of families in each income range of the AA.

*Note: All demographic information throughout this report reflect updated U.S. census data resulting from the 2004 MSA boundary changes implemented by the Office of Management and Budget (OMB).*

Income Category (As % of MSA Median)	Income Ranges	
	From	To
Low (< 50%)	\$1	\$32,849
Moderate (50% - 79%)	\$32,850	\$52,559
Middle (80% - 119%)	\$52,560	\$78,833
Upper (>= 120%)	\$78,840	+

Year	Amount
2008	\$61,000
2009	\$63,700
2010	\$64,300
2011	\$65,700

\* Based on HUD 2011 Median Family Income of the MSA

Family Income Category (As a % of MSA Median)	2000 Census Data	
	Number	Percent
Low (< 50%)	22,820	19.6%
Moderate (50% - 79%)	19,877	17.1%
Middle (80% - 119%)	24,458	21.1%
Upper (>= 120%)	48,981	42.2%
Total	116,136	100.0%

According to 2011 census estimates, the County’s population has increased 0.2% since the 2000 census. In 2010 the largest employers included: SUNY Upstate Medical University, Syracuse University, Wegman’s, and St. Joseph’s Medical Center. Five of the top ten employers provide healthcare related services. Since the last evaluation, job opportunities have declined. The unemployment rate in Onondaga County was 4.1% in June of 2007. Between June 2007 and February 2009 the unemployment level increased to 7.8%, an effect of the economic recession. Since February 2009, the unemployment rate has been as high as 8.8% and as low as 7.2%. The rate of unemployment as of November 2012 was 7.4%.

Low-income census tracts are concentrated in the City of Syracuse. Owner occupancy in low-income tracts is very low at 16.15%, with 66% renter-occupied and 18.27% vacant. Moderate-income tracts located in and on the edge of the City also have a lower level of owner occupants at 33.37%, with rentals at 54.6% and vacant units at 12%. The availability of safe and affordable single-family housing in low- and moderate-income geographies is somewhat limited. Between 2007 and 2011, the median value of an occupied home in Onondaga County was \$128.5 thousand. Without lender concessions, low- and moderate-income persons would have difficulty affording a home. Real estate taxes also play a role in this conclusion. While the median price of a home appears affordable, Onondaga County has property tax rates, that when compared to the median market value, are in the highest 2% of the country.

Seneca faces significant competition for deposit and loan customers. As of June 30, 2012, there were 18 FDIC-insured institutions in Onondaga County. These financial institutions had 129 offices. Most of these banks have a larger branch network

providing a greater opportunity to low- and moderate-income borrowers to visit a branch to discuss borrowing needs. In 2011, the total deposit base in the County was \$8.5 billion. Seneca’s share was \$117 million, or 1.4%, of total deposits. The bank ranked eleventh amongst FDIC banks accepting deposits in Onondaga County. There were also at least 21 credit unions with 60 branches serving Onondaga County.

We contacted a local community development organization that focuses on home improvement and home ownership for LMI borrowers. The organization is located in the City of Syracuse and serves geographies outside of the city. Its director provided insights into community credit needs and how financial institutions were meeting those needs. The contact reported that he prefers to deal with local banks because they respond more efficiently. He then identified three local banks, including Seneca, as being good partners in the process of funding loans to LMI borrowers.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

The institution’s average loan-to-deposit ratio during the evaluation period was reasonable. Since the last evaluation through September 30, 2012, Seneca’s quarterly average loan-to-deposit ratio was 77.53%. Two similarly situated institutions having the same AA as the bank, but somewhat larger in asset size than Seneca, had average quarterly loan-to-deposit ratios between 71% and 108%.

### Lending in Assessment Area

A substantial majority of home mortgage loans originated during the evaluation period were inside the bank’s AA. Approximately 85% of the number and 84% of the dollar amount of loans originated were in the AA. Refer to Table 4 below.

Period By Year	In Assessment Area		Outside Assessment Area		Total HMDA Loans
	#	%	#	%	#
<i>By Number:</i>					
2010	92	85.19	16	14.81	108
2011	89	83.96	17	16.04	106
Total	181	84.58	33	15.42	214
<i>By \$ Amount:</i>	<b>\$ Amt</b>	<b>%</b>	<b>\$ Amt</b>	<b>%</b>	<b>\$ Amt</b>
2010	10,327	86.70	1,584	13.30	11,911
2011	10,429	82.02	2,286	17.98	12,715
Total	20,756	84.28	3,870	15.72	24,626

Seneca ranked 33rd out of 190 lenders granting loans in the AA in 2011. The bank has an AA market share of .74% by count and .72% by dollars. This is relatively consistent with the last evaluation when the bank ranked 34th.

**Lending to Borrowers of Different Incomes and to Businesses of Different Sizes**

Seneca met the standard for satisfactory performance during the evaluation period for the distribution of home mortgage loans to borrowers of different income levels. Tables 5 and 6 illustrate loan originations, categorized by loan type and borrower income level, during the review period. Table 5 compares the percentage of bank loans made by borrower income category to the aggregate industry percentage of loans originated by borrower income category in the AA area during 2011. Table 6 compares the percentage of bank loans made by borrower income category to the percentage of families in the AA having the respective income designation.

Table 5 – Borrower Distribution of HMDA-Reportable Loans in AA (compared to aggregate industry HMDA data)								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% Aggregate Data	% of Number of Loans	% Aggregate Data	% of Number of Loans	% Aggregate Data	% of Number of Loans	% Aggregate Data	% of Number of Loans
Home Purchase	10.46	9.76	27.34	24.39	26.78	17.07	35.41	48.78
Home Improvement	10.39	0.00	24.81	25.00	24.55	31.25	40.25	43.75
Home Refinance	5.55	6.78	17.75	15.25	21.06	25.42	42.18	52.54

Source: Aggregate HMDA data 2010-2011

The percentage of loans made by the bank to low-income borrowers is in line with the aggregate industry distribution for home purchase loans and exceeds the aggregate distribution for home refinance loans. The percentage of home improvement loans made by the bank is below the aggregate distribution percentage. With respect to moderate-income borrowers, the percentage of loans made by the bank is near the aggregate industry percentages for home purchase and home refinance loans and in line with the aggregate distribution for home improvement loans. Refer to Table 5 above.

<b>Table 6 - Borrower Distribution of HMDA-Reportable Loans in AA (Compared to family distribution in AA)</b>								
<b>Borrower Income Level</b>	<b>Low</b>		<b>Moderate</b>		<b>Middle</b>		<b>Upper</b>	
<b>Loan Type</b>	<b>% of AA Families</b>	<b>% of Number of Loans</b>	<b>% of AA Families</b>	<b>% of Number of Loans</b>	<b>% of AA Families</b>	<b>% of Number of Loans</b>	<b>% of AA Families</b>	<b>% of Number of Loans</b>
Home Purchase	19.65	9.76	17.12	24.39	21.06	17.07	42.18	48.78
Home Improvement	19.65	0.00	17.12	25.00	21.06	31.25	42.18	43.75
Home Refinance	19.65	6.78	17.12	15.25	21.06	25.42	42.18	52.54

Source: Aggregate HMDA data 2010-2011; 2000 U.S. Census data

The percentage of loans made by the bank to low-income borrowers is below the percentage of low-income families in the AA for each loan type, as shown in Table 6. However, management's ability to lend to low-income borrowers is somewhat impacted by the 12.26% of households living below the poverty level, as these households typically do not have an income which would support purchasing or owning a home. The percentage of loans made by the bank to moderate-income borrowers exceeds the percentage of moderate-income families in the AA for home purchase and home improvement loans and is near the standard for home refinance loans. Refer to Table 6 above.

The bank's performance in this area is supported by its participation in the OCCD's Home Ownership Program. This program focuses on helping LMI borrowers purchase homes outside of the City of Syracuse with grants to offset down payments and to increase equity from the bank's lending perspective. In some cases, Seneca contributed an additional \$1,000 to help offset closing costs.

### **Geographic Distribution of Loans**

Seneca met the standard for satisfactory performance during the evaluation period for the distribution of home mortgage loans to geographies of different income levels in the AA. Tables 7 and 8 illustrate loan originations during the evaluation period categorized by loan type and census tract income designation. Table 7 compares the percentage of bank loans made to the aggregate industry percentage of loans made in each census tract designation. Table 8 compares the percentage of bank loans made to the percentage of owner-occupied units in each census tract designation.



Table 7 – Geographic Distribution of HMDA-Reportable Loans (compared to aggregate lending data)								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% Aggregate Lending Data	% of Number of Loans	% Aggregate Lending Data	% of Number of Loans	% Aggregate Lending Data	% of Number of Loans	% Aggregate Lending Data	% of Number of Loans
Home Purchase	1.41	0.00	6.39	3.49	50.82	51.16	41.38	45.35
Home Improvement	3.14	2.86	7.44	0.00	51.03	47.27	38.38	51.03
Home Mortgage Refinance	1.19	0.00	3.69	3.33	43.44	56.67	51.67	40.00

Source: Aggregate HMDA data 2010-2011

Table 8 – Geographic Distribution of HMDA-Reportable Loans (compared to owner-occupied unit distribution)								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% Owner occupied units	% of Number of Loans	% Owner occupied units	% of Number of Loans	% Owner occupied units	% of Number of Loans	% Owner occupied units	% of Number of Loans
Home Purchase	3.37	0.00	8.38	3.49	47.27	51.16	40.98	45.35
Home Improvement	3.37	2.86	8.38	0.00	47.27	47.27	40.98	51.03
Home Mortgage Refinance	3.37	0.00	8.38	3.33	47.27	56.67	40.98	40.00

Source: Aggregate HMDA data 2010-2011; 2000 U.S. Census data

The bank's lending in low-income geographies is in line with the aggregate industry distribution for home improvement loans, but below the standard for home purchase and home refinance. Regarding moderate-income geographies, the bank's lending is in line with the standard for home refinance loans, but below the standard for home purchase and home improvement loans. With respect to the bank's geographic distribution of loans when compared to the percentage of owner-occupied units within the designated geographies, the bank's distribution is below the comparator in both low- and moderate-income census tracts for all loan types. Refer to Tables 7 and 8 above.

The bank's size, branch locations, competition, and available lending opportunities contribute to areas of lower penetration. The bank's three offices are located in suburbs outside of the City of Syracuse, and there is no outside sales force. However, a majority, or 41 of 44, of the low- and moderate-income geographies in the AA, are located in or near the City of Syracuse. Additionally, the City is currently served by 74 branch offices of 14 FDIC-insured financial institutions and numerous credit unions. Furthermore, 65.58% of the housing units in the city are rental-occupied and 18.27% are vacant, which limits owner-occupied lending opportunities in those geographies. Owner-occupied properties account for only 16.7% of 1-4 family properties in the low-income tracts, and only 11.63% of the AA's population lives in low-income tracts. The

number and market share of loans made by the top lenders is also an indication of the difficulty Seneca faces in lending in the low-income geographies. The top low-income geography home purchase lender closed only nine loans in 2011, representing a 10.98% market share. In the same year, the top home refinance lender closed only 16 loans representing 23.88% market share.

### **Community Development Loans**

During the evaluation period, the bank renewed a \$250M line of credit to a not-for-profit community development organization for the purpose of funding improvements to homes that will eventually be sold to LMI borrowers.

### **Responses to Complaints**

Seneca received no complaints pertaining to its CRA performance since the prior examination.

### **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.