



PUBLIC DISCLOSURE

February 24, 2017

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Geddes FS & LA
Charter Number 705278

2208 W Genesee St. Syracuse, NY 13219-1620

Office of the Comptroller of the Currency

5000 Brittonfield Parkway Suite 102B 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 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 Needs to Improve.

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Needs to Improve

- The bank's community development (CD) loan, investment, and service activities demonstrated poor responsiveness to the CD needs of its assessment area (AA) during the evaluation period.
- The bank had reasonable penetration of home mortgage loans to borrowers of different income levels within the AA.
- The bank had reasonable dispersion of home mortgage loans among census tracts of different income designations within the AA.

Scope of Examination

The evaluation covers the time period between November 26, 2012, and February 24, 2017. The loans sampled for the lending test portion of the evaluation were originated during the time period from January 1, 2015, through December 31, 2016 (the lending test period). Based on discussions with management, the lending test period is representative of the entire evaluation period, as the bank operated under the same lending and deposit gathering strategies throughout the evaluation period.

Based on loan originations during the lending test period, a comparison of loan volume changes in Call Report data since the last evaluation, and discussions with management, the bank's primary product is home mortgage loans. For purposes of this evaluation, home mortgage loans include loans originated for the purpose of home purchase, home refinance, and home improvement, as reported pursuant to the Home Mortgage Disclosure Act (HMDA). We evaluated the bank's distribution of loans originated during the lending test period to the aggregate distribution by income designation of census tracts and borrowers of different income levels. We also compared the level of loans originated to borrowers of different income levels and in different census tract income designations to family income levels and owner-occupied housing levels in the AA. Additionally, we evaluated the amount of loans originated in the bank's AA and the bank's average loan-to-deposit ratio. Finally, we evaluated the bank's overall performance in providing CD loans, investments, and services, based on CD data since the date of the bank's last CRA performance evaluation.

Description of Institution

Geddes Federal Savings & Loan Association (Geddes) is a \$539 million federally chartered mutual savings bank headquartered in the Village of Solway, New York, in Onondaga County. The bank has one branch located approximately 15 miles across

town in Manlius, New York, also in Onondaga County. The Solvay headquarters houses a branch, the bank's mortgage center, and administrative offices. Both locations have drive-thru facilities and a 24-hour automated teller machine (ATM). The institution offers a number of account access alternatives including three off-site non-depository ATMs located in Rite Aid stores within Onondaga County, bank by mail, debit cards, online banking with bill-pay systems, and mobile banking. Deposit products include passbook and statement savings accounts, personal and business checking accounts, club accounts, money market accounts, and certificates of deposit. The bank also offers both standard and Roth IRA savings accounts. For education purposes, the bank offers Coverdell education savings accounts. These are accounts where interest is tax free when the funds are used for qualified higher education expenses. On the lending side, the bank offers a variety of residential real estate loan products including mortgage loans with bi-weekly payments to purchase, refinance, improve and construct one-to-four family dwellings. Management also offers home equity loans and lines of credit. Management has chosen not to offer unsecured home improvement loans. While the bank offers commercial and consumer loan products, these portfolios are a very small portion of the bank's overall loan portfolio.

The bank's lending strategy focuses on residential mortgages that are fully retained in the bank's loan portfolio. As of December 31, 2016, the bank's loan portfolio was centered in residential mortgages including construction loans. These loans account for 95% of total loans, or approximately \$472 million of the bank's \$497 million loan portfolio. Home equity lines of credit (HELOC) and home equity loans are the next largest with outstanding obligations of \$21 million, or 4% of the loan portfolio. Commercial mortgages, including construction loans, and consumer loans account for approximately 1% of the loan portfolio in aggregate. Since the previous evaluation, total assets increased approximately \$38 million, or 7.71%. The majority of the growth was in loans secured by residential mortgages, which increased \$30 million. As of December 31, 2016, the bank's balance sheet shows that most of the growth was funded with existing deposits, new deposits, and increased other borrowings.

The bank has three mortgage loan originators who take mortgage applications from walk-in applicants or applicants referred to the bank by various sources. Additionally, there are three firms that broker applications to the bank for full underwriting by the bank. There are two other brokers that underwrite and document, but do not close, loans they forward to the bank. The bank reviews associated documents and re-underwrites the loans from these two brokers and closes the loans, if approved. HMDA data is reported by the bank and not the broker.

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 November 26, 2012, Geddes received a rating of "Satisfactory" CRA performance.

Description of Assessment Area

The bank's AA is defined as Onondaga County, New York. Onondaga County is one of three counties located in the Syracuse, New York, Metropolitan Statistical Area (MSA), #45060, and contains 140 census tracts. As reported in the 2010 U.S. Census, the AA has 25 (17.86%) low-income, 26 moderate-income (18.57%), 42 middle-income (30.00%), and 46 upper-income (32.86%) census tracts. One census tract (.71%), located south of the City of Syracuse, is the Onondaga Nation Territory and its income designation is unknown. All low-income census tracts are located in the City of Syracuse. The majority of moderate-income census tracts are in or just outside the border of the Northern and Southern city lines with a few in the Western and Northern suburbs.

The AA's population increased 1.8%, since the 2000 U.S. Census. There are 467,026 persons with 113,910 total families in the AA. The AA has 121,046 (59.96%) owner-occupied units, 62,496 (30.96%) rental units, and 18,829 (9.08%) vacant units. The weighted average median housing price is \$122,971, and the weighted average age of housing is 57 years. In the low-income census tracts, there are 65,601 persons, 11,377 families, and 29,056 housing units. Approximately 18.2% of the units are owner-occupied, 61.23% are rental units, and 20.57% are vacant. The weighted average median housing price is \$64,500, with the weighted average age of housing being 70 years. In the moderate-income census tracts, there are 75,670 persons, 16,726 families, and 36,056 housing units. Approximately 43.83% of the units are owner-occupied, 46.08% are rental units, and 10.10% are vacant. The weighted average median housing price is \$81,112, and the weighted average age of housing is 68 years.

According to 2010 U.S. Census, 20.98% of the families in the AA are designated low-income and 15.86% are moderate-income, with 13.23% of households reporting income below the poverty level. The Federal Financial Institutions Examination Council (FFIEC) annually adjusted median family income is \$69,200, and the weighted average median family income for the AA is \$68,574. In the low-income census tracts, low-income families account for 62.55% and moderate-income families are 15.32%, with 39.25% of households reporting income below the poverty level. The weighted average median family income for the low-income census tracts is \$22,874. In the moderate-income census tracts, low-income families account for 35.60% and moderate-income families are 23.59% with 17.99% of households reporting income below the poverty level. The weighted average median family income for the moderate-income census tracts is \$42,306.

In 2016, the five largest employers in the AA were Upstate University Health System, Syracuse University, St. Joseph's Hospital Health Center, Wegmans, and Crouse Hospital. Five of the top ten employers provide healthcare-related services.

The unemployment rate in Onondaga County was 4.9% in December 2016, down from 6.9% in November 2012. Since November 2012, the unemployment rate has been as high as 8.0%, and is presently at its low point since 2007. However, higher paying,

lower skilled manufacturing jobs have continued to relocate or are being automated away and replaced with lower paying service sector jobs.

Geddes faces significant competition for deposit and loan customers. As of June 30, 2016, there were 15 FDIC-insured institutions in the AA. These financial institutions had 126 offices with deposits totaling \$9.6 billion. The bank's share was \$424 million, or 4.4% of total deposits, and Geddes ranked seventh amongst FDIC banks accepting deposits in Onondaga County.

We contacted a local CD organization that focuses on home ownership, thus supporting neighborhood improvement in the City of Syracuse. Its director reports the credit needs are mortgage loans, and that barriers to lending include a very high level of poverty and a reduced tolerance for borrowers with credit weaknesses after the 2008 financial crisis. As a result, the organization has been underwriting and retaining mortgages for persons who, under their guidance, have demonstrated improvement to their personal finances and have qualified for a mortgage on a home in the City of Syracuse. The director expects four local financial institutions to purchase some of the organization's seasoned mortgage portfolio with recourse until a loan-to-value of 80% is attained. The organization's desire to retain the servicing of these mortgages created unexpected delays in the sale, and since late 2014, the organization has been working on ways to sell just the loans and retain the servicing. Geddes is to be one of the four local banks purchasing some portion of these loans.

Conclusions with Respect to Performance Tests

LENDING TEST

Loan-to-Deposit Ratio

The bank's average loan-to-deposit ratio during the evaluation period was more than reasonable. The average quarterly loan-to-deposit ratio since the last evaluation through September 30, 2016, was 117.18%. The ratio ranged from a low of 112.29% in December 2012, to a high of 121.62% in December 2014. Two similarly situated institutions having the same AA as the bank had average quarterly loan-to-deposit ratios of 84.87% and 65.27%.

Lending in Assessment Area

A substantial majority of home mortgage loans originated during the evaluation period were inside the bank's AA. Approximately 83% of the number and 81% of the dollar amount of loans originated were in the AA. The concentration of loans in the AA is comparable to the percentages noted in the previous evaluation, and the volume of lending has since increased. Refer to Table 1 below for additional information.

Table 1 - Lending in Geddes's AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Mortgage Loans	738	84.34	137	15.66	873	121,006	84.76	21,755	15.24	142,761

Source: 2015 and 2016 HMDA data.

Lending to Borrowers of Different Incomes

During 2015 and 2016, 62% of originations were home purchase loans, 25% were home refinance loans, and 14% were home improvement loans (reflecting the lack of unsecured home improvement loans). The most weight in reaching conclusions was given to home purchase loans. Accordingly, the bank had reasonable penetration of loans to borrowers of different income levels during the evaluation period. The bank had poor penetration of loans to low-income borrowers; however, reasonable penetration to moderate-income borrowers. Refer to Table 2 and Table 3 below for additional information.

Table 2 - Borrower Distribution of HMDA-Reportable Loans in Geddes's AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	20.98	6.88	15.86	15.72	20.71	17.94	42.44	59.46
Home Improvement	20.98	3.37	15.86	12.36	20.71	12.36	42.44	71.91
Home Refinance	20.98	3.64	15.86	10.91	20.71	18.18	42.44	67.27

Source: 2015 and 2016 HMDA data and 2010 U.S. Census data.

Table 3 – Aggregate Borrower Distribution of HMDA-Reportable Loans in Geddes’s AA								
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	10.08	6.88	25.02	15.72	25.99	17.94	37.29	59.46
Home Improvement	12.91	3.37	22.15	12.36	25.48	12.26	38.22	71.91
Home Refinance	7.52	3.64	16.64	10.91	24.94	18.18	40.96	67.27

Source: 2015 Aggregate Peer data and 2015 and 2016 HMDA data.

Geographic Distribution of Loans

Geddes had reasonable dispersion of loans to borrowers in census tracts of different income designations during the evaluation period. The bank had reasonable dispersion of loans in low-income census tracts, particularly with respect to home purchase loans, which accounted for the majority of the bank’s loan originations. In 2015, there were 231 lenders who made loans in the AA’s low-income census tracts. Geddes ranked fourth among the top lenders for all loan categories. The bank had poor dispersion of loans in moderate-income census tracts. Refer to Table 4 and Table 5 for additional information.

Table 4 - Geographic Distribution of HMDA-Reportable Loans in Geddes’s AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	4.37	3.19	13.06	7.35	36.50	26.47	46.08	62.98
Home Improvement	4.37	2.22	13.06	5.56	36.50	33.33	46.08	58.89
Home Refinance	4.37	1.81	13.06	4.22	36.50	30.72	46.08	63.25

Source: 2015 and 2016 HMDA data and 2010 U.S. Census.

Table 5 – Aggregate Geographic Distribution of HMDA-Reportable Loans in Geddes’s AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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	2.73	3.19	11.19	7.35	34.97	26.47	51.09	62.99
Home Improvement	3.66	2.22	14.65	5.56	40.13	33.33	41.55	58.89
Home Refinance	2.88	1.81	9.37	4.22	35.83	30.72	51.93	63.25

Source: 2015 Aggregate Peer data and 2015 and 2016 HMDA data.

Responses to Complaints

Geddes received no complaints pertaining to its CRA performance since the prior evaluation.

COMMUNITY DEVELOPMENT TEST

Community development refers to affordable housing, community services targeted to low- or moderate-income (LMI) individuals, activities that revitalize or stabilize LMI census tracts, and activities that promote economic development by financing businesses that meet size eligibility standards.

Geddes demonstrated poor responsiveness in providing CD loans, qualified investments, and CD services, as appropriate, considering the bank's capacity and the need and availability of such opportunities for CD in the bank’s AA.

Number and Amount of Community Development Loans

The bank made a limited amount of CD loans during the evaluation period. The bank made one CD loan for \$38 thousand.

Number and Amount of Qualified Investments

The bank made a limited amount of CD investments during the evaluation period. The bank made qualified CD donations totaling \$79 thousand to 17 organizations.

Extent to Which the Bank Provides Community Development Services

Three bank employees are involved in organizations that provide CD in the AA, centered around affordable housing and community service. Refer to Table 6 below for additional information on the CD services provided by these employees.

Table 6 - Community Development Services		
<i>Name of Organization</i>	<i>Institution's Employee Involvement</i>	<i>Organization's Purpose</i>
Aurora Of Central NY	A Senior Vice President serves on the Board	Provides vocational training, job placement, and other services, as well as, equipment to the visually and hearing impaired persons in AA. 55% of funding is through various governmental agency contracts. These agencies provide literacy and vocational training and job placement services focusing on LMI persons.
Home Headquarters	An Assistant Vice President serves on the Loan Committee	Promotes home-ownership and neighborhood revitalization. Amongst other services, the organization provides loans to owner occupants purchasing homes in low- and moderate-income census tracts in the City of Syracuse.
Vera House	A Branch Manager serves on the Board	Provides services to abused woman and children, including temporary shelter, with limited resource or other options.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. §25.28(c) or §195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.