



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

July 23, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Massena Savings and Loan
Charter Number 705323

255 Main Street
Massena, NY 13662-1908

Office of the Comptroller of the Currency
Syracuse Field Office
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 Satisfactory.

- Massena Savings and Loan (MS&L) 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 incomes.
- MS&L did not receive any CRA-related complaints during the evaluation period.

SCOPE OF EXAMINATION

The evaluation period covers the time period from May 14, 2007 through July 23, 2012. However, the sampled loans were originated during the period of January 1, 2009 through December 31, 2011. This sample period was representative of the entire evaluation period, as no strategic changes or changes in lending standards took place. We determined that home mortgage loans were the bank's primary product after evaluating originations during the period by both number and dollar amount, and by discussing the matter with bank management. We relied on a random sample of 67 home mortgage loan originations to evaluate the bank's lending performance.

DESCRIPTION OF INSTITUTION

MS&L is a \$140 million institution with a mutual form of ownership. The main office is located in the Village of Massena, New York (NY) and there is a full-service branch located in Waddington, NY. There were no branch openings or closings during the evaluation period. Both locations have drive-up facilities to complement lobby services open Monday through Friday during traditional business hours. Both locations offer automated teller machines (ATM) with 24-hour access. MS&L offers traditional banking products and services, including online banking and bill pay.

MS&L services mainly rural areas in the eastern portion of St. Lawrence County. As of June 30, 2012, the loan portfolio remained heavily concentrated in 1-4 family residential real estate loans at \$90 million, followed by consumer loans at \$17 million, commercial real estate loans at \$9.5 million, and commercial loans at \$1.5 million. The bank is primarily deposit funded with total deposits of approximately 84% of average assets, and a small amount of borrowings at approximately 5% of average assets.

There are 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 May 14, 2007, MS&L received a rating of "Satisfactory" CRA performance.

DESCRIPTION OF ASSESSMENT AREA

The AA consists of eight contiguous census tracts in the northern portion of St. Lawrence County, NY, and includes all townships in the county for which the bank can be reasonably expected to serve, given its size and lending capacity. The area is generally rural and is not located within a Metropolitan Statistical Area (MSA). The AA includes the nine townships of Massena, Louisville, Waddington, Madrid, Norfolk, Brasher, Stockholm, Lawrence and Hopkinton. Based on 2000 U.S. Census data, seven tracts are designated middle-income, and one tract is designated upper-income. There are no low- or moderate-income census tracts in the AA. Both the bank's main office in Massena and the Waddington branch are located in middle-income census tracts. The northern town line of Massena is the international border between the United States and Canada, defined partly by the St. Lawrence River. The eastern town line is the border of Franklin County.

The AA has a total population of 33,415, including 9,167 families and 13,440 households. Of the 14,979 housing units located in the AA, 65% are owner-occupied, 25% are rental units, and 10% are vacant. The median housing value in the AA is \$62,647, with a median housing age of 54 years. The 2011 Updated Median Family Income for non-MSA New York State census tracts was \$56,100. This figure is based on information from the Department of Housing and Urban Development (HUD) and is used to determine the income designation of individuals residing in the AA. For loans to individuals originated in 2009, 2010 and 2011, the appropriate Updated Median Family Income values were used. In 2011, the AA consisted of 23% low-income, 19% moderate-income, 21% middle-income, and 37% upper-income families. Approximately 15% of the households in the AA were living below the poverty level.

As is the case throughout the nation, economic conditions deteriorated in the AA during the evaluation period. According to the Bureau of Labor Statistics, the unemployment rate for St. Lawrence County increased from 5.6% as of the last CRA exam to 11.1% as of July 2012. In comparison, the New York State unemployment rate increased from 4.2% to 9.1% during the same time period. According to the New York State Department of Labor, St. Lawrence County has the third highest unemployment rate amongst all counties within the state.

The bank's AA is mostly rural, with more densely populated areas in Massena. The nationwide downturn has had a direct impact on this area. In 2009, General Motors closed its foundry located in Massena, at one time the plant employed 2,000 people.

The largest employer in the bank's service area is ALCOA Inc., which operates two aluminum plants in Massena and employs close to 3,000 people. The New York Power Authority operates a hydroelectric power generating dam, the St. Lawrence-FDR Power Project, on the St. Lawrence River adjacent to Massena. Massena Memorial Hospital has served the community for generations. In addition, there are four universities within

a 30 mile radius of Massena, including two located in Potsdam and another two located in Canton. The bank faces competition from five larger national institutions, a credit union, and several smaller community and savings banks in the assessment area. MS&L ranked sixth in deposit share with \$112 million, or 10% of total deposits, as of June 2011.

During our examination, we contacted a local government office that provides housing rehabilitation for low- and moderate-income individuals. The contact mentioned the local economy is declining and there is a big variance in housing values. Despite declining economic trends and population loss, the credit needs are adequately met by local institutions and the larger regional and international institutions with branch locations in the immediate area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

MS&L's performance with regard to lending meets the standard for satisfactory performance. Lending performance was based on three tests: loan-to-deposit ratio, lending in the AA, and lending to borrowers of different incomes. Normally a fourth test, geographic distribution of loans, would be used; however, this test was not meaningful for MS&L due to the lack of low- and moderate-income census tracts in the bank's AA.

Loan-to-Deposit Ratio

The bank's average loan-to-deposit ratio during the evaluation period was reasonable. The average quarterly loan-to-deposit ratio since the last examination through March 31, 2012 was 119.79%. In comparison, three similarly situated institutions operating in similar markets and/or competing directly with MS&L had average quarterly loan-to-deposit ratios ranging from 98.81% to 129.35%.

Lending in Assessment Area

A substantial majority of home mortgage loans originated during the evaluation period were inside the bank's AA. 60 of the 67 home mortgage loans sampled, or 89.55%, totaling approximately \$4.2 million, or 86.98%, were within the defined AA. Refer to the chart below for more information.

Lending in the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Mortgage	60	89.55%	7	10.45%	67	4,221	86.98%	632	13.02%	4,853

Source: Loan sample of Home Mortgages originated between January 1, 2009 and December 31, 2011.

Lending to Borrowers of Different Incomes

MS&L met the standard for satisfactory performance during the evaluation period for the distribution of home mortgage loans to borrowers of different incomes. For the borrower distribution test, we compared the bank's performance against aggregate Home Mortgage Disclosure Act (HMDA) data within the AA. This represents the lending activity reported by all HMDA reporters lending in the AA.

By count, the percentage of home mortgage loans to low-income borrowers at 5.00% was in line with the percentage of HMDA-reported loans to those borrowers at 5.99% (2011 data was not available). The percentage of home mortgage loans to moderate-income borrowers at 18.34% was also in line with the percentage of HMDA loans to those borrowers at 20.61%. The bank's lending to low- and moderate-income borrowers notably improved since the last CRA examination dated May 14, 2007. For that evaluation period, the distribution of home mortgage loans to low- and moderate-income borrowers was 4.2% and 12.3%, respectively. For the aggregate HMDA data, 9.66% of the loans did not have income information available. Refer to the chart below for more information.

Borrower Distribution of Residential Real Estate Loans								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of HMDA Loans	% of Number of Loans	% of HMDA Loans	% of Number of Loans	% of HMDA Loans	% of Number of Loans	% of HMDA Loans	% of Number of Loans
Home Mortgage	5.99%	5.00%	20.61%	18.34%	28.36%	23.33%	35.38%	53.33%

Source: Loan sample of Home Mortgage loans originated between January 1, 2009 and December 31, 2011; Aggregate HMDA Data for 2009 and 2010 (2011 not available).

Responses to Complaints

MS&L has not received any complaints regarding its CRA performance since the prior examination.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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

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