



PUBLIC DISCLOSURE

April 02, 2018

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

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.

Overall CRA Rating

The Lending Test is rated: Satisfactory

The primary factors supporting the CRA rating are as follows:

- The bank had a more than reasonable loan-to-deposit ratio during the evaluation period.
- A majority of residential mortgage loans originated during the evaluation period were inside the bank's assessment area (AA).
- The bank had a reasonable penetration of residential mortgage loans to borrowers of different incomes within the AA.
- The bank had a reasonable dispersion of residential mortgage loans among census tracts of different income designations within the AA.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community Development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

Community Reinvestment Act (CRA): The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor

vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

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

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area (MA): Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other Products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier One Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

Description of Institution

Massena Savings and Loan (MS&L) is a \$157.0 million, intrastate state, mutual savings and loan association headquartered in Massena, New York (NY). MS&L has one branch located in Waddington, NY. Since the prior CRA evaluation, the bank has not closed or opened any new branches or been involved in any mergers or acquisitions. Both the main office and the branch are located in middle-income CTs. The City of Massena and the Town of Waddington are in the Northeastern portion of St. Lawrence County, which is not part of a Metropolitan Statistical Area (MSA). The main office and the branch offer full-service banking including drive-thru transaction banking and 24-hour automated teller machine (ATM) access. Banking hours, at the main office and the branch, are from 8:30 A.M. to 5:00 P.M., Monday through Friday. For customers who like the option of electronic banking, the bank offers online banking with a bill payment feature.

As of December 31, 2017, MS&L's balance sheet included \$145.6 million in total loans consisting of the following: 82.5 percent residential mortgages loans, 12.4 percent consumer loans, 3.9 percent commercial real estate, and 1.1 percent commercial and industrial loans. The bank does not offer agricultural loans. Deposits are sourced substantially from the bank's market area. Management does not sell residential real estate mortgages on the secondary market.

The bank offers other noncomplex residential and retail loans, and while not a focus of the bank's lending strategy, commercial loans. Deposit accounts offered by the bank include various types of savings and checking accounts. The bank's lenders and branch staff directly source mortgage loans from customer referrals and walk-in business.

The bank does not offer an in-house first time home buyer program, nor does it have an in-house residential mortgage program that focuses on low- and moderate-income (LMI) borrowers. Management will refer LMI applicants who do not qualify for a mortgage to local community development organizations that offer financial education and grant programs.

MS&L has no legal, financial, or other impediments hindering its ability to help meet the credit needs of its AA. MS&L was rated satisfactory at its last CRA evaluation dated July 23, 2012.

Scope of the Evaluation

The evaluation covered the time period from July 24, 2012 to December 31, 2017. Our review of the bank's performance under the Lending Test for this period was based on a sample of residential mortgage loan originations, the bank's primary loan product, from January 1, 2015 to December 31, 2016. Residential mortgage loans consist of home purchase loans and residential refinance loans. Management agreed the sample period is representative of the lending performance over the entire evaluation period.

Data Integrity

MS&L does not have a branch office or deposit taking ATM in a MSA, and as a result, is not required to maintain loan data in accordance with the Home Mortgage Disclosure Act. Therefore, we determined the bank's performance under the Lending Test using a sample of 45 residential mortgage loan originations totaling \$6.28 million.

Selection of Areas for Full-Scope Review

We conducted a full-scope review on the bank's only AA, the Non-MSA AA, which consists of eight CTs representing the towns of Brasher, Hopkinton, Lawrence, Louisville, Madrid, Massena, Norfolk, Stockholm and Waddington. Refer to Appendix A for more information regarding the evaluation scope.

Ratings

The bank's overall rating is based on the full-scope review of the bank's one AA. The assessment for borrower and geographic distribution emphasize the bank's performance against performance by other lenders in the AA with a secondary emphasis on performance against AA demographics.

Discriminatory 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 [or any affiliate whose loans have been considered as part of the institution's lending performance] has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

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.

Conclusions with Respect to Performance Tests

LENDING TEST

The bank’s performance under the lending test is satisfactory. The assessment reflects a more than reasonable loan-to-deposit ratio and a majority of loans originated are within the bank’s AA. The distribution of loans within the AA reflects a reasonable penetration among individuals of different income levels and reasonable dispersion among census tracts of different income designations.

Loan-to-Deposit Ratio

MS&L’s average loan-to-deposit ratio during the evaluation period was more than reasonable. The bank’s average quarterly loan-to-deposit ratio since the prior CRA evaluation through December 31, 2017 was 112.2 percent. In comparison, two similarly situated savings banks, operating in similar markets, or competing directly with MS&L had average quarterly loan-to-deposit ratios of 98.8 percent and 102.9 percent, respectively. Two similarly situated commercial banks had ratios of 86.9 percent and 60.8 percent, respectively.

Lending in Assessment Area

A majority of the number of the bank’s residential mortgage loans originated during the evaluation period were inside the AA. MS&L originated 73 percent by number and 68 percent by dollar amount of residential mortgage loans in the AA.

Lending in Massena Savings and Loan AA										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential Mortgages	45	72.6	17	27.4	62	4,268	68.0	2,013	32.0	6,281

Source: 2015 and 2016 sample of loans to support residential loans originated.

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

The distribution of residential mortgage loans originated in the bank’s AA reflects reasonable penetration among borrowers of different income levels. The percent of residential mortgage loans to low-income borrowers falls within a reasonable range below the percent of aggregate lending data. The percent of residential mortgage loans to moderate-income borrowers falls within a reasonable range below the percent of aggregate lending data. MS&L’s distribution of residential mortgage loans to low-

income borrowers was lower than the distribution of low-income families. The lower level of aggregate lending by all lenders compared to the demographic is reflective of the difficulty funding loans to low-income persons given higher unemployment and poverty levels in the AA. The distribution of residential mortgage loans to moderate-income borrowers was near to the distribution of moderate-income families.

Distribution of Residential Mortgage Loans By Borrower Income Level in the Assessment Area				
Borrower Income Category	% of Loans	% of \$ Volume	% of Aggregate (by #)	% Family Distribution
Low	4.5	1.3	6.9	25.7
Moderate	15.6	8.8	21.1	18.4
Middle	24.4	19.2	26.1	22.9
Upper	55.6	70.8	32.7	32.9
NA	0.0	0.0	13.2	0.0
Total	100.0	100.0	100.0	99.9*

Source: Sampled loans from 2015 and 2016. Aggregate 2015 and 2016 HMDA Peer data.
*Rounding

Geographic Distribution of Loans

The bank’s geographic distribution reflects reasonable dispersion among census tracts of different income designations. The AA includes two moderate-income CTs and no low-income CTs. The percent of residential mortgage loans to borrowers in moderate-income CTs falls within a reasonable range below the percent of aggregate lending data. The bank’s distribution of residential mortgage loans to borrowers in moderate-income CTs was near to the distribution of owner-occupied housing in moderate-income CTs in the AA.

Distribution of Residential Mortgage Loans By Census Tract Income Level in the Assessment Area				
Census Tract Income Category	% of Loans	% of \$ Volume	% of Aggregate (by #)	% Owner- occupied housing
Low	0.0	0.0	0.0	0.0
Moderate	17.8	11.2	18.8	24.9
Middle	82.2	88.8	81.2	75.1
Upper	0.0	0.0	0.0	0.0
NA	0.0	0.0	0.0	0.0
Total	100.0	100.0	100.0	100.0

Source: Sampled loans from 2015 and 2016. Aggregate 2015 and 2016 HMDA Peer data

Responses to Complaints

MS&L did not receive any CRA related complaints during the evaluation period.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

Time Period Reviewed	January 1, 2015 to December 31, 2016	
Financial Institution	Products Reviewed	
Massena Savings and Loan (MS&L) Massena, New York	Residential Mortgage loans	
Affiliate(s)	Affiliate Relationship	Products Reviewed
None	Not applicable	Not applicable
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Non-MSA Census Tracts in Northeastern St Lawrence County NY	Full-Scope	

Appendix B: Community Profiles for Full-Scope Areas

Non-MSA

Demographic Information for Full-Scope Area: Non-MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	8	0.0	25.0	75.0	0.0	0.0
Population by Geography	33,777	0.0	23.8	76.2	0.0	0.0
Owner-Occupied Housing by Geography	10,168	0.0	24.9	75.1	0.0	0.0
Family Distribution by Income Level	9,569	25.7	18.4	22.9	32.9	0.0
Household Income Distribution	14,404	25.5	17.2	19.6	37.7	0.0
Distribution of Low- and Moderate-Income families throughout AA Geographies	4218	0.0	30.5	69.5	0.0	0.0
Weighted Average of FFIEC Updated MSA Median family income for 2016	= \$58,900	Median Housing Value = \$82,426 Unemployment Rate = 6.7%				
Households Below the Poverty Level	= 15.7%					

(*) The NA category consists of geographies that have not been assigned an income classification.
 Source: 2010 U.S. Census, and 2016 FFIEC updated MFI. December 31, 2017 U.S. Department of Labor unemployment data.

The Non-MSA AA consists of eight CTs in Northeastern St. Lawrence County, with the northern border running along the banks of the St. Lawrence River. St. Lawrence County is New York State’s largest county covering over 2,822 square miles. Population centers tend to be located in the northern half of the county and include the City of Massena. The bank’s AA does not arbitrarily exclude low- or moderate- income CTs. In 2015 and 2016, the AA had two moderate-income CTs and six middle-income CTs. All of the middle-income CT’s in 2015 and 2016 were designated as distressed according to the FFIEC’s list of Distressed and Underserved Tracts. The 2015 American Community Survey (ACS) Census updated the 2010 census classifying all AA CTs as middle-income. In addition, there were no CTs classified as distressed in 2017.

As of 2010, the AA had 33,777 persons and included 16,045 total housing units. Approximately 89.8 percent of the housing units were occupied, with 63.4 percent of the total housing units owner-occupied and 26.4 percent rentals. Approximately 10.2 percent were vacant. The weighted average median housing value was \$82,426 and the average age of a home was 59 years. The AA has 9,569 total families and had a MFI of \$60,000 in 2015 and \$58,900 in 2016. Based on the 2010 census data, the AA includes 14,404 households with 2,265 (16 percent) of those reportedly living below the poverty line.

Competition for home mortgage loans in the AA is significant. Management tracks residential mortgage loan originations in the AA and notes North Country Savings Bank (NCSB) and Seacomm FCU (SFCU), MS&L's primary local competitors, originated or refinanced, in aggregate, approximately 249 mortgages in 2015 and 229 mortgages in 2016. Neither of these financial institutions are HMDA reporting mortgage lenders. Outside of NCSB and SFCU, there were 51 and 54 different HMDA reporting mortgage lenders who made loans in the AA in 2015 and 2016, respectively. These lenders originated or purchased 302 and 304 loans in those respective years. In 2015 and 2016, the top HMDA reporting lender in MS&L's AA was Community Bank, NA (CBNA). CBNA accounted for 34 percent of loans originated or purchased in that time frame. The next largest lenders include: Quicken Loans, Wells Fargo, NBT Bank, NA, and First Niagara Bank. In 2016, the top five HMDA reporting lenders accounted for 66 percent of the number of loans, and 52 percent of the dollars originated or purchased. While in 2015, the percentages were 66 percent and 58 percent, respectively.

As of June 30, 2017, the Federal Deposit Insurance Corporation (FDIC) reports MS&L deposit share is in fifth position, holding a 10 percent market share of deposits in the county. CBNA leads other FDIC insured institutions, with 39 percent of the county's depository market share.

The unemployment rate in St. Lawrence County was 6.7 percent as of December 31, 2017. The New York State unemployment rate was 4.7 percent at the same date. Unemployment in St. Lawrence County is seasonal. In January 2017, unemployment was at a high point of 7.8 percent, reaching its low point of 5.4 percent in October 2017. The February 2018 unemployment rate was 8.1 percent. Major employers in the county include: St. Lawrence County, St. Lawrence-Lewis BOCES, Claxton-Hepburn Medical Center, Canton-Potsdam Hospital, and the three colleges located in the Canton/Potsdam area of the county. A major employer, providing the highest wages in the county and located in Massena, is the New York Power Authority. According to the December 2015 New York Power Authority Report, 40 percent of the county's gross domestic product is coming from non-tradable sectors as the largest employers are the federal, state, and local governments or healthcare providers. The same report points out that based on 2013 data, small business closures were outpacing openings by 30 percent.

The economy is stable when compared against much higher levels of unemployment which occurred during the economic crisis. However, the county economic development agency considers the economy stagnant as unemployment remains higher than the state, and highly dependent on the government and the healthcare industry. The St. Lawrence County Industrial Development Agency recently issued a five-year plan to reverse the stagnation. The plan focuses on private sector development, and includes a discussion of improvements to housing stock and neighborhoods.

We contacted a local community development organization that serves all of St. Lawrence County. The organization's focus is helping LMI home buyers to qualify for mortgages at financial institutions serving the county through financial education, down

payment and closing cost grants. In general, the contact reported banks with a local presence and or headquartered in the county have been cooperative in funding loans for this market; however, higher unemployment remains a concern. The contact did not single out any banks for criticism.