FSB Community Bankshares Inc
Form 10-K
March 29, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended December 31, 2009

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________________ to _______________________

Commission File Number: 001- 52751

FSB Community Bankshares, Inc.
(Exact Name of Registrant as Specified in its Charter)

United States	74-3164710
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

45 South Main Street, Fairport, New York	14450
(Address of Principal Executive Offices)	(Zip Code)

(585) 223-9080
(Issuer's Telephone Number including area code)

Securities Registered Pursuant to Section 12(b) of the Act:
None

Title of Class	Name of Each Exchange On Which Registered

Securities Registered Pursuant to Section 12(g) of the Act:

Common Stock, par value $0.10 per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES o NO x.

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.

YES o NO x.

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 of 15(d) of the Exchange Act from their obligations under those Sections.

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file reports), and (2) has been subject to such requirements for the past 90 days.

(1) YES x NO o

(2) YES x NO o

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or such shorter period that the Registrant was required to submit and post such files). YES o NO o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	o	Accelerated filer	o
Non-accelerated filer	o	Smaller reporting company	x
(Do not check if smaller reporting company)			

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
YES o NO x

As of June 30, 2009 the aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant, computed by reference to the closing price of the common stock as of June 30, 2009, was $4.2 million.

As of March 29, 2010, there were 1,785,000 shares of the Registrant's common stock, par value $0.10 per share, outstanding, of which 946,050 shares, or 53%, were held by FSB Community Bankshares, MHC, the Registrant's mutual holding company parent.

DOCUMENTS INCORPORATED BY REFERENCE

1. Proxy Statement for the 2010 Annual Meeting of Stockholders (Parts II and III).
2. Annual Report to Shareholders for the year ended December 31, 2009 (Part II).

PART I

ITEM
1. BUSINESS

Forward-Looking Statements

This Annual Report contains certain “forward-looking statements” which may be identified by the use of words such as “believe,” “expect,” “anticipate,” “should,” “planned,” “estimated” and “potential.” Examples of forward-looking statements i but are not limited to, estimates with respect to our financial condition, results of operations and business that are subject to various factors which could cause actual results to differ materially from these estimates and most other statements that are not historical in nature. These factors include, but are not limited to, general and local economic conditions, changes in interest rates, deposit flows, demand for mortgage, commercial and other loans, real estate values, competition, changes in accounting principles, policies, or guidelines, changes in legislation or regulation, and other economic, competitive, governmental, regulatory, and technological factors affecting our operations, pricing products and services.

FSB Community Bankshares, MHC

FSB Community Bankshares, MHC is a federally chartered mutual holding company and it currently owns 53.0% of the outstanding common stock of FSB Community Bankshares, Inc. FSB Community Bankshares, MHC has not engaged in any significant business other than owning the common stock of FSB Community Bankshares, Inc. So long as FSB Community Bankshares, MHC exists, it is required to own a majority of the voting stock of FSB Community Bankshares, Inc. The executive office of FSB Community Bankshares, MHC is located at 45 S. Main Street, Fairport, New York 14450, and its telephone number is (585) 223-9080. FSB Community Bankshares, MHC is subject to comprehensive regulation and examination by the Office of Thrift Supervision (“OTS”).

FSB Community Bankshares, Inc.

FSB Community Bankshares, Inc. is a federally chartered mid-tier stock holding company of Fairport Savings Bank. FSB Community Bankshares, Inc. owns 100% of the common stock of Fairport Savings Bank and has approximately $3 million in investment securities. FSB Community Bankshares, Inc. has not engaged in any significant business activity other than owning the common stock of Fairport Savings Bank and $3.0 million in investment securities, and currently does not intend to expand materially its business activities, other than through its ownership of Fairport Savings Bank (the “Bank”).

FSB Community Bankshares, Inc. completed its initial public offering in August 2007 by selling 838,950 shares, or 47.0% of our outstanding common stock, at a price of $10.00 per share, to the Bank’s eligible depositors, the Bank’s employee stock ownership plan and the public. Additionally, we issued 946,050 shares, or 53.0% of our common stock, to FSB Community Bankshares, MHC our federally chartered mutual holding company parent.

At December 31, 2009, we had total consolidated assets of $214.4 million, total deposits of $156.5 million and stockholders’ equity of $20.4 million. Our consolidated net income for the year ended December 31, 2009 was $68,000.

Our executive offices and the Bank’s executive offices are located at 45 South Main Street, Fairport, New York 14450, and our telephone number is (585) 223-9080.

Our website address is www.fairportsavingsbank.com. Information on our website is not and should not be considered a part of this Annual Report on Form 10-K.We make our Annual Report on Form 10-K and amendments thereto available on our website as soon as reasonably practicable after filing or furnishing them to the SEC. Also available on the website is our Corporate Profile, our officers and directors, corporate governance, and a link to SEC filings.

Fairport Savings Bank

Fairport Savings Bank is a federally chartered savings bank headquartered in Fairport, New York and was originally founded in 1888. Fairport Savings Bank conducts business from its main office in Fairport, New York and our branch offices located in Penfield, New York which opened in 2003, Irondequoit, New York, which opened in January 2007 and Webster, New York which opened in September 2009. The telephone number at our main office is (585) 223-9080. Fairport Savings Bank is subject to comprehensive regulation and examination by the OTS.

Our principal business consists of originating one-to-four-family residential real estate mortgage loans and home equity lines of credit, and to a lesser extent, originations of commercial real estate, multi-family, construction and other consumer loans. We attract retail deposits from the general public in the areas surrounding our main office and our branch offices. We offer our customers a variety of deposit products with interest rates that are competitive with those of similar products offered by other financial institutions in our market area. Loans that we sell into the secondary market consist of long-term, fixed-rate residential real estate mortgage loans. We retain the servicing rights on all loans that we sell. Our loans are sold without recourse. We have not entered into loan participations in recent years. Our revenues are derived primarily from interest on loans and, to a lesser extent, interest on investment securities and mortgage-backed securities. We also generate revenues from fees and service charges. Our primary sources of funds are deposits, borrowings, and principal and interest payments on loans and securities. Additionally, we derive a portion of our non-interest income through Oakleaf Services Corporation, our subsidiary that offers non-deposit investments such as annuities, insurance products and mutual funds.

On August 14, 2009 the Board of Directors of Fairport Savings Bank approved through resolution the formation of a wholly-owned subsidiary to be known as Fairport Mortgage Corp. ("Mortgage Subsidiary") in order to provide a wider array of residential loan products to a larger customer base within our markets. We expect to receive approval from all applicable regulatory agencies and begin supplementing our services and product offerings through Fairport Mortgage Corp. during the second quarter of 2010.

Market Area

Fairport Savings Bank considers its market area to consist of Monroe County, New York, and to a lesser extent, the surrounding counties in Western New York. Monroe County is a suburban market dominated by the City of Rochester, the third largest city in the State of New York. In 2008, Monroe County had a population of 735,000. Population growth has been largely stagnant over the last two decades. The Monroe County economy is largely dependent on several large manufacturing companies, as well as sizeable higher education and health care facilities centered in Rochester. The University of Rochester and Strong Memorial Hospital were two of the largest employers in the Rochester area in 2009. Rochester is also home to a number of international businesses, including Eastman Kodak, Bausch & Lomb, Constellation Brands and Paychex. Additionally, Xerox, while no longer headquartered in Rochester, has its principal offices and manufacturing facilities in Monroe County.

Competition

We face intense competition in our market areas both in making loans and attracting deposits. Our market areas have a high concentration of financial institutions, including large money center and regional banks, community banks and credit unions. We face additional competition for deposits from money market funds, brokerage firms, mutual funds and insurance companies. Some of our competitors offer products and services that we currently do not offer, such as commercial business loans, trust services and private banking.

The majority of our depositors live and/or work in Monroe County, New York. At June 30, 2009, the latest date for which information is available through the Federal Deposit Insurance Corporation, we held approximately 1.4% of the thrift and bank deposits available in Monroe County.

Our primary strategy for increasing and retaining our customer base is to offer competitive deposit and loan rates and product features, delivered with exceptional customer service. Our primary focus is to build and develop profitable customer relationships across all lines of business while maintaining our role as a community bank.

Lending Activities

Our principal lending activity is the origination of first mortgage loans to purchase or refinance one-to-four-family residential real estate. We also originate a significant number of home equity lines of credit and, to a lesser extent, multi-family residential, construction, commercial real estate and other loans (consisting of automobile, passbook, overdraft protection and unsecured loans). At December 31, 2009, one-to-four-family residential real estate mortgage loans totaled $105.0 million, or 90.2% of our loan portfolio, home equity lines of credit totaled $8.5 million, or 7.3% of our loan portfolio, commercial real estate loans totaled $1.8 million or 1.6% of our loan portfolio, and other loans totaled $1.0 million or 0.9% of our loan portfolio.

Our strategic plan continues to focus on residential real estate lending, whereby a portion of fixed-rate long term residential loan originations will be sold, on a servicing-retained basis, to increase non-interest income, and the remaining loans will be added to our loan portfolio for interest earning income. In 2009, we sold $13.9 million in long-term, fixed rate one-to-four-family real estate loans. Our total loans sold and serviced as of December 31, 2009 was $16.8 million. We may experience declines in the residential mortgage loan portfolio during 2010 if the economy continues to weaken. Additionally, based on our desired interest rate sensitivity position, we may increase the amount of residential mortgages we sell in the secondary market.

Loan Portfolio Composition. The following table sets forth the composition of our loan portfolio by type of loan at the dates indicated.

	At December 31,									
	2009		2008		2007		2006		2005	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percen
	(Dollars in thousands)									
al estate loans:										
e-to-four-family residential(1)	$104,960	90.2 %	$123,880	91.4 %	$113,267	91.2 %	$109,786	90.6 %	$96,205	88.6
me equity lines of credit	8,496	7.3	8,214	6.1	6,622	5.3	6,929	5.7	7,209	6.6
lti-family residential	781	0.7	846	0.6	918	0.7	1,040	0.9	1,110	1.0
nstruction(2)	170	0.1	316	0.2	1,114	0.9	380	0.3	209	0.2
mmercial	1,809	1.6	2,119	1.6	2,123	1.7	2,745	2.3	3,488	3.2
her loans	91	0.1	148	0.1	200	0.2	241	0.2	380	0.4
al loans receivable	116,307	100.0%	135,523	100.0%	124,244	100.0%	121,121	100.0%	108,601	100.0
ferred loan origination costs	433		535		401		338		165	
owance for loan losses	(368)		(345)		(319)		(322)		(331)	
al loans receivable, net	$116,372		$135,713		$124,326		$121,137		$108,435	

(1) Includes $3.9 million, $4.7 million, $4.7 million, $3.9 million and $1.4 million of closed-end home equity loans at December 31, 2009, 2008, 2007, 2006 and 2005, respectively.
(2) Represents amounts disbursed at December 31, 2009, 2008, 2007, 2006 and 2005.

Loan Portfolio Maturities. The following table summarizes the scheduled repayments of our gross loan portfolio at December 31, 2009. Demand loans, loans having no stated repayment schedule or maturity, and overdraft loans are reported as being due in the year ending December 31, 2010. Maturities are based on the final contractual payment date and do not reflect the impact of prepayments and scheduled principal amortization.

	One-to-Four Family Residential Real Estate Loans	Home Equity Lines of Credit	Multi-Family Residential Real Estate Loans	Construction Loans	Commercial Real Estate Loans	Other Loans	Total
				(In thousands)			
Due During the Years Ending December 31,							
2010	$31	$ -	$ -	$ -	$ 45	$ 40	$116
2011	484	-	30	-	34	5	553
2012	554	-	-	-	-	17	571
2013 to 2014	6,043	-	90	-	36	29	6,198
2015 to 2019	21,401	-	163	-	305	-	21,869
2020 to 2024	20,884	-	109	-	888	-	21,881
2025 and beyond	55,563	8,496	389	170	501	-	65,119
Total	$104,960	$ 8,496	$ 781	$ 170	$ 1,809	$ 91	$116,307

The following table sets forth the scheduled repayments of fixed- and adjustable-rate loans at December 31, 2009 that are contractually due after December 31, 2010.

	Due After December 31, 2010		
	Fixed	Adjustable	Total
		(In thousands)	
Real estate loans:			
One-to-four-family residential	$ 99,704	$ 5,225	$ 104,929
Home equity lines of credit	-	8,496	8,496
Multi-family residential	342	439	781
Construction	170	-	170
Commercial	792	972	1,764
Other loans	51	-	51
Total	$ 101,059	$ 15,132	$ 116,191

One-to-four-Family Residential Real Estate Mortgage Loans. Our primary lending activity is the origination of one-to-four-family residential real estate mortgage loans. At December 31, 2009 $105.0 million, or 90.2%, of our total loan portfolio consisted of one-to-four-family residential real estate mortgage loans. We offer conforming and non-conforming, fixed-rate and adjustable-rate residential real estate mortgage loans with maturities of up to 30 years and maximum loan amounts generally of up to $750,000.

We currently offer fixed-rate conventional mortgage loans with terms of up to 30 years that are fully amortizing with monthly loan payments, and adjustable-rate mortgage loans that provide an initial fixed interest rate for one, three, five, seven or ten years and that amortize over a period of up to 30 years. We originate fixed-rate mortgage loans with terms of less than 15 years, but at rates applicable to our 15-year loans. We originate fixed-rate bi-weekly mortgage loans with terms of up to 30 years that are fully amortizing with bi-weekly loan payments. We also offer “interest only” loans, where the borrower pays interest for an initial period (ten years), after which the loan converts to a fully amortizing loan.

One-to-four-family residential real estate mortgage loans are generally underwritten according to Freddie Mac guidelines, and we refer to loans that conform to such guidelines as “conforming loans.” We generally originate both fixed and adjustable-rate mortgage loans in amounts up to the maximum conforming loan limits as established by the Office of Federal Housing Enterprise Oversight, which at December 31, 2009 was $417,000 for single-family homes in our market area. We also originate loans above the lending limit for conforming loans, which we refer to as “jumbo loans.” We generally underwrite jumbo loans in a manner similar to conforming loans generally with increased rates. These loans are generally eligible for sale to various firms that specialize in purchasing non-conforming loans. Jumbo loans are not uncommon in our market area. For first mortgage loans with loan-to-value ratios in excess of 80% we require private mortgage insurance.

As a result of our conservative underwriting standards, we do not have any loans in our loan portfolio that are considered sub-prime, or Alt-A.

We actively monitor our interest rate risk position to determine the desirable level of investment in fixed-rate mortgages. Depending on market interest rates and our capital and liquidity position, we may retain all of our newly originated longer-term fixed-rate residential mortgage loans, or we may sell all or a portion of such loans in the secondary mortgage market to government sponsored entities such as Freddie Mac or other purchasers.

During periods of low interest rates such as we experienced in 2009 and are currently experiencing at the beginning of 2010, we may sell a portion of our newly originated fixed-rate residential real estate mortgage loans. During 2009, we sold $13.9 million in long-term fixed rate residential mortgage loans. For the year ended December 31, 2009, we realized a gain of $58,000 on the sale of loans and we received servicing fees of $30,000. As of December 31, 2009, the principal balance of loans serviced for others totaled $16.8 million.

We currently offer several adjustable-rate mortgage loans secured by residential properties with interest rates that are fixed for an initial period ranging from one year to ten years. After the initial fixed period, the interest rate on adjustable-rate mortgage loans is generally reset every year based upon a contractual spread or margin above the average yield on U.S. Treasury securities, adjusted to a constant maturity of one year, as published weekly by the Federal Reserve Board, subject to periodic and lifetime limitations on interest rate changes. All of our interest-only loans and our traditional adjustable-rate mortgage loans with initial fixed-rate periods of one, three, five, seven and ten years have initial and periodic caps of two percentage points on interest rate changes, with a cap of six percentage points for the life of the loan. Many of the borrowers who select these loans have shorter-term credit needs than those who select long-term, fixed-rate mortgage loans. We do not offer "Option ARM" loans, where borrowers can pay less than the interest owed on their loan, resulting in an increased principal balance during the life of the loan.

Adjustable-rate mortgage loans generally present different credit risks than fixed-rate mortgage loans primarily because the underlying debt service payments of the borrowers increase as interest rates increase, thereby increasing the potential for default. Interest-only loans present different credit risks than fully amortizing loans, as the principal balance of the loan does not decrease during the interest-only period. As a result, our exposure to loss of principal in the event of default does not decrease during this period.

We generally require title insurance on all of our one-to-four-family residential real estate mortgage loans, and we also require that borrowers maintain fire and extended coverage casualty insurance (and, if appropriate, flood insurance) in an amount at least equal to the lesser of the loan balance or the replacement cost of the improvements. For fixed-rate mortgage loans with terms of fifteen years or less, we will accept an attorney's letter in lieu of title insurance. A majority of our residential real estate mortgage loans have a mortgage escrow account from which disbursements are made for real estate taxes and flood insurance. We do not conduct environmental testing on residential real estate mortgage loans unless specific concerns for hazards are identified by the appraiser used in connection with the origination of the loan.

Home Equity Lines of Credit. We offer home equity lines of credit, which are primarily secured by a second mortgage on one-to-four-family residences. At December 31, 2009, home equity lines of credit totaled $8.5 million, or 7.3% of total loans receivable. At this date we had an additional $8.7 million of undisbursed home equity lines of credit.

The underwriting standards for home equity lines of credit include a determination of the applicant's credit history, an assessment of the applicant's ability to meet existing obligations and payments on the proposed loan and the value of the collateral securing the loan. The combined loan-to-value ratio (first and second mortgage liens) for home equity lines of credit is generally limited to 90%. We originate our home equity lines of credit without application fees or borrower-paid closing costs. Our home equity lines of credit are offered with adjustable rates of interest indexed to the prime rate, as reported in The Wall Street Journal.

Multi-Family Residential Loans. Loans secured by multi-family real estate totaled $781,000 or 0.7%, of the total loan portfolio at December 31, 2009. Multi-family residential loans generally are secured by rental properties. All multi-family residential loans are secured by properties located within our lending area. At December 31, 2009, we had seven multi-family loans with an average principal balance of $112,000, and the largest multi-family real estate loan had a principal balance of $389,000. At December 31, 2009, all of our loans secured by multi-family real estate loans were performing in accordance with their terms. Multi-family real estate loans are offered with fixed and adjustable interest rates. Multi-family real estate loans are originated for terms of up to 20 years. Adjustable-rate multi-family real estate loans are tied to the average yield on U.S. Treasury securities, subject to periodic and lifetime limitations on interest rate changes.

We consider a number of factors in originating multi-family real estate loans. We evaluate the qualifications and financial condition of the borrower (including credit history), profitability and expertise, as well as the value and condition of the mortgaged property securing the loan. When evaluating the qualifications of the borrower, we consider the financial resources of the borrower, the borrower's experience in owning or managing similar property and the borrower's payment history with us and other financial institutions. In evaluating the property securing the loan, the factors we consider include the net operating income of the mortgaged property before debt service and depreciation, the debt service coverage ratio (the ratio of net operating income to debt service) to ensure that it is at least 120% of the monthly debt service and the ratio of the loan amount to the appraised value of the mortgaged property. Multi-family real estate loans are originated in amounts up to 70% of the appraised value of the mortgaged property securing the loan. All multi-family loans are appraised by outside independent appraisers approved by the board of directors.

Loans secured by multi-family real estate generally involve a greater degree of credit risk than one-to four-family residential mortgage loans and carry larger loan balances. This increased credit risk is a result of several factors, including the concentration of principal in a limited number of loans and borrowers, the effects of general economic conditions on income producing properties, and the increased difficulty of evaluating and monitoring these types of loans. Furthermore, the repayment of loans secured by multi-family real estate typically depends upon the successful operation of the real estate property securing the loans. If the cash flow from the project is reduced, the borrower's ability to repay the loan may be impaired.

Construction Loans. We originate construction loans for the purchase of developed lots and for the construction of single-family residences. Construction loans are offered to individuals for the construction of their personal residences by a qualified builder (construction/permanent loans). At December 31, 2009, construction loans totaled $170,000, or 0.1% of total loans receivable. At December 31, 2009, the additional unadvanced portion of these construction loans totaled $655,000.

Before making a commitment to fund a construction loan, we require an appraisal of the property by an independent licensed appraiser. We generally also review and inspect each property before disbursement of funds during the term of the construction loan.

Construction financing generally involves greater credit risk than long-term financing on improved, owner-occupied real estate. Risk of loss on a construction loan depends largely upon the accuracy of the initial estimate of the value of the property at completion of construction compared to the estimated cost (including interest) of construction and other assumptions. If the estimate of construction cost proves to be inaccurate, we may be required to advance additional funds beyond the amount originally committed in order to protect the value of the property. Moreover, if the estimated value of the completed project proves to be inaccurate, the borrower may hold a property with a value that is insufficient to assure full repayment of the loan.

Commercial Real Estate Loans. At December 31, 2009, $1.8 million, or 1.6% of our total loan portfolio consisted of commercial real estate loans. Commercial real estate loans are secured by office buildings, mixed use properties, places of worship and other commercial properties. We generally originate adjustable-rate commercial real estate loans with maximum terms of up to 15 years. The maximum loan-to-value ratio of commercial real estate loans is 70%. At December 31, 2009, we had 17 commercial real estate loans with an average outstanding balance of $106,000. At December 31, 2009, our largest loan secured by commercial real estate consisted of a $501,000 loan secured by an office building/warehouse. At December 31, 2009 all of our loans secured by commercial real estate were performing in accordance with their terms.

We consider a number of factors in originating commercial real estate loans. We evaluate the qualifications and financial condition of the borrower (including credit history), profitability and expertise, as well as the value and condition of the mortgaged property securing the loan. When evaluating the qualifications of the borrower, we consider the financial resources of the borrower, the borrower's experience in owning or managing similar property and the borrower's payment history with us and other financial institutions. In evaluating the property securing the loan, the factors we consider include the net operating income of the mortgaged property before debt service and depreciation, the debt service coverage ratio (the ratio of net operating income to debt service) to ensure that it is at least 120% of the monthly debt service, and the ratio of the loan amount to the appraised value of the mortgaged property. Commercial real estate loans are originated in amounts up to 70% of the appraised value of the mortgaged property securing the loan. All commercial loans are appraised by outside independent appraisers approved by the board of directors. Personal guarantees are generally obtained from commercial real estate borrowers.

Loans secured by commercial real estate generally are larger than one-to-four-family residential loans and involve greater credit risk. Commercial real estate loans often involve large loan balances to single borrowers or groups of related borrowers. Repayment of these loans depends to a large degree on the results of operations and management of the properties securing the loans or the businesses conducted on such property, and may be affected to a greater extent by adverse conditions in the real estate market or the economy in general. Accordingly, the nature of these loans makes them more difficult for management to monitor and evaluate.

Other Loans. We offer a variety of loans secured by property other than real estate. These loans include automobile, passbook, overdraft protection and unsecured loans. At December 31, 2009, these other loans totaled $91,000, or 0.1% of the total loan portfolio.

Loan Originations, Sales, and Servicing. Lending activities are conducted by our loan personnel operating at our main and branch office locations and through local mortgage brokers. All loans that we originate are underwritten pursuant to our policies and procedures, which incorporate Freddie Mac underwriting guidelines to the extent applicable. We originate both adjustable-rate and fixed-rate loans. Our ability to originate fixed or adjustable-rate loans is dependent upon the relative customer demand for such loans, which is affected by current market interest rates as well as anticipated future market interest rates. Our loan origination and sales activity may be adversely affected by a rising interest rate environment that typically results in deceased loan demand. Historically, a majority of our one-to-four-family residential real estate mortgage loan originations have been generated by local mortgage brokers, as well as our in-house loan representatives. Loans obtained from brokers are underwritten and funded by us. We also obtain referrals from existing or past customers and by referrals from local builders, real estate brokers and attorneys.

For loans that we sell, we sell our loans without recourse. Historically, we have retained the servicing rights on all residential real estate mortgage loans that we have sold. At December 31, 2009, we were servicing loans owned by others with a principal balance of $16.8 million. Loan servicing includes collecting and remitting loan payments, accounting for principal and interest, contacting delinquent borrowers, supervising foreclosures and property dispositions in the event of unremedied defaults, making certain insurance and tax payments on behalf of the borrowers and generally administering the loans. We retain a portion of the interest paid by the borrower on the loans we service as consideration for our servicing activities. We have not engaged in loan purchases or entered into loan participations in recent years. The value of servicing rights was not material at December 31, 2009.

The following table shows our loan originations, sales and repayment activities for the years indicated.

	For the year ended December 31,				
	2009	2008	2007	2006	2005
	(In thousands)				
Total loans at beginning of period	$135,523	$124,244	$121,121	$108,601	$99,301
Loan originations:					
Real estate loans:					
One-to four-family residential	26,303	25,479	19,198	22,721	15,402
Home equity lines of credit	1,199	2,184	1,431	2,295	3,061
Multi-family residential	-	-	-	137	374
Construction	1,485	2,818	-	1,115	1,656
Commercial	-	-	-	-	1,280
Other loans	56	129	113	165	127
Total loans originated	29,043	30,610	20,742	26,433	21,900
Sales and loan principal repayments:					
Deduct:					
Principal repayments	34,360	16,454	16,605	12,734	12,320
Loan sales	13,899	2,877	1,014	1,179	280
Net loan activity	(19,216)	11,279	3,123	12,520	9,300
Total loans at end of period	$116,307	$135,523	$124,244	$121,121	$108,601

Loan Approval Policy and Authority. Fairport Savings Bank's lending activities follow written, non-discriminatory underwriting standards and loan origination policies approved by Fairport Savings Bank's board of directors. The loan approval process is intended to assess the borrower's ability to repay the loan and value of the property that will secure the loan. To assess the borrower's ability to repay, we review the borrower's employment and credit history and information on the historical and projected income and expenses of the borrower.

We generally require independent third-party appraisals of real property securing loans. Appraisals are performed by independent licensed appraisers. All appraisers are approved by the board of directors annually.

Loans to One Borrower. A federal savings bank generally may not make a loan or extend credit to a single or related group of borrowers in excess of 15% of unimpaired capital and surplus. An additional amount may be loaned equal to 10% of unimpaired capital and surplus if the loan is secured by readily marketable collateral, which generally does not include real estate. Our loans to one borrower limit under this regulation is $5.1 million (including the additional amount). Our policy provides that loans to one borrower (or related borrowers) should not exceed $750,000. At December 31, 2009, we had one loan exceeding this amount for $944,000 which was secured by the borrower's primary residence. This loan was performing in accordance with its terms. Our next largest lending relationship to one borrower at December 31, 2009 totaled $836,000, and was secured by the borrower's primary residence. This loan was performing in accordance with its terms.

Non-Performing Assets and Delinquent Loans

System-generated late notices are mailed to borrowers after the late payment "grace period," which is 15 days in the case of all loans secured by real estate and 10 days in the case of other loans. A second notice will be mailed to borrowers if the loan remains past due after 30 days. When a loan is more than 60 days past due, we attempt to contact the borrower and develop a plan of repayment. By the 90th day of delinquency, we will have our attorneys issue a demand letter. The demand letter will require the borrowers to bring the loan current within 30 days in order to avoid the beginning of foreclosure proceedings for loans secured by real estate. With respect to automobile loans we will seek to repossess the vehicle if the loan is 90 days delinquent. A report of all loans 30 days or more past due is provided to the board of directors monthly.

Loans are generally placed on non-accrual status when payment of principal or interest is more than 90 days delinquent, unless the loans are well-secured and in the process of collection. Loans are also placed on non-accrual status if collection of principal or interest in full is in doubt or if the loan has been restructured. At December 31, 2009, 2008, 2007, 2006 and 2005, we had no restructured loans. When loans are placed on a non-accrual status, unpaid accrued interest is fully reversed, and further income is recognized only to the extent received. The loan may be returned to accrual status if unpaid principal and interest are repaid so that the loan is less than 90 days delinquent and a satisfactory payment history has been established. Loans not secured by real estate will be charged-off if they become 120 days past due. At December 31, 2009 we had one non-performing loan, which was a one-to-four-family residential property for $23,000 and which, in the opinion of management was adequately collateralized.

Non-Performing Assets. The table below sets forth the amounts and categories of our non-performing assets at the dates indicated.

	At December 31,				
	2009	2008	2007	2006	2005
	(Dollars in thousands)				
Non-accrual loans:					
Real estate loans:					
One-to-four-family residential	$ 23	$ 121	$ 63	$ 143	$ 70
Home equity lines of credit	—	25	—	28	—
Multi-family residential	—	—	—	—	—
Construction	—	—	—	—	—
Commercial	—	—	—	—	—
Other loans	—	—	—	—	—
Total	23	146	63	171	70
Accruing loans 90 days or more past due:	—	—	—	—	—
Total non-performing loans	23	146	63	171	70
Foreclosed real estate	79	—	—	—	225
Other non-performing assets	—	—	—	—	—
Total non-performing assets	$ 102	$ 146	$ 63	$ 171	$ 295
Ratios:					
Total non-performing loans to total loans	0.02 %	0.11 %	0.05 %	0.14 %	0.06 %
Total non-performing loans to total assets	0.01 %	0.07 %	0.04 %	0.11 %	0.05 %
Total non-performing assets to total assets	0.05 %	0.07 %	0.04 %	0.11 %	0.21 %

For the year ended December 31, 2009, gross interest income that would have been recorded had our non-accruing loans been current in accordance with their original terms was $543. Interest income recognized on such loans for the year ended December 31, 2009 was $790.

Delinquent Loans. The following table sets forth our loan delinquencies by type, by amount and by percentage of type at the dates indicated.

	Loans Delinquent For					
	30-89 Days		90 Days and Over		Total	
	Number	Amount	Number	Amount	Number	Amount
			(Dollars in thousands)			
At December 31, 2009						
Real estate loans:						
One-to-four-family residential	2	$224	—	$—	2	$224
Home equity lines of credit	—	—	—	—	—	—
Multi-family residential	—	—	—	—	—	—
Construction	—	—	—	—	—	—
Commercial	—	—	—	—	—	—
Other loans			—	—	—	—
Total	2	$224	—	$—	2	$224
At December 31, 2008						
Real estate loans:						
One-to-four-family residential	4	$59	—	$—	4	$59
Home equity lines of credit	1	17	—	—	1	17
Multi-family residential	—	—	—	—	—	—
Construction	—	—	—	—	—	—
Commercial	—	—	—	—	—	—
Other loans	1	1	—	—	1	1
Total	6	$77	—	$—	6	$77
At December 31, 2007						
Real estate loans:						
One-to-four-family residential	8	$358	—	$—	8	$358
Home equity lines of credit	4	64	—	—	4	64
Multi-family residential	—	—	—	—	—	—
Construction	—	—	—	—	—	—
Commercial	—	—	—	—	—	—
Other loans	—	—	—	—	—	—
Total	12	$422	—	$—	12	$422
At December 31, 2006						
Real estate loans:						
One-to-four-family residential	2	$110	—	$—	2	$110
Home equity lines of credit	—	—	—	—	—	—
Multi-family residential	—	—	—	—	—	—
Construction	—	—	—	—	—	—
Commercial	—	—	—	—	—	—
Other loans	—	—	—	—	—	—
Total	2	$110	—	$—	2	$110
At December 31, 2005						

Real estate loans:						
One-to-four-family residential	6	$229	—	$—	6	$229
Home equity lines of credit	—	—	—	—	—	—
Multi-family residential	—	—	—	—	—	—
Construction	—	—	—	—	—	—
Commercial	—	—	—	—	—	—
Other loans	—	—	—	—	—	—
Total	6	$229	—	$—	6	$229

Foreclosed Real Estate. Real estate acquired by us as a result of foreclosure or by deed in lieu of foreclosure is classified as foreclosed real estate until sold. When property is acquired it is recorded at the estimated fair market value at the date of foreclosure, establishing a new cost basis. Estimated fair value generally represents the sale price a buyer would be willing to pay on the basis of current market conditions, including normal terms from other financial institutions, less the estimated costs to sell the property. Holding costs and declines in estimated fair market value result in charges to expense after acquisition. At December 31, 2009, we had one foreclosed real estate for $79,000.

Classification of Assets. Our policies, consistent with regulatory guidelines, provide for the classification of loans and other assets that are considered to be of lesser quality as substandard, doubtful, or loss assets. An asset is considered substandard if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Substandard assets include those assets characterized by the distinct possibility that we will sustain some loss if the deficiencies are not corrected. Assets classified as doubtful have all of the weaknesses inherent in those classified substandard with the added characteristic that the weaknesses present make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable. Assets (or portions of assets) classified as loss are those considered uncollectible and of such little value that their continuance as assets is not warranted. Assets that do not expose us to risk sufficient to warrant classification in one of the aforementioned categories, but which possess potential weaknesses that deserve our close attention, are required to be designated as special mention. As of December 31, 2009, we had no assets designated as special mention.

When we classify assets as either substandard or doubtful, we allocate a portion of the related general loss allowances to such assets as we deem prudent. The allowance for loan losses is the amount estimated by management as necessary to absorb credit losses incurred in the loan portfolio that are both probable and reasonably estimable at the balance sheet date. Our determination as to the classification of our assets and the amount of our loss allowances are subject to review by our principal federal regulator, the Office of Thrift Supervision, which can require that we establish additional loss allowances. We regularly review our asset portfolio to determine whether any assets require classification in accordance with applicable regulations. On the basis of our review of our assets, at December 31, 2009, classified assets consisted of one substandard asset of $23,000, and no assets classified as doubtful or loss.

Allowance for Loan Losses

We provide for loan losses based on the allowance method. Accordingly, all loan losses are charged to the related allowance and all recoveries are credited to it. Additions to the allowance for loan losses are provided by charges to income based on various factors which, in our judgment, deserve current recognition in estimating probable losses. We regularly review the loan portfolio and make provisions for loan losses in order to maintain the allowance for loan losses in accordance with accounting principles generally accepted in the United States of America.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of specific, general and unallocated components. The specific component relates to loans that are classified as doubtful, substandard or special mention. For such loans that are also classified as impaired, an allowance is generally established when the collateral value of the impaired loan is lower than the carrying value of that loan. The general component covers non-classified loans and is based on historical loss experience adjusted for qualitative factors. An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

A loan is considered impaired when, based on current information and events, it is probable that Fairport Savings Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management considers the significance of payment delays and payment short falls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan by loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate or the fair value of the collateral if the loan is collateral dependent.

Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, we do not separately identify individual consumer and residential loans for impairment disclosures.

We periodically evaluate the carrying value of loans and the allowance is adjusted accordingly. While we use the best information available to make evaluations, future adjustments to the allowance may be necessary if conditions differ substantially from the information used in making the evaluations. In addition, as an integral part of their examination process, the Office of Thrift Supervision periodically reviews the allowance for loan losses. The Office of Thrift Supervision may require us to recognize additions to the allowance based on their analysis of information available to them at the time of their examination.

The following table sets forth activity in our allowance for loan losses for the years indicated.

	At or For the Years Ended December 31,				
	2009	2008	2007	2006	2005
	(Dollars in thousands)				
Balance at beginning of year	$ 345	$ 319	$ 322	$ 331	$ 307
Charge-offs:					
Real estate loans:					
One-to-four-family residential	5	—	—	—	—
Home equity lines of credit	—	—	—	—	—
Multi-family residential	—	—	—	—	—
Construction	—	—	—	—	—
Commercial	—	—	—	—	—
Other loans	—	—	3	9	2
Total charge-offs	5	—	3	9	2
Net charge-offs	5	—	3	9	2
Recoveries	—	2	—	—	—
Provision for loan losses	28	24	—	—	26
Balance at end of year	$ 368	$ 345	$ 319	$ 322	$ 331
Ratios:					
Net charge-offs to average loans outstanding	0.00 %	0.00 %	0.00 %	0.01 %	0.00 %
Allowance for loan losses to non-performing loans at end of year	1600.00%	236.30%	506.35%	188.30%	472.86%
Allowance for loan losses to total loans at end of year	0.32 %	0.25 %	0.26 %	0.27 %	0.30 %

Allocation of Allowance for Loan Losses. The following table sets forth the allowance for loan losses allocated by loan category, the total loan balances by category, and the percent of loans in each category to total loans at the dates indicated. The allowance for loan losses allocated to each category is not necessarily indicative of future losses in any particular category and does not restrict the use of the allowance to absorb losses in other categories.

	At December 31,								
	2009			2008			2007		
	Amount	Percent of Allowance to Total Allowance	Percent of Loans in Category to Total Loans	Amount	Percent of Allowance to Total Allowance	Percent of Loans in Category to Total Loans	Amount	Percent of Allowance to Total Allowance	Percent of Loans in Category to Total Loans
	(Dollars in thousands)								
Real estate loans:									
One-to-four-family residential	$205	55.7 %	90.2 %	$247	71.6 %	91.4 %	$218	68.3 %	91.2 %
Home equity lines of credit	62	16.9	7.3	67	19.4	6.1	67	21.0	5.3
Multi-family residential	6	1.6	0.7	6	1.7	0.6	7	2.2	0.7
Construction	1	0.3	0.1	2	0.6	0.2	5	1.6	0.9
Commercial	16	4.3	1.6	20	5.8	1.6	21	6.6	1.7
Other loans	1	0.3	0.1	1	0.3	0.1	1	0.3	0.2
Total allocated allowance	291		100.0	343	99.4	100.0	319	100.0	100.0
Unallocated allowance	77	20.9	—	2	0.6 %	—	—	—	—
Total allowance for loan losses	$368	100.0 %	100.0 %	$345	100.0 %	100.0 %	$319	100.0 %	100.0 %

	At December 31,					
	2006			2005		
	Amount	Percent of Allowance to Total Allowance	Percent of Loans in Category to Total Loans	Amount	Percent of Allowance to Total Allowance	Percent of Loans in Category to Total Loans
	(Dollars in thousands)					
Real estate loans:						
One- to four-family residential	$228	70.8 %	90.6 %	$232	70.1 %	88.6 %
Home equity lines of credit	55	17.1	5.7	44	13.3	6.6
Multi-family residential	8	2.5	0.9	8	2.4	1.0

Construction	2	0.6	0.3	1	0.3	0.2
Commercial	28	8.7	2.3	35	10.6	3.2
Other loans	1	0.3	0.2	1	0.3	0.4
Total allocated allowance	322	100.0	100.0	321	97.0	100.0
Unallocated allowance	—	—	—	10	3.0	—
Total allowance for loan losses	$322	100.0 %	100.0 %	$331	100.0 %	100.0 %

Investments

Our board of directors is responsible for approving and overseeing our investment policy. The investment policy is reviewed at least annually by management and any changes to the policy are recommended to the board of directors and are subject to its approval. This policy dictates that investment decisions be made based on the safety of the investment, liquidity requirements, potential returns, the ability to provide collateral for pledging requirements, and consistency with our interest rate risk management strategy. Our asset/liability management committee, which consists of our chief executive officer, chief financial officer and other members of management, oversees our investing activities and strategies. All transactions are formally reviewed by the board of directors at least quarterly. Any investment which, subsequent to its purchase, fails to meet the guidelines of the policy is reported to the asset/liability management committee, which decides whether to hold or sell the investment.

Our current investment policy permits us to invest in debt securities issued by the U.S. Government, agencies of the U.S. Government or U.S. Government-sponsored enterprises. The policy also permits investments in mortgage-backed securities, including pass-through securities issued and guaranteed by Fannie Mae, Freddie Mac and Ginnie Mae. We also may hold investments in New York State municipal obligations. The investment policy also permits investments in asset-backed securities, pooled trust securities, bankers' acceptances, money market funds, term federal funds, repurchase agreements and reverse repurchase agreements.

Our current investment policy prohibits hedging through the use of such instruments as financial futures, interest rate options and swaps.

Debt and equity securities investment accounting guidance requires that, at the time of purchase, we designate a security as held to maturity, available-for-sale, or trading, depending on our ability and intent. Securities available-for-sale are reported at fair value, while securities held to maturity are reported at amortized cost. We do not have a trading portfolio.

At December 31, 2009 our investment portfolio, classified as available for sale, consisted of: $54.8 million, or 25.6% of total assets, of U.S. Government and federal agency obligations with a fair value of $54.6 million; $20.4 million, or 9.5% of total assets, of mortgage-backed securities guaranteed by Fannie Mae, Ginnie Mae, Federal Farm Credit and Freddie Mac with a fair value of $20.8 million; and Freddie Mac stock with a cost basis of $9,000, and a fair value of $12,000. Our investment portfolio, classified as held to maturity, consisted of: $6.1 million, or 2.8% of total assets, of mortgage-backed securities guaranteed by Fannie Mae, Ginnie Mae, Federal Farm Credit and Freddie Mac with a fair value of $6.2 million.

U.S. Government and Federal Agency Obligations. U.S. Government and federal agency securities are utilized as shorter-term investment vehicles and as an alternative to loan originations. Investment in U.S. government and agency securities provide lower yields than loans, however, they provide greater liquidity on a short-term basis.

Mortgage-Backed Securities. We purchase both fixed-rate and adjustable-rate mortgage-backed securities insured or guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae. We invest in mortgage-backed securities to achieve higher interest income and monthly cash flow with minimal administrative expense, and to lower our credit risk as a result of the guarantees provided by Freddie Mac, Federal Farm Credit, Fannie Mae or Ginnie Mae.

Mortgage-backed securities are created by the pooling of mortgages and the issuance of a security with an interest rate that is less than the interest rate on the underlying mortgages. Mortgage-backed securities typically represent a participation interest in a pool of single-family or multi-family mortgages, although we invest only in mortgage-backed securities backed by one-to-four-family mortgages. The issuers of such securities (generally Ginnie Mae, a U.S. Government agency, and government sponsored enterprises, such as Fannie Mae, Federal Farm Credit, and Freddie Mac) pool and resell the participation interests in the form of securities to investors such as Fairport Savings Bank, and guarantee the payment of principal and interest to investors. Mortgage-backed securities generally yield less than the loans that underlie such securities because of the cost of payment guarantees and credit enhancements. However, mortgage-backed securities are more liquid than individual mortgage loans since there is an active trading market for such securities. In addition, mortgage-backed securities may be used to collateralize our specific liabilities and obligations. Investments in mortgage-backed securities involve a risk that actual payments will be greater or less than the prepayment rate estimated at the time of purchase, which may require adjustments to the amortization of any premium or acceleration of any discount relating to such interests, thereby affecting the net yield on our securities. We periodically review current prepayment speeds to determine whether prepayment estimates require modification that could cause amortization or accretion adjustments. Our mortgage-backed securities portfolio contains no sub-prime mortgage loans and has no exposure to sub-prime investment activity.

The following table sets forth the amortized cost and fair value of our securities portfolio at the dates indicated.

	At December 31,					
	2009		2008		2007	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In thousands)					
Securities held to maturity:						
U.S. Government and agency obligations	$ —	$ —	$ —	$ —	$ 18,997	$ 19,031
Mortgage-backed securities - residential	6,098	6,183	7,289	7,091	9,553	9,566
Total securities held to maturity	$ 6,098	$ 6,183	$ 7,289	$ 7,091	$ 28,550	$ 28,597
Securities available for sale:						
U.S. Government and agency obligations	$ 54,842	$ 54,629	$ 22,196	$ 22,229	$ —	$ —
Mortgage-backed securities - residential	20,369	20,842	21,785	21,690	—	—
Equity Securities	9	12	9	6	65	244
Total securities available for sale	$ 75,220	$ 75,483	$ 43,990	$ 43,925	$ 65	$ 244

Portfolio Maturities and Yields. The composition and maturities of the investment securities portfolio and the mortgage-backed securities portfolio at December 31, 2009 are summarized in the following table. Maturities are based on the final contractual payment dates, and do not reflect the impact of prepayments or early redemptions that may occur. All of our securities at December 31, 2009 were taxable securities. Equity securities consisting of Freddie Mac common stock with a cost of $9,000 and a fair value of $12,000 have no maturity date. Accordingly, they are not included in the table.

	One Year or Less		More than One Year through Five Years		More than Five Years through Ten Years		More than Ten Years		Total Securities		
	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Fair Value	Weighted Average Yield
	(Dollars in thousands)										
Securities held to maturity:											
Mortgage-backed securities	$—	—%	$—	— %	$—	— %	$6,098	2.86 %	$6,098	$6,183	2.86 %
Securities available for sale:											
U.S. Government and agency obligations	$—	—%	$5,525	1.47 %	$15,045	2.42 %	$34,272	3.42 %	$54,842	$54,629	2.95 %
Mortgage-backed securities	—	—%	—	— %	—	— %	20,369	3.95 %	20,369	20,842	3.95 %
Total securities available for sale	$—	—%	$5,525	1.47 %	$15,045	2.42 %	$54,641	3.62 %	$75,211	$75,471	3.23 %

Sources of Funds

General. Deposits traditionally have been our primary source of funds for our lending and investment activities. We also borrow, primarily from the Federal Home Loan Bank of New York; to supplement cash flow needs, to lengthen the maturities of liabilities for interest rate risk management purposes and to manage our cost of funds. Our additional sources of funds are scheduled loan payments, loan prepayments, maturing investments, mortgage-backed securities amortizations and pre-payments, proceeds of loan sales, and retained earnings.

Deposits. We generate deposits primarily from the areas in which our branch offices are located. We rely on our competitive pricing, convenient locations and customer service to attract and retain deposits. We offer a variety of deposit accounts with a range of interest rates and terms. Our deposit accounts consist of savings accounts, NOW accounts, money market accounts, certificates of deposit and individual retirement accounts and non-interest bearing demand deposits. We currently do not accept brokered deposits.

Interest rates paid, maturity terms, service fees and withdrawal penalties are established on a periodic basis. Deposit rates and terms are based primarily on current operating strategies and market interest rates, liquidity requirements, interest rates paid by competitors and our deposit growth goals.

At December 31, 2009, our deposits totaled $156.5 million. Specifically, at December 31, 2009, NOW accounts totaled $9.1 million, savings accounts totaled $26.7 million, money market accounts totaled $22.6 million and non-interest bearing checking accounts totaled $4.0 million. At December 31, 2009, certificates of deposit, including individual retirement accounts (all of which were certificate of deposit accounts), totaled $94.1 million, of which $65.3 million had remaining maturities of one year or less. Based on historical experience and our current pricing strategy, we believe we will retain a large portion of these accounts upon maturity.

The following table sets forth the distribution of our average total deposit accounts, by account type, for the years indicated.

	For the Years Ended December 31,								
	2009			2008			2007		
	Average Balance	Percent	Weighted Average Rate	Average Balance	Percent	Weighted Average Rate	Average Balance	Percent	Weighted Average Rate
	(Dollars in thousands)								
Deposit type:									
NOW	$ 8,333	5.8 %	0.67 %	$ 6,940	5.4 %	1.08 %	$ 5,721	4.9 %	0.65 %
Savings	17,392	12.1	0.84	13,897	10.9	0.96	14,306	12.1	1.29
Money market	20,868	14.5	1.61	12,429	9.7	2.12	10,400	8.8	2.89
Individual retirement accounts	17,681	12.3	3.67	16,362	12.8	4.33	15,733	13.3	4.44
Certificates of deposit	76,104	52.8	2.92	74,725	58.6	3.96	68,672	58.2	4.51
Non-interest bearing demand deposits	3,620	2.5	—	3,256	2.6	—	3,214	2.7	—
Total deposits	$ 143,998	100.0 %	2.37 %	$ 127,609	100.0 %	3.24 %	$ 118,046	100.0 %	3.66 %

As of December 31, 2009, the aggregate amount of our outstanding certificates of deposit, including our individual retirement accounts, in amounts greater than or equal to $100,000 was approximately $26.1 million. The following table sets forth the maturity of those certificates as of December 31, 2009.

	At December 31, 2009 (In thousands)
Three months or less	$ 6,159
Over three months through six months	8,004
Over six months through one year	4,422
Over one year to three years	6,563
Over three years	920
Total	$ 26,068

The following table sets forth, by interest rate ranges, information concerning the period to maturity of our certificates of deposit, including our individual retirement accounts.

	At December 31, 2009 Period to Maturity					
	Less Than or Equal to One Year	More Than One to Two Years	More Than Two to Three Years	More Than Three Years	Total	Percent of Total
	(Dollars in thousands)					
Interest Rate Range:						
1.99% and below	$ 30,299	$ 3,888	$ 474	$ 268	$ 34,929	37.10 %
2.00% to 2.99%	10,591	4,379	6,581	4,339	25,890	27.50
3.00% to 3.99%	20,016	1,008	199	757	21,980	23.35
4.00% to 4.99%	3,862	2,301	2,007	69	8,239	8.75
5.00% to 5.99%	577	816	1,693	20	3,106	3.30
Total	$ 65,345	$ 12,392	$ 10,954	$ 5,453	$ 94,144	100.00 %

The following table sets forth our time deposits, including our individual retirement accounts classified by interest rate range at the dates indicated.

	At December 31,		
	2009	2008	2007
	(In thousands)		
Interest Rate Range:			
1.99% and below	$ 34,929	$ 6,749	$ -
2.00% to 2.99	25,890	20,705	473
3.00% to 3.99%	21,980	43,019	16,668
4.00% to 4.99%	8,239	13,351	44,244
5.00% to 5.99%	3,106	3,487	24,821
Total	$ 94,144	$ 87,311	$ 86,206

Borrowings. Our long-term borrowings consist primarily of loans, commonly referred to as advances, from the Federal Home Loan Bank of New York. Our advances carried a weighted average rate at December 31, 2009 of 4.22%. At December 31, 2009, we had the ability to borrow approximately $87.4 million under our credit facilities with the Federal Home Loan Bank of New York of which $34.6 million were advanced. Borrowings from the Federal Home Loan Bank of New York are secured by our investment in the common stock of the Federal Home Loan Bank of New York as well as by a blanket pledge of our mortgage portfolio not otherwise pledged.

Our short-term borrowings consist of Federal Home Loan Bank advances. The following table sets forth information concerning balances and interest rates on all of our short-term borrowings at and for the periods shown:

	At or For the Years Ended December 31,		
	2009	2008	2007
	(Dollars in thousands)		
Balance at end of year	$ -	$ 3,850	$ —
Average balance during year	180	536	499