



**NEW YORK STATE  
DEPARTMENT OF FINANCIAL SERVICES  
FINANCIAL FRAUDS AND CONSUMER PROTECTION DIVISION**

One State Street  
New York, NY 10004

**PUBLIC SUMMARY**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**Date of Evaluation:** *December 31, 2012*

**Institution:** Pathfinder  
214 West First Street  
Oswego, NY 13126

**Note:** This evaluation is not an assessment of the financial condition of this institution. The rating assigned does not represent an analysis, conclusion or opinion of the New York State Department of Financial Services concerning the safety and soundness of this financial institution.

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## **GENERAL INFORMATION**

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of Pathfinder Bank (“Pathfinder”) prepared by the New York State Department of Financial Services (“Department” or “DFS”). The evaluation represents the Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of December 31, 2012.

Section 28-b of the New York State Banking Law, as amended, requires that when evaluating certain applications, the Superintendent of Banks shall assess a banking institution’s record of helping to meet the credit needs of its entire community, including low- and moderate-income (“LMI”) areas, consistent with safe and sound operations.

Part 76 of the General Regulations of the Superintendent implements Section 28-b and further requires that the Department assess the CRA performance records of regulated financial institutions. Part 76 establishes the framework and criteria by which the Department will evaluate the performance. Section 76.5 further provides that the Department will prepare a written report summarizing the results of such assessment and will assign to each institution a numerical CRA rating based on a 1 to 4 scoring system. The numerical scores represent an assessment of CRA performance as follows:

- (1) Outstanding record of meeting community credit needs;
- (2) Satisfactory record of meeting community credit needs;
- (3) Needs to improve record of meeting community credit needs; and
- (4) Substantial noncompliance in meeting community credit needs.

Section 76.5 further requires that the CRA rating and the written summary be made available to the public (“Evaluation”). Evaluations of banking institutions are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Sections 76.8 through 76.13. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York State Banking Law.

For an explanation of technical terms used in this report, please consult the **GLOSSARY** at the back of this document.

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## OVERVIEW OF INSTITUTION'S PERFORMANCE

Pathfinder's performance was evaluated according to the large bank performance criteria pursuant to Part 76.12 of the General Regulations of the Superintendent. This assessment period included calendar years 2009, 2010, 2011 and 2012. Pathfinder is rated "2," indicating a "**Satisfactory**" record of helping to meet community credit needs.

This rating is based on the following factors:

### **Lending Test – "High Satisfactory"**

Pathfinder's small business and HMDA-reportable lending activities were reasonable in light of size, business strategy and financial condition, as well as peer group activity, demographics, and its assessment area's credit needs.

- **Lending Activity:** "High Satisfactory"

Pathfinder's lending levels were reasonable considering its size, business strategy and financial condition, as well as peer group activity and demographics. The average loan-to-deposit ("LTD") of Pathfinder for the 16 quarters during the evaluation period was 82.8%, slightly below its peer group of 83.9%.

- **Assessment Area Concentration:** "Low Satisfactory"

During the evaluation period, in combination of HMDA-reportable and small business lending, Pathfinder originated 78.4% by number, and 65.4% by dollar value of its loans within the assessment area. This majority of lending inside of its assessment area is a reasonable record of lending within Pathfinder's assessment area.

- **Geographic Distribution of Loans:** "Outstanding"

The distribution of loans based on lending in census tracts of varying income levels demonstrated an excellent rate of lending. The distribution of HMDA-reportable loans based on the income level of the geography demonstrated an excellent penetration rate of lending. The distribution of small business loans based on the income level of the geography of the business demonstrated a more than reasonable penetration rate of lending.

- **Distribution by Borrower Characteristics:** "High Satisfactory"

The distribution of loans based on borrower characteristics demonstrated a good penetration rate of lending among individuals of different income levels and businesses of different revenue sizes. Pathfinder's HMDA-reportable demonstrated a reasonable penetration rate of lending among individuals of different income levels. The distribution of small business loans based on the revenue size of the business demonstrated an excellent penetration rate of lending among businesses of different revenue sizes.

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- **Community Development Lending: “Outstanding”**

During the evaluation period, Pathfinder originated \$8.9 million in new community development loans and had \$1.4 million outstanding from prior evaluation periods, totaling \$10.3 million. This demonstrated an excellent level of community development lending over the course of the evaluation period.

Current community development loans of \$10.3 million reflected a significant increase when compared to previous community development loans of \$1.8 million.

**Investment Test: “High Satisfactory”**

During the evaluation period, Pathfinder made \$1.3 million in new community development investments, and still had \$696,771 outstanding from prior evaluation periods. In addition, Pathfinder made \$74,610 in community development grants, totaling Pathfinder’s qualified community development investments at \$2.1 million. Compared to previous three-year evaluation, Pathfinder’s current investments reflected a 21.2% increase. This demonstrated an adequate level of community development investments and grants over the course of the evaluation period.

**Service Test: “High Satisfactory”**

Pathfinder had and continues to have reasonable delivery systems, branch network, branch hours and services, and alternative delivery systems.

*This evaluation was conducted based on a review of the 12 assessment factors set forth in Section 28-b of the New York State Banking Law and Part 76 of the General Regulations of the Superintendent.*

## PERFORMANCE CONTEXT

### Institution Profile:

In 1859, Pathfinder Bank (Pathfinder”) was chartered by then New York State Banking Department as a mutual institution under the name of Oswego City Savings Bank, which eventually changed its name to Pathfinder Bank (“Pathfinder”) in November 1999. Pathfinder, headquartered in Oswego County, Oswego, NY, is a wholly-owned subsidiary of Pathfinder Bancorp, Inc., (“PBI”), a mutual holding company organized in Delaware. In 1997, a two-tier holding company structure was created which formed Pathfinder Bancorp, MHC (“PBMHC”), a federally chartered mutual holding company. Pathfinder remains wholly-owned subsidiary of PBI, and PBI, a subsidiary of PBMHC which is currently the largest shareholder (64%) of the holding company while the remaining stocks are publicly held.

As per the Consolidated Report of Condition (“Call Report”) as of December 31, 2012, filed with the Federal Deposit Insurance Corporation (“FDIC”), Pathfinder reported total assets of \$477.4 million, of which \$333.8 million were net loans and lease finance receivables. It also reported total deposits of \$348.7 million, resulting in a loan-to-deposit ratio of 95.7%. According to the latest available comparative deposit data as of June 30, 2012, Pathfinder obtained a market share of 4.1%, or \$400.9 million in a market of \$9.7 billion inside its market, ranking it 10th among 20 deposit-taking institutions in the assessment area.

The following is a summary of Pathfinder’s loan portfolio, based on Schedule RC-C of Pathfinder’s December 31, 2009, 2010, 2011 and December 31, 2012’s Call Reports:

<b>TOTAL GROSS LOANS OUTSTANDING</b>								
Loan Type	2009		2010		2011		2012	
	\$000's	%	\$000's	%	\$000's	%	\$000's	%
1-4 Family Res. Mortgages	158,727	60.5	167,572	58.7	182,468	59.9	196,246	58.8
Comm. Mtge. Loans	53,283	20.3	56,271	21.4	58,794	19.3	67,859	20.3
Multifamily Mortgages	9,390	3.6	8,537	3.3	11,114	3.6	11,094	3.3
Comm. & Indus. Loans	24,557	9.4	31,494	12.0	32,815	10.8	32,787	9.8
Consumer Loans	3,514	1.3	4,758	1.8	3,941	1.3	3,346	1.0
Agricultural Loans	1,030	0.4	1,359	0.5	1,349	0.4	1,183	0.4
Construction Loans	4,540	1.7	7,330	2.6	7,808	2.6	12,225	3.7
Obligations of States/Munis.	3,653	1.4	4,826	1.7	3,619	1.2	3,601	1.1
Other Loans	63	0.0	114	0.0	197	0.1	107	0.0
Lease financing	3,710	1.4	3,045	1.1	2,665	0.9	5,310	1.6
<b>Total Gross Loans</b>	<b>262,467</b>	<b>100.0</b>	<b>285306.0</b>	<b>100.0</b>	<b>304,770</b>	<b>100.0</b>	<b>333,758</b>	<b>100.0</b>

As illustrated in the above chart, Pathfinder is primarily a residential real estate lender, with 62.1% of its loan portfolio in residential real estate followed by commercial real estate loans at 20.3%. Total gross loans trended upward, peaking

at 9.5% growth from 2011 to 2012. However, comparing total gross loans of 2008 to total gross loans of 2012, rate of increase was 34.0%.

*There are no known financial or legal impediments that adversely impacted Pathfinder’s ability to meet the credit needs of its community.*

**Assessment Area:**

Pathfinder’s assessment area is comprised of a portion of Oswego County and a portion of Onondaga County.

There are 35 census tracts in the area, of which 1 is low-income, 7 are moderate-income, 22 are middle-income, and 5 are upper-income.

Assessment Area Census Tracts by Income Level								
County	N/A	Low	Mod	Middle	Upper	Total	LMI %	LMI & Dis-tressed %
Onondaga*				2	4	6	0.0	0%
Oswego		1	7	20	1	29	27.6	28%
Total	0	1	7	22	5	35	22.9	23%

\* Partial County

*The assessment area appears reasonable based upon the location of Pathfinder’s offices and its lending patterns. There is no evidence that LMI areas have been arbitrarily excluded.*

**Demographic & Economic Data**

The assessment area had a population of 147,118 in 2012. About 11.9% of the population were over the age of 65 and 20.5% were under the age of 16.

Of the 36,984 families in the assessment area, 21.4% were low-income, 19.0% were moderate-income, 24.0% were middle-income and 35.7% were upper-income families. There were 55,138 households in the assessment area, of which 13.2% with income below the poverty level, and 2.2% on public assistance.

The weighted average of median family income within the assessment area was \$61,816. The U.S. Department of Housing and Urban Development (“HUD”) estimated median family income for the area to be \$66,600 in 2012.

There were 63,409 housing units within the assessment area, of which 93.0% were one- to four-family units, and 7.0% were multifamily units. A majority (65.1%) of the area’s housing units were owner-occupied, while 24.4% were rental units. Of the 41,283 owner-occupied housing units, 17.1% were in LMI census tracts while 82.9% were in middle- and upper-income census tracts. The median age of the housing

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stock was 44 years and the median home value in the assessment area was \$97,603.

There were 9,830 non-farm businesses in the assessment area. Of these, 74.4% were businesses with reported revenues of less than or equal to \$1 million, 2.9% reported revenues of more than \$1 million and 22.7% did not report their revenues. Of all the businesses in the assessment area, 82.6% were businesses with less than fifty employees while 91.7% operated from a single location. The largest industries in the area were services (45.7%), followed by retail trade (13.9%) and construction (8.8%), while 12.2% of businesses in the assessment area were not classified.

According to the New York State Department of Labor, the average unemployment rate for New York State went down slightly in 2011 at 8.2% from its high of 8.6% in 2010 but went back up again on the same rate in 2012. Oswego showed the highest in unemployment rates in the four-year period (peaked at 10.8% in 2010), averaging at 10.4%, while Onondaga reflected lowest four-year average at 7.9%.

<b>Assessment Area Unemployment Rate</b>			
	Statewide	Onondaga	Oswego
2012	8.6	8.1	10.6
2011	8.2	7.7	10.3
2010	8.6	8.1	10.8
2009	8.3	7.7	9.9

### **Community Information**

According to Federal Reserve Bank of New York ("FRBNY") District Profile dated October 2012, Pathfinder's assessment area (Oswego and Onondaga Counties, which are part of the Syracuse metropolitan area) economy, lagged the nation during the last economic expansion (2000- 2007); while in the current economic downturn, unemployment has climbed, especially in Oswego which comprised most of Pathfinder's assessment area, showed double digit unemployment for three consecutive years (2010, 2011 and 2012), outpacing statewide rates of 8.6% to 8.2% in the same period. These rates signify such an extensive weak economy in the region.

Two community organizations were interviewed for this examination: one helps to create and strengthen partnerships among other nonprofit organizations throughout Oswego County while the other advances the business and community interests of the region through advocacy, member services and community enhancements.

While unemployment is a primary concern in the assessment area, especially in Oswego County, other issues were also mentioned by the two nonprofit organizations interviewed. Oswego County is experiencing a rise in urban malaise

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due to the prevalence of poverty across the county, such as teen illiteracy and financial illiteracy in retirees. In addressing these concerns, most local banks are stepping up their efforts to help through various community service programs. Pathfinder's "Money Smart" financial literacy program was especially mentioned in addressing these concerns.

One community contact also noted that although local banks are meeting the banking needs of their community, the credit needs of small business owners who suffered in recent economic downturn are not being met. Small business owners cited stricter underwriting standards and the declining in personal and business credit scores as causes for difficulty in obtaining financing.

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## **PERFORMANCE STANDARDS AND ASSESSMENT FACTORS**

*Pathfinder, an intermediate small bank, elected to be evaluated under the large bank's performance standards in accordance with Parts 76.8, 76.9 and 76.10 of the General Regulations of the Superintendent which consist of the lending, investment and service tests. The following factors were also considered in assessing the bank's record of performance:*

- 1. The extent of participation by the board of directors or board of trustees in formulating CRA policies and reviewing CRA performance;*
- 2. Any practices intended to discourage credit applications,*
- 3. Evidence of prohibited discriminatory or other illegal credit practices;*
- 4. Record of opening and closing offices and providing services at offices; and*
- 5. Process factors, such as activities to ascertain credit needs and the extent of marketing and special credit related programs.*

*Finally, the evaluation considered other factors as delineated in Section 28-b of the Banking Law that reasonably bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community.*

Statistics employed in this evaluation were derived from various sources. Bank-specific information was submitted by the bank both as part of the examination process and on its Call Report submitted to the FDIC. Aggregate lending data was obtained from the Federal Financial Institutions Examination Council ("FFIEC") and deposit data was obtained from the FDIC. Loan-to-deposit ratios were calculated from information shown in the bank's Uniform Bank Performance Report ("UBPR") as submitted to the FDIC.

The demographic data referred to in this report was derived from the 2000 U.S. Census ("Census") and the U.S. Department of Housing and Urban Development ("HUD"). Business demographic data used in this report is based on Dun & Bradstreet reports which are updated annually. Unemployment data was obtained from the New York State Department of Labor. Some non-specific bank data is only available on a county-wide basis, and was used even where the institution's assessment area includes partial counties.

The assessment period included calendar years 2009, 2010, 2011 and 2012.

Examiners considered Pathfinder's small business, and HMDA-reportable, loans in evaluating factors (2), (3) and (4) of the lending test as noted below.

Pathfinder submitted HMDA-reportable and small business lending data for evaluation. HMDA-reportable loans, comprising of 72.0% Pathfinder's lending, were given greater weight in this evaluation, while small business lending accounted for 28.0%.

Pathfinder received a rating of "2", reflecting a "Satisfactory" record of helping to meet community credit needs at its **prior** Performance Evaluation conducted by the New York State Banking Department as of December 31, 2008.

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**Current CRA Rating: “Satisfactory”**

**LENDING TEST:** “High Satisfactory”

*The bank’s lending performance was evaluated pursuant to the following criteria:*

- 1. Lending Activity;*
- 2. Assessment Area Concentration;*
- 3. Geographic Distribution of Loans;*
- 4. Borrower Characteristics;*
- 5. Community Development Lending; and*
- 6. Flexible and/or Innovative Lending Practices.*

Pathfinder’s small business and HMDA-reportable lending activities were reasonable in light of size, business strategy and financial condition, as well as peer group activity, demographics, and its assessment area’s credit needs.

**Lending Activity:** “High Satisfactory”

Pathfinder’s lending levels were reasonable considering its size, business strategy and financial condition, as well as peer group activity and demographics.

The average loan-to-deposit (“LTD”) of Pathfinder for the 16 quarters during the evaluation period was 82.8%, slightly below its peer group of 83.9%. Pathfinder’s LTDs were relatively consistent during the evaluation period, in contrast to its peer group’s performance, which trended downward from a high of 92.4% in the first quarter of 2009 to a low of 80.0% in 2011.

Loan-to-Deposit Ratios																	
	2009 Q1	2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Q4	Avg.
PB	83.3	87.8	83.8	86.8	82.0	84.2	83.1	85.9	82.7	82.7	84.0	81.6	75.6	76.9	80.9	83.6	82.8
Peer	92.4	90.9	88.7	87.6	85.7	84.1	82.7	82.2	81.6	80.9	80.0	80.4	80.7	81.2	81.7	81.8	83.9

**Assessment Area Concentration:** “Low Satisfactory”

During the evaluation period, in combination of HMDA-reportable and small business lending, Pathfinder originated 78.4% by number, and 65.4% by dollar value of its loans within the assessment area. This majority of lending inside of its assessment area is a reasonable record of lending within Pathfinder’s assessment area.

During the evaluation period, for HMDA-reportable lending, Pathfinder originated 82.5% by number, and 70.8% by dollar value of its loans within the assessment area. For small business lending, Pathfinder originated 69.6% by number, and 54.5% by dollar value of its loans within the assessment area.

This majority of lending inside of its assessment area is a reasonable record of lending.

The following table shows the percentages of Pathfinder's HMDA-reportable and small business loans originated inside and outside of the assessment area

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Loans in Dollars (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
<b>HMDA-Reportable</b>										
2009	198	83.5%	39	16.5%	237	18,493	69.7%	8,041	30.3%	26,534
2010	230	79.9%	58	20.1%	288	21,405	72.2%	8,257	27.8%	29,662
2011	264	82.0%	58	18.0%	322	24,390	68.1%	11,428	31.9%	35,818
2012	294	84.5%	54	15.5%	348	29,875	72.9%	11,110	27.1%	40,985
Subtotal	986	82.5%	209	17.5%	1,195	94,163	70.8%	38,836	29.2%	132,999
<b>Small Business</b>										
2009	83	75.0%	28	25.0%	110	5,780	46.3%	6,704	53.7%	12,484
2010	63	64.5%	35	35.5%	98	5,455	43.9%	6,970	56.1%	12,425
2011	108	69.7%	47	30.3%	155	9,957	53.3%	8,738	46.7%	18,695
2012	129	69.0%	58	31.0%	187	14,975	65.8%	7,794	34.2%	22,769
Subtotal	383	69.6%	167	30.4%	550	36,167	54.5%	30,206	45.5%	66,373
Grand Total	1,369	78.4%	376	21.6%	1,745	130,330	65.4%	69,042	34.6%	199,372

For small business lending, analysis was performed on a sample of 28 loans in 2009 and 31 loans in 2010. Number and dollar volume of loans were then extrapolated from the resulting percentages and are not actual results. HMDA-reportable lending analyses were based on actual lending.

### Geographic Distribution of Loans: "Outstanding"

The distribution of loans based on lending in census tracts of varying income levels demonstrated an excellent rate of lending.

#### HMDA-Reportable Loans:

The distribution of HMDA-reportable loans based on the income level of the geography demonstrated an excellent penetration rate of lending.

There was no low-income census tract in Pathfinder's assessment area based on the 2000 census result. As a result, there were no loans extended to low-income census tracts in years 2009, 2010 and 2011. One of the moderate-income census tracts changed its designation in 2012 to low-income census tract based on 2010 census report. Pathfinder generated 1.7% of its HMDA lending in this low-income census tract in 2012, slightly outperforming the aggregate level of 1.2%.

During the evaluation period, Pathfinder's penetration rates by loan number (averaged at 23.6%) in moderate-income census tracts compared favorably to its demographics of 19.3% (2000 census report) or 16.1% (2010 census report). In 2011 and 2012,

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Pathfinder's penetration rate by dollar value also compared favorably to the demographics for these two years.

In comparison with the aggregate's level, Pathfinder's rate of lending were more than reasonable, outperforming its peers in every year during the evaluation period by both loan number and dollar value. These penetration rates in the geographic distribution represent excellent performances by Pathfinder.

The following chart provides a summary of Pathfinder's HMDA-reportable lending distribution based on the income level of the geography.

Distribution of HMDA-Reportable Lending by Geographic Income of the Census Tract									
2009									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	1.0%
Moderate	44	22.2%	2,934	15.9%	479	15.2%	31,466	10.1%	16.1%
LMI	44	22.2%	2,934	15.9%	479	15.2%	31,466	10.1%	17.1%
Middle	119	60.1%	12,123	65.6%	2,048	65.1%	209,287	67.4%	66.8%
Upper	35	17.7%	3,436	18.6%	621	19.7%	69,934	22.5%	16.1%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
<b>Total</b>	<b>198</b>		<b>18,493</b>		<b>3,148</b>		<b>310,687</b>		
2010									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	1.0%
Moderate	55	23.9%	4,054	18.9%	442	16.2%	33,743	12.5%	16.1%
LMI	55	23.9%	4,054	18.9%	442	16.2%	33,743	12.5%	17.1%
Middle	142	61.7%	13,727	64.1%	1,760	64.5%	176,838	65.7%	66.8%
Upper	33	14.3%	3,624	16.9%	525	19.3%	58,647	21.8%	16.1%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
<b>Total</b>	<b>230</b>		<b>21,405</b>		<b>2,727</b>		<b>269,228</b>		
2011									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	1.0%
Moderate	65	24.6%	4,845	19.9%	449	16.6%	30,665	11.9%	16.1%
LMI	65	24.6%	4,845	19.9%	449	16.6%	30,665	11.9%	17.1%
Middle	176	66.7%	16,549	67.9%	1,802	66.7%	178,224	69.1%	66.8%
Upper	23	8.7%	2,996	12.3%	450	16.7%	48,892	19.0%	16.1%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
<b>Total</b>	<b>264</b>		<b>24,390</b>		<b>2,701</b>		<b>257,781</b>		
2012									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	5	1.7%	205	0.7%	38	1.2%	1,749	0.6%	1.0%
Moderate	69	23.5%	5,920	19.8%	467	14.2%	31,340	10.0%	16.1%
LMI	74	25.2%	6,125	20.5%	505	15.4%	33,089	10.5%	17.1%
Middle	188	63.9%	19,516	65.3%	2,005	61.1%	189,807	60.4%	66.8%
Upper	32	10.9%	4,234	14.2%	772	23.5%	91,344	29.1%	16.1%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
<b>Total</b>	<b>294</b>		<b>29,875</b>		<b>3,282</b>		<b>314,240</b>		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	5	0.5%	205	0.2%	0	0.0%	0	0.2%	1.0%
Moderate	233	23.6%	17,753	18.9%	1,657	15.5%	128,065	11.0%	16.1%
LMI	238	24.1%	17,958	19.1%	1,657	15.5%	128,065	11.2%	17.1%
Middle	625	63.4%	61,915	65.8%	7,867	64.4%	786,058	65.5%	66.8%
Upper	123	12.5%	14,290	15.2%	2,047	20.0%	208,066	23.3%	16.1%
Unknown	-	0.0%	-	0.0%	0	0.0%	0	0.0%	0.0%
<b>Total</b>	<b>986</b>		<b>94,163</b>		<b>11,577</b>		<b>1,140,194</b>		

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Small Business Loans:

The distribution of small business loans based on the income level of the geography of the business demonstrated a more than reasonable penetration rate of lending. Pathfinder's average penetration rate for the four years during the evaluation period outperformed both the aggregate level as well as the business demographics.

The average penetration rate for small business lending in LMI census tracts was 30.2% by loan number and 31.3% by dollar value, respectively. The aggregate levels for the same period were averaged at 20.0% by loan number and 21.8% by dollar value, respectively. Business demographics for the LMI tracts within the assessment area approximated at 20%.

The following chart provides a summary of Pathfinder's small business lending distribution based on the income level of the geography.

Distribution of Small Business Lending by Geographic Income of the Census Tract									
2009									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	16	19.1%	647	11.2%	271	18.7%	10,480	18.0%	22.2%
LMI	16	19.0%	647	11.2%	271	18.7%	10,480	18.0%	22.2%
Middle	63	76.1%	4,948	85.6%	1,006	69.5%	39,639	68.1%	66.0%
Upper	4	4.8%	185	3.2%	171	11.8%	8,107	13.9%	11.9%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
<b>Total</b>	<b>83</b>	<b>100%</b>	<b>5,780</b>	<b>100%</b>	<b>1,448</b>		<b>58,226</b>		
2010									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	16	25.0%	835	15.3%	258	19.4%	7,996	17.6%	22.0%
LMI	16	25.0%	835	15.3%	258	19.4%	7,996	17.6%	22.0%
Middle	47	75.0%	4,620	84.7%	913	68.5%	30,478	67.1%	66.3%
Upper	0	0.0%	0	0.0%	162	12.2%	6,942	15.3%	11.7%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
<b>Total</b>	<b>63</b>		<b>5,455</b>		<b>1,333</b>		<b>45,416</b>		
2011									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	29	27.1%	3,178	32.0%	326	19.2%	11,984	20.3%	21.0%
LMI	29	27.1%	3,178	32.0%	326	19.2%	11,984	20.3%	21.0%
Middle	69	64.5%	5,907	59.5%	1,182	69.7%	34,793	58.8%	66.4%
Upper	9	8.4%	842	8.5%	187	11.0%	12,391	20.9%	12.6%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
<b>Total</b>	<b>107</b>		<b>9,927</b>		<b>1,695</b>		<b>59,168</b>		
2012									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	2	1.6%	306	2.0%	27	1.3%	702	1.1%	1.7%
Moderate	53	41.1%	6,646	44.4%	421	20.6%	17,800	28.7%	20.2%
LMI	55	42.6%	6,952	46.4%	448	22.0%	18,502	29.8%	21.9%
Middle	53	41.1%	6,075	40.6%	1,250	61.3%	30,281	48.8%	61.8%
Upper	21	16.3%	1,948	13.0%	341	16.7%	13,290	21.4%	16.3%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
<b>Total</b>	<b>129</b>		<b>14,975</b>		<b>2,039</b>		<b>62,073</b>		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	2	0.5%	306	0.8%	27	0.4%	702	0.3%	
Moderate	114	29.7%	11,306	31.3%	1,276	19.6%	48,260	21.5%	
LMI	116	30.2%	11,612	32.1%	1,303	20.0%	48,962	21.8%	
Middle	232	60.8%	21,550	59.6%	4,351	66.8%	135,191	60.1%	
Upper	34	8.9%	2,975	8.2%	861	13.2%	40,730	18.1%	
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
<b>Total</b>	<b>382</b>		<b>36,137</b>		<b>6,515</b>		<b>224,883</b>		

For small business lending, analysis was performed on a sample of 28 loans in 2009 and 31 loans in 2010. Number and dollar value of loans were then extrapolated from the resulting percentages and are not actual results.

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**Distribution by Borrower Characteristics: “High Satisfactory”**

The distribution of loans based on borrower characteristics demonstrated a good penetration rate of lending among individuals of different income levels and businesses of different revenue sizes.

HMDA-Reportable Loans:

Pathfinder’s HMDA-reportable demonstrated a reasonable penetration rate of lending among individuals of different income levels.

Pathfinder’s lending to low-income borrowers during the evaluation period was in line with the aggregate’s level in terms of dollar value but better than the aggregate’s level in terms of loan number. The average penetration rate to low-income borrowers was 8.5% by loan number and 4.5% by dollar value, as compared to the peer group’s of 6.4% by loan number and 4.7% by dollar value, respectively. Pathfinder’s lending to moderate-income borrowers was in line with the aggregate level by both loan number and dollar value. The penetration ratio to the moderate-income borrowers was averaged at 23.6% by loan number and 17.1% by dollar value, slightly better than its peer group’s 23% by loan number and 16.4%, respectively.

Pathfinder’s and its aggregate’s lending to LMI were below the assessment area family demographics, largely attributed to a high percentage of population with income below poverty level of 13.2% in 2012.

The following chart provides a summary of the HMDA-reportable lending distribution based on household income.

Distribution of 1-4 Family Loans by Borrower Income									
2009									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	11	6.3%	597	3.7%	243	8.0%	12,638	4.2%	21.8%
Moderate	37	21.1%	2,745	16.8%	645	21.2%	46,708	15.4%	20.3%
LMI	48	27.4%	3,342	20.5%	888	29.2%	59,346	19.5%	42.1%
Middle	54	30.9%	4,985	30.5%	872	28.7%	82,558	27.2%	23.4%
Upper	69	39.4%	7,602	46.6%	1,184	39.0%	150,219	49.5%	34.6%
Unknown	4	2.3%	389	2.4%	94	3.1%	11,527	3.8%	
<b>Total</b>	<b>175</b>		<b>16,318</b>		<b>3,038</b>		<b>303,650</b>		
2010									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	18	8.7%	987	5.0%	248	9.5%	13,261	5.2%	21.8%
Moderate	55	26.4%	4,050	20.7%	568	21.8%	42,420	16.5%	20.3%
LMI	73	35.1%	5,037	25.7%	816	31.3%	55,681	21.7%	42.1%
Middle	58	27.9%	5,826	29.7%	758	29.1%	72,929	28.4%	23.4%
Upper	67	32.2%	7,548	38.5%	975	37.4%	121,300	47.2%	34.6%
Unknown	10	4.8%	1,191	6.1%	60	2.3%	6,830	2.7%	
<b>Total</b>	<b>208</b>		<b>19,602</b>		<b>2,609</b>		<b>256,740</b>		
2011									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	19	7.6%	739	3.3%	222	8.6%	11,139	4.6%	21.8%
Moderate	60	24.0%	3,653	16.1%	635	24.6%	43,380	18.0%	20.3%
LMI	79	31.6%	4,392	19.4%	857	33.2%	54,519	22.6%	42.1%
Middle	65	26.0%	6,050	26.7%	670	26.0%	58,649	24.4%	23.4%
Upper	92	36.8%	11,360	50.1%	976	37.9%	120,319	50.0%	34.6%
Unknown	14	5.6%	867	3.8%	75	2.9%	7,367	3.1%	
<b>Total</b>	<b>250</b>		<b>22,669</b>		<b>2,578</b>		<b>240,854</b>		
2012									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	29	10.8%	1,597	5.8%	306	9.8%	14,476	4.7%	19.2%
Moderate	61	22.7%	4,276	15.5%	690	22.0%	48,917	16.0%	19.4%
LMI	90	33.5%	5,873	21.2%	996	31.8%	63,393	20.8%	38.6%
Middle	59	21.9%	5,673	20.5%	811	25.9%	75,760	24.8%	24.0%
Upper	113	42.0%	15,138	54.7%	1,255	40.0%	156,042	51.1%	37.5%
Unknown	7	2.6%	970	3.5%	74	2.4%	10,236	3.4%	
<b>Total</b>	<b>269</b>		<b>27,654</b>		<b>3,136</b>		<b>305,431</b>		
GRAND TOTAL									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	77	8.5%	3,920	4.5%		6.4%		4.7%	
Moderate	213	23.6%	14,724	17.1%		23.0%		16.4%	
LMI	290	32.2%	18,644	21.6%	3,225	29.4%	252,959	21.0%	
Middle	236	26.2%	22,534	26.1%		28.1%		26.2%	
Upper	341	37.8%	41,648	48.3%		39.7%		49.5%	
Unknown	35	3.9%	3,417	4.0%		2.7%		3.2%	
<b>Total</b>	<b>902</b>		<b>86,243</b>						

Small Business Loans:

The distribution of small business loans based on the revenue size of the business demonstrated an excellent penetration rate of lending among businesses of different revenue sizes. Pathfinder's lending to businesses with gross annual revenue of \$1 million or less, far exceeded its aggregate's lending in all years of the evaluation period; and outperformed its business demographics.

The following chart provides a summary of Pathfinder's small business lending distribution based on revenue size during the evaluation period:

Distribution of Small Business Lending by Revenue Size of Business									
2009									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	79	95.2%	3,925	67.9%	497	34.3%	24,567	42.2%	76.1%
Rev. > \$1MM	4	4.8%	1,855	32.1%					3.3%
Rev. Unknown	-	0.0%	-	0.0%					20.6%
<b>Total</b>	<b>83</b>		<b>5,780</b>		<b>1,448</b>		<b>58,226</b>		
2010									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	57	90.0%	4,997	91.6%	460	34.5%	20,456	45.0%	78.8%
Rev. > \$1MM	6	10.0%	458	8.4%					3.2%
Rev. Unknown	-	0.0%	-	0.0%					18.0%
<b>Total</b>	<b>63</b>		<b>5,455</b>		<b>1,333</b>		<b>45,416</b>		
2011									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	99	92.5%	7,909	79.7%	698	41.2%	24,261	41.0%	70.9%
Rev. > \$1MM	8	7.5%	2,018	20.3%					2.4%
Rev. Unknown	-	0.0%	-	0.0%					26.7%
<b>Total</b>	<b>107</b>		<b>9,927</b>		<b>1,695</b>		<b>59,168</b>		
2012									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	104	80.6%	9,984	66.7%	666	32.7%	24,359	39.2%	74.4%
Rev. > \$1MM	25	19.4%	4,991	33.3%					2.9%
Rev. Unknown	-	0.0%	-	0.0%					22.7%
<b>Total</b>	<b>129</b>		<b>14,975</b>		<b>2,039</b>		<b>62,073</b>		
GRAND TOTAL									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	339	88.7%	26,814	74.2%		25.4%		41.6%	
Rev. > \$1MM	43	11.3%	9,323	25.8%					
Rev. Unknown	-	0.0%	-	0.0%					
<b>Total</b>	<b>382</b>		<b>36,137</b>						

For small business lending, analysis was performed on a sample of 28 loans in 2009 and 31 loans in 2010. Number and dollar volume of loans were then extrapolated from the resulting percentages and are not actual results.

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### **Community Development Lending: “Outstanding”**

During the evaluation period, Pathfinder originated \$8.9 million in new community development loans and had \$1.4 million outstanding from prior evaluation periods, totaling \$10.3 million. This demonstrated an excellent level of community development lending over the course of the evaluation period.

Current community development loans of \$10.3 million reflected a significant increase when compared to previous community development loans of \$1.8 million.

<b>Community Development Loans</b>				
Purpose	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Loans	\$000	# of Loans	\$000
Affordable Housing			1	118
Community Services	8	8,884	2	1,246
<b>Total</b>	<b>8</b>	<b>8,884</b>	<b>3</b>	<b>1,364</b>

Below are highlights of Pathfinder’s community development lending:

- Pathfinder extended three loans, totaling \$2.7 million to a newly formed nonprofit organization which was established in October 2010 to act as the real estate holding company for a local charter school that serves low-income youth in the City of Syracuse. These loans, comprising of two commercial mortgage loans in the total amount of \$2.4 million and one commercial installment loan of \$280,270, were extended in years 2010 and 2011 to fund the purchase and renovations of said charter school properties.
- In 2012, Pathfinder extended a commercial mortgage loan of \$2.0 million, to a non-denominational, not-for-profit nursing home and provider of healthcare services to the greater-Oswego County community. Funds were used to pay off the current mortgage on the nursing home property located in a low-income census tract, and to consolidate other existing loans. The majority of the organization’s patients are Medicaid recipients.
- In 2012, a nonprofit organization received two loans totaling \$3.5 million, comprising of a \$3.0 million revolving construction loan and a \$500,000 line of credit. The proceeds of these loans were used to finance the construction of a new 60 bed assisted living program facility in Oswego, NY, and to its operations. 80.0% of the elderly served will have Medicaid as their primary payer-source.

### **Flexible and/or Innovative Lending Practices:**

Pathfinder utilized flexible lending practices in serving the credit needs of its

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assessment area. Some of these flexible practices that Pathfinder utilized during the evaluation period are the following:

- Pathfinder's Affordable Home/First Time Homebuyers Ownership Program: Through City of Oswego's Home Ownership Program designed for low- and moderate-income families that supports home ownership in the City of Oswego, Pathfinder extended 14 loans in the total dollar amount of \$617,720. This program gives grants according to borrower's finances. Average grants range from \$10,000 to \$17,000 depending on household size and income.
- U.S. Department of Agriculture Rural Development Housing Program ("USDA /RDHP"): USDA/RDHP's mission is to assist LMI homebuyers achieve their dream of ownership, providing 100% loan-to-value financing for residential mortgages located in rural areas. Under this program, Pathfinder extended 79 loans in the total amount of \$7.2 million.

**INVESTMENT TEST:** "High Satisfactory"

*PB's investment performance is evaluated pursuant to the following criteria:*

- 1. The dollar amount of qualified investments;*
- 2. The innovativeness or complexity of qualified investments; and*
- 3. The responsiveness of qualified investments to credit and community development needs.*

Pathfinder's community development investments were reasonable in light of the assessment area's credit needs.

**Amount of Community Development Investments:**

During the evaluation period, Pathfinder made \$1.3 million in new community development investments, and still had \$696,771 outstanding from prior evaluation periods. In addition, Pathfinder made \$74,610 in community development grants, totaling Pathfinder's qualified community development investments at \$2.1 million. Compared to previous three-year evaluation, Pathfinder's current investments reflected a 21.2% increase, when annualized. This demonstrated an adequate level of community development investments and grants over the course of the evaluation period.

Community Development Investments and Grants				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Inv.	\$000	# of Inv.	\$000
CD Investments				
Economic Development			2	\$268
Affordable Housing			3	\$429
Community Services	8	\$1,344		
<b>Total</b>	<b>8</b>	<b>\$1,344</b>	<b>5</b>	<b>\$697</b>
CD Grants	# of Grants	\$000	Not Applicable	
Affordable Housing	3	\$ 36		
Economic Development	12	\$ 9		
Community Services	33	\$ 30		
Other (Please Specify)				
<b>Total</b>	<b>48</b>	<b>\$ 75</b>		

Below are highlights of Pathfinder's community development investments and grants:

- Pathfinder invested in eight municipal bonds totaling more than \$1.3 million, issued by two local school districts, both located in moderate-income census tracts that are serving mostly LMI students in the assessment area. Proceeds from these municipal bonds were used to fund various school renovations and improvements.
- From prior period evaluation, Pathfinder keeps a qualified economic development capital investment with Statewide Zone Capital Corporation of New York ("SZCC"), valued at \$182,872 as of June 2012. SZCC is a privately-owned loan fund whose capital is available to promote expansion and growth of businesses in New York's 51 participating Empire Zones, financing both existing and new businesses.
- Pathfinder continues to hold 950 shares of New York Business Development Corporation ("NYBDC") valued at \$84,693. NYBDC's goal is to assist, promote and, through cooperative efforts of its lending partners, advance the business prosperity by providing loans to small businesses including start-up, early stage and mature businesses thus improving opportunities for job creation and economic development.
- Purchased in 2007, Pathfinder maintains an outstanding balance of a mortgage-backed security issued by Federal National Mortgage Association ("FNMA") for promotion of affordable housing, valued at \$225,281 as of 12/31/2012.
- Pathfinder donated a home, valued at \$35,000 to a local nonprofit organization, dedicated in building and renovating decent, affordable housing for a family in the

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assessment area.

### **Innovativeness of Community Development Investments:**

Due to lack of innovative community development investments in the assessment area, Pathfinder did not use innovative investments to support community development.

### **Responsiveness of Community Development Investments to Credit and Community Development Needs:**

Pathfinder's community development investments exhibited good responsiveness to credit and community development needs. Even with limited availability of investment resources, Pathfinder managed to increase its investments by an annualized 21.2% compared to prior evaluation, of which 61.9% in new money. Majority of the investments is in local public schools serving LMI students.

### **SERVICE TEST: "High Satisfactory"**

*Pathfinder's retail service performance is evaluated pursuant to the following criteria:*

- 1. The current distribution of the banking institution's branches;*
- 2. The institutions record of opening and closing branches;*
- 3. The availability and effectiveness of alternative systems for delivering retail services; and*
- 4. The range of services provided.*

*Pathfinder's community development service performance is evaluated pursuant to the following criteria:*

- 1. The extent to which the banking institution provides community development services; and*
- 2. The innovativeness and responsiveness of community development services.*

### **Retail Banking Services: "High Satisfactory"**

Pathfinder had and continues to have reasonable delivery systems, branch network, branch hours and services, and alternative delivery systems.

#### **Current distribution of the banking institutions branches**

Pathfinder's branches represented and continue to represent an excellent distribution of branches. Pathfinder operates seven branches and one main office in the assessment area: two branches and the main office are located in moderate-income census tracts and four in middle-income census tracts. The Onondaga County branch is located in an upper-income census tract. The Fulton City Branch, while located in middle-income census tract, is directly adjacent to a moderate-income census tract.

Distribution of Branches within the Assessment Area								
County	N/A	Low	Moderate	Middle	Upper	Total	LMI	LMI and Distressed or Underserved
	#	#	#	#	#	#	%	
Onondaga*					1	1	0%	0%
Oswego*			3	4		7	43%	43%
<b>Total</b>	-	-	3	4	1	8	38%	38%
*Partial County								

Record of opening and closing branches

Pathfinder’s record of opening and closing branches has generally not adversely affected the accessibility of its delivery systems, particularly to LMI geographies and or LMI individuals. Since the last evaluation period, Pathfinder opened one branch in Cicero, NY in 2011, which is located in an upper income census tract in Onondaga County.

Availability and effectiveness of alternative systems for delivering retail services

Pathfinder’s delivery systems were and continue to be accessible to the assessment area, particularly LMI geographies and individuals.

Pathfinder has online banking service through its website which is accessible to all of its customers. Pathfinder offers online bill payment free of charge to its customers. In addition, each of the branches, including main office, is equipped with automated teller machines (“ATMs”), of which five sites have deposit-taking capabilities. Pathfinder also has five off-site ATMs; three are located in moderate-income census tracts while two are in middle-income census tracts. ATM fees are waived to customers using electronic benefit cards (“EBT”) which are mostly used by LMI individuals. Fees are also waived to local hospital employees using ATM located in the lobby of the hospital.

Range of services provided:

Pathfinder’s services met and continue to meet the convenience and needs of its assessment area, particularly LMI geographies and individuals. Except in its East Office branch, all of Pathfinder’s products and services are offered and available in all of its branches. Pathfinder offers a wide variety of products and services for both individuals and businesses. Some of these services are:

- Free and Easy Checking – offered to anyone and there is no minimum balance, unlimited checking, free debit card with rewards program, free online banking with bill pay and \$25 minimum deposit to open.
- Young Investors account – the account encourages children and teenagers to open bank accounts (for minors up to 18 years old and adults can open account for newborns). The account has no monthly service charge, no minimum balance

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requirement, competitive interest earned on balances over five dollars and five dollars minimum deposit to open.

- Free Business Checking – offers no monthly service fee, no minimum balance requirement, up to 350 transactions monthly at no charge, free online banking with bill pay, free debit card with rewards program and \$100 minimum deposit to open.
- In 2011, Pathfinder began participation in the Small Business Lending Fund (“SBLF”), a U.S. Treasury program that was made available to qualified community banks and community development loan funds in order to encourage small business lending.

### **Community Development Services: “Outstanding”**

Pathfinder was a leader in providing an excellent level of community development services.

Below are highlights of Pathfinder’s community development services:

- In years 2011 and 2012, Pathfinder provided a total of 48 “Money Smart Financial Wellness Program” classes in various locations, mostly in local schools of the assessment area. This six-week FDIC designed course program is a comprehensive financial education curriculum designed to help LMI Individuals outside the financial mainstream to enhance their financial skills and create positive banking relations. Pathfinder works with State University New York Oswego, Students in Free Enterprise and many other partners joined afterwards in providing the classes in various locations.
- A number of senior executives and bank officers were members of various boards and committees of nonprofit organizations, community groups and local government that serve LMI individuals and/or small businesses.
  - A branch manager served on the board of a local community group that is dedicated to helping small businesses and to an organization that helps in the care of disadvantaged children.
  - Four senior bank officers were board members in a local government county level initiative whose mission is to establish and implement sound economic development strategies in order to enhance the economic vitality of the county’s businesses and residents.
  - Several bank employees, including three senior bank officers, served in a nonprofit community-based education organization providing quality tutoring in basic literacy skills and conversational English. One of these

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senior officers served as the Board Vice President and in the Fund Development Committee.

### **Additional Factors**

The following factors were also considered in assessing Pathfinder's record of performance.

#### **The extent of participation by the banking institution's board of directors or board of trustees in formulating the banking institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act**

The board approves and re-affirms its CRA Statements every year. All CRA and compliance audit reports are presented to the board, including all current regulatory evaluations reports. The board reviews and formulates Pathfinder's policies and performance with respect to CRA.

#### **Discrimination and other illegal practices**

- *Any practices intended to discourage applications for types of credit set forth in the banking institution's CRA Public File.*

New York State Department of Financial Services noted no practices that were intended to discourage applications for the types of credit offered by the institution.

- *Evidence of prohibited discriminatory or other illegal credit practices.*

New York State Department of Financial Services noted no evidence of prohibited discriminatory or other illegal practices.

#### **Process Factors**

- *Activities conducted by the banking institution to ascertain the credit needs of its community, including the extent of the banking institution's efforts to communicate with members of its community regarding the credit services being provided by the banking institution.*

Pathfinder's directors and employees are active in their communities. Some of these organizations that they serve are Elks, Loyal Order of Moose, Kiwanis, Rotary, village, town and city governments, Salvation Army, Chamber of Commerce, and Oswego County Board of Realtors. Pathfinder also offers speakers to organizations and teaching services to the local schools. Pathfinder's personnel are deeply rooted in the community providing help and, in some instances, leadership to the organizations. This develops the channels of communication with the community and allows Pathfinder to ascertain its credit

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and banking needs.

- *The extent of the banking institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the banking institution*

Pathfinder annually prepares a marketing calendar detailing the products and services that will be focused on its marketing efforts. Pathfinder's various community and civic affiliations help promote Pathfinder's efforts to reach out to the members of the community and make them aware of Pathfinder's credit programs.

Pathfinder is an affiliate member of local realtor associations. This affiliation allows Pathfinder to interact with realtors to gain knowledge and understanding of the types of financing borrowing public is in need of. Pathfinder also works and assists with the SBA and local municipalities within the assessment area (majority of which are rural areas), by providing financing to assist them with their municipal development and improvement.

**Other factors that in the judgment of the Superintendent bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community**

Since the last CRA evaluation as of December 31, 2008, neither Pathfinder nor the New York State Department of Financial Services has received any written complaints regarding Pathfinder's CRA performance.

## **GLOSSARY**

### **Aggregate Penetration Rate**

The number of loans originated and purchased by all reporting lenders in specified categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the assessment area.

### **Community Development**

“Community development”:

1. Affordable housing (including multifamily housing) for low- or moderate-income (“LMI”) individuals;
2. Community services targeted to LMI individuals;
3. Activities that promote economic development by financing business or farms that meet the size eligibility standards of the United States Small Business Administration (“SBA”) Development Company or Small Business Investment Company programs, or have gross annual incomes of \$1 million or less;
4. Activities that revitalize or stabilize LMI geographies; and
5. Activities that seek to prevent defaults and/or foreclosures in loans included in (1) and (3) above.

### **Community Development Loan**

A loan that has its *primary purpose* community development. This includes but is not limited to loans to:

- Borrowers for affordable housing rehabilitation and construction, including construction and permanent financing for multifamily rental property serving low or moderate income (“LMI”) persons;
- Nonprofit organizations serving primarily LMI or other community development needs;
- Borrowers to construct or rehabilitate community facilities that are located in LMI areas or that primarily serve LMI individuals;
- Financial intermediaries including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds or pools, micro-finance institutions, and low-income or community development credit unions that primarily lend or facilitate lending to promote community development;
- Local, state and tribal governments for community development activities; and
- Borrowers to finance environmental clean up or redevelopment of an industrial site as part of an effort to revitalize the LMI community in which the property is located.

## **Community Development Service**

Service that has community development as its *primary purpose*, is related to the provision of financial services, and has not been considered in the evaluation of the banking institution's retail banking services. This includes but is not limited to:

- Providing technical assistance on financial matters to nonprofit, tribal or government organizations serving LMI housing or economic revitalization and development needs;
- Providing technical assistance on financial matters to small businesses or community development organizations;
- Lending employees to provide financial services for organizations facilitating affordable housing construction and rehabilitation or development of affordable housing;
- Providing credit counseling, home buyers and home maintenance counseling, financial planning or other financial services education to promote community development and affordable housing;
- Establishing school savings programs for LMI individuals;
- Providing seminars for LMI persons on banking and bank account record-keeping;
- Making ATM “Training Machines” available for extended periods at LMI community sites or at community facilities that serve LMI individuals; and
- Technical assistance activities to community development organizations such as:
  - ❖ Serving on a loan review committee;
  - ❖ Developing loan application and underwriting standards;
  - ❖ Developing loan processing systems;
  - ❖ Developing secondary market vehicles or programs;
  - ❖ Assisting in marketing financial services, including the development of advertising and promotions, publications, workshops and conferences;
  - ❖ Furnishing financial services training for staff and management;
  - ❖ Contributing accounting/bookkeeping services; and
  - ❖ Assisting in fund raising, including soliciting or arranging investments.

## **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 Home Mortgage Disclosure Act, enacted by Congress in 1975, and subsequently amended, requires institutions to annually report data about applications for residential (including multifamily) financing.

## **Income Level**

The income level for borrowers is based on household or family income. A geography's income is categorized by median family income for the geography. In both cases, the income is compared to the MSA or statewide nonmetropolitan median income.

<b>Income level of individual or geography</b>	<b>% of the area median income</b>
Low-income	Less than 50
Moderate-income	At least 50 and less than 80
Middle-income	At least 80 and less than 120
Upper-income	120 or more

## **Loans to Small Businesses**

Small business loans to businesses with gross annual revenues of \$1 million or less.

## **Low or Moderate Income ("LMI") Geographies**

Those census tracts or block numbering areas where, according to the 2000 U.S. Census, the median family income is less than 80% of the area median family income. In the case of tracted areas that are part of a Metropolitan Statistical Area ("MSA") or Primary Metropolitan Statistical Area ("PMSA"), this would relate to the median family income for the MSA or PMSA in which the tracts are located. In the case of BNAs and tracted areas that are not part of a MSA or PMSA, the area median family income would be the statewide non-metropolitan median family income.

## **LMI Borrowers**

Borrowers whose income, as reported on the loan application which the lender relied upon in making the credit decision, is less than 80% of the area median family income. In cases where the residential property is located in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure borrower income levels are updated annually by the U.S. Department of Housing and Urban Development ("HUD").

## **LMI Individuals/Persons**

Individuals or persons whose income is less than 80% of the area median family income. In the case where the individual resides in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure individual income levels are updated annually by HUD.

### **LMI Penetration Rate**

A number that represents the percentage of a bank's total loans (for a particular product) that was extended to LMI geographies or borrowers. For example, an LMI penetration rate of 20% would indicate that the bank made 20 out of a total of 100 loans in LMI geographies or to LMI borrowers.

### **Low-Income Housing Tax Credit (LIHTC)**

A dollar for dollar tax credit for affordable housing, created under the Tax Reform Act of 1986, that provides incentives to invest in projects for the utilization of private equity in the development of affordable housing aimed at low income Americans. It is also more commonly called Section 42 credits in reference to the applicable section of the IRC. The tax credits are more attractive than tax deductions as they provide a dollar for dollar reduction in a taxpayer's federal income tax. It is more commonly attractive to corporations since the passive loss rules and similar tax changes greatly reduced the value of tax credits and deductions to individual taxpayers.

### **New Markets Tax Credit (NMTC)**

The New Markets Tax Credits (NMTC) Program was established by Congress in December 2000 to stimulate economic and community development and job creation in low-income communities. It permits individual and corporate taxpayers to receive a credit against federal income taxes for making qualified equity investments in Community Development Entities (CDEs). The credit provided to the investor totals 39% of the cost of the investment and is claimed over a 7-year period. CDEs must use substantially all of the taxpayer's investments to make qualified investments in low-income communities. The Fund is administered by the US Treasury Department's Community Development Financial Institutions Fund (CDFI).

### **Qualified Investment**

A lawful investment, deposit, membership share or grant that has community development as its *primary purpose*. This includes but is not limited to investments, deposits, membership shares or grants in or to:

- Financial intermediaries (including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds, micro-finance institutions and low-income or community development credit unions) that primarily lend or facilitate lending in LMI areas or to LMI individuals in order to promote community development;
- Organizations engaged in affordable housing rehabilitation and construction;
- Organizations, including, for example, small business investment corporations that promote economic development by financing small businesses;

- Facilities that promote community development in LMI areas or LMI individuals, such as youth programs, homeless centers, soup kitchens, health care facilities, battered women's centers, and alcohol and drug recovery centers;
- Projects eligible for low-income housing tax credits;
- State and municipal obligations, such as revenue bonds that specifically support affordable housing or other community development needs;
- Organizations serving LMI housing or other community development needs, such as counseling for credit, home ownership, home maintenance, and other financial services education; and
- Organizations supporting activities essential to the capacity of LMI individuals or geographies to utilize credit to sustain economic development, such as day care operations and job training programs that facilitate access to permanent jobs.