



NEW YORK STATE BANKING DEPARTMENT
CONSUMER SERVICES DIVISION
ONE STATE STREET
New York, NY 10004

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: December 31, 2002

Institution: Pioneer Savings Bank
21 Second Street
Troy, NY 12180

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 Banking Department 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 Pioneer Savings Bank (“PSB”) prepared by the New York State Banking Department. The evaluation represents the Banking Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of December 31, 2002.

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 Banking Board implements Section 28-b and further requires that the Banking 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 Banking 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 are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Sections 76.8 – 76.13. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York State Banking Law.

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

OVERVIEW OF INSTITUTION'S PERFORMANCE

Overall Rating

PSB is rated "1," indicating an outstanding record of helping to meet community credit needs. The rating is based on the following factors:

➤ Lending Test - "High Satisfactory"

- The bank's overall lending activity reflects an excellent response to the assessment area's credit needs, due primarily to a large volume of Home Mortgage Disclosure Act (HMDA)-reportable loan originations. According to the 2001 "Lender Market Share Report," the bank ranked 10th among 286 lenders, with a 2.56% market share based on the number of loans, and 11th, based on corresponding dollar volume, with a 2.49% market share.
- The bank made a substantial majority of HMDA-reportable and small business loans in its assessment area, achieving an assessment area concentration of 96% in 2001. PSB's proportion of HMDA lending in the assessment area was relatively unchanged in 2002, while its assessment area concentration for small business loans declined slightly.
- The geographic distribution of HMDA loans reflected good dispersion throughout the bank's assessment area, especially in LMI areas. The dispersion of small business loans is considered reasonable.

In 2001, the bank extended 7.0% of its number of HMDA loans in LMI areas, just below the aggregate's LMI penetration rate of 8.1%. The bank slightly outperformed the aggregate based on dollar volume, with a 5.1% LMI penetration rate. PSB's LMI penetration rates decreased in 2002, to 6.4% and 3.7%, respectively.

- The distribution of HMDA and small business loans, based on borrower characteristics, reflects good penetration among borrowers of different income levels and businesses of different sizes.

While in 2001 the bank trailed the aggregate, based on their respective LMI penetration rates of 19.9% and 22.1%, PSB's LMI penetration rose in 2002, to 22.6%.

Additionally in 2001, the bank made 70.0% of its number of small business loans to businesses with annual gross revenues of \$1 million or less, far exceeding the 40.8% penetration rate achieved by the aggregate. A dollar volume analysis yielded similar results.

- The bank’s level of community development lending is excellent, given its size and capacity. At the evaluation date, loans and commitments totaled \$1.9 million, of which 53.5% is considered “new money.”
- The bank used flexible lending practices in serving its assessment area’s credit needs. The bank provides FHA and SONYMA loan products, supplementing its own affordable housing programs containing flexible underwriting standards.

➤ **Investment Test** - “Outstanding”

PSB’s level of qualified community development investments for this evaluation period, at nearly \$2 million, was excellent for an institution of its size. Nearly the entire amount was new money, including a \$1.8 million commitment to purchase collateral trust notes issued by the Community Preservation Corporation and \$134 thousand provided as grants.

➤ **Service Test** - “Outstanding”

- The bank’s delivery systems are accessible to all portions of its assessment area, with 50% of the total branches in LMI census tracts or areas adjacent to them.
- The bank’s record of opening and closing branches has improved the accessibility of its delivery systems. During the evaluation period, PSB opened two new branches in areas adjacent to LMI census tracts.
- PSB’s branch hours are tailored to the convenience and needs of the assessment area, particularly LMI areas.
- The bank provided a relatively high level of community development services, which include sponsoring homebuyer seminars or participating in banking fairs where it promoted its affordable housing programs. In addition, PSB’s trustees, officers and staff served with over 100 organizations that promote local or regional economic development, community services and affordable housing.

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 Banking Board.

PERFORMANCE CONTEXT

Institution's Profile:

PSB was originally chartered in 1889 as a savings and loan association, but converted to a savings bank in 1972. The bank is a full-service retail savings bank, headquartered in Troy, Rensselaer County, New York. As of December 31, 2002, PSB operated through a network of 10 full service branch offices, including the main office at Troy. All branch offices are equipped with a network of deposit taking Automated Teller Machines (ATMs), with the exception of the main office. The distribution of branch offices throughout the assessment area is as follows:

County	# Branches
Albany	3
Saratoga	3
Rensselaer	3
Schenectady	1

The bank is primarily a provider of residential mortgage loans, mostly secured by 1-4 family homes. As of December 31, 2002, PSB reported total assets of \$616.2 million, consisting of net loans of \$369.6 million (60.0%), securities of \$158.1 million (25.7%) and Federal funds sold of \$48.9 million (7.9%). On the same date, the bank also reported total deposits of \$548.6 million, resulting in a loan-to-deposit ("LTD") ratio of 67.4%.

The bank offers a wide variety of lending products including:

- Residential Mortgages;
- Construction and Land Development;
- Government Sponsored Loans (FHA and SONYMA);
- Home Equity Loans;
- Home Improvement Loans;
- Consumer Loans; and
- Student Loans.

The following breakdown of gross loan portfolio figures have been taken from the bank's Consolidated Reports of Conditions and Income as of December 31, 2002, 2001 and 2000:

LOAN TYPE	TOTAL GROSS LOANS OUTSTANDING					
	12/31/2002		12/31/2001		12/31/2000	
	\$000's	%	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	317,529	84.7	346,509	88.2	329,088	88.5
Multifamily Mortgage Loans	8,114	2.2	5,670	1.4	4,660	1.2
Commercial and Industrial Loans	4,198	1.1	2,265	0.6	1,317	0.4
Consumer Loans	28,039	7.5	30,331	7.7	31,543	8.5
Construction & Land Development Loans	3,096	0.8	2,648	0.7	1,119	0.3
Commercial Mortgage Loans	13,386	3.6	4,907	1.2	3,983	1.1
Obligations of states	232	0.1				
Other Loans	17	0.0	717	0.2	28	0.0
Total Gross Loans	374,611	100.0	393,047	100.0	371,738	100.0

As of December 31, 2002, gross loans were \$374.6 million. The loan portfolio was comprised mainly of 1-4 family residential mortgages (84.7%) and consumer loans (7.5%). The gross loan portfolio decreased by 4.7% from 2001 to 2002, while 1-4 family residential mortgage loans decreased by 8.4%, due to a decline in demand for refinancing loans.

In 1997 the bank established a subsidiary, PSB Financial Services, Inc., which sells fixed rate annuities.

PSB was rated "2," at its June 30, 2000 CRA evaluation conducted by the Banking Department, indicating a satisfactory record of helping to meet community credit needs.

Examiners noted no legal or financial impediments that would adversely impact the ability of the institution to meet the credit needs of its assessment area.

Assessment Area:

PSB's assessment area, unchanged since the prior CRA evaluation, includes parts of Albany, Rensselaer and Saratoga Counties, and all of Schenectady County – all within Metropolitan Statistical Area ("MSA") 0160 (Albany-Troy-Schenectady). The area consists of 168 census tracts, of which 41 (24.4%) are upper-income tracts, 89 (53.0%) are middle-income tracts, 30 (17.8%) are moderate-income tracts and eight (4.8%) are low-income tracts.

Based on the 1990 Census, the assessment area population was 701.5 thousand, of which approximately 142.3 thousand (20.3%) were under the age of sixteen and about 98.3 thousand (14%) were over 65 years of age.

The area had 179.4 thousand families, of which 29 thousand (16.2%) were low-income, 31.9 thousand (17.8%) were moderate-income, 45.3 thousand (25.2%) were middle-income and 73.2 thousand (40.8%) were upper-income. Of the 60.9 thousand LMI families, 17.7 thousand (29.1%) lived in LMI tracts, accounting for 62.5% of all families (28.4% thousand) that lived in LMI tracts.

There were 272.3 thousand households, of which 11.6 thousand (4.3%) were located in low-income tracts, 41.4 thousand (15.2%) were in moderate-income tracts, 149.4 thousand (54.9) were in middle-income tracts and 69.8 thousand (25.6%) were in upper-income tracts. There were approximately 60 thousand (8.3%) minority families in the assessment area. Approximately 212.3 thousand or 78.0% of households were wage/salary earners, 28.3 thousand or 10.4% were self-employed (non-farm), 2 thousand or 0.8% were self-employed (farm) and 14.3 thousand or 5.3% were on public assistance. Over 24 thousand (8.8%) households were living below the poverty level.

There were over 291.5 thousand housing units, of which 237.2 thousand or 81.4% were 1-4 family units, 42.2 thousand or 14.5% were multi-family units and 8.6 thousand or 3.0% were mobile and/or trailer homes. Approximately 19.4 thousand or 6.7% housing units were vacant and 924 units or 0.3% were boarded up. Owner-occupied units accounted for 168.3 thousand or 57.7% of the total housing units.

In 1990, the weighted average median family income of tracts was \$42 thousand and the weighted average MSA family income was \$39.4 thousand. The 2002 weighted average MSA updated family income was \$51.3 thousand. In 1990, the weighted average median age of housing was 37 years and the weighted average median housing price was \$101 thousand.

A part of the City of Schenectady shares an Enterprise Community ("FEC") with portions of Troy in Rensselaer County, and Albany in Albany County, that is called the Capital Region Enterprise Community. This area receives financial and technical support from multiple federal agencies, including HUD, USDA, the Departments of HHS, Treasury, Labor and Justice as well as from state and local governments. The program's purposes are to increase the employment opportunities of residents through job training and economic development, to create new jobs and retain current jobs as well as programs for affordable housing, education and childcare. Various federal tax benefits and other assistance are available to businesses that open or employ residents in a FEC.

The assessment area appears reasonable based upon the location of branches and the lending patterns. There is no evidence that the bank has arbitrarily excluded LMI areas.

PERFORMANCE TESTS AND ASSESSMENT FACTORS

This performance evaluation incorporates a review of the bank’s lending, investment and service activities within the assessment area during 2001 and 2002. Products considered include Home Mortgage Disclosure Act (“HMDA”) reportable and small business loans. Statistics employed in this evaluation were derived from various sources. Aggregate data for HMDA-reportable loans and small business loans originated in 2001 were obtained from the Federal Financial Institutions Examination Council (“FFIEC”) and PCI Services, Inc.’s CRA Wiz®, an external vendor. Aggregate data for 2002 was not available for purposes of this evaluation. Demographic data was derived from the 1990 U.S. Census data, supplemented with the 2002 estimates from the U.S. Department of Housing and Urban Development.

I. Lending Test: “High Satisfactory”

The bank’s lending performance is evaluated pursuant to the following criteria: (1) Lending Activity; (2) Assessment Area Lending; (3) Geographic Distribution; (4) Borrower Characteristics; (5) Community Development Lending; and (6) Flexible Lending Practices. Both HMDA-reportable and small business products are considered.

This analysis was based primarily on PSB’s HMDA-reportable loans, the bank’s primary product, and secondarily on its small business loans.

Lending Activity - “Outstanding”

The bank’s lending levels reflect excellent responsiveness to assessment area credit needs.

HMDA-reportable loans

PSB’s level of HMDA-reportable lending reflects an excellent response to the credit needs of its assessment area. The following table details the bank’s HMDA-reportable loan originations during the evaluation period.

Distribution Of HMDA-reportable Loans by Type								
Type	2002				2001			
	#	%	\$000	%	#	%	\$000	%
Home Purchase	289	56.2	32,722	66.3	343	55.4	37,843	60.9
Refinancing	137	26.7	14,295	28.9	224	36.2	23,499	37.9
Home Improvement	88	17.1	2,371	4.8	52	8.4	726	1.2
Total	514	100.0	49,388	100.0	619	100.0	62,068	100.0

According to the “Lender Market Share Report” for 2001, PSB ranked 10th among 268 lenders in its assessment area, with a 2.56% market share based on the number of loans, and 11th, based on dollar volume, with a 2.49% market share.

Notwithstanding a decline in 2002 of nearly 17.0% by number and 20.4% by dollar volume, the bank's lending level for HMDA-reportable loans remained strong.

Small Business Loans

In 2001, the bank originated 30 small business loans totaling \$5.4 million. Lending volume nearly doubled in 2002, to 57 small business loans totaling \$10 million.

According to the "Lender Market Share Report" for 2001, the bank ranked 32nd among 86 lenders in its assessment area, with a 0.22% market share based on the number of loans. PSB ranked 19th, with a 1.02% market share based on dollar amount.

Assessment Area Concentration - "Outstanding"

The bank originated a substantial majority of its HMDA-reportable and small business loans within the assessment area.

HMDA-reportable loans

During the evaluation period, the bank originated a substantial majority of its HMDA-reportable loans in the assessment area. In 2001, of its 647 loan originations totaling \$65.4 million, 619 loans (or 95.7%), totaling \$62.1 million (95.0%) were originated in the assessment area. In 2002, assessment area concentration improved slightly, when out of 534 total loans totaling \$51.8 million, 514 loans (or 96.3%), totaling \$49.4 million (95.4%), were made in the assessment area.

Small Business Loans

In 2001, the bank originated 31 small business loans totaling \$5.4 million. Except for one loan in the amount of \$48 thousand, all were made in the assessment area. In 2002, the bank originated 61 small business loans totaling \$10.8 million, of which 57 loans (or 93.4%), amounting to \$10 million (or 92.6%), were originated in the assessment area.

Geographic Distribution of Loans - "High Satisfactory"

The geographic distribution of PSB's HMDA-reportable and small business loans reflects good dispersion throughout the assessment area.

HMDA-reportable loans

The geographic distribution of the bank's HMDA loans reflects good dispersion throughout its assessment area. In 2001, PSB extended 7.0% of its number of loans in LMI areas, proportionately 13.6% lower than the 8.1% LMI penetration rate achieved by the aggregate. The bank slightly outperformed the aggregate based on dollar amount, extending 5.1% of its loans in LMI areas, compared to the aggregate's 4.9% LMI penetration rate. Refer to the table below for details.

As overall lending declined somewhat in 2002, PSB's LMI lending decreased more significantly, yielding an LMI penetration rate of 6.4% for the number of loans and 3.7% for their corresponding dollar volume.

GEOGRAPHIC DISTRIBUTION OF HMDA LOANS								
Geography	2002							
	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
Low	5	1.0%	234	0.5%	-	-	-	-
Moderate	28	5.4%	1,559	3.2%	-	-	-	-
Middle	332	64.6%	30,234	61.2%	-	-	-	-
Upper	149	29.0%	17,361	35.1%	-	-	-	-
NA	-	0.0%	-	0.0%	-	-	-	-
TOTAL	514	100.0%	49,388	100.0%	-	-	-	-
Geography	2001							
	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
Low	3	0.5%	303	0.5%	182	0.8%	9,200	0.4%
Moderate	40	6.5%	2,840	4.6%	1,626	7.3%	101,372	4.5%
Middle	351	56.7%	33,365	53.7%	12,646	56.5%	1,180,983	52.5%
Upper	217	35.0%	25,183	40.6%	7,917	35.4%	959,970	42.6%
NA	8	1.3%	377	0.6%	-	0.0%	-	0.0%
TOTAL	619	100.0%	62,068	100.0%	22,371	100.0%	2,251,525	100.0%

Small Business Loans

In 2001, the bank extended 16.6% of its number of loans in LMI tracts, proportionally 2.4% lower than the 17.0% LMI penetration rate achieved by the aggregate. Based on dollar volume, the bank achieved an LMI penetration rate of 22.3%, exceeding the aggregate's 19.2% rate by 16.1%. It is difficult to draw a conclusion based on the ratios alone, since they are based on only five small business loans made by the bank, with just one, for \$55 thousand, made in a low-income area.

In 2002, the bank's LMI penetration rate increased slightly, to 17.6%, reflecting 10 small business loans (\$1.9 million) made in LMI areas.

GEOGRAPHIC DISTRIBUTION OF SMALL BUSINESS LOANS IN THE AA								
Geography	2002				2001			
	#	%	\$000	%	#	%	\$000	%
Low	5	8.8%	752	7.5%	1	3.3%	55	1.0%
Moderate	5	8.8%	1,167	11.7%	4	13.3%	1,141	21.3%
Middle	30	52.6%	4,482	44.8%	19	63.4%	3,379	63.2%
Upper	17	29.8%	3,599	36.0%	6	20.0%	775	14.5%
TOTAL	57	100.0%	10,000	100.0%	30	100.0%	5,350	100.0%

Borrower’s Characteristics – “High Satisfactory”

The distribution of HMDA and small business loans reflects good penetration among borrowers of different income levels and businesses of different sizes.

HMDA-reportable loans

In 2001, the bank made 123 HMDA loans to LMI individuals, achieving a 19.9% penetration rate. Proportionally, the bank’s performance is approximately 10% lower than the aggregate’s LMI penetration rate of 22.1%. While total lending volume decreased moderately in 2002, lending to LMI borrowers dipped just slightly, causing PSB’s LMI penetration rate to rise to 22.6%. Refer to the table below for details.

Borrower income level	2002							
	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
Low	22	4.3%	912	1.8%	-	-	-	-
Moderate	94	18.3%	6,085	12.3%	-	-	-	-
Middle	148	28.8%	11,693	23.7%	-	-	-	-
Upper	250	48.6%	30,698	62.2%	-	-	-	-
NA	-	0.0%	-	0.0%	-	-	-	-
TOTAL	514	100.0%	49,388	100.0%	-	-	-	-
Borrower income level	2001							
	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
Low	13	2.1%	529	0.9%	1,077	4.8%	52,129	2.3%
Moderate	110	17.8%	6,669	10.7%	3,881	17.3%	262,726	11.7%
Middle	152	24.5%	12,469	20.1%	5,497	24.6%	465,626	20.7%
Upper	343	55.4%	42,259	68.1%	10,155	45.4%	1,274,720	56.6%
NA	1	0.2%	142	0.2%	1,761	7.9%	196,324	8.7%
TOTAL	619	100.0%	62,068	100.0%	22,371	100.0%	2,251,525	100.0%

Small Business Loans

During 2001, the bank made 70.0% of its number of small business loans to businesses with annual gross revenues of \$1 million or less (“small businesses”), significantly higher than the aggregate’s 40.8% penetration rate with small businesses. Based on the corresponding dollar volume, PSB extended 56.4% of its loans to small businesses, compared with just 39.1% for the aggregate.

An analysis of lending distribution based on three loan size categories was also performed [less than or equal to \$100 thousand (LS1), more than \$100 thousand but less than \$250 thousand (LS2) and over \$250 thousand (LS3)]. When evaluating the results, a higher percentage of loans in LS1 are thought to suggest a greater focus on lending to very small businesses that typically face the greatest challenges in seeking credit. In 2001, the bank made only 58.1% of its loans in the LS1 category, significantly below the aggregate’s

92.0% rate in this category. As a result, the bank had significantly higher percentages of loans than the aggregate in the larger LS2 and LS3 categories.

The bank's proportion of lending in the LS1 category remained relatively unchanged in 2002, while its lending in the LS2 category increased and lending in the LS3 category decreased. Refer to the table below for details.

DISTRIBUTION OF SMALL BUSINESS LOANS IN AA BY LOAN SIZE								
LOAN SIZE	2002							
	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
=<\$100*	29	50.9%	1,283	12.8%	-	-	-	-
>\$100<\$250	16	28.1%	2,840	28.4%	-	-	-	-
>\$250	12	21.0%	5,877	58.8%	-	-	-	-
TOTAL	57	100.0%	10,000	100.0%	-	-	-	-
LOAN SIZE	2001							
	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
=<\$100	17	56.7%	695	13.0%	11,330	92.0%	141,379	29.5%
>\$100<\$250	6	20.0%	1,006	18.8%	530	4.3%	94,354	19.7%
>\$250	7	23.3%	3,649	68.2%	450	3.7%	243,958	50.8%
TOTAL	30	100.0%	5,350	100.0%	12,310	100.0%	479,691	100.0%

* In thousands

Community Development Lending – “Outstanding”

The bank's community development lending activity for the evaluation period level is considered excellent, given the size and capacity of this institution. This is reflective of the bank's \$1.9 million in community development commitments as of the evaluation date. Of the total, \$1 million, or 53.5%, is deemed “new money.” A brief description of these new commitments follows:

Community Preservation Corporation (“CPC”): In November 2000, the bank committed to participate \$900 thousand in a Revolving Credit Agreement with CPC. The committed amount reflects an increase of \$300 thousand from a prior \$600 thousand 1998 Revolving Credit Agreement, which was not given consideration at the June 30, 2000 Performance Evaluation. CPC is dedicated to financing affordable housing and related projects in upstate New York. The organization was created specifically to provide for-profit and not-for-profit developers with a source of mortgage financing for projects, which, for a variety of reasons, may have difficulty obtaining conventional financing.

New York Business Development Corporation (“NYBDC”): PSB has committed \$100 thousand to the NYBDC, of which it is a member. NYBDC is a privately-owned entity created by New York State statute and funded by commercial and savings banks under lines of credit that are utilized to provide a broad range of financing to small and mid-sized businesses located in New York State.

These new initiatives supplement existing commitments carried over from, and given favorable consideration during, the prior evaluation period. These include a term loan with \$115 thousand outstanding to *Capital District Community Loan Fund*, a \$145 thousand line of credit available to *Troy Rehabilitation Improvement Program*, a \$5 thousand line of credit available to *Bethany Hospitality Center*, and a \$605 thousand loan outstanding with *Capital Affordable Housing Funding Corporation*.

Innovative or Flexible Lending Practices – “High Satisfactory”

The bank uses flexible lending practices in serving its assessment area credit needs.

The bank provides Federal Housing Administration (“FHA”) and State of New York Mortgage Agency (“SONYMA”) loan products. Under the FHA mortgage loan product, loans are federally insured, with down payment requirements of as low as 2.25%, higher income qualifying ratios and flexible underwriting guidelines. SONYMA mortgage products are offered for first-time homebuyers. The rates offered are lower than the standard conventional rates and borrowers can qualify at higher income ratios. There are programs for existing dwellings as well as new construction.

In addition, the bank has its own Affordable Housing Programs (“AHP”) -- the “Target Area Program” (“TAP”) and the “Non-target Area Program” (“NTAP”).

A TAP loan allows borrowers to finance up to 110% of the sales price of the loan, requiring from borrowers \$500 of their own funds, with qualifying ratios more flexible than the standard conventional mortgage. The target areas are LMI areas in the bank’s assessment area. A NTAP loan allows borrowers to put as little as three percent down, with funds coming from their own funds, or as a gift, municipal grant, seller’s concessions and secured/unsecured loans. The qualifying ratios are more flexible than those on a standard conventional mortgage. The non-target areas may be any other than LMI areas in the bank’s assessment area.

The following chart details bank’s success with the above loan products during the evaluation period:

Product Type	2002		2001	
	# of loans	\$000	# of loans	\$000
FHA	54	5,243	56	5,001
SONYMA	43	3,912	34	2,827
AHP	19	1,044	17	916
Total	116	10,199	107	8,744

II. Investment Test - “Outstanding”

PSB’s level of qualified community development investments is considered excellent for an institution of its size. At this evaluation, qualified community development investments totaled approximately \$1.9 million, all of which is considered new money. Grants included in the total amounted to \$134 thousand.

In November 2000, the bank committed to invest \$1.8 million in Collateral Trust Notes issued by the *Community Preservation Corporation*. This amount represents an increase of \$600 thousand from a prior \$1.2 million existing commitment that was not given consideration at prior evaluations.

The grants included a \$5 thousand donation provided by the bank to the “New York State World Trade Center Fund.”

III. Service Test: “Outstanding”

Retail Banking Services – “Outstanding”

Accessibility Of Delivery System - The bank’s delivery systems are accessible to all portions of the institution’s assessment area. Of the bank’s ten branch offices, five, or 50%, are located in or adjacent to LMI areas. Each of the branches has a 24-hour deposit-taking automated teller machine (“ATM”).

As alternative delivery systems, the bank has a Web site that provides banking information of a general nature as well as on-line automobile loan applications, mortgage inquiries, bill-paying services and transfers of funds from one account to another, 24 hours a day. The bank also provides loan-by-phone services until 7:30 p.m. on weekdays and from 10:30 a.m. to 2:30 p.m. on Saturdays. In addition, the bank’s mortgage loan representatives will meet with an applicant at his/her home, office or any other designated area during evening and weekend hours.

Changes in Branch Locations – The bank’s record of opening and closing of branches has improved the accessibility of its delivery systems. During the evaluation period, the bank opened two new full service branches: one each in Waterford in Saratoga County and in Glenmont in Albany County. Although both branches are located in non-LMI areas, they are in census tracts adjacent to LMI areas.

Reasonableness of business hours and services in meeting assessment area needs - The bank’s branch hours are tailored to the convenience and needs of the assessment area, particularly LMI geographies.

The branch offices have extended working hours as follows: two branches are open until 8:00 p.m.; five branches are open until 7:00 p.m. and three branches have extended

working hours on Thursdays and Fridays. In addition, all branches, except the main office, offer Saturday working hours.

Services and retail products designed to benefit LMI individuals - The bank cashes, without charge, government checks and well-known company payroll checks for non-depositors who possess acceptable identification (drivers license or other picture identification). In addition, the bank offers to all customers its *Better Checking Account*, which has no monthly service charges, no per check charges, no minimum balance requirements, and no requirement that customers have another account in order for its Better Checking Account to have no fees. Accompanying this account is a debit/ATM card that can be used at the bank's automated teller machines to withdraw money without any charge, and can also be used to pay for purchases at retail establishments that accept MasterCard transactions.

Community Development Services – “High Satisfactory”

The bank provides a relatively high level of community development services. During 2002, PSB sponsored eight homebuyer-seminars and participated in about ten banking fairs where, among other activities, its staff promoted mortgage products offered through the bank's affordable housing program.

In addition, trustees, officers and employees serve as board members, treasurers, loan committee member, fund raising committee member and members in over 100 charitable, community and professional organizations involved in promoting local or regional economic development, community services and affordable housing.

IV. Discrimination or Other Illegal Practices

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

None noted.

Evidence of prohibited discriminatory or other illegal credit practices.

Examiners noted no practices that were intended to discourage applications for the types of credit offered by the institution.

The most recent regulatory compliance examination conducted concurrently with this evaluation indicates satisfactory adherence to anti-discrimination or other applicable laws and regulations. No evidence of prohibited discrimination or other illegal credit practices was noted.

V. 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.

PSB employs several approaches to ascertain the credit needs of community, including:

- Communications and meetings with local government officials;
- Communications and meetings with community based organizations/groups including affordable housing related non-profit development organizations;
- Contacts by branch personnel with members of local communities;
- Face-to-face and telephone contact by loan representatives with the general public, including members of local communities;
- Contacts with real estate brokers and mortgage brokers doing business in local communities who provide feedback regarding community needs;
- Participation in housing, credit/banking services and other relevant trade shows and fairs attended by members of the local community.
- Attendance at local real estate and local builders' functions and programs sponsored by these groups by providing speakers and seminars on home financing. Pioneer annually participates in the "Realtors Banking Fair" and "The Great Northeast Home Show" by providing bank personnel to maintain booths and to discuss services provided by the bank with attendees.

PSB has a full time Community Development Officer (CDO) who conducts outreach into the inner city communities of the Capital District through his active participation in civic organizations. He represents the bank at local community events, works with local non-profit organizations and acts as the bank's voice in the community, spreading the word to local housing and non-profit agencies helping to educate and assist potential homeowners realize the dream of affordable home ownership.

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.

The bank's marketing efforts are conducted primarily through three major daily newspapers: the Times Union, The Gazette and The Record. The Times Union has the largest circulation and is the most popular publication in the bank's assessment area. The Gazette primarily serves Schenectady and Saratoga Counties, and the Record's readership is based in Rensselaer County.

In addition, the bank advertises in a number of community newspapers.

The extent of participation by the banking institution's 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 bank has established a permanent CRA committee comprised of representatives of several departments within the bank. The committee is chaired by a member of the Board of Trustees and also by the CRA Officer, who is a Senior Officer of the bank. The committee meets annually and is responsible for CRA program development, monitoring the bank's CRA performance, overseeing CRA training, and making appropriate recommendations to senior management to ensure continuing CRA compliance. Senior management, in turn, reports to the Board of Trustees on these recommendations.

VI. Other Factors

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

None.

GLOSSARY

Aggregate

The cumulative lending by all HMDA-reporting lenders in the same geographic area under evaluation.

Community Development

The term “community development” is defined to mean:

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.

A “community development loan” is defined as a loan that has as 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.

A “qualified investment” is defined as a lawful investment, deposit, membership share or grant that has as its *primary purpose* community development. 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.

A “community development service” is defined as a service that has as its *primary purpose* community development, 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.

Demand-Adjusted Penetration Rate

The number of owner-occupied loans made by the institution (or aggregate as appropriate) in a geographic area per thousand owner-occupied housing units in that area. Mathematically, it is arrived at by dividing the number of owner-occupied housing units into the number of loans made and then multiplying by 1,000.

Demand-Adjusted Penetration Ratio

A ratio that depicts geographic penetration of loans by comparing demand-adjusted lending in LMI areas with non-LMI areas. Mathematically, it is arrived at by dividing the demand-adjusted penetration rate in non-LMI areas into the demand-adjusted penetration rate in LMI areas and then expressed as a percentage.

A ratio of 100% means that the institution (or aggregate as appropriate) made an equal number of loans proportionally in LMI and non-LMI areas. Less than 100 percent would indicate less lending in LMI areas on the same basis compared to non-LMI areas, whereas over 100 percent would indicate a greater level of lending in LMI areas versus non-LMI areas.

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.

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 (“BNAs”), where according to the 1990 US 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 nonmetropolitan 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 the case 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 nonmetropolitan 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

Those individuals, 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 nonmetropolitan 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 depicts the percentage of a bank’s total loans 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 to LMI geographies or borrowers.

Small Business Loans

Loans to businesses with original amounts of \$1 million or less.