



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, 2005

Institution: Pathfinder Bank
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 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 Pathfinder Bank ("Pathfinder") 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, 2005.

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 an 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

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

- During the evaluation period, Pathfinder originated 706 HMDA-reportable loans totaling \$55 million within the assessment area. This volume of lending is excellent given its size and financial condition, competition, and the lending opportunities available in its assessment area.
- Pathfinder originated an adequate percentage of its HMDA-reportable loans within the assessment area. Of the total HMDA-reportable loans originated by Pathfinder during the evaluation period, 72.7% by number and 66.1% by dollar volume were originated within its assessment area.
- The geographic distribution of Pathfinder's HMDA-reportable loans reflects good dispersion of loans throughout the assessment area. In 2003 and 2004, Pathfinder's LMI penetration rates were higher than the aggregate. Its performance in LMI areas further improved in 2005.
- The distribution of Pathfinder's HMDA-reportable loans based on borrower characteristics reflects an adequate penetration among individuals of different income levels. Pathfinder extended 26.7%, 40.1% and 34.6% of its HMDA-reportable loans to LMI borrowers in 2003, 2004 and 2005, respectively.
- Pathfinder's community development lending is adequate. During the evaluation period community development loans totaled \$225 thousand.
- Pathfinder offers flexible and innovative products such as Small Business Administration ("SBA") and Farm Service Agency ("FSA") guaranteed loans and specially-structured mortgage products which provide 97% to 100% LTV financing. These products generated a volume of approximately \$10.5 million during the evaluation period.

Investment Test – High Satisfactory

- Pathfinder has a significant level of community development investments and grants. At this evaluation, qualified investments totaled \$598 thousand, including \$12 thousand in grants. None of these investments was innovative or complex.

Service Test – High Satisfactory

- Pathfinder’s delivery systems are readily accessible to all portions of the assessment area. Its moderate-income geographies are well served with two of the branches located in moderate-income geographies.
- Pathfinder provides a relatively high level of community development services. A considerable number of its personnel are actively involved in various community development organizations and regularly provide financial expertise to these organizations.

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:

Pathfinder is a stock-form New York State chartered savings bank headquartered in Oswego, New York. It was originally chartered in 1859 as a mutual institution under the name of Oswego City Savings Bank. In 1995, Pathfinder Bancorp, Inc. was formed when Pathfinder was converted to a stock-form bank. In 1997, the New York State Banking Department approved a plan for a two-tier holding company structure, which resulted in the creation of Pathfinder Bancorp, MHC, a mutual holding company which became the ultimate parent entity. As of December 31, 2005, Pathfinder Bancorp, MHC held 64.3% ownership of the outstanding common stock of Pathfinder Bancorp, Inc. The remaining 35.7 % was publicly held. Oswego City Savings Bank became Pathfinder Bank in November 1999.

Pathfinder has two subsidiaries: Pathfinder REIT, Inc, a real estate investment trust entity and Pathfinder Commercial Bank, a limited-purpose commercial bank established to serve the depository needs of public entities in its assessment area.

Pathfinder operates seven full-service banking offices, including the Oswego main office. Three offices are located in the city of Oswego, with one each in Mexico, Fulton, Lacona and Central Square.

Pathfinder is a consumer-oriented institution dedicated to providing mortgage loans and other traditional financial services to its customers. It is primarily engaged in accepting deposits from the general public in its market area and investing such deposits in loans secured by one-to-four family residential real estate and commercial real estate. Pathfinder faces strong competition historically from commercial and savings banks, savings associations, credit unions and mortgage banking companies in its market area. Its major competitors include Oswego County National Bank, Fulton Savings Bank, Countrywide Home Loans and Wells Fargo Mortgage. Pathfinder also expects strong competition in the foreseeable future from super-regional banks entering the market.

As per the Federal Deposit Insurance Corporation's ("FDIC") Consolidated Report of Condition ("Call Report") as of December 31, 2005, Pathfinder had total assets of \$295.8 million, of which \$182.0 million or 61.5% consisted of net loans and leases and \$73.7 million or 24.9% were investments in securities. As of the same date, total deposits were \$237.1 million. According to the latest available comparative deposit data dated June 30, 2005, Pathfinder obtained a market share of 24.1% or \$238.8 million out of \$989.4 million inside its market, ranking it 1st among ten other deposit-taking institutions in Oswego County.

The following is a summary of Pathfinder's lending portfolio, based on Schedule RC-C of the bank's December 31, 2003, December 31, 2004 and December 31, 2005 Call Reports:

TOTAL GROSS LOANS OUTSTANDING						
LOAN TYPE	12/31/2003		12/31/2004		12/31/2005	
	\$000	%	\$000	%	\$000	%
1-4 Residential Mortgage Loans	136,843	71.8	135,159	71.7	132,880	70.3
Commercial & Industrial Loans	14,604	7.7	16,828	8.9	18,331	9.7
Commercial Mortgage Loans	30,319	15.9	29,415	15.6	31,652	16.8
Mutifamily Mortgages	554	0.3	139	0.1	122	0.1
Consumer Loans	3,931	2.1	3,530	1.9	3,363	1.8
Construction Loans	4,375	2.3	3,497	1.9	2,607	1.4
Total Gross Loans	190,626	100.0	188,568	100.0	188,955	100.0

As illustrated in the above chart, Pathfinder is primarily a residential real estate lender, with 70.3% of its loan portfolio in 1–4 family residential mortgage loans. The outstanding balance of this loan product declined steadily during the evaluation period because of rising mortgage interest rates, which slowed the demand for home refinancing loans. Commercial mortgage loans are Pathfinder’s secondary loan products, which comprised 16.8% of the loan portfolio as of December 31, 2005.

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, 2002.

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 portions of Oswego County, namely the cities of Oswego and Fulton and the adjoining towns/villages of Granby, Mexico, Minetto, New Haven, Oswego Town, Scriba, Volney, Lacona, Sandy Creek, Richland, Pulaski, Central Square and Hastings. During the evaluation period, Pathfinder increased its assessment area with the addition of Hastings and Central Square.

There are 21 census tracts in the area, of which four (19.1%) are moderate-income, 15 (71.4%) are middle-income, and two (9.5%) are upper-income tracts.

According to the 2000 U.S. Census data, the total population of the assessment area was 85,794, of which 10,551 (12.3%) were over 65 years of age and 19,483 (22.7%) were less than 16 years of age.

In 2003, there were 21,415 families in the assessment area of which, 5,021 (23.5%) were low-income, 4,309 (20.1%) were moderate-income, 4,797 (22.4%) were middle-income, and 7,288 (34.0%) were upper income families. In 2004, the distribution of families by income level changed slightly, which consisted of 5,122 (23.9%) low-income, 4,340 (20.3%) moderate-income, 4,838 (22.6%) middle-income, and 7,115 (33.2%) upper-income families.

There were 37,121 housing units in the assessment area. Of this total, 34,056 (92%) were 1-4 family units, 3,065 (8%) were multifamily, 22,207 (60%) were owner-occupied, 10,108 (27%) were rental occupied, and 5,293 (14%) were mobile homes or trailers. There were 4,806 vacant housing units, comprising approximately 13% of the total housing units in the assessment area.

Of the total of 32,314 households in the area, 24,195 (75%) were wage/salary earners, 6,178 (19%) were on retirement, 8,974 (28%) were on Social Security, and 974 (3%) were on public assistance. Approximately 15% or 4,721 households were below the poverty level. Data was not available for self-employed farm and non-farm households.

According to the Bureau of Labor Statistics, the average unemployment rates (not seasonally adjusted) for Oswego County were 7.4%, 6.9% and 6.3% in 2003, 2004 and 2005, respectively. These rates were higher than the average unemployment rates for New York State of 6.4%, 5.8% and 5.0% in 2003, 2004 and 2005, respectively.

According to the 2005 Business Demographic Data report, the two largest industries in the assessment area were comprised of services (35.9%) and retail trade (18.8%). Non-classifiable establishments totaled 604 or approximately 13.3% of all businesses in the assessment area. It should be noted that although the number of manufacturing-related businesses comprised only 3.5% of all businesses in the assessment area, the area's economy remains heavily dependent on this industry sector. Besides the State University of New York, the assessment area's major employers include large manufacturing companies such as Entergy Nuclear Northeast, Novelis, Constellation, NRG and Huhtamaki.

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.

PERFORMANCE TESTS AND ASSESSMENT FACTORS

This performance evaluation incorporates a review of Pathfinder's lending, investment and service activities within the assessment area during 2003, 2004 and 2005.

Products considered were HMDA-reportable loans. Statistics employed in this evaluation were derived from various sources. In addition to bank-specific loan information submitted by Pathfinder, aggregate data for HMDA-reportable loans were obtained from the Federal Financial Institutions Examination Council ("FFIEC") and PCI Corporation CRA Wiz, an external vendor. Where aggregate performance data was available, Pathfinder's performance relative to that of the aggregate was the primary basis for the assigned rating, particularly in the geographic distribution and borrower characteristics assessment factors. Aggregate data for 2005 was not available at the time this report was written.

Demographics are from the 2000 U.S. Census data supplemented with the 2003, 2004 and 2005 HUD estimates.

I. Lending Test: High Satisfactory

Pathfinder's lending performance was 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 and/or Innovative Lending Practices.

Lending Activity – Outstanding

The volume of HMDA-reportable loans extended by Pathfinder in the assessment area reflects an excellent responsiveness to the credit needs of the assessment area. In 2003, Pathfinder originated 372 loans in its assessment area, garnering a market share of 13.8%, which represented the highest percentage of the total number of HMDA-reportable loans originated by 166 lenders within the assessment area. Due to the slowdown in the mortgage refinancing market as a result of rising interest rates, the number of HMDA-reportable loans originated by Pathfinder decreased in the succeeding years. Notwithstanding the decline in loan volume, Pathfinder managed to place 2nd among 151 HMDA-reporting lenders, capturing a market share of almost 9% within the assessment area in 2004. Additionally, the loan volume generated by Pathfinder in 2004 was only one loan less than the number of loans originated by the leading lender in the assessment area.

Assessment Area Lending – Low Satisfactory

During the evaluation period, Pathfinder originated an adequate percentage of its HMDA-reportable loans within the assessment area. In 2003, Pathfinder originated 74.3% of its HMDA-reportable loans within its assessment area. This concentration ratio declined to 72.7% in 2004 and continued to decline in 2005, in which 68.9% were originated within the

assessment area. However, the overall lending performance of Pathfinder in the assessment area during this evaluation period improved slightly as compared to the prior evaluation period. Of the total HMDA-reportable loans originated by Pathfinder during this evaluation period, 72.7%, by number and 66.1% by dollar volume were originated within its assessment area. These concentration ratios are slightly higher than the 72% by number and 65.5% by dollar volume than those of the prior evaluation period.

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
	#	%	#	%		\$	%	\$	%	
HMDA										
2003	372	74.3	129	25.7	501	27,748	68.8	12,591	31.2	40,339
2004	192	72.7	72	27.3	264	15,311	66.5	7,706	33.5	23,017
2005	142	68.9	64	31.1	206	11,970	60.3	7,870	39.7	19,840
Total	706	72.7	265	27.3	971	55,029	66.1	28,167	33.9	83,196

Geographic Distribution of Loans – High Satisfactory

The geographic distribution of Pathfinder’s HMDA-reportable loans reflects a good dispersion of loans throughout the assessment area. In 2003, Pathfinder originated 18% of its HMDA-reportable loans totaling \$4.3 million in LMI geographies, which is considerably higher than the aggregate’s 13.2%. Pathfinder’s LMI lending performance declined in 2004 but its LMI penetration ratio of 14.6% by number remained slightly above the aggregate’s 14.3%. In 2005, Pathfinder’s LMI lending performance rebounded, increasing its LMI penetration rates to 17.6% and 13.4% by number and by dollar volume, respectively.

The following chart provides a summary of Pathfinder’s HMDA related lending distribution during the evaluation period:

Distribution of HMDA-reportable Loans by Geographic Income Level*								
Geography Income Level	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Moderate	67	18.0%	4,303	15.5%	355	13.2%	23,594	12.2%
Middle	249	66.9%	18,165	65.5%	2,108	78.3%	151,361	78.1%
Upper	56	15.1%	5,280	19.0%	229	8.5%	18,847	9.7%
Total	372	100.0%	27,748	100.0%	2,692	100.0%	193,802	100.0%
Geography Income Level	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Moderate	28	14.6%	1,411	9.2%	307	14.3%	18,214	12.3%
Middle	133	69.3%	10,888	71.1%	1,693	78.9%	116,981	79.3%
Upper	31	16.1%	3,012	19.7%	143	6.7%	12,205	8.3%
N/A	0	0.0%	0	0.0%	2	0.1%	138	0.1%
Total	192	100.0%	15,311	100.0%	2,145	100.0%	147,538	100.0%
Geography Income Level	Bank				Aggregate			
	#	%	\$000	%	#	%	\$	%
Low	0	0.0%	0	0.0%	-	-	-	-
Moderate	25	17.6%	1,600	13.4%	-	-	-	-
Middle	90	63.4%	7,810	65.2%	-	-	-	-
Upper	27	19.0%	2,560	21.4%	-	-	-	-
Total	142	100.0%	11,970	100.0%	-	-	-	-

* Geography income level is based upon 2000 Census data on median family income figure for the MSA of the mortgaged property. Low-income is defined as <50% of the MSA median, moderate-income is 50% to <80% of the MSA median income, middle-income is 80% to <120%, and upper-income is at least 120%.

Borrower Characteristics: Low Satisfactory

The distribution of Pathfinder's HMDA-reportable loans based on borrower characteristics reflects an adequate penetration among individuals of different income levels. In 2003, of the total number of HMDA-reportable loans originated by Pathfinder within its assessment area, 26.7% were extended to LMI individuals as compared to 30.7% for the aggregate. The increase was due to the decrease of the total number of loans made. So, the number of loans to LMI borrowers represents a bigger percentage but there was a substantial decrease in LMI loans. This level of performance was not sustained in 2005 during which, only 34.6% of the total HMDA-reportable loans in its assessment area were extended to LMI individuals. Aggregate data for 2005 was unavailable for comparison.

The following chart provides a summary of Pathfinder's HMDA lending distribution during the evaluation period:

Distribution of HMDA-reportable Loans by Borrower Income Level*								
Borrower Income Level	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
Low	27	7.3%	1,158	4.2%	261	9.7%	10,726	5.5%
Moderate	72	19.4%	4,093	14.8%	564	21.0%	31,637	16.3%
Middle	107	28.8%	7,130	25.7%	732	27.2%	47,987	24.8%
Upper	166	44.6%	15,367	55.4%	1,016	37.7%	90,081	46.5%
N/A	0	0.0%	0	0.0%	119	4.4%	13,371	6.9%
Total	372	100.0%	27,748	100.0%	2,692	100.0%	193,802	100.0%

Borrower Income Level	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
Low	19	9.9%	853	5.6%	254	11.8%	10,512	7.1%
Moderate	58	30.2%	3,409	22.3%	599	27.9%	33,467	22.7%
Middle	51	26.6%	3,739	24.4%	598	27.9%	40,463	27.4%
Upper	64	33.3%	7,310	47.7%	603	28.1%	54,261	36.8%
N/A	0	0.0%	0	0.0%	91	4.2%	8,835	6.0%
Total	192	100.0%	15,311	100.0%	2,145	100.0%	147,538	100.0%

Borrower Income Level	Bank				Aggregate			
	#	%	\$000	%	#	%	\$	%
Low	13	9.2%	522	4.4%	-	-	-	-
Moderate	36	25.4%	2,457	20.5%	-	-	-	-
Middle	34	23.9%	2,629	22.0%	-	-	-	-
Upper	59	41.5%	6,362	53.1%	-	-	-	-
Total	142	100.0%	11,970	100.0%	-	-	-	-

* Borrower income level is based upon the Department of Housing and Urban Development's annual estimate of median family income ("MFI") figure for the MSA of the mortgaged property. Low-income is defined as <50% of the MSA MFI, moderate-income is 50% to <80%, middle-income is 80% to <120%, and upper-income is at least 120%.

Community Development Loans – Low Satisfactory

Pathfinder has an adequate level of community development loans. As of December 31, 2005, it had an outstanding revolving line of credit for \$225 thousand to The Community Preservation Corporation ("CPC"). Pathfinder's commitment to this organization was originated in 1998 for \$150 thousand, which was renewed and increased to \$225 thousand in 2003 for a period of five years. CPC is a lending consortium that makes construction and permanent loans for the creation, rehabilitation and preservation of affordable housing throughout the State of New York. CPC's bank sponsors provide secured financing, under revolving bank lines of credit, for housing construction and rehabilitation, as well as permanent financing through purchases of collateral trust notes backed by CPC mortgages.

Flexible and Innovative Lending – High Satisfactory

Pathfinder uses flexible and innovative lending products. It is a participating lender in the Small Business Administration "SBA" guaranteed loan program. During the evaluation

period, Pathfinder originated 19 SBA loans totaling \$2.1 million, mostly consisting of SBA 7(a) and 504 loans. It also made one agricultural loan for \$892 thousand that was guaranteed by the Farm Service Agency of the U.S. Department of Agriculture. Furthermore, Pathfinder offers special mortgage products which provide 97% to 100% LTV financing to borrowers. It originated 78 loans totaling approximately \$7.5 million of these special mortgage products during the evaluation period.

II. Investment Test – High Satisfactory

Pathfinder has a significant level of community development investments. At this evaluation, qualified investments including grants of \$12 thousand totaled \$598 thousand, of which \$298 thousand represents new money. While the level of qualified investments is relatively high, the investments were neither innovative nor complex.

During the evaluation period, Pathfinder invested in the following:

Statewide Zone Capital Corporation of New York (SZCC) – Pathfinder has an outstanding equity investment of \$250 thousand in this corporation. The SZCC is a community development organization, which was formed to promote the development of new businesses, the expansion of existing businesses, and the development of human resources within the 51 participating economic development zones created under the New York State Economic Development Zones Act.

New York Business Development Corporation (NYBDC) – In 1989, Pathfinder invested \$36 thousand in stocks of this corporation. This investment was reduced to \$34 thousand due to stock redemption in 2004. NYBDC is a privately-owned entity created by New York State statute and funded by commercial and savings banks under lines of credit, typically at a LIBOR based rate that are utilized to provide a broad range of financing to small and mid-sized businesses located in New York State.

III. Service Test – High Satisfactory

Retail Banking Services: Outstanding

Accessibility of Delivery Systems

Pathfinder's delivery systems are readily accessible to all portions of the assessment area. It has deposit-taking automated teller machine ("ATM") at each of its seven branches, eight off-site, non-deposit taking ATMs in various locations within the assessment area, plus a mobile/roving ATM that is in service all year except during the winter season. Ten of these ATMs are operated on a 24 hours/7 days availability basis. Five of the off-site ATMs and two of the seven branches are located in moderate-income tracts. Additionally, banking by mail and internet banking services are available for convenient access to banking services during non-banking hours.

Changes in Branch Locations

Pathfinder's record of opening and closing of branches has not adversely affected the accessibility of its delivery systems. In 2003, the branch at 114 Oneida Street was relocated to 5 West First Street South, both in Fulton City, which is located in a middle-income tract. In 2005, Pathfinder opened a new full-service branch located at 3025 East Avenue, Central Square, which is located in a middle-income tract.

Reasonableness of Business Hours and Services

The branches offer convenient banking hours, which are tailored to the convenience and needs of its assessment area. These hours vary from branch to branch; however, they generally include early and extended weekday hours at all seven branches and Saturday half-day service hours at five of its branches.

Community Development Services: High Satisfactory

Pathfinder provides a relatively high level of community development services as evidenced by the considerable number of its personnel who are actively involved with various local and regional community development organizations and the high level of service they provide to these organizations. A brief description of their involvement with these organizations is as follows:

- The president and chief executive officer is a board member of the Central Upstate Regional Alliance, a 25-member board of regional business leaders, economic development officials and academic leaders that was established from the findings and recommendations of the Essential New York Initiative. The alliance aims to increase the level of communication and collaboration between businesses, organizations and governments in the Central Upstate region and its work is primarily focused on making this region a more competitive force for economic growth and job creation.
- An officer of Pathfinder serves as a member of the board of Operation Oswego County, Inc., an economic and job development corporation serving all of Oswego County. The primary mission of the corporation is the creation and retention of job opportunities, the diversification and strengthening of the county's economic base, and the development of the local economies within the county in a planned and organized manner.
- The CRA officer and another employee of Pathfinder serve as board members of the local chapter of Habitat for Humanity.
- A vice president of Pathfinder is a member of the board of the Statewide Zone Capital Corporation of New York.
- Four employees of Pathfinder serve as members of the Allocations Committee of the

local chapter of the United Way. Another employee is a member of the board of this organization.

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.

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

Evidence of prohibited discriminatory or other illegal credit practices.

The most recent regulatory compliance and fair lending examinations conducted concurrently with this evaluation indicate satisfactory adherence to anti-discrimination and other applicable laws and regulations. No evidence of prohibited discriminatory 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.

Pathfinder ascertains the credit needs of its local community primarily through the involvement of its personnel in local realtor associations and in various local businesses and community organizations. These organizations include Oswego County Board of Realtors, Greater Syracuse Association of Realtors, Statewide Zone Capital Regional Board, local Chamber of Commerce offices and other business alliance organizations that work towards the development of communities.

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 makes members of the community aware of its credit services through its affiliations with community, realtor boards and through Consumer and Business Services call programs, promoting its services and credit programs.

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

The board of directors is responsible for approving any changes made to Pathfinder's CRA policy. Pathfinder's CRA officer is primarily responsible for reviewing the CRA policy and initiating and making the necessary changes. All changes are presented to the Audit/Compliance committees for review and approval and then presented to the full board for final approval. All closed mortgages together with their CRA implications are presented and discussed at the monthly board meeting. The board also reviews other CRA matters such as the results of CRA performance evaluations.

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:

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- 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;

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- ❖ 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.

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 2000 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 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 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 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

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 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 depicts 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 to LMI geographies or borrowers.

Small Business Loans

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