



**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:** March 31, 2015

**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 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 (“PB”) prepared by the New York State Department of Financial Services (“DFS” or the “Department”). This evaluation represents the Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of March 31, 2015.

Section 28-b of the New York Banking Law, as amended, requires that when evaluating certain applications, the Superintendent of Financial Services 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 in 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 (“Evaluation”) be made available to the public. 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 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 Bank ("PB"), while an intermediate bank by asset size, elected to be evaluated by DFS according to the large bank performance criteria pursuant to Part 76.8, 76.9 and 76.10 of the General Regulations of the Superintendent. This assessment period included calendar years 2013, 2014 and the first quarter of 2015. PB 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"

PB's HMDA-reportable lending and small business lending activities were more than reasonable considering the bank's size, business strategy and financial condition, as well as its aggregate and peer group activity and the demographic characteristics of its assessment area.

### **Lending Activity:** "High Satisfactory"

PB's lending levels were more than reasonable considering its size, business strategy and financial condition as well as the activity of its peer group and the demographics of its assessment area. PB's average loan-to-deposit ("LTD") ratio of 80.5% for the evaluation period was just below the peer group's ratio of 84.1%.

### **Assessment Area Concentration:** "High Satisfactory"

During the evaluation period, PB originated 83.8% by number, and 79.8% by dollar value of its total HMDA-reportable and small business loans within the assessment area. This substantial majority of lending inside of its assessment area was a more than reasonable concentration of lending.

### **Geographic Distribution of Loans:** "High Satisfactory"

PB's loans originated in census tracts of varying income levels demonstrated a more than reasonable distribution of lending.

PB amended its assessment area in March of 2014, which resulted in a large increase in low- and moderate-income census tracts. While, PB's rate of lending for HMDA-reportable and small business loans in low-income census tracts trailed the aggregate's rate, in moderate-income census tracts the bank's rate significantly exceeded the aggregate's rate for every year of the evaluation period.

### **Distribution by Borrower Characteristics:** "Low Satisfactory"

PB's 1-4 family HMDA-reportable and small business lending demonstrated a reasonable distribution of loans among individuals of different income levels and businesses of different revenue sizes.

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**Community Development Lending: “Outstanding”**

During the evaluation period, PB originated \$12.2 million in new community development loans, and had \$3.9 million outstanding from prior evaluation periods. This demonstrated an excellent level of community development lending over the course of the evaluation period.

PB’s \$12.2 million of new community development loans was an increase of 37.1% or \$3.3 million from the \$8.9 million originated in the prior evaluation period.

**INVESTMENT TEST: “High Satisfactory”**

PB’s community development investments were more than reasonable considering the assessment area’s credit needs.

**Community Development Investments: “High Satisfactory”**

During the evaluation period, PB made \$2.9 million in new community development investments, and had \$113,804 outstanding from prior evaluation periods. In addition, PB made \$127,131 in community development grants. This demonstrated a more than reasonable level of community development investments and grants over the course of the evaluation period.

**SERVICE TEST: “High Satisfactory”****Retail Banking Services: “High Satisfactory”**

PB’s branch network, delivery systems, branch hours and services, and alternative delivery systems, particularly those available to LMI individuals, are more than reasonable.

**Community Development Services: “High Satisfactory”**

PB provided a more than reasonable level of community development services during the evaluation period.

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

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## PERFORMANCE CONTEXT

### Institution Profile

Pathfinder Bank (“PB”) is a New York State chartered savings bank. Chartered in 1859 as Oswego City Savings Bank, the bank changed its name to Pathfinder Bank in 1999. PB is headquartered in Oswego New York and is a wholly-owned subsidiary of Pathfinder Bancorp, Inc.

PB offers traditional deposit and lending products that include checking and savings accounts, certificates of deposit, credit cards, personal loans, residential mortgage loans, home equity lines of credit, etc. In addition, PB also offers online banking with bill pay, online account opening and mobile banking services.

Per the Consolidated Report of Condition (the “Call Report”) as of March 31, 2015, filed with the Federal Deposit Insurance Corporation (“FDIC”), PB reported total assets of \$606.4 million, of which \$385.2 million were net loans and lease finance receivables. It also reported total deposits of \$496.0 million, resulting in a loan-to-deposit ratio of 77.7%. Per the latest available comparative deposit data as of June 30, 2014, PB had a market share of 4.4%, or \$449.8 million in a market of \$10.2 billion, ranking it 8th among 18 deposit-taking institutions in the assessment area.

The following is a summary of the bank’s loan portfolio, based on Schedule RC-C of the bank’s December 31, 2013 and 2014 and March 31, 2015 Call Reports:

<b>TOTAL GROSS LOANS OUTSTANDING</b>						
Loan Type	12/31/2013		12/31/2014		3/31/2015	
	\$000's	%	\$000's	%	\$000's	%
1-4 Family Residential Mortgage	187,540	54.9	194,715	50.2	195,627	50.1
Commercial & Industrial Loans	37,385	10.9	43,749	11.3	43,122	11.0
Commercial Mortgage Loans	69,991	20.5	110,680	28.6	111,215	28.5
Multifamily Mortgages	16,891	4.9	17,629	4.5	17,710	4.5
Consumer Loans	4,065	1.2	4,061	1.0	4,030	1.0
Agricultural Loans	0	0.0	0	0.0	147	0.0
Construction Loans	18,968	5.6	8,541	2.2	8,563	2.2
Obligations of States & Municipalities	5,123	1.5	7,209	1.9	9,392	2.4
Other Loans	97	0.0	116	0.0	96	0.0
Lease Financing	1,592	0.5	858	0.2	731	0.2
<b>Total Gross Loans</b>	<b>341,652</b>		<b>387,558</b>		<b>390,633</b>	

As illustrated in the above table, PB is primarily a residential real estate lender with 54.6% of its loan portfolio in residential real estate, comprised of 50.1% in 1-4 family residential mortgage loans and 4.5% in multifamily mortgage loans. PB’s loan portfolio grew 14.3% from December 31, 2013 to March 31, 2015. This growth was primarily

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driven by an increase in commercial mortgage loans.

PB operates nine banking offices including a drive-thru facility in downtown Oswego and a limited purpose office located in Syracuse, NY (opened in September 2014), offering deposit and loan products to business customers. Seven of the offices are located in Oswego County and two are located in Onondaga County. Supplementing the banking offices is an automated teller machine (“ATM”) network consisting of 14 machines, including seven deposit-taking and three non-deposit taking ATMs located in branch offices and four off-site. All ATMs are located within PB’s assessment area.

*Examiners did not find evidence of financial or legal impediments that had an adverse impact on PB’s ability to meet the credit needs of its community.*

### **Assessment Area**

PB re-evaluated its assessment area in preparation of the addition of the limited purpose branch opened in September 2014 and located in a low-income census tract in the City of Syracuse in Onondaga County, NY. The revised assessment area was approved by the Audit/Compliance committee of the board of directors in March 2014. The revised assessment area significantly changed the make-up of PB’s assessment area as shown below.

PB’s assessment area is comprised of Oswego County in its entirety and a part of Onondaga County. There are 124 census tracts in the current assessment area, of which 26 are low-income, 30 are moderate-income, 44 are middle-income and 24 are upper-income tracts. The table below shows the make-up of the current assessment areas census tracts and percentage of LMI tracts by county.

<b>Assessment Area Census Tracts by Income Level</b>							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
Onondaga*	0	25	23	24	23	95	50.5
Oswego	0	1	7	20	1	29	27.6
Total	0	26	30	44	24	124	45.2

\* Partial County

PB’s assessment area at the prior evaluation period and until March of 2014 contained only 35 census tracts, of which only one was low-income, seven were moderate-income, 22 were middle-income and five were upper-income tracts. The table below shows the census tract make-up of the prior assessment areas census tracts by county and percentage of LMI tracts by county.

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

\* Partial County

### **Demographic & Economic Data**

The assessment area had a population of 420,818 during the evaluation period. About 12.3% of the population were over the age of 65 and 20.2% were under the age of sixteen.

Of the 99,161 families in the assessment area 25.3% were low-income, 18.0% were moderate-income, 22.0% were middle-income and 34.7% were upper-income families. There were 163,489 households in the assessment area, of which 16.1% had income below the poverty level and 3.4% were on public assistance.

The weighted average median family income in the assessment area was \$59,316. The weighted average median family incomes for Oswego County and Onondaga County were \$57,713 and \$60,018, respectively.

There were 184,410 housing units within the assessment area, of which 77.7% were one-to-four family units, and 17.2% were multifamily units. A majority (55.7%) of the area's housing units were owner-occupied, while 32.9% were renter-occupied units and 11.3% of the housing units were vacant. Of the 102,777 owner-occupied housing units, 25.2% were in low- and moderate-income census tracts while 74.8% were in middle- and upper-income census tracts. The median age of the housing stock was 56 years, and the median home value in the assessment area was \$99,462.

There were 24,218 non-farm businesses in the assessment area. Of these, 73.6% were businesses with reported revenues of less than or equal to \$1 million, 6.7% reported revenues of more than \$1 million and 19.7% did not report their revenues. Of all the businesses in the assessment area, 87.0% were businesses with less than fifty employees while 85.5% operated from a single location. The largest industries in the area were services (49.1%), retail trade (16.0%) construction (7.8%), and 4.0% were not classified.

According to the New York State Department of Labor, the average unemployment rate in New York State decreased from 7.7% in 2013 to 6.2% for the first quarter of 2015. While the unemployment rate for Oswego County declined from 2013 to 2015 it continuously exceeded the unemployment rates for New York State and Onondaga County. The following table provides the unemployment rates for New York State and



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the two counties during the evaluation period.

<b>Assessment Area Unemployment Rate</b>			
	Statewide	Onondaga	Oswego
2013 Average	7.7%	6.8%	9.8%
2014 Average	6.3%	5.6%	8.0%
2015 Average (as of 3/31/2015)	6.2%	5.5%	8.5%

### **Community Information**

Examiners interviewed representatives of a foundation and a nonprofit organization. The foundation assists small businesses in Oswego County in planning and coordinating activities with state and local agencies and accessing financing from federal, state and local governments as well as financial institutions. The nonprofit organization's mission is to create a "one-stop-shop" for construction and permanent financing of affordable housing by coordinating public and private resources.

Representatives of both organizations indicated that Onondaga County and Oswego County are still recovering from the recent economic recession. There are several LMI neighborhoods still affected by high unemployment. Funding is needed for economic development projects that would provide employment. Small businesses in LMI neighborhoods need easier access to start-up capital to start new businesses. The housing market remains non-accessible to many residents as affordable housing remains in short supply. Developers need capital to renovate and rehabilitate dilapidated buildings and convert them into affordable housing.

The representatives also noted that in general, banks are proactive in providing necessary funding for local projects, but more can be done such as financial education programs for individuals and families and low-interest loans for small businesses.

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## **PERFORMANCE STANDARDS AND ASSESSMENT FACTORS**

*DFS evaluated Pathfinder Bank (“PB”) 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. DFS also considered the following factors 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 New York Banking Law that reasonably bear upon the extent to which PB helps to meet the credit needs of its entire community.*

DFS derived statistics employed in this evaluation from various sources. PB submitted bank-specific information both as part of the evaluation process and on its Call Report submitted to the FDIC. DFS obtained aggregate lending data from the Federal Financial Institutions Examination Council (“FFIEC”) and deposit data from the FDIC. DFS calculated loan-to-deposit ratios from information shown in the bank’s Uniform Bank Performance Report submitted to the FDIC.

DFS sourced demographic data referred to in this report from the 2010 U.S. Census (“Census”) and the FFIEC. DFS based business demographic data on Dun & Bradstreet (“DB”) reports which DB updates annually and obtained unemployment data from the New York State Department of Labor. Some non-specific bank data are only available on a county-wide basis, and are used even where the institution’s assessment area includes partial counties.

The assessment period included calendar years 2013 and 2014 and the first three months of 2015.

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

At its **prior** Performance Evaluation, as of December 31, 2012, DFS assigned PB a rating of “2,” reflecting a “Satisfactory” record of helping to meet community credit needs.

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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.*

PB’s HMDA-reportable lending and small business lending activities were more than reasonable considering size, business strategy and financial condition, as well as the activity of its peer group and the demographic characteristics of its assessment area.

**Lending Activity: “High Satisfactory”**

PB’s lending levels were more than reasonable considering its size, business strategy and financial condition as well as aggregate and peer group activity, and demographics of its assessment area.

PB’s average loan-to-deposit (“LTD”) ratio of 80.5% for the evaluation period declined slightly from its prior evaluation period’s ratio of 82.8%, while its peer group ratio increased slightly to 84.1% from 83.9%, respectively. Still, PB’s ratio was more than reasonable.

PB’s quarterly average LTD ratios during the evaluation period were relatively stable except for the fourth quarter of 2014. The significant increase in PB’s LTD ratio for the fourth quarter of 2014 was caused by a sharp decline in demand and time deposits and not due to an increase in loans. During the first quarter of 2015 deposits recovered and PB’s LTD ratio returned to a level similar to its other quarterly ratios.

<b>Loan-to-Deposit Ratios</b>										
	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2015 Q1	Avg.
Bank	77.6	82.7	82.7	81.7	77.9	78.6	76.2	89.2	77.7	80.5
Peer	80.8	82.0	82.4	83.5	83.4	84.8	85.6	87.5	87.0	84.1

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

During the evaluation period, PB originated 83.8% by number, and 79.8% by dollar value of its total HMDA-reportable and small business loans within the assessment area. This substantial majority of lending inside of its assessment area was a more than reasonable concentration of lending.

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HMDA-Reportable Loans:

During the evaluation period, PB originated 89.0% by number, and 82.0% by dollar value of its HMDA-reportable loans within the assessment area.

This substantial majority of lending inside of its assessment area was a more than reasonable concentration of lending within the assessment area.

Small Business Loans:

PB originated 77.6% by number, and 78.0% by dollar value of its loans within the assessment area during the evaluation period.

This majority of lending inside of its assessment area is a reasonable concentration of lending within the assessment area.

The following table shows the percentages of PB's total 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
	#	%	#	%		\$	%	\$	%	
HMDA-Reportable										
2013	252	92.0%	22	8.0%	274	31,478	85.8%	5,216	14.2%	36,694
2014	210	86.8%	32	13.2%	242	22,126	78.1%	6,213	21.9%	28,339
2015 (1st Qtr)	38	82.6%	8	17.4%	46	5,149	77.5%	1,495	22.5%	6,644
Subtotal	500	89.0%	62	11.0%	562	58,753	82.0%	12,924	18.0%	71,677
Small Business										
2013	156	78.4%	43	21.6%	199	55,558	78.3%	15,374	21.7%	70,932
2014	166	75.1%	55	24.9%	221	8,674	75.3%	2,848	24.7%	11,522
2015 (1st Qtr)	38	86.4%	6	13.6%	44	335	89.6%	39	10.4%	374
Subtotal	360	77.6%	104	22.4%	464	64,567	78.0%	18,261	22.0%	82,828
Grand Total	860	83.8%	166	16.2%	1,026	123,320	79.8%	31,185	20.2%	154,505

**Geographic Distribution of Loans: “High Satisfactory”**

PB's origination of loans in census tracts of varying income levels demonstrated a more than reasonable distribution of lending.

PB amended its assessment area in March of 2014, which resulted in a large increase in low- and moderate-income census tracts. While, PB's rate of lending for HMDA-reportable and small business loans in low-income tracts trailed the aggregate's rate, its rate of lending in moderate-income tracts significantly exceeded the aggregate's rate for every year of the evaluation period.

HMDA-Reportable Loans:

The distribution of PB's HMDA-reportable loans by the income level of the geography was more than reasonable.

PB's HMDA-reportable rate of lending in LMI census tracts exceeded the aggregate's rate in 2013 and 2014. This was due to PB's strong performance in moderate-income census tracts in which its rate of lending significantly exceeded the aggregate's rate, while in low-income census tracts PB's rate of lending trailed the aggregate's rate. In addition, PB's rate of lending in LMI census tracts was comparable to the percentage of owner-occupied housing units in LMI census tracts.

The following table provides a summary of the distribution of PB's HMDA-reportable loans by the income level of the geography where the property was located.

Distribution of HMDA-Reportable Lending by Geographic Income of the Census Tract									
2013									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	5	2.0%	317	1.4%	251	3.2%	13,466	1.8%	6.0%
Moderate	74	29.4%	5,325	23.6%	1,303	16.6%	85,727	11.5%	20.0%
LMI	79	31.3%	5,642	25.0%	1,554	19.8%	99,193	13.3%	26.0%
Middle	137	54.4%	13,564	60.0%	3,592	45.7%	326,858	43.9%	47.0%
Upper	36	14.3%	3,405	15.1%	2,720	34.6%	317,718	42.7%	27.0%
Unknown	0	0.0%	0	0.0%		0.0%		0.0%	
<b>Total</b>	<b>252</b>		<b>22,611</b>		<b>7,866</b>		<b>743,769</b>		
2014									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	1	0.5%	56	0.3%	250	3.9%	18,118	2.9%	6.0%
Moderate	56	26.7%	5,265	24.4%	1,153	18.0%	83,760	13.5%	20.0%
LMI	57	27.1%	5,321	24.7%	1,403	21.9%	101,878	16.4%	26.0%
Middle	126	60.0%	12,406	57.5%	3,030	47.4%	285,396	46.0%	47.0%
Upper	27	12.9%	3,843	17.8%	1,961	30.7%	232,999	37.6%	27.0%
Unknown	0	0.0%	0	0.0%		0.0%		0.0%	
<b>Total</b>	<b>210</b>		<b>21,570</b>		<b>6,394</b>		<b>620,273</b>		
2015 (First Quarter)									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	3	7.9%	310	6.2%	Data not available.				6.0%
Moderate	11	28.9%	2,342	47.0%					20.0%
LMI	14	36.8%	2,652	53.2%					26.0%
Middle	16	42.1%	1,225	24.6%					47.0%
Upper	8	21.1%	1,108	22.2%					27.0%
Unknown	0	0.0%	0	0.0%					
<b>Total</b>	<b>38</b>		<b>4,985</b>				-		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	9	1.8%	683	1.4%		3.5%	31,584	2.3%	6.0%
Moderate	141	28.2%	12,932	26.3%		17.2%	169,487	12.4%	20.0%
LMI	150	30.0%	13,615	27.7%		20.7%	201,071	14.7%	26.0%
Middle	279	55.8%	27,195	55.3%		46.4%	612,254	44.9%	47.0%
Upper	71	14.2%	8,356	17.0%		32.8%	550,717	40.4%	27.0%
Unknown	-	0.0%	-	0.0%		0.0%		0.0%	
<b>Total</b>	<b>500</b>		<b>49,166</b>		<b>14,260</b>		<b>1,364,042</b>		

Small Business Loans:

The distribution of small business loans based on the income level of the geography was more than reasonable.

PB's rate of lending in LMI census tracts for 2013 and 2014 exceeded the aggregate's rate as well as the business demographics for LMI census tracts. Still, PB's rate in low-income census tracts trailed the aggregate.

The following table provides a summary of the distribution of PB's small business loans by the income level of the geography where the business was located.

Distribution of Small Business Lending by Geographic Income of the Census Tract									
2013									
Geographic	Bank				Aggregate				Bus.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	26	16.7%	9,710	17.5%	943	20.2%	59,616	26.3%	21.1%
Moderate	54	34.6%	18,744	33.7%	852	18.2%	40,559	17.9%	19.6%
LMI	80	51.3%	28,454	51.2%	1,795	38.4%	100,175	44.1%	40.7%
Middle	58	37.2%	19,338	34.8%	1,893	40.5%	91,710	40.4%	39.4%
Upper	17	10.9%	6,767	12.2%	989	21.1%	35,148	15.5%	19.9%
Unknown	1	0.6%	1,000	1.8%	0	0.0%	0	0.0%	
<b>Total</b>	<b>156</b>		<b>55,559</b>		<b>4,677</b>		<b>227,033</b>		
2014									
Geographic	Bank				Aggregate				Bus.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	15	9.0%	767	8.8%	959	18.9%	45,830	21.2%	21.2%
Moderate	60	36.1%	3,065	35.3%	919	18.1%	45,590	21.1%	19.7%
LMI	75	45.2%	3,832	44.2%	1,878	36.9%	91,420	42.3%	40.9%
Middle	76	45.8%	4,175	48.1%	2,153	42.3%	86,170	39.8%	39.3%
Upper	15	9.0%	667	7.7%	1,054	20.7%	38,770	17.9%	19.8%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
<b>Total</b>	<b>166</b>		<b>8,674</b>		<b>5,085</b>		<b>216,360</b>		
2015 (First Quarter)									
Geographic	Bank				Aggregate				Bus.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	3	7.9%	30	9.0%	Data not available.				21.3%
Moderate	14	36.8%	97	29.0%					19.6%
LMI	17	44.7%	127	38.0%					40.9%
Middle	14	36.8%	166	49.7%					39.1%
Upper	7	18.4%	41	12.3%					20.0%
Unknown	0	0.0%	0	0.0%					
<b>Total</b>	<b>38</b>		<b>334</b>						
GRAND TOTAL									
Geographic	Bank				Aggregate				Bus.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	44	12.2%	10,507	16.3%		19.5%		23.8%	
Moderate	128	35.6%	21,906	33.9%		18.1%		19.4%	
LMI	172	47.8%	32,413	50.2%		37.6%		43.2%	
Middle	148	41.1%	23,679	36.7%		41.4%		40.1%	
Upper	39	10.8%	7,475	11.6%		20.9%		16.7%	
Unknown	1	0.3%	1,000	1.5%		0.0%		0.0%	
<b>Total</b>	<b>360</b>		<b>64,567</b>		<b>9,762</b>		<b>443,393</b>		

## Distribution by Borrower Characteristics: “Low Satisfactory”

PB’s 1-4 family HMDA-reportable and small business lending demonstrated a reasonable distribution of loans among individuals of different income levels and businesses of different revenue sizes.

### HMDA-Reportable Loans:

PB’s 1-4 family and manufactured home HMDA-reportable lending demonstrated a reasonable distribution of loans among individuals of different income levels.

PB’s rate of lending to LMI borrowers exceeded its aggregate’s rate of lending in 2013, but trailed the aggregate’s rate in 2014. Both PB and the aggregate trailed the area’s family demographics.

The following table provides a summary of the distribution of PB’s 1-4 family and manufactured home loans by borrower income.

Distribution of 1-4 Family and manufactured Home Loans by Borrower Income									
2013									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	30	11.9%	1,470	6.5%	782	9.9%	42,920	5.8%	25.3%
Moderate	67	26.6%	5,042	22.3%	1,879	23.9%	137,607	18.5%	18.0%
LMI	97	38.5%	6,512	28.8%	2,661	33.8%	180,527	24.3%	43.3%
Middle	53	21.0%	4,045	17.9%	2,088	26.5%	187,687	25.2%	22.0%
Upper	87	34.5%	11,320	50.1%	2,843	36.1%	342,815	46.1%	34.7%
Unknown	15	6.0%	734	3.2%	274	3.5%	32,740	4.4%	
<b>Total</b>	<b>252</b>		<b>22,611</b>		<b>7,866</b>		<b>743,769</b>		
2014									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	21	10.0%	948	4.4%	735	11.8%	37,655	6.6%	25.3%
Moderate	53	25.2%	3,536	16.4%	1,665	26.8%	123,133	21.6%	18.0%
LMI	74	35.2%	4,484	20.8%	2,400	38.6%	160,788	28.2%	43.3%
Middle	51	24.3%	4,337	20.1%	1,682	27.1%	150,689	26.4%	22.0%
Upper	76	36.2%	10,550	48.9%	1,936	31.2%	234,763	41.2%	34.7%
Unknown	9	4.3%	2,199	10.2%	192	3.1%	24,092	4.2%	
<b>Total</b>	<b>210</b>		<b>21,570</b>		<b>6,210</b>		<b>570,332</b>		
2015 (First Quarter)									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	2	5.3%	67	1.3%	Data not available				25.3%
Moderate	10	26.3%	353	7.1%					18.0%
LMI	12	31.6%	420	8.4%					43.3%
Middle	7	18.4%	1,003	20.1%					22.0%
Upper	13	34.2%	1,730	34.7%					34.7%
Unknown	6	15.8%	1,832	36.8%					
<b>Total</b>	<b>38</b>		<b>4,985</b>				-		
GRAND TOTAL									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	53	10.6%	2,485	5.1%		10.8%		6.1%	
Moderate	130	26.0%	8,931	18.2%		25.2%		19.8%	
LMI	183	36.6%	11,416	23.2%		36.0%		26.0%	
Middle	111	22.2%	9,385	19.1%		26.8%		25.7%	
Upper	176	35.2%	23,600	48.0%		34.0%		44.0%	
Unknown	30	6.0%	4,765	9.7%		3.3%		4.3%	
<b>Total</b>	<b>500</b>		<b>49,166</b>		<b>14,076</b>		<b>1,314,101</b>		

Small Business Loans:

PB's small business lending demonstrated a more than reasonable distribution of loans among businesses of different revenue sizes.

PB's rate of lending to businesses with annual revenues of \$1 million or less exceeded the aggregate's rate for 2013 and 2014. PB's rate in 2014 and 2015 also exceeded the areas business demographics, which indicates the percentage of businesses with revenue of \$1 million or less, located within the assessment area.

The following table provides a summary of the distribution of PB's small business loans by revenue size of the business.

<b>Distribution of Small Business Lending by Revenue Size of Business</b>									
<b>2013</b>									
<b>Rev. Size</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Rev. <= \$1MM	83	53.2%	26,473	47.6%	1,882	40.2%	71,550	31.5%	71.4%
Rev. > \$1MM	73	46.8%	29,089	52.4%					5.9%
Rev. Unknown	-	0.0%	-	0.0%					22.7%
<b>Total</b>	<b>156</b>		<b>55,562</b>		<b>4,677</b>		<b>227,033</b>		
<b>2014</b>									
<b>Rev. Size</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Rev. <= \$1MM	121	72.9%	6,143	70.8%	1,850	36.4%	57,886	26.8%	70.4%
Rev. > \$1MM	45	27.1%	2,535	29.2%					6.4%
Rev. Unknown	-	0.0%	-	0.0%					23.2%
<b>Total</b>	<b>166</b>		<b>8,678</b>		<b>5,085</b>		<b>216,360</b>		
<b>2015 (First Quarter)</b>									
<b>Rev. Size</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Rev. <= \$1MM	32	84.2%	300	89.3%	Data not available				73.6%
Rev. > \$1MM	6	15.8%	36	10.7%					6.7%
Rev. Unknown	-	0.0%	-	0.0%					19.7%
<b>Total</b>	<b>38</b>		<b>336</b>						
<b>GRAND TOTAL</b>									
<b>Rev. Size</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Rev. <= \$1MM	236	65.6%	32,916	51.0%		38.2%		29.2%	
Rev. > \$1MM	124	34.4%	31,660	49.0%	-				
Rev. Unknown	-	0.0%	-	0.0%					
<b>Total</b>	<b>360</b>		<b>64,576</b>		<b>9,762</b>		<b>443,393</b>		



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### Community Development Lending: “Outstanding”

During the evaluation period, PB originated \$12.2 million in new community development loans, and had \$3.9 million outstanding from prior evaluation periods. This demonstrated an excellent level of community development lending over the course of the evaluation period.

PB’s \$12.2 million of new community development loans originated during the current evaluation period (2.25 years) was an increase of 37.1% or \$3.3 million from the \$8.9 million originated in the prior evaluation period (4 years).

Community Development Loans				
Purpose	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Loans	\$000	# of Loans	\$000
Affordable Housing	2	2,568		
Economic Development	1	4,500		
Community Services	1	1,757	3	3,917
Revitalize/Stabilize	1	3,400		
Total	5	12,225	3	3,917

Below are highlights of PB’s community development lending:

- PB originated a \$1.8 million loan to fund working capital for a nonprofit human service agency. The agency offers several programs in Oswego County including assistance for the homeless, independence for the disabled, meals for the elderly, etc. The agency receives its funding primarily from the state and the federal government.
- PB originated a \$3.4 million commercial mortgage loan to a for-profit corporation. Funds were used to purchase and renovate a mixed-use building with 21 apartments and two commercial spaces. The property is in a low-income census tract in Syracuse, NY. This loan was given credit for economic development.

### Flexible Lending Practices:

PB offers flexible lending products targeting first-time homebuyers and/or LMI individuals and families in the assessment area. Some of these products include the following:

- The “My Community Mortgage Program” offers a fixed rate with a maximum loan-to-value (“LTV”) of 97%. To qualify for the program at least one borrower must be a first-time homebuyer and at least one signatory on the loan note must have attended the HomeBuyer Education Program.

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- The United States Department of Agriculture (“USDA”) Guaranteed Rural Housing Loan Program. Loans under the program can have a LTV of 100% of the appraised value and rates may not exceed the current 90-day Federal National Mortgage Association (Fannie Mae) rate plus 60 basis points. The USDA also sets borrower income limits at 115% of area median income.

PB also partnered with local city and county governments that promote affordable housing in the assessment area through the following programs:

- The City of Fulton Affordable Housing Program provides grant money to assist LMI individuals and families and first-time home buyers. The grant money for this program is provided by the U.S. Department of Housing and Urban Development. The program offers \$10,000 toward the down payment and up to \$3,500 for closing costs. The borrower is not required to repay the money received toward closing cost and has no obligation to pay back the \$10,000 received as down payment assistance as long as the borrower occupies the home for at least 10 years.
- The City of Oswego Affordable Housing Program is designed for income-eligible (80% of HUD median income) first-time homebuyers. The property must be located within the Oswego City limits. The size of the grant is determined by the estimated cost of the monthly mortgage payment, borrower’s ability to pay and overall financial ability and range from \$10,000 to \$17,000. Eligibility for the program is reviewed by the city’s community development office housing counselor.
- The Oswego County Housing Development Council has homebuyer assistance programs that provide grants to eligible first-time homebuyers for down payments, closing costs, and moderate rehabilitation of the purchased home. The buyer must meet income eligibility and have the ability to obtain a mortgage loan. The applicant is also required to attend the council’s homebuyer education training course.

**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.*

PB’s community development investments were more than reasonable considering the assessment area’s credit needs.

**Community Development Investments:** “High Satisfactory”

During the evaluation period, PB made \$2.9 million in new community development

investments, and had \$113,804 outstanding from prior evaluation periods. In addition, PB made \$127,131 in community development grants. This demonstrated a more than reasonable level of community development investments and grants over the course of the evaluation period.

PB's total community development investments and grants of \$3.1 million for the current evaluation period reflected an almost 50% increase from the \$2.1 million reported for the prior evaluation period.

<b>Community Development Investments and Grants</b>				
	<b>This Evaluation Period</b>		<b>Outstandings from Prior Evaluation Periods</b>	
	<b># of Inv.</b>	<b>\$000</b>	<b># of Inv.</b>	<b>\$000</b>
CD Investments				
Affordable Housing			1	50
Economic Development	2	1934	2	64
Community Services	8	973		
Other (Please Specify)				
<b>Total</b>	<b>10</b>	<b>2,907</b>	<b>3</b>	<b>114</b>
	<b># of Grants</b>	<b>\$000</b>	<b>Not Applicable</b>	
CD Grants				
Affordable Housing	6	47		
Economic Development	6	40		
Community Services	42	40		
Other (Please Specify)				
<b>Total</b>	<b>54</b>	<b>127</b>		

Below are highlights of PB's community development investments:

PB's community development investments in the assessment area were in the form of bonds issued by local school districts and city governments. The proceeds supported community services and revitalization and/or stabilization in low- to moderate-income geographies where many students received subsidized or free school lunches.

- PB purchased seven school district bonds totaling \$486,530. The funds were used to finance additions and reconstruction of school buildings for two local school districts, in which more than 50% of the students received free or subsidized lunches.
- PB purchased one school district bond totaling \$486,828. The funds were used to finance various school improvements for one local school district, in which more than 50% of the students received free or subsidized lunches.
- PB invested in two bonds totaling \$1.9 million. One bond (\$1.5 million) was issued by a city government where 80% of the student population in the school district

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received free or subsidized lunches. The other bond was issued by a local town municipality located in Oswego County. The majority of the students in the municipality received free or subsidized lunches. The funds from the bonds were used for capital projects, various reconstruction projects and general obligations.

PB made a total of 54 qualified community development grants totaling \$127,131 during the evaluation period. The majority of the grants (42) were for community services. Below are highlights of PB's community development grants:

- PB made three grants in the amount of \$7,000 to a nonprofit organization. This organization operates regionally and fosters partnerships with other nonprofit organizations to mobilize communities into giving and volunteering to stop hunger, help children and youth succeed, and better the health and well-being of the community.
- PB donated \$3,000 to an art center located in the City of Syracuse, NY that brings arts to students in elementary schools where 80% of students received free or subsidized lunches.
- PB donated a total of \$35,775 for 2013 and 2014. It received these funds as dividends from its membership in the Federal Home Loan Bank of New York ("FHLBNY"). It then donated the funds to the FHLBNY's Affordable Housing Program. The program supports the creation and preservation of affordable housing for low-income families.
- PB made a grant of \$37,837 to a local business membership-based nonprofit organization. This organization provides marketing and networking services to small businesses as well as access to discounted umbrella health insurance.

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

PB did not use innovative investments to support community development as the assessment area offers limited investment opportunities.

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

PB community development investments exhibited reasonable responsiveness to the assessment area's credit and community development needs.

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**SERVICE TEST:** “High Satisfactory”

*DFS examiners evaluated PB’s retail service performance 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.*

*Examiners evaluated PB’s community development service performance 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”

PB has a more than reasonable branch network, delivery systems, branch hours and services, and alternative delivery systems, particularly as they relate to LMI individuals.

**Current distribution of the banking institution’s branches:**

PB has a more than reasonable distribution of branches within its assessment area.

PB has nine branch offices, of which two are located in Onondaga County and seven in Oswego County. One of its branches is in a low-income census tract and three are in moderate-income census tracts. In addition, the Fulton and Lacona branch offices are located in middle-income census tracts in Oswego County and are situated next to two moderate-income census tracts. Residents in those census tracts have convenient access to these branch offices.

The table below shows PB’s branch distribution across census tracts of varying income levels.

Distribution of Branches within the Assessment Area								
County	N/A #	Low #	Moderate #	Middle #	Upper #	Total #	LMI %	LMI and Distressed or Underserved
Onondaga*	0	1	0	0	1	2	50%	50%
Oswego	0	0	3	4	0	7	43%	43%
<b>Total</b>	-	1	3	4	1	9	44%	44%

\*Partial County

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Record of opening and closing branches:

PB's record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly to LMI geographies and individuals.

In September 2014, PB opened a new branch office at 109 W Fayette St., Syracuse, NY. While this office is located in a low-income census tract in Onondaga County, it was a limited purpose office that provided deposit and loan services to commercial and municipal customers.

Of PB's nine branch offices, seven including the drive-thru facility (Oswego Downtown) are open on Saturdays from 9 am to 12 noon. The two offices not open on Saturdays are located in a moderate-income (main branch) and low-income (Syracuse limited purpose branch) census tract. All branch offices except the limited purpose branch offer extended lobby hours at least one day a week.

Availability and effectiveness of alternative systems for delivering retail services:

PB's delivery systems were accessible to significant portions of its assessment area.

PB offers online banking including bill pay service to its customers free of charge. It also offers mobile banking, bank-by-mail, direct deposit and night depository services.

PB's branch network is supplemented by a network of 14 ATMs, of which ten are located in branch offices and seven are deposit-taking. The four ATMs not located in PB's branch offices are all walk-ups and non-deposit taking. One such ATM is located in the lobby of the hospital in Oswego. This ATM is available to hospital employees free of charge even if those employees do not have a PB deposit account. EBT card holders, who likely are LMI individuals, can also use PB's ATMs free of charge. In addition, PB customers have surcharge free ATM access worldwide through the "Allpoint" network of ATMs.

Range of services provided:

PB's services met the convenience and needs of its assessment area, particularly LMI geographies and individuals. Some of the services offered are as follows:

- The Free and Easy Checking account. This account is the equivalent of the Basic Banking Account and requires only \$25.00 to open with no minimum balance requirement, no monthly fees and unlimited checking.
- The Young Investors Club account is a savings account for minors up to the age of 18 to encourage and teach them to save. This account requires a minimum deposit of \$5 to open and earns interest on balances over that amount.
- PB introduced a new savings program called "Change Jar Savings". After a

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customer signs up for this program, they are allowed to round up each debit card transaction to the nearest \$1, \$5 or \$10. The rounded-up portion of the transaction will be transferred to the participant's savings account from the checking account. This is an innovative way to encourage savings.

### **Community Development Services: "High Satisfactory"**

PB provided a more than reasonable level of community development services during the evaluation period.

Below are highlights of PB's community development services:

- PB employees conducted classes teaching the course "Money Smart" to high school students and adults at various high schools and community organizations. Money Smart is a comprehensive financial education course designed by the FDIC to enhance financial skills. The course is tailored to kids, young adults and adults. PB conducted a total of 24 classes during the evaluation period.
- PB's directors, senior management and employees are very active in the community. They volunteer their services at many nonprofit community-based organizations in the assessment area by serving in various capacities such as board members, committee members, treasurers and educators.

### **Additional Factors**

The following factors were also considered in assessing PB'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 CRA.**

PB's board of directors' reviews and approves the bank's CRA statement annually. PB re-evaluated its assessment area in preparation for the addition of the limited purpose branch opened in September 2014. The revised assessment area was approved by the Audit/Compliance Committee of the board of directors in March 2014.

#### **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.*
- DFS examiners did not note evidence of practices by PB intended to discourage applications for the types of credit offered by the bank.

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

DFS examiners did not note 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.*

PB encourages its directors, officers and employees to become members of organizations that work to improve the community. Senior management, directors, management and employees volunteer their services in different capacities to various community development organizations including the Chamber of Commerce, the Community Preservation Corporation, the Oswego Revitalization Corporation and Operation Oswego County. These affiliations and activities allow the bank to ascertain the credit needs of its community and offer services and products specifically for first-time homebuyers, small businesses and local government organizations.

- *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*

PB advertises on local cable television channels and Onondaga and Oswego County radio. It also advertises weekly in local community newspapers.

### **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**

PB participated in a housing construction loan to a corporation managed by a nonprofit affordable housing corporation. Financing was provided via a letter of credit. PB's participation of \$3.0 million was extended in 2013 and renewed in 2014 for a total of \$6.0 million. While this project was in Oneida County and outside of PB's assessment area, it was adjacent to the assessment area and qualified as community development lending since PB had met its community development lending within its assessment area.



## 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.