



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

One State Street  
New York, NY 10004

**PUBLIC SUMMARY**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**Date of Evaluation:** December 31, 2018

**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 (“Pathfinder” or the “Bank”) 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 December 31, 2018.

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 (“GRS”) 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 institutions’ 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, an intermediate small bank by asset size, elected to be evaluated by DFS under the large banking institution performance criteria pursuant to Sections 76.7, 76.8, 76.9, and 76.10 of the GRS. The assessment period included calendar years 2015, 2016, 2017, and 2018 for lending activities and April 1, 2015 through December 31, 2018 for community development activities. Pathfinder is rated “**Satisfactory**” or “2.” This rating means Pathfinder had satisfactory record of helping to meet community credit needs.

This rating is based on the following factors:

### **LENDING TEST: “High Satisfactory”**

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

#### **Lending Activity: “High Satisfactory”**

Pathfinder’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 demographic characteristics of its assessment area.

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

During the evaluation period, Pathfinder originated 82.8% by number and 78.9% by dollar value of its total HMDA-reportable and small business loans within the assessment area. This majority of lending inside of its assessment area reflects a more than reasonable concentration of lending.

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

Pathfinder’s origination of HMDA- reportable and small business loans in census tracts of varying income levels demonstrated a more than reasonable distribution of lending.

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

Pathfinder’s HMDA-reportable and small business lending demonstrated a more than reasonable distribution of loans among individuals of different income levels and businesses of different revenue sizes.

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

During the evaluation period, Pathfinder originated \$32.3 million in new community development loans and had \$7.9 million outstanding from prior evaluation periods, demonstrating an excellent level of community development lending.

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**INVESTMENT TEST: “Low Satisfactory”**

Pathfinder’s community development investments were adequate in light of the assessment area’s credit needs.

**Qualified Investments: “Low Satisfactory”**

During the evaluation period, Pathfinder made nine community development investments totaling \$2.9 million and had two investments of \$58,284 outstanding from prior evaluation periods. In addition, Pathfinder made \$540,265 in community development grants. This demonstrated an adequate level of community development investments and grants over the course of the evaluation period.

**Innovativeness of Community Development Investments**

Pathfinder made some use of innovative and complex investments to support community development during the evaluation period. Specifically, the Bank participated in a US Department of Agriculture Low-Income Housing Tax Credit (“LIHTC”) investment that funded the renovation and development of seven buildings with 42 apartments for low-income and very low-income individuals, families and senior citizens. This project was located in Madison County, adjacent to its assessment area.

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

Pathfinder’s qualified investments exhibited adequate responsiveness to the assessment area’s credit and community development needs. The Bank’s qualified investments and grants supported affordable housing, economic development, revitalization and stabilization and community service activities throughout the assessment area, especially in LMI geographies and to LMI individuals.

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

Pathfinder had a more than reasonable combination of a branch network, branch hours and services, and alternative delivery systems to meet the needs of LMI individuals.

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

Pathfinder provided a high level of community development services. During the evaluation members of senior management and other employees participated in a range of community development service activities. Services included serving as Board Members of nonprofit organizations and providing financial education to LMI individuals.

*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 GRS Part 76.*

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## PERFORMANCE CONTEXT

### Institution Profile

Pathfinder is a New York State-chartered savings bank headquartered in Oswego, New York. The Bank is a wholly-owned subsidiary of Pathfinder Bancorp, Inc.

Pathfinder offers traditional deposit and lending products that include checking and saving accounts, certificates of deposit, credit cards, personal loans, residential mortgage loans, and lines of credit. Services include online and mobile banking which allows for 24/7 access to online account balances and bill pay.

In its Consolidated Report of Condition (the "Call Report") as of December 31, 2018, filed with the Federal Deposit Insurance Corporation ("FDIC"), Pathfinder reported total assets of \$930.5 million, of which \$613 million were net loans and lease financing receivables. It also reported total deposits of \$731 million, resulting in an LTD ratio of 83.9%. According to the latest available comparative deposit data as of June 30, 2018, Pathfinder had a market share of 6.4%, or \$738.5 million in a market of \$11.6 trillion, ranking it 6<sup>th</sup> among 16 deposit-taking institutions in the Bank's assessment area.

The following is a summary of the Bank's loan portfolio, based on Schedule RC-C of the Bank's December 31, 2015, 2016, 2017, and 2018 Call Reports:

TOTAL GROSS LOANS OUTSTANDING								
Loan Type	2015		2016		2017		2018	
	\$000's	%	\$000's	%	\$000's	%	\$000's	%
1-4 Family Residential Mrtg Lns	204,870	47.6	223,178	45.3	242,283	41.7	259,508	41.8
Commercial & Industrial Loans	54,212	12.6	68,452	13.9	95,795	16.5	115,816	18.7
Commercial Mortgage Loans	112,845	26.2	127,871	26.0	159,581	27.5	171,195	27.6
Multifamily Mortgages	15,537	3.6	15,762	3.2	17,611	3.0	16,399	2.6
Consumer Loans	4,690	1.1	5,833	1.2	27,962	4.8	24,756	4.0
Agricultural Loans	1,148	0.3	1,275	0.3	1,297	0.2	1,358	0.2
Construction Loans	26,940	6.3	40,549	8.2	27,486	4.7	22,711	3.7
Oblgtns of States & Municipalities	9,091	2.1	7,719	1.6	7,333	1.3	6,617	1.1
Other Loans	1,125	0.3	1,528	0.3	1,502	0.3	1,920	0.3
Total Gross Loans	430,458	100.0	492,167	100.0	580,850	100.0	620,280	100.0

As illustrated in the above table, Pathfinder is primarily a residential real estate lender, with 41.8% of its loan portfolio consisting of one-to-four family residential mortgage loans, 27.6% consisting of commercial mortgage loans, and 2.6% consisting of multifamily loans. The Bank's mix of loans remained relatively unchanged since the prior evaluation period.

*Examiners found no evidence of financial or legal impediments that had an adverse impact on Pathfinder's ability to meet the credit needs of its community.*

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## **Assessment Area**

In 2017, Pathfinder expanded its assessment area by adding 43 census tracts in Onondaga county. As of the evaluation date, the Bank's assessment was comprised of Onondaga and Oswego counties in their entirety.

There were 169 census tracts in the area, of which 23 were low-income, 31 moderate-income, 68 middle-income, 42 upper-income, and 5 had no income indicated.

<b>Assessment Area Census Tracts by Income Level</b>							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
Onondaga	5	23	20	50	42	140	30.7
Oswego	0	0	11	18	0	29	37.9
Total	5	23	31	68	42	169	32.0

## **Demographic & Economic Data**

The assessment area had a population of 589,487 during the examination period. About 14.7% of the population were over the age of 65 and 19.4% were under the age of 16.

Of the 142,985 families in the assessment area, 22.1% were low-income, 16.9% were moderate-income, 20.2% were middle-income, and 40.9% were upper-income families. There were 229,941 households in the assessment area, of which 14.5% had income below the poverty level and 4% were on public assistance.

The weighted average median family income in the assessment area was \$71,770.

There were 257,612 housing units within the assessment area, of which 80.6% were one-to-four family units, and 15.3% were multifamily units. A majority (59.5%) of the area's housing units were owner-occupied, while 29.8% were rental units. Of the 153,204 owner-occupied housing units, 16.2% were in LMI tracts while 83.7% 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 \$123,128.

There were 32,859 non-farm businesses in the assessment area. Of these, 78.6% were businesses with reported revenues of less than or equal to \$1 million, 7.3% reported revenues of more than \$1 million, and 14.2% did not report their revenues. Of all the businesses in the assessment area, 95.6% were businesses with less than fifty employees while 84.7% operated from a single location. The largest industries in the area were services (43.9%), followed by retail trade (14.9%) and construction (7.6%), while 9% of businesses in the assessment area were not classified.

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According to the New York State Department of Labor, the average unemployment rate for New York State steadily decreased during the evaluation period. The highest levels of unemployment continue to be in Oswego County with a high of 7.2% in 2015 and a low of 5.5% in 2018. Onondaga County consistently had the lowest average annual unemployment rate for each of the four years of the evaluation period.

<b>Assessment Area Unemployment Rate</b>			
	Statewide	Onondaga	Oswego
2015	5.3%	4.9%	7.2%
2016	4.9%	4.5%	6.5%
2017	4.7%	4.7%	6.5%
2018	4.1%	4.0%	5.5%

### **Community Information**

DFS examiners interviewed three community contacts to assist in identifying the credit needs of the assessment area. DFS conducted these Interviews with the chief executive officer of a nonprofit organization that offered first-time homebuyer programs and loans to LMI individuals and families, mainly in Syracuse, New York; the director of a non-profit community organization that provided grants to homeowners for home renovations and rehabilitation; and with the director of a local government planning and community development organization that provided services in coordinating land use, planning, administering housing assistance and public transportation programs.

The representatives of the organizations indicated that current economic issues include high poverty rates and a lack of employers due to inadequate infrastructure, specifically wastewater treatment. They also stated that in clusters of neighborhoods in the city of Oswego there were high levels of unemployment and households on public assistance.

The representatives expressed the need for financial institutions to provide access to more grants and capital to revitalize homes and the need to attract employers to industrial sites to provide more employment opportunities.



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## **PERFORMANCE STANDARDS AND ASSESSMENT FACTORS**

*DFS evaluated Pathfinder under the large banking institution performance standards in accordance with Sections 76.7, 76.8, 76.9, and 76.10 of the GRS, 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 Pathfinder helps to meet the credit needs of its entire community.*

DFS derived statistics employed in this evaluation from various sources. Pathfinder submitted bank-specific information both as part of the examination 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 obtained LTD ratios from in the Bank's Uniform Bank Performance Report, compiled by the FFIEC from Call Report Data.

DFS sourced the demographic data referred to in this report from the 2010 U.S. Census and the FFIEC. DFS based business data on Dun & Bradstreet reports, which Dun & Bradstreet updates annually, and obtained unemployment data from the New York State Department of Labor.

The evaluation period included calendar years 2015, 2016, 2017, and 2018 for lending activities and April 1, 2015 through December 31, 2018 for community development activities.

Examiners considered Pathfinder's HMDA-reportable 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, 2014, DFS assigned Pathfinder a rating of "2," reflecting a "Satisfactory" record of helping to meet community credit needs.

**Current CRA Rating: "Satisfactory"**

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**LENDING TEST:** “High Satisfactory”

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

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

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

**Lending Activity:** “High Satisfactory”

Pathfinder’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 demographic characteristics of its assessment area.

As of December 31, 2018, Pathfinder had an average LTD ratio of 80.6% which was slightly below the peer group’s average LTD ratio of 83.7%. The Bank’s quarterly LTD ratios remained relatively consistent during the evaluation period.

<b>Loan-to-Deposit Ratios</b>																	
	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3	2018 Q4	Avg.
Bank	77.7	84.4	80.4	82.9	78.1	83.1	82.2	78.7	76.3	83.6	77.6	78.7	80.2	81.2	80.5	83.9	80.6
Peer	87.0	87.4	87.8	88.0	88.2	81.3	81.2	81.1	80.4	81.7	82.1	82.2	81.8	82.9	83.2	83.1	83.7

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

During the evaluation period, Pathfinder originated 82.8% by number and 78.9% by dollar value of its total HMDA-reportable and small business loans within the assessment area. This majority of lending inside of its assessment area reflected a more than reasonable concentration of lending.

**HMDA-Reportable Loans**

During the evaluation period, Pathfinder originated 84.2% by number and 78.8% by dollar value of its HMDA-reportable loans within the assessment area. This majority of lending inside of its assessment area reflected a more than reasonable concentration of lending.

### Small Business Loans

Pathfinder originated 80.8% by number and 79.1% by dollar value of its small business loans within the assessment area during the evaluation period. This majority of lending inside of its assessment area reflects a more than reasonable concentration of lending.

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

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Loans in Dollars (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
<b>HMDA-Reportable</b>										
2015	226	79.9%	57	20.1%	283	26,392	71.4%	10,566	28.6%	36,958
2016	213	76.3%	66	23.7%	279	30,755	65.2%	16,421	34.8%	47,176
2017	278	90.8%	28	9.2%	306	50,638	91.3%	4,848	8.7%	55,486
2018	282	88.4%	37	11.6%	319	41,481	83.2%	8,403	16.8%	49,884
Subtotal	999	84.2%	188	15.8%	1,187	149,266	78.8%	40,238	21.2%	189,504
<b>Small Business</b>										
2015	108	77.7%	31	22.3%	139	18,243	68.3%	8,476	31.7%	26,719
2016	167	77.7%	48	22.3%	215	28,808	78.1%	8,065	21.9%	36,873
2017	189	84.0%	36	16.0%	225	35,465	80.1%	8,789	19.9%	44,254
2018	186	82.7%	39	17.3%	225	35,758	85.7%	5,954	14.3%	41,712
Subtotal	650	80.8%	154	19.2%	804	118,274	79.1%	31,284	20.9%	149,558
Grand Total	1,649	82.8%	342	17.2%	1,991	267,540	78.9%	71,522	21.1%	339,062

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

Pathfinder's origination of HMDA-reportable and small business loans in census tracts of varying income levels demonstrated a more than reasonable distribution of lending.

### HMDA-Reportable Loans

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

During the evaluation period, Pathfinder originated 37 HMDA-reportable loans, 3.7% of the Bank's total HMDA-reportable loans, in low-income geographies, totaling \$10 million or 6.7% by dollar value. Pathfinder's rate of lending in low-income geographies exceeded the aggregate's rate of 2.2% by number of loans and 6.1% by dollar value. In addition, Pathfinder originated 238 HMDA-reportable loans or 23.8% of total loans in moderate-income geographies, totaling \$21.5 million or 14.4% by dollar value. Pathfinder's rate of lending in moderate-income geographies also exceeded the aggregate's rate of 14.5% by number of loans and 13.9% by dollar value.

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Overall, Pathfinder originated 275 HMDA-reportable loans or 27.5% of total loans in LMI geographies, totaling \$31.5 million or 21.1% by dollar value. Pathfinder's rate of lending in LMI geographies is considered more than reasonable compared to the aggregate's rates of 16.7% and 20.0% respectively, for the same period.

The following table provides a summary of the distribution of Pathfinder'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									
2015									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	7	3.1%	474	1.8%	271	3.9%	41,059	5.5%	5.5%
Moderate	44	19.5%	5,268	20.0%	1,228	17.8%	86,578	11.5%	20.1%
LMI	51	22.6%	5,742	21.8%	1,499	21.7%	127,637	17.0%	25.6%
Middle	146	64.6%	15,749	59.7%	3,176	45.9%	320,648	42.6%	47.1%
Upper	29	12.8%	4,901	18.6%	2,243	32.4%	304,017	40.4%	27.4%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
<b>Total</b>	<b>226</b>		<b>26,392</b>		<b>6,918</b>		<b>752,302</b>		
2016									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	13	6.1%	5,763	18.7%	259	3.7%	72,197	8.9%	5.5%
Moderate	53	24.9%	4,282	13.9%	1,261	17.9%	101,959	12.6%	20.1%
LMI	66	31.0%	10,045	32.7%	1,520	21.6%	174,156	21.5%	25.6%
Middle	114	53.5%	13,705	44.6%	3,209	45.6%	330,285	40.8%	47.1%
Upper	33	15.5%	7,005	22.8%	2,310	32.8%	305,356	37.7%	27.4%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
<b>Total</b>	<b>213</b>		<b>30,755</b>		<b>7,039</b>		<b>809,797</b>		
2017									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	10	3.6%	2,305	4.6%	247	2.3%	193,206	8.3%	3.0%
Moderate	66	23.7%	5,231	10.3%	1,396	13.0%	446,786	19.3%	13.2%
LMI	76	27.3%	7,536	14.9%	1,643	15.3%	639,992	27.6%	16.2%
Middle	158	56.8%	19,718	38.9%	5,235	48.8%	942,281	40.7%	50.2%
Upper	44	15.8%	23,384	46.2%	3,823	35.7%	723,967	31.3%	33.5%
Unknown	0	0.0%	0	0.0%	16	0.1%	8,953	0.4%	0.1%
<b>Total</b>	<b>278</b>		<b>50,638</b>		<b>10,717</b>		<b>2,315,193</b>		
2018									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	7	2.5%	1,465	3.5%	231	2.0%	25,355	1.7%	3.0%
Moderate	75	26.6%	6,714	16.2%	1,316	11.6%	117,330	7.6%	13.2%
LMI	82	29.1%	8,179	19.7%	1,547	13.7%	142,685	9.3%	16.2%
Middle	157	55.7%	23,690	57.1%	5,528	48.8%	658,210	42.9%	50.2%
Upper	43	15.2%	9,612	23.2%	4,233	37.4%	678,585	44.2%	33.5%
Unknown	0	0.0%	0	0.0%	13	0.1%	54,655	3.6%	0.1%
<b>Total</b>	<b>282</b>		<b>41,481</b>		<b>11,321</b>		<b>1,534,135</b>		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	37	3.7%	10,007	6.7%	777	2.2%	331,817	6.1%	
Moderate	238	23.8%	21,495	14.4%	5,201	14.5%	752,653	13.9%	
LMI	275	27.5%	31,502	21.1%	5,978	16.7%	1,084,470	20.0%	
Middle	575	57.6%	72,862	48.8%	17,148	47.9%	2,251,424	41.6%	
Upper	149	14.9%	44,902	30.1%	12,609	35.3%	2,011,925	37.2%	
Unknown	-	0.0%	-	0.0%	29	0.1%	63,608	1.2%	
<b>Total</b>	<b>999</b>		<b>149,266</b>		<b>35,764</b>		<b>5,411,427</b>		

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*Small Business Loans*

The distribution of Pathfinder's small business loans among census tracts of varying income levels was excellent.

Pathfinder's rates of lending in LMI geographies outperformed the aggregate's rates of lending during the evaluation period in both number and dollar value of loans. Pathfinder originated 43.1% by number and 46.5% by dollar value of its small business loans in LMI geographies during the evaluation period, while the aggregate originated 24.5% and 32.5% respectively. The Bank's rates of lending exceeded the assessment area's percentage of small businesses located in LMI geographies.

The following table provides a summary of the distribution of Pathfinder'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									
2015									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	22	20.4%	6,382	35.0%	930	18.0%	52,396	22.5%	21.1%
Moderate	40	37.0%	5,791	31.7%	974	18.9%	53,639	23.1%	20.2%
LMI	62	57.4%	12,173	66.7%	1,904	36.9%	106,035	45.6%	41.3%
Middle	37	34.3%	3,842	21.1%	2,206	42.8%	89,969	38.7%	38.8%
Upper	9	8.3%	2,228	12.2%	1,047	20.3%	36,591	15.7%	19.9%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
<b>Total</b>	<b>108</b>		<b>18,243</b>		<b>5,157</b>		<b>232,595</b>		
2016									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	36	21.6%	7,613	26.4%	1,030	19.3%	50,015	20.6%	21.6%
Moderate	50	29.9%	9,012	31.3%	1,024	19.2%	57,303	23.6%	20.0%
LMI	86	51.5%	16,625	57.7%	2,054	38.5%	107,318	44.1%	41.6%
Middle	62	37.1%	8,412	29.2%	2,221	41.6%	97,042	39.9%	38.8%
Upper	19	11.4%	3,771	13.1%	1,059	19.9%	38,943	16.0%	19.6%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
<b>Total</b>	<b>167</b>		<b>28,808</b>		<b>5,334</b>		<b>243,303</b>		
2017									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	16	8.5%	4,230	11.9%	534	6.6%	31,246	8.1%	9.0%
Moderate	45	23.8%	6,018	17.0%	1,023	12.6%	41,789	10.9%	14.0%
LMI	61	32.3%	10,248	28.9%	1,557	19.2%	73,035	19.0%	22.9%
Middle	82	43.4%	16,711	47.1%	3,516	43.3%	176,449	45.9%	43.4%
Upper	42	22.2%	7,851	22.1%	2,906	35.8%	121,848	31.7%	31.2%
Unknown	4	2.1%	655	1.8%	149	1.8%	12,925	3.4%	2.5%
<b>Total</b>	<b>189</b>		<b>35,465</b>		<b>8,128</b>		<b>384,257</b>		
2018									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	23	12.4%	5,731	16.0%	675	7.6%	34,804	12.7%	13.6%
Moderate	48	25.8%	10,246	28.7%	1,080	12.1%	47,656	17.4%	18.3%
LMI	71	38.2%	15,977	44.7%	1,755	19.7%	82,460	30.2%	32.0%
Middle	71	38.2%	11,615	32.5%	3,837	43.0%	166,403	60.9%	40.2%
Upper	39	21.0%	7,101	19.9%	3,146	35.3%	11,927	4.4%	24.9%
Unknown	5	2.7%	1,065	3.0%	182	4.4%	12,518	4.6%	3.0%
<b>Total</b>	<b>186</b>		<b>35,758</b>		<b>8,920</b>		<b>273,308</b>		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	97	14.9%	23,956	20.3%	2,494	9.3%	168,461	14.9%	
Moderate	183	28.2%	31,067	26.3%	4,101	15.3%	200,387	17.7%	
LMI	280	43.1%	55,023	46.5%	6,595	24.5%	368,848	32.5%	
Middle	252	38.8%	40,580	34.3%	11,780	43.9%	529,863	46.7%	
Upper	109	16.8%	20,951	17.7%	8,158	30.4%	209,309	18.5%	
Unknown	9	1.4%	1,720	1.5%	331	1.2%	25,443	2.2%	
<b>Total</b>	<b>650</b>		<b>118,274</b>		<b>26,864</b>		<b>1,133,463</b>		

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

Pathfinder’s HMDA-reportable and small business lending demonstrated a more than reasonable distribution of loans among individuals of different income levels and businesses of different revenue sizes.

**HMDA-Reportable Loans**

Pathfinder’s HMDA-reportable lending demonstrated an adequate distribution of loans among individuals of different income levels.

During the evaluation period, Pathfinder’s HMDA-reportable distribution among LMI borrowers averaged 31.5% by number and 17.7% by dollar value, slightly underperforming the aggregate’s lending rates of 32.6% and 20.4% respectively.

On average, for the four-year evaluation period, Pathfinder originated 13.3% by number and 6.3% by dollar value of loans to low-income borrowers, outperforming the aggregate’s rate of lending to low-income borrowers of 7.5% and 4.9% respectively. Based on family demographics reported, 22.1% of families in the assessment area were low-income in 2018.

The Bank’s rate of lending to moderate-income families underperformed the aggregate. Pathfinder originated an average of 18.2% by number and 11.4% by dollar value of loans to moderate-income borrowers, while the aggregate originated 25.1% and 15.5%, respectively. Based on family demographics reported, 16.9% of families in the assessment area were moderate-income in 2018.

The following table provides a summary of the distribution of Pathfinder’s 1-4 family HMDA-reportable loans by borrower income.



Distribution of 1-4 Family Loans by Borrower Income									
2015									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	23	11.0%	1,447	5.7%	851	12.7%	46,986	7.2%	25.4%
Moderate	44	21.1%	3,380	13.3%	1,663	24.8%	128,740	19.7%	17.9%
LMI	67	32.1%	4,827	18.9%	2,514	37.5%	175,726	26.9%	43.3%
Middle	52	24.9%	5,397	21.2%	1,836	27.4%	174,378	26.7%	22.0%
Upper	76	36.4%	12,469	48.9%	2,091	31.2%	266,490	40.8%	34.7%
Unknown	14	6.7%	2,787	10.9%	265	4.0%	37,158	5.7%	0.0%
<b>Total</b>	<b>209</b>		<b>25,480</b>		<b>6,706</b>		<b>653,752</b>		
2016									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	22	11.4%	1,168	4.4%	823	12.1%	44,542	6.5%	25.4%
Moderate	37	19.2%	3,056	11.5%	1,757	25.9%	138,360	20.1%	17.9%
LMI	59	30.6%	4,224	15.9%	2,580	38.0%	182,902	26.6%	43.3%
Middle	47	24.4%	4,956	18.7%	1,842	27.1%	183,286	26.6%	22.0%
Upper	74	38.3%	13,214	49.8%	2,147	31.6%	292,393	42.5%	34.7%
Unknown	13	6.7%	4,126	15.6%	219	3.2%	29,402	4.3%	0.0%
<b>Total</b>	<b>193</b>		<b>26,520</b>		<b>6,788</b>		<b>687,983</b>		
2017									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	47	18.1%	3,147	9.5%	884	8.5%	51,702	2.6%	22.1%
Moderate	43	16.5%	3,441	10.4%	2,420	23.1%	203,006	10.3%	16.9%
LMI	90	34.6%	6,588	19.9%	3,304	31.6%	254,708	13.0%	39.0%
Middle	49	18.8%	5,055	15.3%	2,695	25.8%	272,370	13.8%	20.2%
Upper	105	40.4%	18,860	57.0%	4,174	39.9%	660,880	33.6%	40.9%
Unknown	16	6.2%	2,596	7.8%	288	2.8%	778,747	39.6%	0.0%
<b>Total</b>	<b>260</b>		<b>33,099</b>		<b>10,461</b>		<b>1,966,705</b>		
2018									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	33	11.7%	2,085	5.4%	1,199	10.6%	86,175	6.5%	22.1%
Moderate	48	17.1%	4,226	10.9%	2,685	23.8%	248,625	18.7%	16.9%
LMI	81	28.8%	6,311	16.3%	3,884	34.5%	334,800	25.2%	39.0%
Middle	57	20.3%	6,346	16.4%	2,779	24.7%	301,785	22.7%	20.2%
Upper	118	42.0%	21,691	56.2%	4,335	38.5%	658,845	49.6%	40.9%
Unknown	25	8.9%	4,271	11.1%	273	2.4%	32,975	2.5%	0.0%
<b>Total</b>	<b>281</b>		<b>38,619</b>		<b>11,271</b>		<b>1,328,405</b>		
GRAND TOTAL									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	125	13.3%	7,847	6.3%	2,558	7.5%	229,405	4.9%	
Moderate	172	18.2%	14,103	11.4%	8,525	25.1%	718,731	15.5%	
LMI	297	31.5%	21,950	17.7%	11,083	32.6%	948,136	20.4%	
Middle	205	21.7%	21,754	17.6%	9,152	26.9%	931,819	20.1%	
Upper	373	39.6%	66,234	53.5%	12,747	37.5%	1,878,608	40.5%	
Unknown	68	7.2%	13,780	11.1%	1,045	3.1%	878,282	18.9%	
<b>Total</b>	<b>943</b>		<b>123,718</b>		<b>34,027</b>		<b>4,636,845</b>		

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Small Business Loans

Pathfinder's small business lending demonstrated an excellent distribution of loans among businesses of different revenue sizes.

During the evaluation period, Pathfinder's lending to businesses with revenues of \$1 million or less averaged 70.9% by number and 57.2% by dollar value of loans. The Bank's lending performance outperformed the aggregate's rates of 46.2% and 31.5%, respectively. In addition, Pathfinder's annual rates of lending by number and dollar value exceeded the aggregate's rates for each year of the evaluation period.

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

<b>Distribution of Small Business Lending by Revenue Size of Business</b>									
<b>2015</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	84	77.8%	8,955	49.1%	2,327	45.1%	73,684	31.7%	73.6%
Rev. > \$1MM	23	21.3%	9,242	50.7%					6.7%
Rev. Unknown	1	0.9%	46	0.3%					19.7%
<b>Total</b>	<b>108</b>		<b>18,243</b>		<b>5,157</b>		<b>232,595</b>		
<b>2016</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	112	67.1%	15,622	54.2%	2,372	44.5%	75,535	31.0%	77.5%
Rev. > \$1MM	54	32.3%	12,736	44.2%					7.8%
Rev. Unknown	1	0.6%	450	1.6%					14.7%
<b>Total</b>	<b>167</b>		<b>28,808</b>		<b>5,334</b>		<b>243,303</b>		
<b>2017</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	132	69.8%	18,840	53.1%	3,924	48.3%	115,565	30.1%	78.5%
Rev. > \$1MM	57	30.2%	16,625	46.9%					7.5%
Rev. Unknown		0.0%		0.0%					14.0%
<b>Total</b>	<b>189</b>		<b>35,465</b>		<b>8,128</b>		<b>384,257</b>		
<b>2018</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	133	71.5%	24,261	67.8%	4,101	46.0%	125,626	33.0%	78.6%
Rev. > \$1MM	53	28.5%	11,497	32.2%					7.3%
Rev. Unknown		0.0%		0.0%					14.2%
<b>Total</b>	<b>186</b>		<b>35,758</b>		<b>8,920</b>		<b>380,678</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	461	70.9%	67,678	57.2%	12,724	46.2%	390,410	31.5%	
Rev. > \$1MM	187	28.8%	50,100	42.4%					
Rev. Unknown	2	0.3%	496	0.4%					
<b>Total</b>	<b>650</b>		<b>118,274</b>		<b>27,539</b>		<b>1,240,833</b>		

### **Community Development Lending: "Outstanding"**

During the evaluation period, Pathfinder originated \$32.3 million in new community development loans and had \$7.9 million outstanding from prior evaluation periods. This demonstrated an excellent level of community development lending over the course of the evaluation period.

Pathfinder's community development loans consisted primarily of revitalization and stabilization efforts.

Community Development Loans				
Purpose	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Loans	\$000	# of Loans	\$000
Affordable Housing	1	1,000	1	887
Economic Development				
Community Services	4	9,044	3	3,023
Revitalization/Stabilization	8	22,253	1	4,032
<b>Total</b>	<b>13</b>	<b>32,297</b>	<b>5</b>	<b>7,942</b>

Below are highlights of Pathfinder's community development lending.

- Pathfinder originated a \$4.4 million loan to finance the acquisition and subsequent renovation/conversion of a former nursing home in Oswego County into an adult care facility. This facility was expected to derive the majority of its revenue from Medicaid's assisted living program.
- Pathfinder participated in a construction loan by extending \$3.0 million (17.0% of total loan costs) to rehabilitate a vacant 10-story office building in a low-income census tract in Syracuse. After renovation, the property was expected to contain 79 residential units and approximately 35,900 square feet of office and retail space. The loan helped to revitalize and stabilize the area and created employment opportunities for LMI individuals.
- Pathfinder originated a \$1.9 million term loan and \$750,000 line of credit to a not-for-profit organization whose primary focus was to eliminate hunger through food distribution, education, and advocacy. The loan helped refinance an existing mortgage and provided additional funds to renovate the property and create office space.
- Pathfinder provided a total of \$1.0 million in term loans to a local certified Community Development Financial Institution<sup>1</sup> ("CDFI") for its home improvement loan program. The program sought to address a lack of available capital for borrowers who would be otherwise unable to obtain financing, and provided loans to homeowners who had no equity or fell below typical underwriting standards. The program provided home improvement loans up to \$20,000 with affordable interest rates over a seven-year term.

1. CDFIs may be banks, credit unions, loan funds, microloan funds, or venture capital providers. CDFIs are helping families finance their first homes, supporting community residents starting businesses, and investing in local health centers, schools, or community centers. CDFIs strive to foster economic opportunity and revitalize neighborhoods." [https://www.cdfifund.gov/Documents/CDFI\\_infographic\\_v08A.pdf](https://www.cdfifund.gov/Documents/CDFI_infographic_v08A.pdf)

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## Flexible and/or Innovative Lending Practices

Pathfinder offers flexible lending products to address the needs of the assessment area. Some of these include:

- *Federal National Mortgage Association (“Fannie Mae”) HomeReady:*  
This program offers financing of up to 97% loan-to-value for the purchase or refinance of any single-family home located in a low-income census tract. During the evaluation period, the Bank originated 12 loans totaling \$970,372 through this program.
- *United States Department of Agriculture (“USDA”):*  
Pathfinder, as an approved USDA lender originates mortgage loans to LMI borrowers to purchase their primary residence in eligible rural areas. The program provides a 90% loan guarantee to the Bank, reducing the risk of extending financing to eligible rural homebuyers. Through this program, Pathfinder originated a total of 16 loans totaling \$1.4 million.
- *Federal Home Loan Mortgage Corporation (“Freddie Mac”) First Home Club*  
The program is designed for qualified first-time homebuyers that meet specific criteria. Assistance is provided in the form of matching funds based on savings up to \$7,500 based on a 4:1 match of household savings. Qualified borrowers must meet the income guidelines at the time of enrollment with a total household income of 80% or less of the area median income for their current place of residence, adjusted for family size. Pathfinder originated three loans under this program with a total dollar volume of \$287,346.

Pathfinder also participated in affordable housing programs offered by two local city governments in Oswego County. These housing programs were aimed at LMI individuals or families who were first time homebuyers. In both cases, the lender (Pathfinder) originated a mortgage loan, while the respective program assisted the borrower with closing costs and other items.

- The City of Oswego Affordable Home Ownership Program provided financial assistance, training and education to individuals and families whose income did not exceed 80% of area HUD median income and who were first-time homebuyers. The program provided the mortgage borrower with an additional deferred loan to assist with principal buy down and closing costs. The additional loan would then be forgiven on a pro-rata basis over a ten-year period, provided the borrower did not move or sell the home. Funding for the program was provided from the NYS Office of Community Renewal Community Development Block Grant Program. The subject property was required to have been located within the limits of the City of Oswego.

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- The City of Fulton Affordable Housing Program was designed for LMI individuals and families who were first-time homebuyers (in some cases, the first-time buyer requirement could be waived). The program offered conditional grants of up to \$3,500 for closing costs and up to \$10,000 toward down payments. These grants were funded by HUD and administered by a city agency. The grants would then be forgiven provided that the borrower occupied the home for at least 10 years. With some exceptions, the subject property must have been located within a specific census tract in the City of Fulton.

**INVESTMENT TEST:** “Low Satisfactory”

*DFS evaluated Pathfinder’s investment performance 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 the credit and community development needs of the assessment area.*

Pathfinder’s qualified investments were adequate in light of the assessment area’s credit needs.

**Qualified Investments:** “Low Satisfactory”

During the evaluation period, Pathfinder made nine community development investments totaling \$2.9 million and had two investments totaling \$58,284 outstanding from prior evaluation periods. In addition, Pathfinder made \$540,265 in community development grants. This demonstrated an adequate level of qualified investments grants over the course of the evaluation period.

Qualified investments for this evaluation period of \$3.5 million averaged approximately \$969,000 annually, below the previous annual average of \$1.46 million.

Community Development Investments and Grants				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Inv.	\$000	# of Inv.	\$000
CD Investments				
Affordable Housing	1	\$ 2,000	1	34
Economic Development			1	24
Community Services	8	\$ 891		
<b>Total</b>	<b>9</b>	<b>\$ 2,891</b>	<b>2</b>	<b>58</b>
CD Grants	# of Grants	\$000	Not Applicable	
Affordable Housing	12	\$ 92		
Economic Development	36	\$ 70		
Community Services	202	\$ 233		
Revitalize and Stabilize	12	\$ 145		
<b>Total</b>	<b>262</b>	<b>\$ 540</b>		

Below is an example of Pathfinder's qualified investments.

- During the evaluation period, Pathfinder invested in three local central school districts in the assessment area via the purchase of eight municipal bonds totaling \$891,054. The majority of the student population in these central school districts received free and reduced-price lunch. Bond funds were used for the construction, reconstruction and/or expansion of the school districts' buildings.

The Bank extended a total of 262 grants and donations totaling \$540,265 to community groups and organizations that support community development activities in the assessment area. Below are highlights of Pathfinder's community development grants and donations.

- The Bank gifted two bank-owned properties valued at a total of \$68,970 to a nonprofit corporation whose mission was to stimulate local planning, economic development opportunities, and neighborhood revitalization through the acquisition of vacant, abandoned, tax-delinquent and foreclosed properties. The corporation takes ownership of those properties and returns them to productive use.
- Pathfinder donated \$75,000 to a nonprofit organization engaged in revitalization of neighborhoods and communities within the City of Oswego. The organization provided resources, technical assistance, education and services to revitalize homes, downtown businesses, promote historic preservation and build positive communities.

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## **Innovativeness of Community Development Investments**

Pathfinder made some use of innovative and complex investments to support community development during the evaluation period. Specifically, the Bank participated in a US Department of Agriculture Low-Income Housing Tax Credit (“LIHTC”) investment that funded the renovation and development of seven buildings with 42 apartments for low-income and very low-income individuals, families and senior citizens. This project was located in Madison County, adjacent to the Bank’s assessment area.

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

Pathfinder’s qualified investments exhibited adequate responsiveness to the assessment area’s credit and community development needs. The Bank’s qualified investments and grants supported affordable housing, economic development, revitalization and stabilization and community service activities throughout the assessment area, especially in LMI geographies and to LMI individuals.

### **SERVICE TEST: “High Satisfactory”**

*DFS examiners evaluated Pathfinder’s retail service performance pursuant to the following criteria:*

- (1) The current distribution of the banking institution’s branches;*
- (2) The institution’s 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 Pathfinder’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”**

Pathfinder has a more than reasonable combination of a branch network, branch hours and services, and alternative delivery systems to meet the needs of LMI individuals.

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

Pathfinder has an adequate distribution of branches within its assessment area, comprised of ten full-service branch offices: seven in Oswego County and three in Onondaga County. Four branches were located in moderate-income census tracts and six were located in middle- and upper-income census tracts. The Bank also had a limited purpose office in Utica to hold meetings with customers or potential customers.



The table below show's Pathfinder's branch distribution across census tracts of varying income levels.

<b>Distribution of Branches within the Assessment Area</b>							
<b>County</b>	<b>N/A</b>	<b>Low</b>	<b>Moderate</b>	<b>Middle</b>	<b>Upper</b>	<b>Total</b>	<b>LMI</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>%</b>
Onondaga	0	0	0	1	2	3	0%
Oswego	0	0	4	3	0	7	57%
<b>Total</b>	-	-	<b>4</b>	<b>4</b>	<b>2</b>	<b>10</b>	<b>40%</b>

*Record of opening and closing branches*

Pathfinder's record of opening and closing branches has not adversely affected the accessibility of its delivery systems to LMI geographies and/or LMI individuals.

In January 2017, Pathfinder converted its limited purpose, business development office in the Pike Block area in the City of Syracuse to a full-service branch.

In October 2017, Pathfinder opened a limited purpose banking office in Utica. This office serves the Mohawk Valley area.

In November 2018, Pathfinder opened a full-service branch located at 3775 Route 31, Liverpool, NY, a middle-income tract.

*Availability and effectiveness of alternative systems for delivering retail services*

Pathfinder's alternative delivery systems were accessible to significant portions of the Bank's assessment area, including LMI geographies and individuals.

- Pathfinder processed Electronic Benefit Transactions at all of its automatic teller machines ("ATMs") through the Quest network, with no surcharge.
- Online and Mobile Banking Services provided account information and convenient account access 24 hours per day, 7 days per week. Customers were able to conduct banking needs from any location with internet access.
- Pathfinder offered access to 19 ATMs. Eleven were located on Bank premises and eight were located at local retail locations such as hotels and restaurants. Nine ATMs were located in moderate income census tracts (47.4%) and ten were located in middle- and upper-income census tracts (52.6%). All ATMs offered 24-hour access and seven of the ATMs located in branch offices also took deposits.

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### Range of services provided

Pathfinder's services meet the convenience and accessibility needs of its assessment area, including LMI geographies, individuals and small businesses.

Pathfinder's branches were typically open Monday through Wednesday 9:00AM to 4:00PM, Thursday and Friday 9:00AM to 5:00PM, and on Saturday from 9:00AM to 12:00PM. Six of Pathfinder's ten branches offered a drive-thru with operating hours of 8:00AM to 5:00PM Monday through Wednesday, 8:00AM to 6:00PM Thursday and Friday, and 9:00AM to 12:00PM on Saturday.

Pathfinder offered several products that supported LMI and small business needs, including:

- Free and Easy Checking – this account included no monthly service fees or minimum balance requirements. It did include unlimited check writing, digital banking and a Visa debit card. The account required a \$25 minimum deposit to open.
- Young Investor – A savings account for minors under 18 years old to encourage saving at an early age. The account featured competitive interest rates, no monthly fees, no minimum balance requirements, unlimited in-person withdrawals and free digital banking. The account required a \$5 minimum deposit to open.
- Free Business Checking – A checking product for small businesses with a minimum \$100 to open. Features included free 350 transactions monthly, no monthly fees, free digital banking and a free rewards debit card.
- Small Business Administration (SBA) Loans – Pathfinder offered small business loans through this government assisted program to small businesses that would otherwise have difficulty obtaining credit. The loans were available to start-ups and those looking to refinance their existing small businesses. Features included competitive rates, lower down payments and extended terms.

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

Pathfinder provided a high-level of community development services. During the evaluation period, members of senior management and other employees participated in a range of community development service activities. Services included serving as board members of nonprofit organizations and providing financial education to LMI individuals.

Below are highlights of Pathfinder's community development services.

The following are examples of board and committee services provided by Pathfinder officers:

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- A board member served on a county economic development organization as its president. The organization focuses on marketing, redevelopment, business retention and development, workforce development and training.
  - A senior regional president served on the board of directors of a local CDFI whose mission was to address declining owner-occupancy rates in the assessment area by creating housing opportunities for individuals and families and improving communities in central and upstate New York. The organization served six counties in central New York through its lending, homeownership and foreclosure prevention activities.
  - A marketing manager served as the chair of a foundation that secured funding for a related nonprofit organization. This central New York organization provided aid for victims of domestic violence, elder abuse, and sexual assault. Services included counseling, shelter, education and advocacy for abuse victims.

The following are examples of events provided by Pathfinder:

- Pathfinder employees participated in “Money Smart”, a comprehensive financial education course designed by the FDIC to enhance financial skills by teaching students and adults. Topics included understanding credit and budgeting basics. The free events were held in LMI branches, schools and community organizations. Additionally, classes were also available online and could be taken in English or Spanish.
- Pathfinder employees conducted financial health and wellness education for seniors in partnership with two government agencies for a local religious organization, which was dedicated to caring for those in need while promoting human development, collaboration and the elimination of poverty.
- Bank employees conducted mock interviews with local high school students at a local public college. The four-day program showcased job opportunities and helped build interview skills.

### **Additional Factors**

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

**The extent of participation by the banking institution’s board of directors or board of trustees in formulating the banking institution’s policies and reviewing its performance with respect to the purposes of the CRA.**

The CRA Officer provided an annual year-end report to the board. The report included

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information on the Bank's assessment areas, lending, innovative or flexible lending programs. Pathfinder's board of directors reviewed and approved the Bank's CRA Statement annually.

### **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 noted no practices by Pathfinder intended to discourage applications for the types of credit offered by Pathfinder.

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

DFS examiners noted no evidence of prohibited discriminatory or other illegal practices.

### **Process Factors**

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

Pathfinder ascertained community credit needs through outreach to community groups, nonprofit organizations, partnership with government agencies, association with local realtors, and involvement of Pathfinder management and board members in local civic organizations. In addition, the Bank offered a variety of checking accounts, small business loans, and residential mortgages, and participated in special loan programs designed for LMI individuals and small businesses.

- *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 focused on brand advertising and used testimonials of business owners within the Bank's assessment area. Advertising included billboards, window clings, branch flyers, and sponsorship materials. Pathfinder also used its homeownership and financial education events to promote its products and services to the LMI population and the small business community.

Neither Pathfinder nor DFS received any written complaints regarding Pathfinder's CRA performance during the evaluation period.

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

DFS examiners noted no other factors.

## **GLOSSARY**

### **Aggregate Lending**

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 Metropolitan Statistical Area ("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

## **Small Business Loan**

A small business loan is a loan less than or equal to \$1 million.

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

Those census tracts or block numbering areas where, according to the 2010 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 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.