



PUBLIC SUMMARY

COMMUNITY REINVESTMENT ACT

PERFORMANCE EVALUATION

OF

PIONEER BANK

AS OF JUNE 30, 2020

New York State Department of Financial Services
Consumer Protection and Financial Enforcement Division
One State Street, New York NY 10004

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 Pioneer Bank (“Pioneer” 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 June 30, 2020.

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.

OVERVIEW OF INSTITUTION'S PERFORMANCE

The Department evaluated Pioneer according to the intermediate small banking institutions performance criteria pursuant to Sections 76.7 and 76.12 of the GRS. The evaluation period included calendar years 2017, 2018 and 2019 for lending activities and the period from October 1, 2017 to June 30, 2020 for community development activities. Pioneer is rated “2” indicating a “Satisfactory” record of helping community credit needs.

The rating is based on the following factors:

Lending Test: Satisfactory

Loan-to-Deposit Ratio and Other Lending-Related Activities: Satisfactory

Pioneer’s average loan-to-deposit (“LTD”) ratio was reasonable considering its size, business strategy, financial condition and peer group activity.

Pioneer’s average LTD ratio of 86.1% was just below the peer’s average LTD ratio of 94.4% during the evaluation period. Although Pioneer’s LTD ratio fluctuated over the course of the evaluation period, DFS examiners noted no overall adverse trend, as the Bank’s LTD ratio was 92.4% at the beginning of 2017 and 90.9% at year-end 2019.

Assessment Area Concentration: Outstanding

During the evaluation period, Pioneer originated/purchased 93.8% by number and 92.6% by dollar value of its total HMDA-reportable and small business loans within its assessment area, demonstrating an excellent concentration of lending.

Distribution by Borrower Characteristics: Satisfactory

Pioneer’s one-to-four family HMDA-reportable lending demonstrated a reasonable distribution of loans among individuals of different income levels, while it demonstrated a less than adequate distribution of loans among businesses of different revenue sizes.

Geographic Distribution of Loans: Satisfactory

Pioneer’s HMDA-reportable and small business lending in census tracts of varying income levels demonstrated a reasonable distribution of lending.

The Bank’s rates of HMDA-reportable lending in low- to moderate-income census tracts were 11.7% by number and 10.9% by dollar value during the evaluation period, comparable with the aggregate’s respective rates of 13.8% and 10.9%. Simultaneously, the distribution of Pioneer’s small business lending among census tracts of varying income levels was excellent when compared to the aggregate. Pioneer’s small business lending rates in LMI census tracts were 33.6% by number and 27% by dollar value, exceeding the aggregate’s rates of 18.9% and 20.9%, respectively.

Action Taken in Response to Written Complaints with Respect to CRA:

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

Community Development Test: Outstanding

Pioneer's community development performance demonstrated excellent responsiveness to the community development needs of its assessment area through community development loans, qualified investments and community development services, considering the Bank's capacity, and the need for and availability of opportunities for community development in its assessment area.

Community Development Lending: Satisfactory

During the evaluation period, Pioneer originated \$21.8 million in new community development loans, and had \$338,217 outstanding from prior evaluation periods. This demonstrated a reasonable level of community development lending over the course of the evaluation period.

Qualified Investments: Outstanding

During the evaluation period, Pioneer made \$22.8 million in new qualified investments, and had none outstanding from prior evaluation periods. In addition, Pioneer made \$203,140 in qualified grants. This demonstrated an excellent level of qualified investments and grants over the course of the evaluation period.

Community Development Services: Outstanding

Pioneer demonstrated an excellent level of community development services over the course of the evaluation period.

Pioneer's directors, executive officers, managers, and employees served in various capacities as board and/or committee members of community development organizations, providing financial and technical expertise. In addition, the Bank provided financial literacy programs, small business seminars, and volunteer services to nonprofit organizations supporting LMI communities and small businesses within the assessment area.

Responsiveness to Community Development Needs:

Pioneer demonstrated an excellent level of responsiveness to credit and community development needs.

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.

PERFORMANCE CONTEXT

Institution Profile

Pioneer is a New York State-chartered stock savings bank headquartered in Albany, New York. Pioneer is a wholly owned subsidiary of Pioneer Bancorp Inc, a publicly traded holding company. Pioneer, in turn has three of its own subsidiaries: Pioneer Commercial Bank, a New York State-chartered commercial bank whose limited purpose is to accept municipal deposits, Pioneer Financial Services Inc., an investment and wealth management subsidiary, and Anchor Agency, Inc. an insurance agency that offers personal and commercial insurance products.

Pioneer operates 22 banking offices, all located in the Capital Region of New York State. Hours of operation are generally from 9:00 AM to 4:00 PM or 5:00 PM, Monday through Friday. Some branches also have late hours one or two days per week and/or Saturday hours. Twenty-one of the branches offer ATM services. While the one branch without ATM service is located in a low-income census tract, Pioneer operates a free-standing ATM facility 0.6 miles away (estimated 12-minute walk or 4-minute drive) in the same census tract. This is the Bank's only free-standing ATM. Several branches also offer Interactive Teller Machines ("ITMs"), which allow customers to interact via live video chat with a Bank employee during weekdays from 8:00 AM to 7:00 PM and Saturdays from 8:30 AM to 1:30 PM for transactions typically conducted in person with a teller.

Pioneer offers a variety of commercial and consumer loan products including home equity lines of credit, personal loans and automobile loans, commercial mortgage loans, construction loans, and commercial and industrial loans (including equipment financing and business lines of credit). Although the Bank does not originate one-to-four family home mortgage loans, it purchases them from a third-party originator. Pioneer offers personal banking products such as checking, savings and time deposit accounts and safe deposit boxes. Pioneer also offers alternative banking services including mobile and online banking, electronic bill pay, banking by mail, and ITMs that combine aspects of ATM and teller services.

In its Consolidated Report of Condition (the "Call Report") as of December 31, 2019, filed with the Federal Deposit Insurance Corporation ("FDIC"), Pioneer reported total assets of \$1.4 billion, of which \$1.1 billion were net loans and lease financing receivables. It also reported total deposits of \$1.2 billion, resulting in an LTD ratio of 90.9%. According to the latest available comparative deposit data, as of June 30, 2019, Pioneer had a market share of 4%, or \$1.3 billion in a market of \$33.5 billion, ranking it 6th among 24 deposit-taking institutions in Albany, Rensselaer, Saratoga, Schenectady, Greene and Warren counties.

The following is a summary of Pioneer's loan portfolio, based on Schedule RC-C of the Bank's December 31, 2017, 2018, and 2019 Call Reports:

TOTAL GROSS LOANS OUTSTANDING						
Loan Type	12/31/2017		12/31/2018		12/31/2019	
	\$000's	%	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	358,912	36.5	394,154	37.8	408,987	39.2
Commercial & Industrial Loans	180,983	18.4	193,629	18.6	174,089	16.7
Commercial Mortgage Loans	273,122	27.8	280,836	26.9	318,283	30.5
Multifamily Mortgages	73,514	7.5	63,642	6.1	80,187	7.7
Consumer Loans	736	0.1	637	0.1	667	0.1
Agricultural Loans	476	0.0	440	0.0	412	0.0
Construction Loans	84,834	8.6	99,039	9.5	107,673	10.3
Obligations of States & Municipalities	10,685	1.1	9,402	0.9	4,490	0.4
Other Loans	677	0.1	740	0.1	759	0.1
Total Gross Loans	983,939		1,042,519		1,095,547	

As illustrated in the above table, Pioneer is primarily a commercial lender, with 47.2% of its loan portfolio in commercial and industrial and commercial mortgage loans, while one-to-four family residential mortgage loans comprised 39.2% of the Bank's loan portfolio.

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

Assessment Area

Pioneer's assessment area is comprised of all of Albany, Rensselaer, Saratoga, and Schenectady Counties and parts of Greene and Warren Counties.

There are 230 census tracts in the assessment area, of which 21 are low-income, 41 are moderate-income, 112 are middle-income, 52 are upper-income and four are tracts with no income indicated.

Assessment Area Census Tracts by Income Level							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
Albany	1	10	13	30	21	75	30.7
Greene *	1	0	0	3	4	8	0.0
Rensselaer	0	4	9	24	5	42	31.0
Saratoga	1	0	7	28	14	50	14.0
Schenectady	1	7	10	19	6	43	39.5
Warren*	0	0	2	8	2	12	16.7
Total	4	21	41	112	52	230	27.0

* Partial county

During the evaluation period, Pioneer expanded its assessment area to include the entire counties of Albany, Rensselaer and Saratoga and parts of Warren County, thereby increasing the total number of census tracts from 197 to 230 and the number of LMI tracts from 55 to 62. Despite the expanded assessment area, the percentage of LMI census tracts remained relatively

unchanged at 27% currently from 27.9% at the previous evaluation.

Demographic & Economic Data

The assessment area had a population of 917,742 during the evaluation period. Approximately 15.2% of the population was over the age of 65 and 17% was under the age of 16.

Of the 218,839 families in the assessment area 19.9% were low-income, 17.3% were moderate-income, 22.1% were middle-income and 40.8% were upper income. There were 361,297 households in the assessment area, of which 10.8% had income below the poverty level and 2.5% were on public assistance.

The weighted average of median family income in the assessment area was \$82,671.

There were 412,924 housing units within the assessment area, of which 82.1% were one-to-four family units and 14.4% were multifamily units. A majority (56.9%) of the area's housing units were owner-occupied, while 30.7% were rental units.

Of the 234,737 owner-occupied housing units, 14.6% were in LMI census tracts while 65.4% were in middle- and upper-income census tracts. The median age of the housing stock was 58 years, and the median home value in the assessment area was \$197,134.

There were 59,768 non-farm businesses in the assessment area. Of these, 81.3% were businesses with reported revenues of less than or equal to \$1 million, 6% reported revenues of more than \$1 million and 12.8% did not report their revenues. Of all the businesses in the assessment area, 96% were businesses with less than fifty employees while 86.5% operated from a single location. The largest industries in the area were services (43.2%), followed by retail trade (14%) and finance, insurance & real estate (7.9%); 12.1% of businesses in the assessment area were not classified.

According to the New York State Department of Labor, the unemployment rates for all counties in the assessment area steadily decreased during the evaluation period. Furthermore, the unemployment rates in each county in the Bank's assessment area, except Greene and Warren Counties, were consistently below the statewide average unemployment rate of 4.3%. The average unemployment rates for both Greene and Warren Counties were 4.8% and 4.9%, but also decreased during the evaluation period.

Assessment Area Unemployment Rate							
	Statewide	Albany	Greene	Rensselaer	Saratoga	Schenectady	Warren
2017	4.7	4.2	5.2	4.4	4.0	4.5	5.3
2018	4.1	3.7	4.6	3.9	3.5	4.0	4.7
2019	4.0	3.6	4.5	3.8	3.4	3.8	4.6
Average of Years above	4.3	3.8	4.8	4.0	3.6	4.1	4.9

Community Information

Examiners interviewed representatives of two non-profit community organizations operating in the Bank’s assessment area that focus on community and economic development, affordable housing, homebuyers’ education, and foreclosure prevention. The organizations also administer grants and loans and provide down payment assistance to low- and moderate-income households and individuals in the assessment area.

Both interviewees stated that economic conditions were stable prior to the COVID-19 pandemic, primarily because New York state government was the largest employer in the area. However, the COVID-19 pandemic caused major economic stress, including significantly increased unemployment and poverty. The interviewees also stated that home prices have increased due to the COVID-19 pandemic, while at the same time, lenders’ credit criteria have grown more stringent. One of the representatives also stated that there were significant racial disparities in homeownership rates in the community.

Both representatives stated that financial institutions in the assessment area are generally responsive to community needs. In particular, their employees participate in first time homebuyer seminars and serve on the boards of various community organizations. However, the organizations’ representatives also stated that financial institutions could do more to assist the community by offering low down payment mortgage loans and home repair/improvement loan products, as well as what they described as “credit building” products.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

The Department evaluated Pioneer under the intermediate small banking institution performance criteria in accordance with Sections 76.7 and 76.12 of the GRS, which consist of the lending test and the community development test.

The lending test includes:

1. *Loan-to-deposit ratio and other lending-related activities;*
2. *Assessment area concentration;*
3. *Distribution of loans by borrower characteristics;*
4. *Geographic distribution of loans; and*
5. *Action taken in response to written complaints regarding CRA.*

The community development test includes:

1. *Community development lending;*
2. *Community development investments;*
3. *Community development services; and*
4. *Responsiveness to community development needs.*

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. *Evidence of 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.*

DFS derived statistics employed in this evaluation from various sources. Pioneer submitted bank-specific information both as part of the examination process and in 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 information shown in the Bank's Uniform Bank Performance Report, compiled by the FFIEC from Call Report data.

DFS derived 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. DFS 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 DFS used this information even where the institution's assessment area includes partial counties.

The evaluation period included calendar years 2017, 2018 and 2019 for lending activities and the period from October 1, 2017 to June 30, 2020 for community development activities.

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

Examiners gave greater weight to Pioneer’s HMDA-reportable lending in this evaluation, as HMDA-reportable loans represented 66.9% by number of loans and 69.5% by dollar value of total loans made in the assessment area, while small business lending represented 33.1% and 30.5%, respectively.

At its prior Performance Evaluation, as of September 30, 2017, DFS assigned Pioneer a rating of “2” reflecting a “Satisfactory” record of helping to meet the credit needs of Pioneer’s communities.

Current CRA Rating: Satisfactory

Lending Test: Satisfactory

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

Loan-to-Deposit Ratio and Other Lending-Related Activities: Satisfactory

Pioneer’s average LTD ratio was reasonable considering its size, business strategy, financial condition and peer group activity.

Pioneer’s average LTD ratio of 86.1% trailed its peer group’s average of 94.4% throughout the 12 quarters of the evaluation. The Bank’s LTD ratio varied from a high of 92.4% in the first quarter of 2017 to a low of 78.8% in the second quarter of 2019. Although Pioneer’s LTD ratio fluctuated over the course of the evaluation period, DFS examiners noted no overall declining trend, as the Bank’s LTD ratio was 92.4% at the beginning of 2017 and 90.9% at year-end 2019.

The table below shows Pioneer’s LTD ratios in comparison with the peer group’s ratios for the 12 quarters of this evaluation period.

Loan-to-Deposit Ratios													
	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2	2019 Q3	2019 Q4	Avg.
Bank	92.4	91.9	82.1	86.8	82.9	85.3	82.7	91.9	83.4	78.8	83.8	90.9	86.1
Peer	93.6	94.9	95.8	95.5	94.2	94.6	94.9	94.7	94.6	94.6	92.9	93.3	94.4

Assessment Area Concentration: Outstanding

During the evaluation period, Pioneer made 93.8% by number and 92.6% by dollar value of its total HMDA-reportable and small business loans within the assessment area, demonstrating an excellent concentration of lending.

HMDA-Reportable Loans:

During the evaluation period, Pioneer made 93.2% by number and 92.3% by dollar value of its HMDA-reportable loans within the assessment area. This substantial majority of lending inside of Pioneer's assessment area reflects an excellent concentration of lending.

Small Business Loans:

During the evaluation period, Pioneer originated 95.1% by number and 93.3% by dollar value of its small business loans within the assessment area. This substantial majority of lending inside of Pioneer's assessment area reflects an excellent concentration of lending.

The following table shows the percentages of Pioneer'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
	#	%	#	%		\$	%	\$	%	
HMDA-Reportable										
2017	302	91.8%	27	8.2%	329	69,006	88.4%	9,021	11.6%	78,027
2018	425	94.0%	27	6.0%	452	142,563	93.6%	9,718	6.4%	152,281
2019	370	93.4%	26	6.6%	396	130,913	93.0%	9,784	7.0%	140,697
Subtotal	1,097	93.2%	80	6.8%	1,177	342,482	92.3%	28,523	7.7%	371,005
Small-Business										
2017	181	92.8%	14	7.2%	195	54,615	89.9%	6,110	10.1%	60,725
2018	204	96.2%	8	3.8%	212	63,469	96.2%	2,513	3.8%	65,982
2019	157	96.3%	6	3.7%	163	31,998	93.8%	2,106	6.2%	34,104
Subtotal	542	95.1%	28	4.9%	570	150,082	93.3%	10,729	6.7%	160,811
Grand Total	1,639	93.8%	108	6.2%	1,747	492,564	92.6%	39,252	7.4%	531,816

Distribution by Borrower Characteristics: Satisfactory

Pioneer's HMDA-Reportable and small business lending demonstrated a reasonable distribution of loans among individuals of different income levels and businesses of different revenue sizes.

One-to-Four Family HMDA-Reportable Loans:

Pioneer's one-to-four family HMDA-reportable lending demonstrated a reasonable distribution of loans among borrowers of different income levels.

During the evaluation period, the Bank's rates of lending to low- to moderate-income borrowers averaged 26.6% by number and 12.2% by dollar value, slightly lower than the aggregate's rates of 31.9% and 23.2%, respectively. However, the Bank increased the percentage of loans it made to LMI borrowers from 24.6% in 2017 and 2018 to 30.7% in 2019.

Both the Bank's and aggregate's lending to LMI families were below demographic data showing that 37.2% of the families in the assessment area were low- to moderate-income families.

The following table provides a summary of the distribution of Pioneer's one-to-four family loans by borrower income.

Distribution of 1-4 Family Loans by Borrower Income									
2017									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	21	7.1%	1,777	2.7%	1,289	7.9%	128,704	4.3%	19.9%
Moderate	52	17.5%	6,735	10.0%	3,760	23.0%	534,018	17.7%	17.3%
LMI	73	24.6%	8,512	12.7%	5,049	30.9%	662,722	21.9%	37.2%
Middle	73	24.6%	13,910	20.8%	4,375	26.8%	765,486	25.3%	22.1%
Upper	148	49.8%	43,968	65.6%	6,296	38.5%	1,484,611	49.1%	40.8%
Unknown	3	1.0%	638	1.0%	617	3.8%	109,799	3.6%	
Total	297		67,028		16,337		3,022,618		
2018									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	29	7.1%	1,626	2.2%	1,973	9.3%	184,905	5.4%	19.9%
Moderate	72	17.5%	6,912	9.3%	4,924	23.2%	642,450	18.7%	17.3%
LMI	101	24.6%	8,538	11.5%	6,897	32.5%	827,355	24.0%	37.2%
Middle	86	20.9%	13,187	17.8%	5,640	26.6%	892,190	25.9%	22.1%
Upper	216	52.6%	51,372	69.4%	8,102	38.2%	1,625,370	47.2%	40.8%
Unknown	8	1.9%	965	1.3%	565	2.7%	95,235	2.8%	
Total	411		74,062		21,204		3,440,150		
2019									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	42	11.9%	2,037	3.4%	1,966	8.8%	196,240	5.0%	19.9%
Moderate	66	18.8%	5,470	9.2%	5,149	23.2%	720,065	18.5%	17.3%
LMI	108	30.7%	7,507	12.6%	7,115	32.0%	916,305	23.6%	37.2%
Middle	74	21.0%	7,843	13.1%	6,015	27.1%	1,000,545	25.7%	22.1%
Upper	160	45.5%	41,136	68.9%	8,324	37.4%	1,825,480	47.0%	40.8%
Unknown	10	2.8%	3,230	5.4%	775	3.5%	145,545	3.7%	
Total	352		59,716		22,229		3,887,875		
GRAND TOTAL									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	92	8.7%	5,440	2.7%	5,228	8.7%	509,849	4.9%	
Moderate	190	17.9%	19,117	9.5%	13,833	23.1%	1,896,533	18.3%	
LMI	282	26.6%	24,557	12.2%	19,061	31.9%	2,406,382	23.2%	
Middle	233	22.0%	34,940	17.4%	16,030	26.8%	2,658,221	25.7%	
Upper	524	49.4%	136,476	68.0%	22,722	38.0%	4,935,461	47.7%	
Unknown	21	2.0%	4,833	2.4%	1,957	3.3%	350,579	3.4%	
Total	1,060		200,806		59,770		10,350,643		

Small Business Loans:

Pioneer’s small business lending demonstrated a less than adequate distribution of loans among businesses of different revenue sizes.

During the evaluation period, Pioneer made 31% by number and 24% by dollar value of small business loans to businesses with annual revenues of \$1 million or less, trailing the aggregate levels of 46.6% and 30.6%, respectively. Additionally, these levels declined in each successive year of the evaluation period. Demographic data show that during the evaluation period, approximately 80% of non-farm businesses in the assessment area had revenues of \$1 million or less.

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

Distribution of Small Business Lending by Revenue Size of Business									
2017									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	62	34.3%	15,631	28.6%	6,889	50.5%	198,176	35.0%	79.4%
Rev. > \$1MM	115	63.5%	35,784	65.5%					6.7%
Rev. Unknown	4	2.2%	3,200	5.9%					13.9%
Total	181		54,615		13,647		566,406		
2018									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	63	30.9%	14,547	22.9%	6,621	44.8%	161,643	28.3%	80.0%
Rev. > \$1MM	122	59.8%	42,640	67.2%					6.5%
Rev. Unknown	19	9.3%	6,282	9.9%					13.5%
Total	204		63,469		14,766		570,489		
2019									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	43	27.4%	5,798	18.1%	7,369	44.9%	173,778	28.7%	81.3%
Rev. > \$1MM	98	62.4%	20,141	62.9%					6.0%
Rev. Unknown	16	10.2%	6,059	18.9%					12.8%
Total	157		31,998		16,403		605,459		
GRAND TOTAL									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	168	31.0%	35,976	24.0%	20,879	46.6%	533,597	30.6%	80.2%
Rev. > \$1MM	335	61.8%	98,565	65.7%					
Rev. Unknown	39	7.2%	15,541	10.4%					
Total	542		150,082		44,816		1,742,354		

Geographic Distribution of Loans: Satisfactory

Pioneer’s HMDA-reportable and small business lending in census tracts of varying income levels demonstrated a reasonable distribution of lending.

HMDA-Reportable Loans:

The distribution of Pioneer's HMDA-reportable loans among census tracts of different income levels was reasonable.

The Bank's rates of lending in low- to moderate-income census tracts were 11.7% by number and 10.9% by dollar value during the evaluation period, comparable with the aggregate's respective rates of 13.8% and 10.9%. Demographic data show that throughout the evaluation period 14.6% of housing units in LMI geographies were owner-occupied.

The following table provides a summary of the distribution of Pioneer'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									
2017									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	10	3.3%	1,085	1.6%	410	2.5%	122,750	3.5%	2.8%
Moderate	30	9.9%	4,449	6.4%	1,999	12.0%	285,293	8.1%	11.8%
LMI	40	13.2%	5,534	8.0%	2,409	14.4%	408,043	11.6%	14.6%
Middle	149	49.3%	32,013	46.4%	9,451	56.6%	1,912,299	54.5%	55.7%
Upper	113	37.4%	31,459	45.6%	4,827	28.9%	1,179,087	33.6%	29.7%
Unknown	0	0.0%	0	0.0%	8	0.0%	6,286	0.2%	0.0%
Total	302		69,006		16,695		3,505,715		
2018									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	8	1.9%	505	0.4%	535	2.5%	102,295	2.6%	2.8%
Moderate	24	5.6%	20,440	14.3%	2,354	11.0%	326,480	8.4%	11.8%
LMI	32	7.5%	20,945	14.7%	2,889	13.5%	428,775	11.0%	14.6%
Middle	230	54.1%	68,800	48.3%	11,936	55.9%	2,143,110	54.9%	55.7%
Upper	163	38.4%	52,818	37.0%	6,528	30.6%	1,333,570	34.1%	29.7%
Unknown	0	0.0%	0	0.0%	11	0.1%	1,385	0.0%	0.0%
Total	425		142,563		21,364		3,906,840		
2019									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	10	2.7%	2,098	1.6%	546	2.4%	82,080	1.7%	2.8%
Moderate	46	12.4%	8,857	6.8%	2,479	11.1%	414,625	8.7%	11.8%
LMI	56	15.1%	10,955	8.4%	3,025	13.5%	496,705	10.4%	14.6%
Middle	190	51.4%	43,985	33.6%	12,320	54.9%	2,621,630	54.7%	55.7%
Upper	124	33.5%	75,972	58.0%	7,070	31.5%	1,629,170	34.0%	29.7%
Unknown	0	0.0%	0	0.0%	9	0.0%	43,385	0.9%	0.0%
Total	370		130,912		22,424		4,790,890		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	28	2.6%	3,688	1.1%	1,491	2.5%	307,125	2.5%	
Moderate	100	9.1%	33,746	9.9%	6,832	11.3%	1,026,398	8.4%	
LMI	128	11.7%	37,434	10.9%	8,323	13.8%	1,333,523	10.9%	
Middle	569	51.9%	144,798	42.3%	33,707	55.7%	6,677,039	54.7%	
Upper	400	36.5%	160,249	46.8%	18,425	30.5%	4,141,827	33.9%	
Unknown	-	0.0%	-	0.0%	28	0.0%	51,056	0.4%	
Total	1,097		342,481		60,483		12,203,445		

Small Business Loans:

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

Pioneer's lending rates in LMI census tracts were 33.6% by number and 27% by dollar value, exceeding the aggregate's rates of 18.9% and 20.9%, respectively. Demographic data show that 22.7% of non-farm businesses were located in LMI geographies.

The following table provides a summary of the distribution of Pioneer’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									
2017									
Geographic	Bank				Aggregate				Bus.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	45	24.9%	8,726	16.0%	1,056	7.8%	56,618	10.0%	10.6%
Moderate	18	9.9%	4,003	7.3%	1,524	11.2%	54,862	9.7%	12.0%
LMI	63	34.8%	12,729	23.3%	2,580	19.0%	111,480	19.7%	22.6%
Middle	77	42.5%	26,453	48.4%	6,753	49.8%	268,035	47.5%	50.1%
Upper	41	22.7%	15,433	28.3%	4,193	30.9%	183,841	32.6%	26.9%
Unknown	0	0.0%	0	0.0%	41	0.3%	1,428	0.3%	0.4%
Total	181		54,615		13,567		564,784		
2018									
Geographic	Bank				Aggregate				Bus.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	31	15.2%	8,710	13.7%	1,222	8.3%	58,225	10.2%	10.7%
Moderate	35	17.2%	10,115	15.9%	1,567	10.7%	66,464	11.7%	11.9%
LMI	66	32.4%	18,825	29.7%	2,789	19.0%	124,689	21.9%	22.6%
Middle	91	44.6%	30,089	47.4%	7,273	49.6%	263,687	46.4%	49.9%
Upper	47	23.0%	14,555	22.9%	4,565	31.1%	179,277	31.5%	27.1%
Unknown	0	0.0%	0	0.0%	37	0.3%	1,132	0.2%	0.4%
Total	204		63,469		14,664		568,785		
2019									
Geographic	Bank				Aggregate				Bus.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	23	14.6%	3,689	11.5%	1,364	8.3%	59,926	9.9%	10.9%
Moderate	30	19.1%	5,230	16.3%	1,699	10.4%	67,148	11.1%	11.9%
LMI	53	33.8%	8,919	27.9%	3,063	18.7%	127,074	21.0%	22.8%
Middle	57	36.3%	12,387	38.7%	8,326	50.8%	294,463	48.6%	49.4%
Upper	47	29.9%	10,692	33.4%	4,983	30.4%	181,616	30.0%	27.4%
Unknown	0	0.0%	0	0.0%	31	0.2%	2,306	0.4%	0.4%
Total	157		31,998		16,403		605,459		
GRAND TOTAL									
Geographic	Bank				Aggregate				Bus.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	99	18.3%	21,125	14.1%	3,642	8.2%	174,769	10.0%	
Moderate	83	15.3%	19,348	12.9%	4,790	10.7%	188,474	10.8%	
LMI	182	33.6%	40,473	27.0%	8,432	18.9%	363,243	20.9%	22.7%
Middle	225	41.5%	68,929	45.9%	22,352	50.1%	826,185	47.5%	
Upper	135	24.9%	40,680	27.1%	13,741	30.8%	544,734	31.3%	
Unknown	-	0.0%	-	0.0%	109	0.2%	4,866	0.3%	
Total	542		150,082		44,634		1,739,028		

Action Taken in Response to Written Complaints with Respect to CRA: N/A

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

Community Development Test: Outstanding

Pioneer’s community development performance demonstrated excellent responsiveness to the community development needs of its assessment area through community development loans, qualified investments and community development services, considering Pioneer’s capacity, and the need for and availability of opportunities for community development in its assessment area.

Community Development Lending: Satisfactory

During the evaluation period, Pioneer originated \$21.8 million in new community development loans, and had \$338,217 outstanding from prior evaluation periods. This demonstrated a reasonable level of community development lending over the course of the evaluation period. This evaluation period’s community development loans included seven Paycheck Protection Program (“PPP”) loans made to small businesses impacted by the Covid-19 pandemic, in addition to loans that supported revitalization and stabilization efforts.

Community Development Loans				
Purpose	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Loans	\$000	# of Loans	\$000
Affordable Housing	3	1,659	2	338
Economic Development	4	4,848		
Community Services	14	4,299		
Revitalize/Stabilize	12	10,977		
Total	33	21,783	2	338

Below are highlights of Pioneer’s community development lending.

- Pioneer originated a \$4.4 million commercial mortgage loan to finance the acquisition of a property to be developed into a mixed-use community complex which will integrate residential housing facilities with shops, restaurants, entertainment and office space. Located in a moderate-income area in Albany County, the project will help revitalize and stabilize a property that was also entitled to Brownfield tax credits and the NYS New Market Tax Credit program.
- Pioneer renewed a \$1.4 million line of credit to a non-profit organization headquartered in Albany, New York. The organization provides community services including education and training to working families, as well as helping workers with financial assistance to deal with the high cost of childcare.
- Pioneer extended a \$1 million line of credit to be used for working capital and capital improvements to an organization that provides community services targeted towards LMI children in various school districts in partnership with other organizations in the Bank’s

assessment area.

- Pioneer renewed a \$1 million line of credit to a non-profit organization that funds the short-term working capital needs of programs that provide food to those in need.
- Pioneer extended a \$1.3 million line of credit to fund working capital requirements of a non-profit organization that aims to end and prevent homelessness in the Capital Region.
- Pioneer, through its participation in the PPP loan program, originated two loans totaling \$3.6 million to a car dealership and lodging company that respectively qualified under revitalization & stabilization and economic development criteria.

Qualified Investments: Outstanding

During the evaluation period, Pioneer made \$22.8 million in new qualified investments, and had none outstanding from prior evaluation periods. In addition, Pioneer made \$203,140 in qualified grants. Additionally, total combined community development investment and grant activity increased 51% from the level of \$15.2 million noted at the prior evaluation. This demonstrated an excellent level of qualified investments and grants over the course of the evaluation period.

Community Development Investments and Grants				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
CD Investments	# of Inv.	\$000	# of Inv.	\$000
Affordable Housing				
Economic Development				
Community Services	4	270		
Revitalize & Stabilize	18	22,480		
Total	22	22,750	0	0
CD Grants	# of Grants	\$000	<i>Not Applicable</i>	
Affordable Housing	7	8		
Economic Development	13	11		
Community Services	113	184		
Other (Please Specify)				
Total	133	203		

Below are highlights of Pioneer’s qualified investments and grants.

- Pioneer invested \$14.6 million in municipal notes used to help fund construction of a new trunk sewer line and related projects such as road rebuilding in Rotterdam, New York. The projects are expected to benefit individuals in a moderate-income census tract.

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- Pioneer invested \$2 million in municipal notes for the reconstruction of a school in a moderate-income level census tract. More than 50% of the school’s students receive free or reduce lunch.
 - Pioneer contributed \$19,000 to an organization that provides services to address housing and support needs, domestic violence, hunger and childcare services.
 - Pioneer contributed \$17,500 to an organization that provides meals, furniture, and education to low-income individuals and families as well as HIV/AIDS-related services to those in need.
 - Pioneer contributed \$14,000 to a not-for-profit organization that provides food to those in need.
 - Pioneer contributed \$10,000 to an organization that seeks to reduce homelessness and provide individuals with food, clothing and employment opportunities.

Community Development Services: Outstanding

Pioneer demonstrated an excellent level of community development services over the course of the evaluation period.

Community Development Services	
Activity Type	Number of Activities
On-Going Board & Committee Memberships	42
Technical Assistance	0
Seminars	3
Credit Counseling	66
Other Services	13
Total Community Development Services	124

Pioneer’s directors, executive officers, managers, and employees served in various capacities as board and/or committee members of community development organizations, providing financial and technical expertise. In addition, the Bank provided financial literacy programs, small business seminars, and volunteer services to nonprofit organizations supporting LMI communities and small businesses within the assessment area.

Below are highlights of Pioneer’s community development services.

- A Bank officer served on the board of a nonprofit organization working with local businesses, schools, and organizations to provide kindergarten to 12th graders with learning programs that foster work-readiness, entrepreneurship and financial literacy skills.

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- Two Bank officers provided leadership assistance by serving on the board and in an advisory role at a Rensselaer County-based human service agency that provides a wide range of services including assistance to those living in poverty, adults with mental illness, HIV/AIDS, domestic violence victims, and children with developmental delays.
 - A Bank executive served on the board of a nonprofit organization that provides meals, furniture, and education to low-income individuals and families as well as HIV/AIDS-related services to those in need.
 - Pioneer sponsored a seminar in conjunction with the Federal Home Loan Bank of New York to provide an overview of the Affordable Housing Program's ("AHP") Grant Program, which provides funds to assist the financing of the purchase, construction, or rehabilitation of owner-occupied housing by LMI individuals and rental units by landlords that reserve at least 20% of the units for low-income individuals.
 - A Bank's executive served on the board of a nonprofit community development organization that provides clinical services, crisis intervention, and in-home parent assistance programs primarily for children with special developmental, emotional, and behavioral needs.

Responsiveness to Community Development Needs:

Pioneer demonstrated an excellent level of responsiveness through community development lending, investments and services.

Additional Factors

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 Board of Directors oversees Pioneer's CRA compliance program through a CRA committee consisting of several officers including the chief risk officer, chief credit officer, CRA officer, and controller. The CRA committee meets quarterly to provide support for the Bank's CRA goals across departmental lines. The CRA officer also reports annually to the Board regarding the Bank's CRA compliance.

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 any practices by Pioneer intended to discourage applications for the types of credit offered by Pioneer.

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

DFS examiners did not note evidence by Pioneer of prohibited discriminatory or other illegal practices.

Record of opening and closing offices and providing services at offices

Pioneer did not open or close any branch offices during the evaluation period. Pioneer did relocate its Colonie branch to a new building in the same middle-income census tract. The new location includes a drive-thru window and more parking space for customers. Pioneer has a total of 22 full-service branches, of which 5 or 22.7% are located in LMI areas.

Distribution of Branches within the Assessment Area							
County	N/A #	Low #	Moderate #	Middle #	Upper #	Total #	LMI %
Albany	0	1	2	5	1	9	33.3%
Greene *	0	0	0	1	1	2	0.0%
Rensselaer	0	1	0	2	1	4	25.0%
Saratoga	0	0	0	2	2	4	0.0%
Schenectady	0	1	0	1	0	2	50.0%
Warren *	0	0	0	1	0	1	0.0%
Total	-	3	2	12	5	22	22.7%

*Partial County

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.*

Pioneer ascertains the credit needs of its community through the involvement of its Board of Directors, its executive and senior managers and employees in various community groups and organizations. During the evaluation period, the Bank created new consumer loan programs in order to meet the credit needs of the community. They were developed based on feedback received from comments and requests from the interaction between the community and branch team.

- *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*

Pioneer extensively advertises via local broadcast and cable television, print media, social media and online. However, DFS examiners noted no marketing activities specifically directed towards LMI communities or small business during the evaluation period.

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

Pioneer made about \$73.5 million in PPP loans as of June 30, 2020, to help New York small businesses impacted by the COVID-19 pandemic.

In 2020, the Bank also granted payment deferments to residential and commercial borrowers totaling, respectively, approximately \$29 million and \$266 million.

GLOSSARY

Aggregate Lending

“Aggregate lending” means 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.

Banking Development District (“BDD”) Program

The BDD Program is a program designed to encourage the establishment of bank branches in areas across New York State where there is a demonstrated need for banking services, in recognition of the fact that banks can play an important role in promoting individual wealth, community development, and revitalization. Among others, the BDD Program seeks to reduce the number of unbanked and underbanked New Yorkers and enhance access to credit for consumers and small businesses. More information about the program, may be found at <https://www.dfs.ny.gov> and search for the BDD Program.

Community Development

“Community development” means:

- Affordable housing (including multifamily housing) for LMI individuals;
- Community services targeted to LMI individuals;
- 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;
- Activities that revitalize or stabilize LMI geographies, designated disaster areas, or distressed or underserved metropolitan middle-income geographies designated by the Board of Governors of the federal Reserve System, FDIC and the Office of Comptroller of the Currency; and
- Activities that seek to prevent defaults and/or foreclosures in loans included in the first and third bullet points above.

Community Development Loan

“Community development loan” means 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 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

“Community development service” means a 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.

Community Development Financial Institution (“CDFI”)

A CDFI is a financial institution that provides credit and financial services to underserved markets and populations and has a primary mission of community development, serves a target market, is a financing entity, provides development services, remains accountable to its community, and is a non-governmental entity. CDFIs are certified as such by United States Treasury Department’s CDFI Fund.

Fair Market Rents (“FMRs”)

Fair Market Rents are published and developed annually by the US Department of Housing and Urban Development (“HUD”) and used to determine rent payments for affordable housing projects such as Section 8 contracts in defined metropolitan statistical areas (“MSAs”) nationwide. For easy reference of annual FMRs in New York MSAs or counties, go to www.huduser.gov/portal/datasets/fmr.html

Geography

“Geography” means 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.

Income level of individual or geography	% of the area median income
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.

LMI Geographies

“LMI geographies” means those census tracts or block numbering areas where, according to the most current 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 Block Numbering Areas (“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

“LMI borrowers” means 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 Federal Financial Institutions Examination Council (“FFIEC”).

LMI Individuals/Persons

“LMI individuals” or “LMI persons” means 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 the FFIEC.

LMI Penetration Rate

“LMI penetration rate” means the percentage of a bank’s total loans (for a particular product) that was extended to LMI geographies or borrowers. For example, if a bank made 20 out of a total of 100 loans in LMI geographies or to LMI borrowers, the penetration rate would be 20%.

Low-Income Housing Tax Credit (“LIHTC”)

LIHTC were 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. The tax credits 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.

Minority Depository Institutions (“MDIs”)

An MDI is defined as a federal insured depository institution for which (1) 51 percent or more of the voting stock is owned by minority individuals; or (2) a majority of the board of directors is minority and the community that the institution serves is predominantly minority. For more of MDIs, go to FDIC.gov (Minority Depository Institutions Program) including list of MDIs.

New Markets Tax Credit (“NMTC”)

The NMTC Program was established by Congress in December 2000 to stimulate economic and community development and job creation in low-income communities. It permits 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 CDFI Fund, an agency of the United States Department of the Treasury.

Qualified Investment

“Qualified investment” means 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.

Paycheck Protection Program (“PPP”) Loans

The Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) temporarily permits the U.S. Small Business Administration (“SBA”) to guarantee 100% of 7(a) loans under a new program titled the “Paycheck Protection Program”. The intent of the PPP is to help small business cover payroll costs providing for forgiveness of up to the full principal of qualifying loans guaranteed under the PPP subject to certain rules including how much or percentage of the loan proceeds a borrower spends on payroll costs. A small business owner can apply through any existing SBA 7(a) lender or through any federally insured depository institution, federally insured credit union, and Farm Credit System institution that is participating. Any amount of the PPP loan that is not forgiven shall be repaid over a 5-year term at a fixed interest rate of 1%.