



**PUBLIC SUMMARY**  
**COMMUNITY REINVESTMENT ACT**  
**PERFORMANCE EVALUATION**  
**OF**  
**PATHFINDER BANK**

**As of September 30, 2021**

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.

# PATHFINDER BANK – CRA PERFORMANCE EVALUATION

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# PATHFINDER BANK – CRA PERFORMANCE EVALUATION

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## I - GENERAL INFORMATION

This document is an evaluation (the “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 September 30, 2021.

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 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 Evaluation.

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### II - OVERVIEW OF INSTITUTION'S PERFORMANCE

The Department evaluated Pathfinder according to the large banking institutions performance criteria pursuant to Sections 76.7, 76.8, 76.9 and 76.10 of the GRS. The evaluation period included calendar years 2019 and 2020 for lending activities and the period from January 1, 2019 to September 30, 2021 for the community development activities. DFS has assigned Pathfinder a rating of “2,” or “Satisfactory”.

This rating is based on the following factors:

#### **A. LENDING TEST:** High Satisfactory

Pathfinder's HMDA-reportable and small business lending activities were highly satisfactory 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.

##### 1. Lending Activity: High Satisfactory

Pathfinder's lending levels were highly satisfactory 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.

Pathfinder had an average LTD ratio of 81.6% which slightly trailed the peer group's average LTD ratio of 84.4%.

##### 2. Assessment Area Concentration: High Satisfactory

During the evaluation period, Pathfinder originated 87.5% by number and 82.2% by dollar value of its total HMDA-reportable and small business loans within the assessment area, demonstrating a highly satisfactory concentration of lending.

##### 3. Geographic Distribution of Loans: Outstanding

Pathfinder's origination of both HMDA-reportable and small business loans in census tracts of varying income levels demonstrated an excellent distribution of lending.

##### 4. Distribution by Borrower Characteristics: High Satisfactory

Pathfinder's one-to-four family HMDA-reportable and small business lending demonstrated a highly satisfactory distribution of loans among individuals of different income levels and businesses of different revenue sizes.

The highly satisfactory distribution was a result of Pathfinder's satisfactory distribution of one-to-

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four family HMDA-reportable loans among individuals of different income levels and the Bank's excellent distribution of small business loans among businesses of different revenue sizes.

### 5. Community Development Lending: Outstanding

During the evaluation period, Pathfinder originated \$44 million in new community development loans and had \$9.4 million outstanding from prior evaluation periods. This demonstrated an excellent level of community development lending over the course of the evaluation period.

## **B. INVESTMENT TEST:** Low Satisfactory

### 1. Qualified Investments

During the evaluation period, Pathfinder made \$1.7 million in new qualified investments and had \$590,783 outstanding from prior evaluation periods. In addition, Pathfinder made \$396,482 in qualified grants. This demonstrated a satisfactory level of qualified investments and grants over the course of the evaluation period.

### 2. Innovativeness of Qualified Investments:

Pathfinder did not use innovative qualified investments to support community development.

### 3. Responsiveness of Qualified Investments to Credit and Community Development Needs:

Pathfinder's qualified investments exhibited satisfactory responsiveness to the assessment area's credit and community development needs.

## **C. SERVICE TEST:** High Satisfactory

### 1. Retail Banking Services: High Satisfactory

Pathfinder has a highly satisfactory branch network, delivery systems, branch hours and services, and alternative delivery systems, including as it relates to LMI individuals.

### 2. Community Development Services: Outstanding

Pathfinder provided an excellent level of community development services. During the evaluation period, members of the Board, 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 based on a review of the 12 assessment factors set forth in Section 28-b of the New York Banking Law and General Regulations of the Superintendent ("GRS") Part 76.*

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### III - PERFORMANCE CONTEXT

#### **A. 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 operates ten full-service branches and a loan production banking office in the City of Utica, Oneida County and outside of the Bank’s assessment area. Seven of the Bank’s branches are located in Oswego County and three in Onondaga County. Pathfinder also offers its customers access to 17 Automated Teller Machines (“ATMs”) available 24-hours a day, seven days a week. Of these 11 ATMs are located in branch offices, of which seven accept deposits. The remaining six ATMs are located offsite at a hospital, grocery stores and restaurants.

Pathfinder offers traditional personal and business deposit products that include checking and saving accounts, certificate of deposits, money market accounts and credit cards. Loan products include personal loans, home equity lines of credit, residential mortgage loans, business lines of credit, small business loans and commercial real estate loans. Services offered by Pathfinder include online, mobile and digital banking which allows for 24/7 access to online account balances and bill pay, as well as remote deposit capture.

In the Consolidated Report of Condition and Income (the “Call Report”) as of December 31, 2020, filed with the Federal Deposit Insurance Corporation (“FDIC”), Pathfinder reported total assets of \$1.2 billion, of which \$811.2 million were net loans and lease financing receivables. It also reported total deposits of \$1 billion, resulting in a LTD ratio of 79.3%. According to the latest available FDIC Deposit Market Share Report as of June 30, 2021, Pathfinder had a market share within its assessment area of 6.81%, with deposits of \$1 billion in a market of \$15.4 billion, ranking it 5th among 15 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, 2019 and 2020 Call Reports:

<b>TOTAL GROSS LOANS OUTSTANDING</b>				
Loan Type	2019		2020	
	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	291,139	37.3	266,389	32.3
Commercial & Industrial Loans	152,674	19.5	194,543	23.6
Commercial Mortgage Loans	180,022	23.0	198,277	24.0
Multifamily Mortgages	14,853	1.9	13,748	1.7
Consumer Loans	81,292	10.4	71,106	8.6
Agricultural Loans	1,296	0.2	1,209	0.1
Construction Loans	51,889	6.6	74,275	9.0
Obligations of States & Municipalities	5,852	0.7	5,118	0.6
Other Loans	1,310	0.2	0	0.0
Lease financing receivables	1,134	0.1	840	0.1
<b>Total Gross Loans</b>	<b>781,461</b>	<b>100.0</b>	<b>825,505</b>	<b>100.0</b>

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As illustrated in the above table, as of December 31, Pathfinder’s loan portfolio is made up of 40.9% in consumer loans, 49.3% in commercial loans and 9% in construction loans.

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

### **B. Assessment Area**

Pathfinder’s assessment area is comprised of the entire counties of Onondaga and Oswego. There are 170 census tracts in the area, of which 23 are low-income, 31 are moderate-income, 68 are middle-income, 42 are upper-income and 6 are tracts with 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
Owsego	1	0	11	18	0	30	36.7
Total	6	23	31	68	42	170	31.8

### **C. 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 4.0% 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 low- and moderate-income census tracts while 83.7% 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 \$123,128.

There were 39,977 non-farm businesses in the assessment area. Of these, 82.2% were businesses with reported revenues of less than or equal to \$1 million, 5.8% reported revenues of more than \$1 million and 12% did not report their revenues. Of all the businesses in the assessment area, 96.4% were businesses with less than fifty employees while 87.1% operated from a single location. The largest industries in the area were services (39.2%), followed by retail trade (13.2%) and finance, insurance and real estate (8.7%), while 17% of businesses in the assessment area were not classified.

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According to the New York State Department of Labor, the average annual unemployment rates for New York State and the two counties in the Bank’s assessment area increased significantly from 2019 to 2020, due to the onset of the COVID pandemic in early 2020. In 2019 the unemployment rate for Oswego County was higher than the rate for Onondaga County and the statewide rate, while in 2020 the statewide rate was the highest. Onondaga County’s annual unemployment rate in 2019 and 2020 was lower than the statewide rate and the rate for Oswego County.

<b>Assessment Area Unemployment Rate</b>			
	<b>Statewide</b>	<b>Onondaga</b>	<b>Oswego</b>
2019	3.8%	3.8%	5.2%
2020	10.0%	8.4%	8.9%
<b>Average of Above Years</b>	<b>6.9%</b>	<b>6.1%</b>	<b>7.1%</b>

### **D. Community Information**

As part of the Evaluation, DFS conducted community contact interviews with the Chief Executive Officer (“CEO”) of a nonprofit housing and community development organization, which is also a certified Community Development Financial Institution (“CDFI”). The organization operates in the Bank’s assessment area and focuses on providing funds for first-time homebuyers and creating equitable housing and financing opportunities for low to moderate-income families and the underserved population. The organization also provides financing to landlords and investors for removal of building hazards, such as lead removal to prevent lead poisoning.

During the interview, the CEO stated that the economic condition in the community is gradually improving; however, there are still issues that prevail such as the need for down-payment assistance programs for first time homebuyers and mortgage programs that allow for a high loan-to-value ratio with a low PMI. The CEO also said that banks should offer financing to landlords and investors specifically to finance the removal of lead and other housing hazards. In addition, the organization stated that it needs banks to purchase more of its loans so that the organization can make more loans and have funds to provide housing counseling for LMI individuals and families.



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### IV - PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

The Department evaluated Pathfinder under the large banking institutions performance criteria 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 PB 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 Evaluation 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.

The evaluation period included calendar years 2019 and 2020 for lending activities and the period from January 1, 2019 to September 30, 2021 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.

As Pathfinder made very few small farm loans, DFS based all analyses on small business lending only.

HMDA-reportable and small business loan data evaluated in this Evaluation represented actual originations.

In its prior Performance Evaluation as of December 31, 2018, DFS assigned Pathfinder a rating of "2," or "Satisfactory" record of helping to meet the credit needs of Pathfinder's community.

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### Current CRA Rating: Satisfactory

#### A. 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 highly satisfactory 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.

##### 1. Lending Activity: High Satisfactory

Pathfinder's lending levels were highly satisfactory 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, 2020, Pathfinder had an average LTD ratio of 81.6% which slightly trailed the peer group's average LTD ratio of 84.4%. The Bank's quarterly LTD ratios ranged from a low of 79.5%, during the 4<sup>th</sup> quarter of 2020 to a high of 86% during 4<sup>th</sup> quarter of 2019.

The table below shows Pathfinder's LTD ratios in comparison with the peer group's ratios for the eight quarters of the evaluation period.

<b>Loan-to-Deposit Ratios</b>									
	2019	2019	2019	2019	2020	2020	2020	2020	Avg.
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Bank	80.4	82.4	81.3	86.0	81.4	81.2	80.2	79.5	81.6
Peer	82.2	83.2	86.7	86.6	86.1	85.4	84.6	80.4	84.4

##### 2. Assessment Area Concentration: High Satisfactory

During the evaluation period, Pathfinder originated 87.5% by number and 82.2% by dollar value of its total HMDA-reportable and small business loans within the assessment area, demonstrating a highly satisfactory concentration of lending.

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a. HMDA-Reportable Loans:

During the evaluation period, Pathfinder originated 86.3% by number and 80.7% by dollar value of its HMDA-reportable loans within the assessment area. This majority of lending inside of its assessment area reflects a highly satisfactory concentration of lending.

b. Small Business Loans:

Pathfinder originated 88.2% by number and 84% 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 highly satisfactory 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>										
2019	243	88.7%	31	11.3%	274	55,100	89.5%	6,462	10.5%	61,562
2020	402	85.0%	71	15.0%	473	68,897	74.8%	23,224	25.2%	92,121
<b>Subtotal</b>	<b>645</b>	<b>86.3%</b>	<b>102</b>	<b>13.7%</b>	<b>747</b>	<b>123,997</b>	<b>80.7%</b>	<b>29,686</b>	<b>19.3%</b>	<b>153,683</b>
<b>Small Business</b>										
2019	209	84.6%	38	15.4%	247	36,604	79.0%	9,721	21.0%	46,325
2020	737	89.3%	88	10.7%	825	67,637	87.0%	10,065	13.0%	77,702
<b>Subtotal</b>	<b>946</b>	<b>88.2%</b>	<b>126</b>	<b>11.8%</b>	<b>1,072</b>	<b>104,241</b>	<b>84.0%</b>	<b>19,786</b>	<b>16.0%</b>	<b>124,027</b>
<b>Grand Total</b>	<b>1,591</b>	<b>87.5%</b>	<b>228</b>	<b>12.5%</b>	<b>1,819</b>	<b>228,238</b>	<b>82.2%</b>	<b>49,472</b>	<b>17.8%</b>	<b>277,710</b>

3. Geographic Distribution of Loans: Outstanding

Pathfinder’s origination of loans in census tracts of varying income levels demonstrated an excellent distribution of lending.

a. HMDA-Reportable Loans:

The distribution of Pathfinder’s HMDA-reportable loans by the income level of the geography was excellent.

During the evaluation period, Pathfinder’s lending rates in LMI census tracts of 24.7% by number and 21.2% by dollar value of HMDA-reportable loans were well above the aggregate’s 12.6% and 8.8%, respectively. The Bank’s lending rates in LMI census tracts were also well above the owner-occupied housing demographics for LMI census tracts.

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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									
2019									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	6	2.5%	1,648	3.0%	214	1.8%	28,410	1.7%	3.0%
Moderate	61	25.1%	15,407	28.0%	1,359	11.5%	132,995	7.8%	13.2%
LMI	67	27.6%	17,055	31.0%	1,573	13.3%	161,405	9.5%	16.2%
Middle	123	50.6%	14,446	26.2%	5,724	48.5%	725,000	42.5%	50.2%
Upper	53	21.8%	23,599	42.8%	4,497	38.1%	818,295	47.9%	33.5%
Unknown		0.0%		0.0%	19	0.2%	2,965	0.2%	0.1%
<b>Total</b>	<b>243</b>		<b>55,100</b>		<b>11,813</b>		<b>1,707,665</b>		
2020									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	5	1.2%	420	0.6%	225	1.5%	33,505	1.4%	3.0%
Moderate	87	21.6%	8,791	12.8%	1,522	10.4%	165,560	7.0%	13.2%
LMI	92	22.9%	9,211	13.4%	1,747	11.9%	199,065	8.4%	16.2%
Middle	226	56.2%	35,014	50.8%	6,751	46.1%	970,725	40.9%	50.2%
Upper	84	20.9%	24,672	35.8%	6,113	41.8%	1,199,335	50.6%	33.5%
Unknown		0.0%		0.0%	18	0.1%	2,900	0.1%	0.1%
<b>Total</b>	<b>402</b>		<b>68,897</b>		<b>14,629</b>		<b>2,372,025</b>		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	11	1.7%	2,068	1.7%		1.7%		1.5%	
Moderate	148	22.9%	24,198	19.5%		10.9%		7.3%	
LMI	159	24.7%	26,266	21.2%	3,320	12.6%	360,470	8.8%	
Middle	349	54.1%	49,460	39.9%		47.2%		41.6%	
Upper	137	21.2%	48,271	38.9%		40.1%		49.5%	
Unknown		0.0%		0.0%		0.1%		0.1%	
<b>Total</b>	<b>645</b>		<b>123,997</b>		<b>26,442</b>		<b>4,079,690</b>		

**b. Small Business Loans:**

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

During the evaluation period, Pathfinder originated 33.1% by number and 31.3% by dollar value of its small business loans in LMI census tracts, outperforming the aggregate’s rates of 19.7% and 20.5%, respectively. This was primarily on its lending performance in moderate-income census tracts. Pathfinder’s annual rates of lending in LMI geographies also exceeded the percentage of small businesses (business demographics) located in LMI geographies.

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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.

<b>Distribution of Small Business Lending by Geographic Income of the Census Tract</b>									
<b>2019</b>									
<b>Geograph</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
<b>Income</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	7	3.3%	1,567	4.3%	686	7.3%	28,228	7.2%	8.8%
Moderate	68	32.5%	10,301	28.1%	1,113	11.9%	43,217	11.0%	13.8%
LMI	75	35.9%	11,868	32.4%	1,799	19.2%	71,445	18.2%	22.6%
Middle	87	41.6%	16,308	44.6%	3,969	42.5%	180,304	46.0%	43.0%
Upper	41	19.6%	5,185	14.2%	3,375	36.1%	124,145	31.7%	31.7%
Unknown	6	2.9%	3,243	8.9%	205	2.2%	15,816	4.0%	2.7%
<b>Total</b>	<b>209</b>		<b>36,604</b>		<b>9,348</b>		<b>391,710</b>		
<b>2020</b>									
<b>Geograph</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
<b>Income</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	35	4.7%	3,058	4.5%	825	7.4%	72,674	9.3%	8.8%
Moderate	203	27.5%	17,700	26.2%	1,413	12.7%	96,457	12.3%	13.4%
LMI	238	32.3%	20,758	30.7%	2,238	20.2%	169,131	21.6%	22.2%
Middle	340	46.1%	28,906	42.7%	4,885	44.0%	352,389	44.9%	42.2%
Upper	145	19.7%	16,044	23.7%	3,703	33.4%	225,480	28.7%	33.1%
Unknown	14	1.9%	1,929	2.9%	277	2.5%	37,587	4.8%	2.6%
<b>Total</b>	<b>737</b>		<b>67,637</b>		<b>11,103</b>		<b>784,587</b>		
<b>GRAND TOTAL</b>									
<b>Geograph</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
<b>Income</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	42	4.4%	4,625	4.4%		7.4%		8.6%	
Moderate	271	28.6%	28,001	26.9%		12.4%		11.9%	
LMI	313	33.1%	32,626	31.3%	4,037	19.7%	240,576	20.5%	
Middle	427	45.1%	45,214	43.4%		43.3%		45.3%	
Upper	186	19.7%	21,229	20.4%		34.6%		29.7%	
Unknown	20	2.1%	5,172	5.0%		2.4%		4.5%	
<b>Total</b>	<b>946</b>		<b>104,241</b>		<b>20,451</b>		<b>1,176,297</b>		

#### 4. Distribution by Borrower Characteristics: High Satisfactory

Pathfinder’s one-to-four family HMDA-reportable and small business lending demonstrated a highly satisfactory distribution of loans among individuals of different income levels and businesses of different revenue sizes.

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The highly satisfactory distribution was a result of Pathfinder's just satisfactory distribution of one-to-four family HMDA-reportable loans among individuals of different income levels and the Bank's excellent distribution of small business loans among businesses of different revenue sizes.

a. One-to-Four Family HMDA-Reportable Loans:

Pathfinder's one-to-four family HMDA-reportable lending demonstrated a just satisfactory distribution of loans among individuals of different income levels.

Pathfinder's average rates of lending to LMI borrowers of 25.8% by number and 13.8% by dollar value trailed the aggregate's average rates of 31.3% and 21.6%, respectively. In addition, the Bank's annual rate of lending to both low- and moderate-income borrowers trailed aggregate levels in each year during the evaluation period. Of the families living in the assessment area during the evaluation period, 39% were LMI families.

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

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<b>Distribution of One-to-Four Family Loans by Borrower Income</b>									
<b>2019</b>									
<b>Borrower</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Fam.Dem.</b>
<b>Income</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	20	8.6%	1,081	3.4%	1,373	11.7%	103,535	7.0%	22.1%
Moderate	52	22.3%	4,358	13.8%	2,937	25.0%	285,915	19.3%	16.9%
LMI	72	30.9%	5,439	17.2%	4,310	36.8%	389,450	26.3%	39.0%
Middle	54	23.2%	6,491	20.5%	2,918	24.9%	341,520	23.1%	20.2%
Upper	91	39.1%	17,875	56.5%	4,176	35.6%	707,000	47.8%	40.9%
Unknown	16	6.9%	1,856	5.9%	323	2.8%	42,315	2.9%	
<b>Total</b>	<b>233</b>		<b>31,661</b>		<b>11,727</b>		<b>1,480,285</b>		
<b>2020</b>									
<b>Borrower</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Fam.Dem.</b>
<b>Income</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	23	5.8%	1,441	2.3%	1,017	7.0%	84,325	3.9%	22.1%
Moderate	68	17.1%	6,025	9.7%	2,911	20.0%	310,735	14.5%	16.9%
LMI	91	22.9%	7,466	12.1%	3,928	27.0%	395,060	18.4%	39.0%
Middle	80	20.1%	8,544	13.8%	3,650	25.1%	464,690	21.7%	20.2%
Upper	196	49.2%	42,552	68.8%	6,362	43.7%	1,180,340	55.0%	40.9%
Unknown	31	7.8%	3,290	5.3%	623	4.3%	106,065	4.9%	
<b>Total</b>	<b>398</b>		<b>61,852</b>		<b>14,563</b>		<b>2,146,155</b>		
<b>GRAND TOTAL</b>									
<b>Borrower</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Fam.Dem.</b>
<b>Income</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	43	6.8%	2,522	2.7%		9.1%		5.2%	
Moderate	120	19.0%	10,383	11.1%		22.2%		16.5%	
LMI	163	25.8%	12,905	13.8%	8,238	31.3%	784,510	21.6%	
Middle	134	21.2%	15,035	16.1%		25.0%		22.2%	
Upper	287	45.5%	60,427	64.6%		40.1%		52.0%	
Unknown	47	7.4%	5,146	5.5%		3.6%		4.1%	
<b>Total</b>	<b>631</b>		<b>93,513</b>		<b>26,290</b>		<b>3,626,440</b>		

**b. Small Business Loans:**

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

Pathfinder in 2020, originated 582 Small Business Administration (“SBA”) Payment Protection Program (“PPP”) loans for a total of \$42.5 million in its assessment area. As PPP loans do not require the collection of revenue for approval, they were excluded from the “Distribution of Small Business by Revenue Size of the Business” analysis so not to negatively impact the result. The origination of PPP loans is considered to be responsive to the needs of small businesses for CRA purposes.

During the evaluation period, Pathfinder originated 50.8% by number and 34.8% by dollar value of loans to businesses with gross annual revenue of \$1 million or less, outperforming the aggregate’s rates of 39.6% and 23.2%, respectively. The assessment area business demographics

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for small businesses with revenue of less than \$1 million ranged from 79.7% to 82.2% during 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>2019</b>									
<b>Rev. Size</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem</b>
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	123	58.9%	14,294	39.1%	4,112	44.0%	114,055	29.1%	79.7%
Rev. > \$1MM	84	40.2%	21,010	57.4%					6.8%
Rev. Unknown	2	1.0%	1,300	3.6%					13.6%
<b>Total</b>	<b>209</b>		<b>36,604</b>		<b>9,348</b>		<b>391,710</b>		
<b>2020</b>									
<b>Rev. Size</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem</b>
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	62	40.0%	7,196	28.6%	3,985	35.9%	158,668	20.2%	82.2%
Rev. > \$1MM	58	37.4%	13,157	52.4%					5.8%
Rev. Unknown	35	22.6%	4,772	19.0%					12.1%
<b>Total</b>	<b>155</b>		<b>25,125</b>		<b>11,103</b>		<b>784,587</b>		
<b>GRAND TOTAL</b>									
<b>Rev. Size</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem</b>
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	185	50.8%	21,490	34.8%	8,097	39.6%	272,723	23.2%	
Rev. > \$1MM	142	39.0%	34,167	55.3%					
Rev. Unknown	37	10.2%	6,072	9.8%					
<b>Total</b>	<b>364</b>		<b>61,729</b>		<b>20,451</b>		<b>1,176,297</b>		

### 5. Community Development Lending: Outstanding

During the evaluation period, Pathfinder originated \$44 million in new community development loans and had \$9.4 million outstanding from prior evaluation periods. This demonstrated an excellent level of community development lending over the course of the evaluation period.

<b>Community Development Loans</b>				
Purpose	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Loans	\$000	# of Loans	\$000
Affordable Housing	1	1,160		
Economic Development	6	14,882		
Community Services	13	12,530	1	1,739
Revitalization/Stabilization	25	15,517	3	7,643
<b>Total</b>	<b>45</b>	<b>44,089</b>	<b>4</b>	<b>9,382</b>



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Below are highlights of Pathfinder’s community development lending.

- Pathfinder originated a \$8 million commercial mortgage to assist in the purchase of a property to be converted into a behavioral health services unit for a local hospital in the Bank’s assessment area. The hospital provides various healthcare services to residents of the county and neighboring counties. The hospital also provided COVID related care to the community during the pandemic and generates a large share of its revenue from Medicaid and Medicare.
- The Bank originated a \$3.8 million commercial mortgage to fund the purchase and renovation of a commercial property located in a moderate-income census tract in Fulton County into an assisted living facility creating new employment opportunities for local residents.
- Pathfinder originated a \$1.2 million commercial mortgage to finance the purchase of three multifamily properties located in a low-income census tract in Syracuse, NY. The properties contain a total of 45 residential units, which all rent below the area’s fair market rent. Therefore, providing affordable housing to LMI individuals and families.

### **Flexible and/or Innovative Lending Practices:**

Pathfinder made significant use of flexible or innovative lending practices. Pathfinder offers flexible lending products to address the needs of the assessment area. These include the following:

- *SBA PPP loans:*  
In 2020, Pathfinder originated 582 PPP loans totaling \$42.5 million within its assessment area. Those PPP loans provided economic relief to small businesses that have been adversely impacted by the COVID-19 pandemic. Pathfinder also accepted PPP loan applications from a local credit union’s (certified CDFI).
- *United States Department of Agriculture (“USDA”) Section 502 Direct Loan Program:*  
As an approved USDA lender, Pathfinder made mortgage loans to low- and moderate-income borrowers through the program in eligible rural areas. The program provides a 90% loan note guarantee to the bank reducing the risk of extending loans with 100% loan-to-value. Pathfinder originated two loans through this program totaling \$204,124 during the evaluation period.
- *Federal Home Loan Mortgage Corporation (“Freddie Mac”) First Home Club*  
The program is for qualified first-time homebuyers that meet specific criteria as first-time homebuyer. Assistance is provided in the form of a \$10,000 grant (\$500 of which to cover homeownership counseling, if applicable). Qualified borrower’s total household income cannot exceed 80% of the area median income, adjusted for family size. Pathfinder originated 33 loans under this program with a total dollar volume of \$2.9 million.

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- *Federal National Mortgage Association (“Fannie Mae”) HomeReady:*  
This program offers financing of up to 97% loan-to-value for purchase or refinance of a single-family principal residence.

**B. INVESTMENT TEST:** Low Satisfactory

*The Department 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.*

1. Qualified Investments

During the evaluation period, Pathfinder made \$1.7 million in new qualified investments and had \$590,783 outstanding from prior evaluation periods. In addition, Pathfinder made \$396,482 in qualified grants. This demonstrated a just satisfactory level of qualified investments and grants over the course of the evaluation period.

<b>Qualified Investments and Grants</b>				
	<b>This Evaluation Period</b>		<b>Outstandings from Prior Evaluation Periods</b>	
CD Investments	# of Inv.	\$000	# of Inv.	\$000
Affordable Housing	1	501	1	563
Economic Development			2	28
Community Services				
Revitalization/Stabilization	1	1,180		
<b>Total</b>	<b>2</b>	<b>1,681</b>	<b>3</b>	<b>591</b>
CD Grants	# of Grants	\$000	<i>Not Applicable</i>	
Affordable Housing	3	1		
Economic Development	14	43		
Community Services	80	250		
Revitalization/Stabilization	8	102		
<b>Total</b>	<b>105</b>	<b>396</b>		

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

- In 2020, Pathfinder invested \$1.2 million in a local city’s municipal bond. The median family income of the city is 56% of the New York state level and 86% of the students in the city’s school district are eligible for free or reduced lunch program.
- Pathfinder donated a total of \$110,424 as community service to a local hospital whose

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mission is to provide quality medical and health care to low- to moderate-income people who cannot otherwise afford such services..

- Pathfinder donated a total of \$37,750 to a nonprofit organization which is engaged in funding revitalization of neighborhoods and communities within a city in Oswego County, which primarily contains moderate-income census tracts.

### 2. Innovativeness of Qualified Investments:

Pathfinder did not use innovative qualified investments to support community development.

### 3. Responsiveness of Qualified Investments to Credit and Community Development Needs:

Pathfinder qualified investments exhibited a just satisfactory responsiveness to the assessment area's credit and community development needs.

## **C. SERVICE TEST: High Satisfactory**

The Department 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.

The Department 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.

### 1. Retail Banking Services: High Satisfactory

Pathfinder has a highly satisfactory branch network, delivery systems, branch hours and services, and alternative delivery systems, including as it relates to LMI individuals.

#### a. Current distribution of the banking institution's branches:

Pathfinder has a highly satisfactory distribution of branches within its assessment area.

Pathfinder operates ten full-service branches. Seven are located in Oswego County and three located in Onondaga County. Four branches were located in moderate income tracts and six were

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located in middle- and upper-income census tracts. The Bank also operates a loan production office in the City of Utica, Oneida County outside of its assessment area.

<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>
Onondaga				1	2	3	0%
Oswego			4	3		7	57%
<b>Total</b>	-	-	4	4	2	10	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, including LMI geographies and/or LMI individuals.

Pathfinder did not open or close any branches during the current evaluation period.

**c. Availability and effectiveness of alternative systems for delivering retail services:**

Pathfinder’s delivery systems are highly accessible to significant portions of the Bank’s assessment area, including LMI geographies and individuals.

- Pathfinder offers its customers access to 17 ATMs. Eleven of these ATMs are located in branch offices and seven of them have deposit taking capabilities. Six ATMs are located offsite at a hospital, groceries, and restaurants. Eight ATMs were located in moderate income census tracts (47.1%) and nine were located in middle- and upper-income census tracts (52.9%).
- Digital Banking is offered for free to all Pathfinder customers through its website and mobile app. Customers can access their account 24 hours, 7 days a week online from their phone or computer and get account history, real time balances, reorder checks, pay bills and transfer money between accounts.
- The Bank offers Electronic Benefit Transactions (EBT) free of charge to cardholders via ATMs throughout the Quest network.

**d. Range of services provided:**

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

The Bank’s branch hours were Monday through Wednesday 9:00 AM to 4:00 PM, Thursday and Friday 9:00 AM to 5:00 PM. In addition, eight branches offer Saturday hours from 9:00 AM to

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12:00 PM and six offer drive-thru service Monday through Wednesday 8:00 AM to 5:00 PM, Thursday and Friday 8:00 AM to 6:00 PM, and Saturday 9:00 AM to 12:00 PM.

Pathfinder offered several products that supported LMI individuals, small businesses and community needs, including:

- Its Free and Easy Checking Accounts - offer no monthly service fees, no minimum balance, unlimited check writing, free digital banking, free Visa eRewards debit card and requires only a \$25 deposit to open.
  - Municipal Checking Account – Free unlimited transactions, no service fees, free digital banking, no minimum balance requirement. Additional services include a dedicated municipal banker, remote capture, ACH and free Visa eRewards debit card.
  - Small Business Administration (SBA) Loans – Government-assisted loan program for small businesses that might otherwise have difficulty getting approved. Loans generally require lower down payments and offer extended terms. The program is available to qualifying start-up businesses, as well as existing businesses.
  - Free Business Checking – An account for small businesses with a minimum deposit of \$100 to open and up to 350 transactions monthly, at no charge. The account has no monthly service fee, no minimum monthly balance requirement and includes a free Visa eRewards debit card and digital banking.
2. Community Development Services: Outstanding

Pathfinder provided an excellent level of community development services.

During the evaluation period, members of the Board, 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.

<b>Summary of Qualified Community Development Services</b>	
<b>Activity Type</b>	<b>Number of Activities</b>
On-going Board and Committee membership	83
Technical Assistance	1
Seminars	64
<b>Total Qualified Community Development Services</b>	<b>148</b>

Below are highlights of Pathfinder’s community development services.

- Two board members served on the Board of an economic development organization , serving Central and Northern New York. The organization provides services and resources for small businesses, startup funding resources and addresses issues of poverty and economic disparity in the region.

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- A regional president served as a board member for an organization looking to revitalize a neighborhood located in a local city. The organization seeks to help the neighborhood overcome challenges such as affordable housing, a decline of economic activity, public health, community safety and local property.
- An assistant vice president served as the fundraising chair of a nonprofit organization, which offers a home revitalization grant program intended to help homeowners and property owners rehabilitate their homes that would have otherwise become dilapidated.
- Three employees served as board members of a child advocacy center that serves Oswego County. Its mission is to provide a safe environment that provides services for children that are victims of sexual abuse, physical abuse and trauma.
- Pathfinder employees participated in “Money Smart”, a comprehensive financial education course designed by the FDIC to enhance the financial literacy of students and adults. Topics included banking, budgeting, understanding credit and how to pay for college. The free seminars were held in schools and in partnership with LMI focused community organizations. Events were held onsite as well as remotely via Zoom.

### **D. Additional Factors**

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

1. 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 reviews and approves the Bank’s CRA Statement annually. The CRA Officer provides an annual year-end report to the Board, which reports on the Bank’s assessment area, lending performance, community development lending, and innovative or flexible lending programs.

2. 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 practices by the Bank intended to discourage applications for the types of credit offered by Pathfinder.

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

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

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### 3. 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 the community credit needs through various community and civic affiliations: as board or committee members of local associations, local chambers of commerce, community groups, nonprofit organizations, civic organizations or in partnership with government agencies. The Bank also worked with local municipalities to offer special loan programs.

- 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's advertising channels include radio and cable TV, local magazines, daily and weekly local newspapers, and other traditional methods like direct mail, lobby display materials and special local promotions. The Bank also advertises digitally via paid search, digital display advertisements, sponsored content articles and presence in social media and streaming radio advertisements.

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

### 4. 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

DFS examiners noted no other factors.

**V - 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;



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- 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.

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### **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.

### **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.

<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

### **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.

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### **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](http://FDIC.gov) (Minority Depository Institutions Program) including list of MDIs.

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### **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

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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%.

### **Small Business Loan**

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