

PUBLIC DISCLOSURE

February 18, 2025

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Pathfinder Bank
Certificate Number: 57497

214 West First Street
Oswego, New York 13126

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
New York Regional Office

350 Fifth Avenue, Suite 1200
New York, New York 10118

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

TABLE OF CONTENTS

INSTITUTION RATING	1
DESCRIPTION OF INSTITUTION	3
DESCRIPTION OF ASSESSMENT AREA	4
SCOPE OF EVALUATION	7
CONCLUSIONS ON PERFORMANCE CRITERIA.....	8
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW.....	22
APPENDICES	23
LARGE BANK PERFORMANCE CRITERIA	23
GLOSSARY	25

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**.

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

PERFORMANCE LEVELS	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X	X	X
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			
* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.			

The Lending Test is rated **High Satisfactory.**

- Pathfinder Bank (Pathfinder) lending levels reflect a good responsiveness to the credit needs of its assessment area.
- The bank made a high percentage of its loans in its assessment area.
- The geographic distribution of loans reflects an excellent penetration throughout the assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, good penetration among businesses of varying sizes.
- The bank uses innovative or flexible lending practices to serve the credit needs of its assessment areas.
- Pathfinder made a relatively high level of community development loans.

The Investment Test is rated High Satisfactory.

- Pathfinder has a significant level of qualified community development investments.
- The bank exhibits good responsiveness to credit and community economic development needs.
- The bank rarely uses innovative or complex investments to support community development initiatives.

The Service Test is rated High Satisfactory.

- Delivery systems are readily accessible to all portions of the bank's assessment area, including low- and moderate-income areas.
- The bank's opening and closing of branches has improved the accessibility of its delivery systems, particularly in low- and moderate-income geographies or to low- and moderate-income individuals.
- Services and business hours do not vary in a way that inconveniences certain portions of the bank's assessment area.
- The bank provides a relatively high level of community development services.

DESCRIPTION OF INSTITUTION

Pathfinder is a state-chartered, full-service community bank headquartered in Oswego, New York. Pathfinder serves Oswego and Onondaga Counties in the Central New York Region of New York State. The bank is wholly owned by its parent company, Pathfinder Bancorp, Inc., which is a financial services holding company that also serves Central New York. Pathfinder operates two wholly owned subsidiaries, including:

- Whispering Oaks Development Corporation, which holds and operates foreclosed real estate; and
- Pathfinder Risk Management Company, Inc., which recently sold its entire interest in an insurance brokerage business in Oswego, New York and currently serves no other purpose.

Pathfinder received a “Satisfactory” rating at its previous FDIC Performance Evaluation dated February 14, 2022, based on Interagency Large Institution CRA Examination Procedures.

Operations

Pathfinder operates 12 branch offices and 17 ATMs within Oswego and Onondaga Counties. There is an ATM onsite at each branch, as well as 4 remote ATMs throughout Oswego County. All branches are full service, except for the East Office branch at 34 East Bridge Street, which is a limited-service, drive-thru only location. The bank also operates a loan production office (LPO) in Utica, New York. This LPO is in Oneida County, which is outside of the bank’s assessment area. The LPO offers commercial loans by appointment only and does not accept deposits. Pathfinder did not close any branch offices since the prior evaluation, nor was it involved in any merger or acquisition activity. However, it did open two new branches since the prior evaluation, both within Onondaga County (Southwest Corridor and East Syracuse offices). The East Syracuse office is located within a moderate-income census tract, while the Southwest Corridor office is located in a Not Assigned (NA)-income census tract within the downtown of Syracuse City and is surrounded by numerous other low- and NA-income tracts.

The bank offers a range of deposit and lending products tailored to meet the needs of its local community. Deposit products include personal and commercial checking and savings accounts. Loan products include home mortgage, commercial, and consumer loans. Pathfinder also offers alternative delivery services, including its ATM network, internet banking, electronic bill pay, mobile banking, and mobile person-to-person fund transfers. Pathfinder’s business focus continues to be on small business and residential home mortgage lending, with no relevant changes since the prior evaluation.

Ability and Capacity

As of December 31, 2024, the bank reported total assets of \$1.5 billion and total deposits of \$1.2 billion. Loans are the primary asset at \$919.0 million, while securities total \$427.8 million.

The following table provides a breakdown of the loan portfolio as of December 31, 2024.

Loan Portfolio Distribution		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land	20,522	2.2
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	307,320	33.4
Secured by Multifamily (5 or more) Residential Properties	50,668	5.5
Secured by Non-farm Non-Residential Properties	272,852	29.7
Total Real Estate Loans	651,362	70.8
Commercial and Industrial Loans	194,195	21.1
Agricultural Production and Other Loans to Farmers	54	<0.1
Consumer	71,663	7.8
Obligations of states and political subdivisions in the U.S.	407	<0.1
Other Loans	1,041	0.1
Leases	263	<0.1
Total Loans	918,986	100.0
<i>Source: Report of Condition and Income 12/31/2024</i> <i>Due to rounding, totals may not equal 100.0.</i>		

There are no financial, legal, or other impediments affecting the bank's ability to meet the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas (AAs) within which its performance will be evaluated. Pathfinder designated a single AA located southeast of Lake Ontario that includes all of Oswego and Onondaga Counties. Oswego and Onondaga are two of the three counties that compose the Syracuse, NY Metropolitan Statistical Area (MSA) #45060. Oswego County consists of a mix of rural and urban communities, including the small cities of Oswego and Fulton. Onondaga County consists of primarily suburban and urban communities, including the city of Syracuse, which is the largest population center within the MSA. The following sections discuss economic and demographic information for the AA.

Pathfinder's AA changed during the evaluation period due to the nationally revised metropolitan area delineations published by the United States Office of Management and Budget (OMB), effective February 2023. The OMB published revised demographic data based on the 2020 U.S. Census. Census tract changes in the 2020 census data resulted in an increase of seventeen total tracts, as well as some changes to existing geographic income classifications. As a result, the revised delineation includes a decrease of 4 low-income tracts, an increase of 5 moderate-income tracts, an increase of 12 middle-income tracts, an increase of 2 upper-income tracts, and an increase of 2 tracts with no income designation. Because these changes occurred during the evaluation period, examiners analyzed the bank's 2022 and 2023 lending data using the revised delineations.

Economic and Demographic Data

The AA is composed of 187 census tracts, including 19 low-, 36 moderate-, 80 middle-, 44 upper-, and 8 NA-income census tracts. The following table details the demographic information for this AA.

Demographic Information						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	187	10.2	19.3	42.8	23.5	4.3
Population by Geography	594,041	8.2	17.7	41.3	29.1	3.7
Housing Units by Geography	263,690	8.7	18.8	43.4	26.8	2.4
Owner-Occupied Units by Geography	155,814	2.6	15.0	47.9	34.0	0.4
Occupied Rental Units by Geography	78,132	18.1	26.1	34.7	16.1	5.0
Vacant Units by Geography	29,744	15.5	19.9	42.2	16.8	5.6
Businesses by Geography	55,455	7.7	14.1	41.2	29.6	7.4
Farms by Geography	1,559	2.5	12.8	50.9	32.4	1.4
Family Distribution by Income Level	143,373	22.2	17.2	20.4	40.2	0.0
Household Distribution by Income Level	233,946	24.9	15.6	17.7	41.8	0.0
Median Family Income: MSA 45060 Syracuse, NY MSA		\$79,766	Median Housing Value Median Gross Rent Families Below Poverty Level			\$140,153 \$866 10.4%
Source: 2020 U.S Census and 2023 D&B Data; (*) the NA category consists of geographies that have not been assigned an income classification. Due to rounding, totals may not equal 100.0.						

The analysis of small business loans under the Borrower Profile criterion analyzes the distribution of the bank's small business loans by the gross annual revenue (GAR) of the business for each year. According to 2023 D&B data, there were 55,455 business establishments in the AA. Listed below are the GARs for these businesses:

- 86.5 percent have GARs of \$1 million or less;
- 4.0 percent have GARs of more than \$1 million; and
- 9.5 percent have unknown revenues.

According to Moody's Analytics, the healthcare and education industries, as well as government employment, largely support the local economy. The Syracuse metro area has an above average concentration of state government and private education jobs, with numerous colleges and universities in the area. The metro area also remains a healthcare hub for the Central New York region, which helps to attract new investment by medical service providers. Low business costs and affordable housing, relative to other larger metro areas, also helps to support the local economy. Nonetheless, the area continues to have a high tax burden, low per capita income, and a lack of a dynamic private sector as a growth driver, which all serve to weaken the local economy.

The area's single-family housing prices have risen in recent years, above the national pace, which has been driven by the limited availability of housing stock. The supply of new home construction has not kept up with local demand and many older homes need repair to remain livable. As a result, housing affordability has been adversely impacted relative to local income levels, particularly when coupled with the significant appreciation of home prices and the relatively high home mortgage interest rates.

The unemployment rate for the Syracuse, NY MSA was 3.5 percent as of December 2024, which is slightly lower than the state level of 4.4 percent and the national level of 4.1 percent, for the same timeframe. The unemployment rate for the MSA reflects a stronger local economy relative to the state and nation in general. However, although the AA's unemployment rate is relatively low in historical terms, it masks true economic weakness. A shrinking workforce is pushing the rate lower, with a labor force participation rate of only 58.7 percent. Specifically, older workers are retiring early, and college graduates are leaving the area. The population outmigration trend impedes economic growth and recovery at the local level.

According to Moody's Analytics, the top employers in the AA include: SUNY Upstate Medical University; Walmart, Inc.; St. Joseph's Health; Lockheed Martin; Syracuse University; Crouse Hospital; National Grid; SUNY Oswego; Loretto; and the Target Corp.

Competition

There is strong competition for small business loans within the AA. In 2023, 105 lenders reported 9,782 small business loans. The top ten lenders accounted for 82.4 percent of total loans; however, the top lenders are predominantly large national banks that originate credit cards.

There is also a strong level of competition for 1-4 family home mortgage loans among the area's banks, credit unions, and non-depository mortgage lenders. According to the 2023 aggregate Home Mortgage Disclosure Act (HMDA) data, 197 lenders reported 10,997 1-4 family loan originations and purchases. The ten most prominent home mortgage lenders accounted for 51.2 percent of total market share and were predominantly composed of three multi-billion regional credit unions, a large national home mortgage company, and a large multi-billion and multi-state regional bank.

The AA is also a competitive market for financial services. According to the June 30, 2024 FDIC Deposit Market Share report, 15 financial institutions operated 128 offices within the AA. Of these institutions, Pathfinder ranked fifth with a 7.6 percent deposit market share. The five most prominent institutions accounted for 70.2 percent of all deposits, composed primarily of very large multi-billion and one multi-trillion regional financial institutions serving much larger multi-regional or multi-state areas, in addition to this AA.

Community Contact

Examiners conducted a community contact with a local affordable housing organization to identify the area's primary credit needs. According to the contact, home purchase and home rehabilitation financing are the primary credit needs of the AA, as well as a need for financial literacy and homebuyer education. The contact stated that rising property prices and interest rates in recent years have significantly increased borrowing costs, which adversely affects the housing affordability in the area, particularly impacting low- and moderate-income individuals and families. As a result, the contact stated that there is an ongoing need for local institutions to offer credit products with more flexible lending and underwriting criteria to improve access to credit (i.e. lower downpayment requirements, reduced fees, closing cost assistance, etc.), which would be especially beneficial for low- and moderate-income applicants.

In addition, the contact cited an ongoing need for credit counseling, financial literacy, and homebuyer-related education in the area. This is particularly true for consumers that are unfamiliar with available credit products, the credit application process, and how to meet general personal banking and finance needs.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that home mortgage loan products, including for both home purchase and property rehabilitation loans, represent primary credit needs in the AA. Further, opportunities exist for affordable housing and community development services relating to financial literacy and homebuyer outreach and education.

SCOPE OF EVALUATION

General Information

Examiners used the Interagency Large Institution CRA Examination Procedures to evaluate Pathfinder's performance since the previous evaluation dated February 14, 2022, to the current evaluation date of February 18, 2025. The procedures consist of the Lending, Investment, and Service Tests (see Appendices).

Examiners used full-scope procedures to assess Pathfinder's performance within its AA, and did not consider any affiliate activities for this evaluation.

Activities Reviewed

Examiners analyzed Pathfinder's lending performance using small business and 1-4 family home mortgage loan data, as these loan types represent the bank's major product lines based on a review of bank records, business strategy, loan portfolio composition, and discussions with bank management. Examiners did not analyze small farm lending, as Pathfinder did not make any small farm loans during the review period.

Examiners reviewed all the bank's CRA reportable small business loans for 2022 and 2023. The bank reported 404 small business loans totaling \$76.9 million during the two-year review period. Examiners compared the bank's record of small business lending to D&B demographic data and aggregate small business loan data for each year.

Examiners reviewed all the bank's 1-4 family home mortgage loans for 2022 and 2023, which included residential loans subject to the HMDA data reporting requirements. The reported 445 1-4 family home mortgage loans totaling \$88.9 million during the two-year period. Pathfinder also made 22 multifamily loans totaling \$35.8 million during the review period, which is nominal activity relative to its total HMDA lending. As a result, this evaluation presents the bank's multifamily lending within the Assessment Area Concentration criterion only, since it did not affect the bank's overall performance and rating. Examiners compared the bank's 1-4 family residential lending to 2020 U.S. Census data and aggregate HMDA data for each year.

Under the Lending Test, examiners placed similar weight upon both the small business and 1-4 family loans based on the number of loans originated and discussions with bank management. The lending review included originations only, as the bank does not purchase loans. In addition, while the evaluation presents the number and dollar volume of loans, examiners emphasized performance by number of loans because the number of loans is a better indicator of the number of individuals and businesses served.

Under the Service Test, examiners reviewed the bank's branch network and alternative delivery systems, as well as any impact of branch openings or closings since the prior evaluation, as applicable. Examiners also reviewed retail banking products or services targeted to low- and moderate-income individuals or small businesses.

The CRA evaluation also reviewed the bank's community development loans, investments, and services for the period since the previous CRA evaluation. Qualified investments included new investments and grants, as well as outstanding qualified investments from the prior evaluation.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Pathfinder's Lending Test performance is rated "High Satisfactory." The bank's good performance in the Lending Activity, Assessment Area Concentration, Borrower Profile, Innovative or Flexible Lending Practices, and Community Development Lending criteria primarily support this conclusion. While the bank's performance in the Geographic Distribution factor is excellent, it did not further raise the overall Lending Test assessment.

Lending Activity

Lending levels reflect good responsiveness to AA credit needs. The bank's assets are primarily in loans. As of December 31, 2024, loans totaled \$919.0 million and composed 62.6 percent of total assets. The loan portfolio grew 10.4 percent since the prior evaluation, with a continued focus on commercial and residential lending.

Pathfinder is an active small business lender. During the review period, the bank extended 858 small business loans totaling \$114.7 million within its AA. The 2023 aggregate small business lending data indicated that Pathfinder achieved favorable rankings for its small business lending activity. Specifically, the bank ranked twelfth by number of loans among the 105 lenders that reported one or more small business loan originations and/or purchases, with a market share of 1.5 percent. Notably, most of the institutions that ranked higher than Pathfinder were national multi-billion dollar credit card lenders that originated numerous credit card loans for small dollar amounts, whereas Pathfinder had an average loan size of \$168,000. Given the AA's performance context and the bank's comparatively smaller asset size and resources, Pathfinder's small business lending activity is good.

Pathfinder is also an active 1-4 family home mortgage lender, as it made 754 home loans totaling \$128.2 million in its AA during the review period. The 2023 aggregate HMDA data shows that Pathfinder ranked 22nd out of 197 reporting lenders by number of loans inside the AA, with a market share of 1.5 percent and an average loan size of \$148,000. Examiners noted that most of the institutions that ranked higher than Pathfinder were national multi-billion-dollar mortgage companies and banks, as well as several large multi-billion dollar regional credit unions. Given the AA's performance context and the bank's comparatively smaller asset size and resources, Pathfinder's 1-4 family lending activity is good.

Assessment Area Concentration

Pathfinder made a high percentage of its small business, 1-4 family, and multifamily loans inside its AA. As shown in the following table, the bank originated 81.5 percent of its total loans by number and 75.4 percent by dollar volume inside its AA.

Lending Inside and Outside of the Assessment Area										
	Number of Loans					Dollar Amount of Loans				
Loan Category	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%	#	\$	%	\$	%	\$
1-4 Family										
2022	226	86.3	36	13.7	262	38,506	64.8	20,903	35.2	59,408
2023	159	86.9	24	13.1	183	23,581	79.9	5,936	20.1	29,517
Subtotal	385	86.5	60	13.5	445	62,086	69.8	26,839	30.2	88,925
Multifamily										
2022	15	93.8	1	6.3	16	22,250	89.6	2,574	10.4	24,824
2023	6	100.0	0	0.0	6	10,990	100.0	0	0.0	10,990
Subtotal	21	95.5	1	4.5	22	33,240	92.8	2,574	7.2	35,814
Small Business										
2022	156	74.6	53	25.4	209	31,713	76.0	10,011	24.0	41,724
2023	148	75.9	47	24.1	195	24,927	70.9	10,214	29.1	35,141
Subtotal	304	75.2	100	24.8	404	56,640	73.7	20,225	26.3	76,865
Total	710	81.5	161	18.5	871	151,966	75.4	49,638	24.6	201,604
Source: 2022 and 2023 HMDA Data; 2022 and 2023 CRA Data. Due to rounding, totals may not equal 100.0%.										

Geographic Distribution

The geographic distribution of loans reflects an excellent penetration throughout the AA. Examiners based this conclusion on the bank's excellent small business and 1-4 family lending performance in the low- and moderate-income census tracts.

1-4 Family Loans

The geographic distribution of 1-4 family loans reflects an excellent penetration throughout the AA. Examiners placed more emphasis on the bank's performance within the moderate-income census tracts given the higher concentration of owner-occupied housing units and potential loan opportunities in those areas.

The following table details the geographic distribution of home mortgage loans by tract income level.

Geographic Distribution of 1-4 Family Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2022	2.6	2.5	7	3.1	789	2.0
2023	2.6	3.0	8	5.0	783	3.3
Moderate						
2022	15.0	15.5	51	22.6	7,038	18.3
2023	15.0	16.6	39	24.5	3,763	16.0
Middle						
2022	47.9	46.0	113	50.0	16,349	42.5
2023	47.9	46.2	83	52.2	12,448	52.8
Upper						
2022	34.0	35.5	53	23.5	14,001	36.4
2023	34.0	33.7	28	17.6	6,290	26.7
Not Available						
2022	0.4	0.6	2	0.9	329	0.9
2023	0.4	0.5	1	0.6	296	1.3
Totals						
2022	100.0	100.0	226	100.0	38,506	100.0
2023	100.0	100.0	159	100.0	23,581	100.0
Source: 2020 U.S. Census; and 2022 and 2023 HMDA Data. Due to rounding, totals may not equal 100.0%.						

In 2022, Pathfinder's lending in the low-income tracts slightly exceeded both the demographic data and aggregate performance. In 2023, the bank's percentage of 1-4 family loans within low-income tracts increased and exceeded both the demographic and aggregate comparisons. As a result, the bank's lending performance within low-income geographies during the evaluation period is good.

The bank's percentage of 1-4 family loans within the moderate-income census tracts for each calendar year far exceeded both the demographic and aggregate comparisons and is considered excellent.

Small Business Loans

The geographic distribution of small business loans reflects an excellent penetration throughout the AA. Examiners placed greater weight on the bank's performance within the moderate-income census tracts given the higher concentration of businesses and potential loan opportunities in those areas.

The following table details the distribution of small business loans by tract income level.

Geographic Distribution of Small Business Loans						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2022	7.7	6.1	17	10.9	3,274	10.3
2023	7.7	5.5	8	5.4	1,641	6.6
Moderate						
2022	14.3	16.3	44	28.2	8,850	27.9
2023	14.1	15.3	38	25.7	7,438	29.8
Middle						
2022	42.0	43.9	59	37.8	10,142	32.0
2023	41.2	44.3	67	45.3	10,252	41.1
Upper						
2022	29.1	29.2	29	18.6	7,472	23.6
2023	29.6	30.5	27	18.2	3,550	14.2
Not Available						
2022	6.8	4.6	7	4.5	1,975	6.2
2023	7.4	4.5	8	5.4	2,046	8.2
Totals						
2022	100.0	100.0	156	100.0	31,713	100.0
2023	100.0	100.0	148	100.0	24,927	100.0
Source: 2022 & 2023 D&B Data; 2022 & 2023 Bank Data; 2022 & 2023 CRA Aggregate Data. Due to rounding, totals may not equal 100.0%.						

In 2022, Pathfinder's lending in the low-income tracts exceeded both the demographic data and aggregate performance. In 2023, the bank's percentage of small business loans within low-income tracts dropped and was below the demographic comparison, but still nearly equaled the aggregate lending level. As a result, the bank's lending performance within low-income geographies during the evaluation period is good.

The bank's percentage of small business loans within the moderate-income census tracts for each calendar year far exceeded both the demographic and aggregate comparisons and is considered excellent.

Borrower Profile

The distribution of borrowers reflects, given the demographics of the AA, a good penetration, consistent with the 1-4 family and small business lending performance.

1-4 Family Loans

The distribution of borrowers represents a good penetration of 1-4 family loans among home loan customers of different income levels. Examiners focused on the percentage of home mortgage loans to low- and moderate-income borrowers by the number of loans, as detailed in the following

table.

Distribution of 1-4 Family Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2022	22.2	11.3	24	10.6	2,122	5.5
2023	22.2	9.8	22	13.8	2,072	8.8
Moderate						
2022	17.2	23.6	43	19.0	4,334	11.3
2023	17.2	21.8	44	27.7	3,571	15.1
Middle						
2022	20.4	24.3	52	23.0	6,922	18.0
2023	20.4	23.6	31	19.5	3,282	13.9
Upper						
2022	40.2	31.5	71	31.4	20,879	54.2
2023	40.2	33.2	54	34.0	13,361	56.7
Not Available						
2022	0.0	9.3	36	15.9	4,249	11.0
2023	0.0	11.6	8	5.0	1,295	5.5
Totals						
2022	100.0	100.0	226	100.0	38,506	100.0
2023	100.0	100.0	159	100.0	23,581	100.0
Source: 2020 U.S. Census; and 2022 and 2023 HMDA Data. Due to rounding, totals may not equal 100.0%.						

During 2022, the bank's percentage of 1-4 family loans to low-income borrowers was below the demographic and aggregate comparisons. In 2023, Pathfinder's lending level increased, and though while still below the demographic data, it did exceed the aggregate performance. Since the aggregate data is generally a better indicator of demand, the evaluation gave more weight to this comparison. As a result, the bank's loan penetration among low-income borrowers throughout the entire evaluation period is good.

During 2022, the bank's percentage of loans to moderate-income borrowers exceeded the demographic data, though it was still below aggregate lending performance. In 2023, the bank's lending level increased significantly, as a percentage of total lending, and exceeded both the demographic and aggregate comparisons. given the significant increase in comparison to demographics and aggregate lending data, the bank's loan penetration among moderate-income borrowers throughout the entire evaluation period is good.

Small Business Loans

The distribution of borrowers reflects a good penetration of small business loans among business customers of different sizes. Examiners focused on the percentage of small business loans made to businesses with GARs of \$1 million or less by the number of loans, as detailed in the following table.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2022	83.9	50.0	92	59.0	14,878	46.9
2023	86.5	54.4	87	58.8	12,780	51.3
>\$1,000,000						
2022	4.8	--	63	40.4	16,284	51.3
2023	4.0	--	58	39.2	12,026	48.2
Revenue Not Available						
2022	11.4	--	1	0.6	551	1.7
2023	9.6	--	3	2.0	121	0.5
Totals						
2022	100.0	100.0	156	100.0	31,713	100.0
2023	100.0	100.0	148	100.0	24,927	100.0
<i>Source: 2022 & 2023 D&B Data; 2022, & 2023 Bank Data; 2022 & 2023 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%.</i>						

In 2022 and 2023, Pathfinder's percentage of small business loans to businesses with GARs of \$1 million or less was below demographic data, but it did exceed the aggregate comparisons for both years. Furthermore, the aggregate small business loan data each year showed that the demand for small business loans from businesses with GARs of \$1 million or less was far below what the demographic data suggests. Given that the aggregate data is generally a better indicator of demand, the bank's performance in both 2022 and 2023 was good.

Overall, the bank's lending performance among small businesses was good given its performance relative to loan demand, the level of competition in the area, and Pathfinder's financial capacity and resources.

Innovative or Flexible Lending Practices

Pathfinder uses innovative or flexible lending practices to serve AA credit needs. The bank's performance under this criterion declined compared to the prior evaluation; however, this was specifically due to the bank's extensive participation with the Small Business Administration's (SBA) Paycheck Protection Program (PPP) in response to the COVID-pandemic at the last evaluation, which the SBA terminated in 2021. Examiners noted that for programs outside of the PPP, the bank's performance has improved significantly since the prior evaluation.

The following table shows the loan activity attributed to the bank's innovative or flexible programs.

Innovative or Flexible Lending Programs								
Type of Program	2022		2023		2024		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
USDA Rural Development	1	69	0	0	0	0	1	69
FNMA Home Ready Mortgage	6	636	10	1,100	22	2,182	38	3,918
FHLB Homebuyer Dream	13	1,366	11	1,159	19	1,867	43	4,392
SBA Express	0	0	0	0	4	810	4	810
OHDC Grant Program	0	0	0	0	1	130	1	130
Heroes for Neighbors	2	283	0	0	0	0	2	283
Totals	22	2,354	21	2,259	46	4,989	89	9,602
<i>Source: Bank Records</i>								

The following discusses the lending programs and products in detail:

- The U.S. Department of Agriculture (USDA) Rural Development Loan Guarantee program is an affordable housing program for low- and moderate-income borrowers. The bank provides permanent mortgage financing with flexible underwriting guidelines to low- and moderate-income borrowers seeking to purchase a home. This program allows up to a 100.0 percent loan-to-value (LTV), flexible credit guidelines, 30-year terms, and higher debt-to-income qualifying ratios.
- The Federal National Mortgage Association (FNMA) Home Ready Mortgage program provides relaxed underwriting guidelines for the purchase or refinance of single-family homes. The property must be 1- to 4-family owner-occupied, with a LTV up to 97.0 percent. The program allows flexible sources of funds for the down payment and closing costs, with no minimum contribution requirement from borrower funds. This program targets first-time homebuyers and low- and moderate-income borrowers and requires homebuyer counseling to close on the loan. FNMA administers the program in conjunction with participating banks.
- The Federal Home Loan Bank (FHLB) Homebuyer Dream program provides down payment and closing cost assistance by granting up to \$10,000 in funds to eligible low- and moderate-income first-time buyers. The FHLB administers the program in conjunction with participating banks.
- The bank participates in the SBA Express Loan program. This program is a streamlined version of the SBA 7(a) Loan Program, with a 2-3 day approval timeframe and offers credit with a reduced down payment requirement, reduced loan fees, and less documentation requirements relative to commercial financing.
- In 2024, the bank partnered with Oswego County Housing Development Council, Inc. (OHDC) to assist low-and moderate-income borrowers in purchasing homes through the provision of local grant funds towards closing costs and downpayment requirements. Eligible borrowers must purchase a single-family home at a cost of less than 95.0 percent of the area median housing price.

- In 2022, Pathfinder partnered with the City of Oswego to offer the Heroes for Neighbors program. This program provides grant funds to cover closing costs for low-to moderate-income frontline workers and first responders who bought homes within the City of Oswego.

Community Development Loans

Pathfinder made a relatively high level of community development loans. Community development loans totaled \$38.8 million and represented 2.6 percent of total assets (\$1.5 billion) and 4.2 percent of total loans (\$919.0 million) as of December 31, 2024. Since the prior evaluation, the total number and dollar amount of community development loans decreased; however, this was largely due to the bank's extensive participation with the SBA's PPP in response to the COVID-pandemic and those PPP loans that had qualified as community development loans. Specifically, PPP loans composed a notable portion of the total community loans at the prior evaluation, including 72.7 percent by number and 31.5 percent by dollar volume. As a result, examiners noted that Pathfinder's community development performance outside of the PPP was nearly identical to the prior evaluation. Overall, in light of the strong competition from much larger national and regional banking institutions, the bank's performance is good.

Pathfinder made 10 community development loans totaling \$35.6 million inside its AA, with the remaining loans originated outside the AA in nearby counties in the broader regional area. Although a portion of Pathfinder's community development lending is outside its AA, the evaluation nonetheless gave the bank credit for these loans, as it has been responsive to the community development needs of its AA.

The following table shows the bank's community development lending activity.

Community Development Lending										
Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$	#	\$	#	\$	#	\$	#	\$
2022	0	0	3	10,150	0	0	1	1,400	4	11,550
2023	0	0	0	0	0	0	2	3,360	2	3,360
2024	1	1,877	0	0	1	3,102	4	18,895	6	23,873
Total	1	1,877	3	10,150	1	3,102	7	23,655	12	38,783
<i>Source: Bank Data</i>										

The following are notable examples of the bank's community development loans:

- In 2024, the bank made a \$3.1 million loan to fund the transformation of a previously vacant building into a brewery and restaurant. The loan helped to promote economic development as it created approximately 25 new primarily moderate-income jobs within the area.
- In 2024, the bank made a \$1.9 million loan towards the redevelopment of a former vacant factory site into 38 residential condos. A majority of the condos, or 55.3 percent, are set aside for moderate-income families. These condos will provide affordable home-ownership opportunities to the area and help break the cycle of generational poverty. The bank loan provided temporary bridge financing for construction and rehabilitation costs while the borrower awaited receipt of approved grant monies and permanent funding secured through its partnership with the New York State Division of Housing and Community Renewal's

Affordable Home Ownership Program. This loan is particularly responsive as it addresses an identified need for affordable housing.

- In 2024, the bank made a \$8.2 million loan towards the purchase and renovation of a vacant lot into an office building. The office building is located in a low-income geography and has since been leased to various businesses. The opening of this business resulted in the creation of primarily moderate-income jobs that helped to revitalize and stabilize the low-income area.

INVESTMENT TEST

Pathfinder's Investment Test performance is rated "High Satisfactory", which is an improvement from the prior evaluation. The bank's significant level of Investment and Grant Activity primarily supports this rating.

Investment and Grant Activity

Pathfinder has a significant level of qualified community development investments and grants, occasionally in a leadership position, particularly those that are not routinely provided by private investors. The dollar volume of new qualified investments receives the most weight in the evaluation and drives the bank's overall performance under this factor.

During the evaluation period, Pathfinder had qualified community development investments totaling approximately \$16.1 million by dollar volume, which represents a significant 182.5 percent increase from the prior evaluation. This total includes \$10.0 million in current period investments, \$5.9 million in prior period investments, and approximately \$200 thousand in qualified grants and donations. Approximately 77.8 of total qualified investment and grants directly benefitted Pathfinder's AA. Examiners also qualified a large \$3.0 million nationwide Community Development Financial Institution investment, as this organization's service area includes the bank's AA. The dollar amount of total qualified investments and grants represent about 1.1 percent of total assets (\$1.5 billion) and 3.8 percent of total securities (\$427.8 million) as of December 31, 2024, which is good.

The following table illustrates the bank's new and outstanding prior period investments.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	3	4,706	1	1,159	1	35	0	0	5	5,900
2022	0	0	1	531	0	0	1	519	2	1,050
2023	0	0	8	1,606	0	0	0	0	8	1,606
2024	1	3,000	12	4,359	0	0	0	0	13	7,359
Subtotal	4	7,706	22	7,655	1	35	1	519	28	15,915
Qualified Grants & Donations	8	10	66	90	12	27	19	81	105	208
Total	12	7,716	88	7,745	13	62	20	600	133	16,123

Source: Bank Records

The following are examples of the bank's qualified investments:

- Pathfinder maintains an outstanding \$1.2 million balance on a municipal bond issued by the city of Syracuse prior to the last evaluation. The bond helped finance various infrastructure improvements around the city of Syracuse. Some of those projects include maintenance to the city's water system, sidewalk accessibility, and other infrastructure improvements. Syracuse is composed of 55 census tracts, of which 32 (58.2 percent) are low- and moderate-income; as a result, these improvements directly benefit the low- and moderate-income areas in the city.
- The bank maintains an outstanding \$500,770 investment in the New York State Housing Finance Agency (HFA), which is a public benefit corporation created to finance low- and moderate-income rental housing. HFA issues taxable and tax-exempt bonds to provide mortgage loans to developers of affordable multifamily rental housing. This investment is especially responsive as it helps address an identified need for affordable housing.
- The bank continues to hold a mortgage loan pool secured by loans made to low- and moderate-income borrowers through a Community Development Financial Institution (CDFI) with a current outstanding book value of approximately \$4.2 million. The CDFI primarily serves low- and moderate-income families with a primary focus on affordable housing needs, which is an identified need in the AA.
- In 2024, Pathfinder made a \$3.0 million investment in a CDFI that serves underbanked and underserved communities nationwide, including the broader region where the bank's AA is located, and helps to primarily support affordable housing for low- and moderate-income families and individuals, as well as providing financial assistance for small businesses. Although the CDFI is not located in the Pathfinder's AA, the funding received credit as a qualified investment since the bank has been responsive to the community development needs of its AA.

The bank extended 105 qualified grants and donations totaling \$208,348 to community groups and organizations that support community development initiatives throughout the AA, as well as a few within nearby counties within the broader regional area.

Listed below are several examples of the qualified donations and contributions.

- The bank has committed to help a healthcare organization provide needed services and care within a moderate-income area. Since the previous evaluation, Pathfinder has donated over \$13,550 to projects and initiatives that will provide better services to the community. This is especially responsive as it aligns projects with initiatives that the county and city poverty task forces created.
- Pathfinder made three donations since the previous evaluation totaling \$40,000 to an organization that funds home improvement projects in low- and moderate-income neighborhoods in the AA. These projects help residents in designated neighborhoods improve their properties, including painting the exterior of the home, replacing exterior light fixtures, and repairing porches and sidewalks.

- The bank has donated \$15,109 to an organization that promotes economic growth and development in the AA through seed funding grants for small businesses as well as talent recruitment services to connect emerging businesses with local employees.
- The bank donated \$20,500 to a nonprofit foodbank working to eliminate hunger through food distribution, education, and advocacy.

Responsiveness to Credit and Community Development Needs

Pathfinder exhibits good responsiveness to credit and community economic development needs. The bank's qualified investment and grants are responsive to credit needs by primarily facilitating affordable housing and community services throughout its AA.

Community Development Initiatives

The bank rarely uses innovative or complex investments to support community development initiatives. A majority of the bank's new investments since the prior evaluation consist primarily of CRA-qualified municipal bonds and a CDFI investment. Although these investments support community development, they are not innovative or complex.

SERVICE TEST

Pathfinder's Service Test performance is rated "High Satisfactory." The bank's relatively high level of Community Development Services primarily supports this rating.

Accessibility of Delivery Systems

Delivery systems are readily accessible to all portions of the AA. Examiners assessed the accessibility of delivery systems within the low- and moderate-income census tracts; however, the evaluation places more weight on the bank's performance within the moderate-income areas due to the comparatively higher number of moderate-income tracts and the greater concentration of population in those tracts.

The following table illustrates the distribution of the bank's branches and ATMs by geography income level.

Branch and ATM Distribution by Geography Income Level								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	19	10.2	48,711	8.2	0	0.0	1	5.9
Moderate	36	19.3	105,145	17.7	4	33.3	4	23.5
Middle	80	42.8	245,339	41.3	6	50.0	9	53.0
Upper	44	23.5	172,866	29.1	0	0.0	1	5.9
NA	8	4.3	21,980	3.7	2	16.7	2	11.7
Total	187	100.0	594,041	100.0	12	100.0	17	100.0
<i>Source: 2020 Census Data; Bank Data</i> <i>Due to rounding, totals may not equal 100.0%.</i>								

As shown in the table above, Pathfinder does not operate any branches in the low-income census tracts. However, a majority of Pathfinder's branches are located in Oswego County, which has only

one low-income tract that is located within the city of Fulton. Further, while the bank maintains its Fulton office in a moderate-income geography, it is located within walking distance and readily accessible to this lone low-income tract in Oswego County.

Pathfinder has five branches in the Onondaga County portion of the AA, which has numerous low-income census tracts; however, the tracts are mostly located within the city of Syracuse, where the bank currently has two offices (Pike Block and Southwest Corridor). Notably, Pathfinder's downtown Syracuse branch, Pike Block, and its Southwest Corridor branch are located in NA-income census tracts and are both readily accessible to bank customers residing in numerous other low-income areas within the city of Syracuse, with many tracts nearby and within walking distance.

In addition, while the bank's new East Syracuse office is located in a moderate-income census tract, it is also nearby low-income tracts within the city of Syracuse, which serves to further enhance the offering of bank delivery systems within the low-income geographies in and around the city of Syracuse.

Furthermore, all four of the above highlighted offices are readily served by low-cost public bus transportation, which further increases physical accessibility to all residents and businesses throughout these low-income areas. As a result, 33.0 percent of all branches (4 branches) are readily accessible to both low-income geographies and individuals, which far exceed the percentage of total low-income tracts and the population attributed to those tracts within Pathfinder's AA. Given the area's performance context, the availability of low-cost bus transit, and the four branch's close proximity to numerous low-income tracts, Pathfinder's branches are readily accessible to the low-income areas within the AA.

Pathfinder maintains four branches in the moderate-income census tracts. This distribution, as a percentage of total bank branches, far exceeds the percentage of census tracts and population attributed to the moderate-income tracts. Based on these comparisons, the bank's branches are readily accessible to the AA's moderate-income census tracts.

Pathfinder's ATM network further augments the accessibility of its delivery systems throughout its AA, including low- and moderate-income geographies and individuals. Overall, the accessibility of the bank's ATMs was generally consistent with that of its branch offices.

In addition to ATMs, the bank offers other alternative delivery systems, including online banking, Zelle, and mobile banking. Each of these systems are free to bank customers and are marketed through lobby notices, mailers, general advertising, periodic statement inserts and messaging, and the bank's website. Examiners determined there is reliable broadband and internet service throughout the bank's AA, allowing bank customers effective access to bank services virtually; however, examiners were not able to determine the extent to which Pathfinder's alternative delivery systems benefitted low- and moderate-income individuals or geographies, as such information was not available or currently maintained by the bank.

Changes in Branch Locations

To the extent changes have been made, Pathfinder's opening of branches has improved the accessibility of its delivery systems, particularly in low- and moderate-income geographies and to low- and moderate-income individuals.

Since the previous evaluation, Pathfinder opened two new branch offices, including the East Syracuse and Southwest Corridor offices, which enhanced the availability of its banking facilities and services in and around the city of Syracuse that includes a significant concentration of the total low- and moderate-income geographies. The East Syracuse office is located within a moderate-income geography and is also nearby other low- and moderate-income tracts that compose part of the city of Syracuse. The Southwest Corridor branch is located within the city of Syracuse in a NA-income census tract, which is immediately surrounded by numerous other low- and moderate-income geographies that compose the city of Syracuse. During the evaluation period, the bank did not close any branch offices.

Reasonableness of Business Hours and Services

The bank's services do not vary in a way that inconveniences certain portions of the AA, particularly low- and moderate-income geographies or individuals.

Pathfinder's branches are open normal business hours during the week, with extended hours on Friday. The bank's new East Syracuse branch, which is located within a moderate-income census tract, also offers Saturday hours until noon. All the branches offer drive-up services, with the exception of the Lacona and Pike Block offices, which cannot accommodate drive-up services due to the physical limitations of the buildings. All branches have ATMs available. Customers also have surcharge-free access to over 55,000 ATMs nationwide via the AllPoint ATM network. The bank also offers several free alternative options for customers to conduct banking transactions after regular business hours, including online banking, bill pay, and mobile banking.

Pathfinder offers the following low-cost deposit accounts, which are particularly helpful to low- and moderate-income families and/or small businesses:

- Free and Easy Checking – A non-interest bearing account requiring only \$25 to open. The account has no monthly service charge and no minimum balance requirement.
- Value Checking – A non-interest bearing account requiring only \$25 to open. The account has only a \$25 minimum balance requirement to avoid the \$1 monthly service charge and waives all overdraft protection fees.
- Statement Savings – An interest bearing account requiring \$300 to open. The account has a \$300 minimum daily balance requirement to earn interest and to avoid the \$5 monthly service charge.
- Free Kasasa Saver Account – A non-interest bearing savings account with no minimum balance requirement or monthly maintenance fee.
- Young Investor – A non-interest savings account with no monthly service fees, no minimum balance requirement, and a low \$5 deposit requirement to open.
- Holiday Club – A non-interest bearing savings account with no monthly service fee or minimum balance requirements. The account allows for automatic transfers/deposits, with account funds disbursed 50 weeks after opening.

- Simple Business Checking – A non-interest bearing account requiring \$100 to open. The account has a \$25 monthly service fee with no minimum balance requirements and no per-item transaction fees.
- Free Business Checking – A non-interest bearing account requiring \$100 to open. The account has no monthly service fee, no minimum balance requirement, and allows up to 350 free transactions per month.
- Business Savings Account – A tiered-interest bearing account requiring \$300 to open. The account has a \$300 minimum daily balance requirement to earn interest and to avoid the \$5 monthly service charge.

Pathfinder offers a Change Jar Savings Program, which is a free service for debit card users to build savings with every swipe, which can be particularly helpful to low- and moderate-income individuals and families looking to build up funds in a savings account. Under the program, every purchase rounds to the nearest increment selected by the customer (\$1, \$5, or \$10), with the bank transferring the difference between the purchase amount and the increment amount from the customer's checking account to a savings account. However, the bank will not transfer funds from a checking account if it would cause the balance to become negative or overdrawn.

Pathfinder also offers free and low-cost payroll check cashing services for individuals, which can be particularly beneficial for low- and moderate-income persons. Specifically, bank customers are able to cash payroll checks for free, regardless of the check amount. Non-customers can also cash payroll checks (or any other kind of check) for free if they are \$250 or less, or for \$5 if over \$250.

Community Development Services

Pathfinder provides a relatively high level of community development services.

During the evaluation period, bank directors, officers, and employees provided 116 instances of financial expertise or technical assistance to community development-related organizations in and around the AA. This level of community development services represents a 11.5 percent increase since the prior evaluation, which is good. Substantially all the bank's community development services were made within its AA, with a handful made in the broader regional area immediately nearby the AA. Pathfinder activities primarily addressed the community service and revitalization and stabilization needs of its AA.

The following table illustrates the bank's community development services by year and purpose.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2022	1	10	4	8	23
2023	1	31	5	8	45
2024	1	17	5	9	32
2025 year-to-date	1	6	3	6	16
Total	4	64	17	31	116
<i>Source: Bank Data</i>					

The following are examples of the bank's community development services.

- The bank received credit for 23 financial literacy courses administered in conjunction with the FDIC's Money Smart program, which is responsive to the identified need for financial literacy and education identified within the AA. Several bank managers and employees provided financial literacy training and assisted with the administration of these courses to various organizations that target individuals with limited financial experience or knowledge. The courses include topics on personal banking, budgeting, student loans, and credit.
- A senior vice president served on the Board of a non-profit organization that promotes economic development within the bank's AA by primarily serving small businesses. This organization provides investment incentives and government guaranteed loan programs to businesses within the bank's AA to create and help retain jobs.
- A vice president serves on the Board of a non-profit organization dedicated to promoting affordable housing and eliminating discriminatory housing practices in the AA. The vice president uses his financial expertise to help implement comprehensive fair housing strategies.
- A vice president served on the Board of an organization that seeks to promote economic development through the provision of financial assistance to small businesses within the bank's AA. This non-profit organization provides loans to small businesses via the SBA 504 Loan Program, which offers long-term, below-market, fixed-rate funding for small businesses.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners reviewed the bank's compliance with the laws relating to discrimination and other illegal credit practices, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices.

APPENDICES

LARGE BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) through its lending activities by considering a bank's home mortgage, small business, small farm, and community development /lending. If consumer lending constitutes a substantial majority of a bank's business, the FDIC will evaluate the bank's consumer lending in one or more of the following categories: motor vehicle, credit card, other secured, and other unsecured. The bank's lending performance is evaluated pursuant to the following criteria:

- 1) The number and amount of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, in the bank's assessment area;
- 2) The geographic distribution of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on the loan location, including:
 - i. The proportion of the bank's lending in the bank's assessment area(s);
 - ii. The dispersion of lending in the bank's assessment areas(s); and
 - iii. The number and amount of loans in low-, moderate-, middle- and upper-income geographies in the bank's assessment area(s);
- 3) The distribution, particularly in the bank's assessment area(s), of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on borrower characteristics, including the number and amount of:
 - i. Home mortgage loans low-, moderate-, middle- and upper-income individuals
 - ii. Small business and small farm loans to businesses and farms with gross annual revenues of \$1 million or less;
 - iii. Small business and small farm loans by loan amount at origination; and
 - iv. Consumer loans, if applicable, to low-, moderate-, middle- and upper-income individuals;
- 4) The bank's community development lending, including the number and amount of community development loans, and their complexity and innovativeness; and
- 5) The bank's use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low- and moderate-income individuals or geographies.

Investment Test

The Investment Test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through qualified investments that benefit its assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s). Activities considered under the Lending or Service Test may not be considered under the investment test. The bank's investment performance is evaluated pursuant to the following criteria:

- 1) The dollar amount of qualified investments;
- 2) The innovativeness or complexity of qualified investments;
- 3) The responsiveness of qualified investments to available opportunities; and
- 4) The degree to which qualified investments are not routinely provided by private investors.

Service Test

The Service Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of the bank's systems for delivering retail banking services and the extent and innovativeness of its community development services.

The bank's retail banking services are evaluated pursuant to the following criteria:

- 1) The current distribution of the bank's branches among low-, moderate-, middle-, and upper-income geographies;
- 2) In the context of its current distribution of the bank's branches, the bank's record of opening and closing branches, particularly branches located in low- or moderate-income geographies or primarily serving low- or moderate-income individuals;
- 3) The availability and effectiveness of alternative systems for delivering retail banking services (*e.g.*, RSFs, RSFs not owned or operated by or exclusively for the bank, banking by telephone or computer, loan production offices, and bank-at-work or bank-by-mail programs) in low- and moderate-income geographies and to low- and moderate-income individuals; and
- 4) The range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

The bank's community development services are evaluated pursuant to the following criteria:

- 1) The extent to which the bank provides community development services; and
- 2) The innovativeness and responsiveness of community development services.

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community

development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose bank:
 - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
 - (ii) Benefits the bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

Community Development Service: A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the bank's retail banking services under § 345.24(d).

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always

equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (e.g., geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties,

will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Micropolitan Statistical Area: CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as non-MSA): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more

states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

Upper-Income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

"Urban" excludes the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.