



NEW YORK STATE BANKING DEPARTMENT
CONSUMER SERVICES DIVISION
One State Street
New York, NY 10004

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: December 31, 2009

Institution: Pioneer Savings Bank
21 Second Street
Troy, NY 12180

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 Banking Department concerning the safety and soundness of this financial institution.

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GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of Pioneer Savings Bank (“PSB”) prepared by the New York State Banking Department. The evaluation represents the Banking Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of December 31, 2009..

Section 28-b of the New York State Banking Law, as amended, requires that when evaluating certain applications, the Superintendent of Banks 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 Banking Board implements Section 28-b and further requires that the Banking Department assess the CRA performance records of regulated financial institutions. Part 76 establishes the framework and criteria by which the Department will evaluate the performance. Section 76.5 further provides that the Banking 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 record of meeting community credit needs; and
- (4) substantial noncompliance in meeting community credit needs.

Section 76.5 further requires that the CRA rating and the written summary be made available to the public (“Evaluation”). Evaluations of banking institutions are primarily based on a review of performance tests and standards described in Section 76.7 and 76.12. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York State Banking Law.

For an explanation of technical terms used in this report, please consult the **GLOSSARY** at the back of this document.

OVERVIEW OF INSTITUTION'S PERFORMANCE

PSB's performance was evaluated according to the intermediate small bank performance criteria. The assessment period included calendar years 2007, 2008 and 2009. PSB is rated "1," indicating an "**Outstanding**" record of helping to meet community credit needs. The rating is unchanged from the prior New York State Banking Department Evaluation dated December 31, 2006. This rating is based on the following factors:

Lending Test: "Outstanding"

- ***Loan-to-Deposit ("LTD") Ratio and Other Lending-Related Activities: "Satisfactory"***

PSB's average LTD ratio was reasonable considering its size, business strategy, financial condition, aggregate and peer group activity. Compared to the prior period average LTD of 62.0%, the current average LTD of 74.8% reflected an increase of 20.6%. Management noted that due to economic downturn, high unemployment rates and weakened demand for mortgage lending, PSB redirected some of its lending activities to commercial and business lending. Compared to the previous evaluation period, PSB's lending to small business more than quadrupled in numbers, from an average of 22 loans annually to 101 loans annually.

- ***Assessment Area Concentration: "Outstanding"***

PSB originated 92.3% by number, and 85.2% by dollar value, of its HMDA-reportable and small business loans within its assessment area during the assessment period.

- ***Distribution by Borrower Characteristics: "Outstanding"***

The distribution of loans for both HMDA-reportable and small business loans based on borrower characteristics demonstrated a more than reasonable rate of lending among individuals of different income levels and businesses of different revenue sizes.

Residential mortgage lending activities in the assessment area declined significantly from the prior period to the current evaluation period. Although overall volume declined, in 2007, PSB's HMDA penetration rates to LMI borrowers outperformed the aggregate, both by number of loans (35.0% vs. 27.4%) and dollar volume (23.6% vs. 19.4%). In 2008, PSB slightly outperformed the aggregate based on number of loans (31.0% vs. 29.8%), but slightly underperformed the aggregate based on dollar volume (17.0% vs. 21.1). The 2009 aggregate data were not available for comparison.

PSB's penetration rate to businesses with gross annual revenues of \$1MM or less far exceeded the aggregate's penetration rates in 2007 and 2008; aggregate

data for 2009 were unavailable for comparison. PSB's three-year average penetration rate of 60% was double the aggregate's average penetration rate, and close to the business demographics of 73%.

- ***Geographic Distribution of Loans: "Outstanding"***

The distribution of loans based on lending in census tracts of varying income levels demonstrated an excellent penetration rate of lending. This is based on outstanding performance for HMDA-reportable loans and satisfactory performance for small business loans.

Although PSB's mortgage lending activities declined from the prior period, PSB's penetration rates in HMDA-reportable loans in LMI geographies exceeded both the aggregate penetration ratio and the family demographics.

PSB's penetration rates in geographic distribution of small business loans also exceeded the aggregate but performed below business demographics.

Community Development Test: "Outstanding"

- **Community Development Loans: "Outstanding"**

PSB's community development loans and letters of credit totaled \$11.8 million, of which 96.6% represented new money. More than half of this money funded a single economic development project (details below). The balance of the lending supported nonprofit institutions, community services and affordable housing.

- **Community Development Investments: "Outstanding"**

During the evaluation period, PSB made \$1.93 million in new community development investments, and still had \$1.49 million outstanding from prior evaluation periods. In addition, PSB made \$238.6 thousand in community development grants.

- **Community Development Services: "Outstanding"**

PSB demonstrated an excellent level of community development services over the course of the evaluation period. A total of 22 senior officers of PSB were board members and/or committee members of various civic community organizations. Thirty-nine senior bank officers participated, attended and/or conducted 29 events supporting economic development and community service.

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

PERFORMANCE CONTEXT

Institution Profile:

Chartered in 1889 as a savings and loan association, Pioneer Savings Bank (“PSB”) converted to a mutual savings bank in 1972. PSB is located in Troy, New York. The bank has two wholly-owned subsidiaries: PSB Financial Services, Inc., and Pioneer Commercial Bank, and one affiliate: Tech Valley Title Agency. PSB Financial Services, Inc. was formed to sell non-deposit products such as mutual funds, annuities and retirement plans. In October 2004, Pioneer Commercial Bank (“PCB”) was approved by the New York State Banking Department Banking Board to operate as a limited purpose commercial bank to accept deposits and provide other deposit-related services to municipalities in the Capital Region. Tech Valley Title Agency was formed to provide title insurance services.

PSB’s presence in the assessment area is well-established, having been in the community since 1889. PSB prides itself on being an integral part of the Capital Region. Its marketing materials tout its stake in the local community. Recently, the PSB board of directors unanimously passed a declaration of commitment to remain an independent, mutual, community bank in the Capital Region.

PSB operates from 16 branch locations in the four counties within its assessment area. It also has a remote Automated Teller Machine (“ATM”) located on a community college campus in Rensselaer County. Four branches or 25% of the 16 branch locations are located in low- to moderate-income (“LMI”) areas. Except for the main office in Troy, each branch has a 24-hour ATM.

In 2007, one branch was opened in Albany County in the town of Guilderland, located in a middle-income census tract. No branches were closed during the assessment period.

The Village of Green Island in Albany County was approved by the NYSBD as a “Banking Development District” (“BDD”) in September 2004 through the combined efforts of PSB and the village officials. The Green Island branch was opened in December 2004. Prior to the creation of the BDD, it was considered an underserved area, as the only bank branch (belonging to another financial institution) had closed.

As per the Consolidated Report of Condition (the Call Report) as of December 31, 2009, filed with the Federal Deposit Insurance Corporation (“FDIC”), PSB reported total assets of \$744.3 million, of which \$503.6 million were net loans and lease finance receivables. PSB also reported total deposits of \$643.8 million, resulting in a loan-to-deposit ratio of 78.2%. According to the latest available comparative deposit data as of June 30, 2009, PSB obtained a market share of 2.70%, or \$624.5 million in a market of \$23.1 billion inside its market, ranking it 9th among 26 deposit-taking institutions in its assessment area. The following is a summary of the bank’s loan portfolio, based on Schedule RC-C of the bank’s December 31, 2007, December 31,

2008 and December 31, 2009 Call Reports.

TOTAL GROSS LOANS OUTSTANDING						
Loan Type	12/31/2007		12/31/2008		12/31/2009	
	\$000's	%	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	299,740	66.6	288,183	59.6	274,999	53.9
Commercial Mortgage Loans	58,240	12.9	99,033	20.5	126,070	24.7
Commercial & Industrial Loans	29,552	6.6	29,724	6.1	33,050	6.5
Multifamily Mortgages	20,339	4.5	21,358	4.4	31,434	6.2
Construction Loans	31,782	7.1	24,507	5.1	22,178	4.3
Consumer Loans	10,223	2.3	16,432	3.4	20,126	3.9
Obligations of States & Municipalities	0	0.0	3,268	0.7	1,968	0.4
Other Loans	315	0.1	256	0.1	281	0.1
Agricultural Loans	0	0.0	667	0.1	561	0.1
Lease financing	0	0.0		0.0		0.0
Total Gross Loans	450,191		483,428		510,667	

As illustrated in the above chart, PSB remained primarily a residential real estate lender with 53.9% of its loan portfolio in one-to-four family residential mortgage loans. However, concentration in residential mortgage loans decreased, dropping by 16.8% since the last evaluation period, from 70.7% as of December 31, 2006, to 53.9% as of December 31, 2009. To offset the impact of the weakened market demand for residential real estate properties, the bank rechanneled its real estate lending into financing commercial real estate and small business loans. Combined commercial/industrial and commercial mortgage loans rose by \$92.8 million or 140% from \$66.3 million as of December 31, 2006, to \$159.1 million as of December 31, 2009. In particular, the volume of commercial mortgage loans doubled, as shown in the above chart.

There are no known financial or legal impediments that adversely impacted the bank's ability to meet the credit needs of its community.

Assessment Area:

The bank's assessment area is located in MSA 10680- Albany-Schenectady-Troy, NY, the NYS Capital Region, and includes parts of Albany, Rensselaer and Saratoga Counties, as well as all of Schenectady County.

There are 183 census tracts in the area, of which 20 (10.9%) are low-income, 33 (18.0%) are moderate-income, 84 (45.9%) are middle-income, 45 (24.6%) are upper-income and one (0.5%) census tract has no income indicated.

The chart below shows the breakdown of the assessment area census tracts by income level.

Assessment Area Census Tracts by Income Level							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
Albany (*P)	0	10	10	29	18	67	29.9
Rensselaer (*P)	0	3	8	20	5	36	30.6
Saratoga (*P)	1	0	4	18	10	33	12.1
Schenectady	0	7	11	17	12	47	38.3
Total	1	20	33	84	45	183	29.0
* Partial County							

The assessment area appears reasonable based upon the location of the bank's offices and its lending patterns. There is no evidence that LMI areas have been arbitrarily excluded.

Demographic & Economic Data

The assessment area had a population of 711.8 thousand during the examination period. About 14.2% of the population were over the age of 65 and 20.9% were under the age of 16. Of the 180.2 thousand families in the assessment area, 19.0% were low-income, 17.9% were moderate-income, 22.7% were middle-income and 40.4% were upper-income families. There were 287.2 thousand households in the assessment area, of which 9.6% had income below the poverty level and 2.6% were on public assistance. The MSA median family income within the assessment area was \$54.9 thousand. The U.S. Department of Housing and Urban Development ("HUD") adjusted median family income for the area was \$74.1 thousand in 2009. There were 310 thousand housing units within the assessment area, of which 85.2% were one- to four-family units, and 14.8% were multifamily units. A majority (57.7%) of the area's housing units were owner-occupied, while 38.3% were rental units. Of the 178.8 thousand owner-occupied housing units, 3.3% were in low-income census tracts, 10.1% were in moderate-income census tracts. The median age of the housing stock was 52 years and the median home value in the assessment area was \$106.1 thousand.

There were 59.5 thousand non-farm businesses in the assessment area. Of these, 73.2% were businesses with reported revenues of less than or equal to \$1 million, 5.0% reported revenues of more than \$1 million and 21.9% did not report their revenues. A total of 83.9% of businesses had less than fifty employees and 88.5% of businesses operated from a single location. The largest industries in the area were service providers (47.4%), followed by the retail trade industry (14.8%) and construction (7.9%), while 8.4% of businesses in the assessment area were not classified.

The 2009 Mortgage Foreclosure Law approved on December 15, 2009, requires that a pre-foreclosure notice be sent at least 90 days before the lender commences legal action against all borrowers with home loans. Residents from the four counties in PSB's assessment area received 4.7% of the 57,256 90-day pre-foreclosure notices mailed between February 13, 2010 and May 31, 2010. Schenectady County, at 2.36% was slightly above the state average (2.22%) of pre-foreclosure notices filed while Albany (1.83%), Rensselaer (1.95%) and Saratoga (1.42%) Counties were all below the state average.

According to the New York State Department of Labor, the average unemployment rate for New York State increased by 86.7% from 4.5% in 2007 to 8.40% in 2009. Throughout the three years covered by this evaluation, the unemployment rates in all four counties in PSB's assessment area were lower than the state average.

Assessment Area Unemployment Rate					
	NY State	Albany	Rensselaer	Saratoga	Schenectady
2007	4.50%	3.90%	4.30%	3.70%	4.20%
2008	5.30%	4.80%	5.10%	4.50%	5.00%
2009	8.40%	6.70%	7.40%	6.30%	7.20%

Community Information

According to the Federal Reserve At-A-Glance report of December 2007, the upstate New York economy has been undergoing significant restructuring, with job gains in service sectors and losses in manufacturing. At present, the major sources of jobs in the bank's assessment area are provided by state government, retail shopping malls, hospitals, colleges and universities; all of which are largely considered part of the service sector.

According to the community contacts, the loss of jobs in the area due to the nationwide recession caused a spike in housing foreclosures and some disinvestment in housing stock. This caused some communities, particularly within Schenectady County, to suffer a significant increase in poverty and urban crime. The contacts also noted a widespread brain drain because of the lack of jobs in the assessment area.

The three community contacts interviewed agreed that PSB is an active participant in their community. Although other banks are also servicing the assessment area, they consider PSB their "local bank," one that understands their community, its rich history, and its credit needs. PSB's active role in the assessment area is evident through its ongoing collaboration with local government officials and community-based groups. PSB management's community involvement made the bank more aware of various grant programs available to small businesses and LMI individuals. PSB then used this knowledge to help its clients and members of the business community obtain these grants.

The nonprofit organizations interviewed for this examination were TRIP, Better Neighborhoods, Inc. (“BNI”) and Unity House of Troy (“UH”). TRIP provides opportunities for people of Troy to access decent, safe and affordable housing whether by ownership or by renting, and by working in partnership with neighborhood residents and others to create vibrant communities. BNI helps provide safe, affordable housing for persons with limited resources, promoting homeownership and pride within the Schenectady County and helps stimulate economic development within under-served by providing the appropriate support. UH assists those who are living in poverty, adults living with mental illness or HIV/AIDS, or victims of domestic violence.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

PSB was evaluated under the intermediate small banking institution's performance standards in accordance with Parts 76.7 and 76.12 of the General Regulations of the Banking Board. PSB's performance was evaluated according to the intermediate small bank performance criteria, which consists of the lending test and the community development test. The lending test includes (1) loan-to-deposit ratio and other lending-related activities; (2) assessment area concentration; (3) distribution by borrower characteristics; (4) geographic distribution of loans; and (5) action taken in response to written complaints regarding CRA. The community development test includes: (1) community development lending; (2) community development investments; (3) community development services; (4) innovative or complex practices; and (5) responsiveness to community development needs. The following factors were also considered in assessing the bank's record of performance: the extent of participation by the board of directors or board of trustees in formulating CRA policies and reviewing CRA performance; any practices intended to discourage credit applications, evidence of prohibited discriminatory or other illegal credit practices; record of opening and closing offices and providing services at offices; and 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 Banking Law that reasonably bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community.

Statistics employed in this evaluation were derived from various sources. Bank-specific information was submitted by the bank both as part of the examination process and on its Call Report submitted to the Federal Deposit Insurance Corporation ("FDIC"). Aggregate lending data were obtained from the Federal Financial Institutions Examination Council ("FFIEC") and deposit data were obtained from the FDIC. Loan-to-deposit ratios were calculated from information shown in the bank's Uniform Bank Performance Report ("UBPR") as submitted to the FDIC.

The demographic data referred to in this report were derived from the 2000 U.S. Census and the U.S. Department of Housing and Urban Development ("HUD"). Business demographic data used in this report provide information on US businesses, enhanced by Dun & Bradstreet reports and updated annually. Unemployment data were obtained from the New York State Department of Labor. Some non-specific bank data are only available on a county-wide basis, and were used even where the institution's assessment area includes partial counties.

The assessment period included calendar years 2007, 2008 and 2009.

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

Small business loan aggregate data are shown for comparative purposes. PSB is not required to report this data. As such, PSB is not included in the aggregate data. As PSB did not make any farm loans, all analyses were based on small business lending only. PSB is a HMDA-reporting institution. HMDA-reportable and small business loan data evaluated in this performance evaluation represented actual originations. And, at the request of PSB, letters of credit were evaluated.

PSB's record of HMDA-reportable lending to LMI families and within LMI geographies was given greater weight, as HMDA-reportable lending represented more than $\frac{3}{4}$ of the CRA considered loans made during the evaluation period and almost $\frac{2}{3}$ of the dollars.

PSB received a rating of "1," reflecting an "Outstanding" record of helping to meet community credit needs at its **prior** Performance Evaluation conducted by the New York State Banking Department as of December 31, 2006.

Current CRA Rating: "Outstanding"

Lending Test: "Outstanding"

PSB's small business and HMDA-reportable activities were more than reasonable in light of aggregate and peer group activity and demographics.

Although PSB's average loan-to-deposit ("LTD") ratio showed reasonable performance, PSB's overall performance was "Outstanding", particularly its HMDA-reportable lending to LMI families and in LMI geographies. In addition, as noted in the section on performance context, PSB increased its lending to small businesses. Even during this initial period of growth, PSB's lending to businesses with gross annual revenues of less than or equal to \$1MM was excellent.

Compared to the previous examination, average HMDA-reportable lending in the assessment area declined in number by 43%, a larger decline than the aggregate market, which dropped by 33%. The current penetration ratio of lending to low- to moderate-income ("LMI") borrowers averaged 33.6%, in number, and 20.8%, in dollar value, compared to the LMI penetration ratio at the previous examination of 30.2% and 27.7% respectively. The distribution by geographic income reflected an average penetration ratio of 19.5%, in number, and 15.4%, in dollar value, while previous averages were 14.9% and 12.4% in LMI census tracts.

Small business lending more than quadrupled in number, from an average of 22 loans to 101 loans per year. PSB's current average lending to businesses with revenues of less than \$1MM was 60.2%, in number, and 48.2%, in dollar value, exceeding the previous averages of 49.25% and 40.4%.

Management noted that due to the economic downturn, high unemployment rates and weakened demand for mortgage lending, PSB redirected some of its lending activities to commercial and business lending.

Loan-to-Deposit (LTD) Ratio and other Lending-Related Activities: “Satisfactory”

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

The chart below shows PSB’s LTD ratios in comparison with the peer group’s ratios for the 12 quarters since the prior evaluation. Until the last two quarters of 2009, PSB’s LTD was on an upward trend, and compared to the prior period average LTD of 62.0%, the current average LTD of 74.8% reflected an increase of 20.6%.

Loan-to-Deposit Ratios													
	2007 Q1	2007 Q2	2007 Q3	2007 Q4	2008 Q1	2008 Q2	2008 Q3	2008 Q4	2009 Q1	2009 Q2	2009 Q3	2009 Q4	Avg.
Bank	68.0	68.9	70.4	71.9	72.8	73.0	77.8	78.2	79.2	80.5	79.4	78.2	74.8
Peer	90.0	90.3	91.7	93.8	93.7	94.8	95.7	96.7	92.4	90.9	88.7	87.6	92.2

Assessment Area Concentration: “Outstanding”

PSB originated 92.3% by number, and 85.2% by dollar value, of its HMDA-reportable and small business loans within its assessment area during the assessment period. This substantial majority of lending inside of its assessment area is a more than reasonable record of lending within PSB’s assessment area.

HMDA-Reportable Loans: “Outstanding”

For HMDA-reportable lending, PSB originated 92.5% by number, and 83.9% by dollar value of its loans within the assessment area during the examination period. This substantial majority of lending inside of its assessment area is a more than reasonable record of lending within PSB’s assessment area.

Small Business Loans: “Outstanding”

During the evaluation period, for small business lending, PSB originated 91.6% by number, and 87.5% by dollar value, of its loans within the assessment area. This is an outstanding record of lending within PSB’s assessment area.

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

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Loans in Dollars (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
HMDA-Reportable										
2007	388	93.0%	29	7.0%	417	29,956	75.5%	9,739	24.5%	39,695
2008	287	91.4%	27	8.6%	314	29,109	92.2%	2,469	7.8%	31,578
2009	382	92.7%	30	7.3%	412	43,941	85.2%	7,614	14.8%	51,555
Subtotal	1,057	92.5%	86	7.5%	1,143	103,006	83.9%	19,822	16.1%	122,828
Small Business										
2007	65	91.5%	6	8.5%	71	12,023	81.0%	2,822	19.0%	14,845
2008	132	87.4%	19	12.6%	151	31,529	85.5%	5,336	14.5%	36,865
2009	107	97.3%	3	2.7%	110	17,236	97.2%	502	2.8%	17,738
Subtotal	304	91.6%	28	8.4%	332	60,788	87.5%	8,660	12.5%	69,448
Grand Total	1,361	92.3%	114	7.7%	1,475	163,794	85.2%	28,482	14.8%	192,276

Distribution by Borrower Characteristics: "Outstanding"

The distribution of loans based on borrower characteristics demonstrated a more than reasonable rate of lending among individuals of different income levels and businesses of different revenue sizes.

HMDA-Reportable Loans: "Outstanding"

PSB's HMDA-reportable lending demonstrated a more than reasonable penetration rate of lending among borrowers of different income levels.

Residential mortgage lending activities in the assessment area declined significantly from the prior period to the current evaluation period. (Over the three-year period, on an annualized basis, PSB's number of loans decreased by approximately 42 %.) Although overall volume declined, in 2007, PSB's HMDA penetration rates to LMI borrowers outperformed the aggregate, both by number of loans (35.0% vs. 27.4%) and dollar volume (23.6% vs. 19.4%). In 2008, PSB's HMDA-reportable lending contracted still further, by 28% vs. the prior year. Again, this was a larger contraction than the aggregate's lending which contracted by 23%. Nevertheless, PSB slightly outperformed the aggregate based on number of loans (31.0% vs. 29.8%), but slightly underperformed the aggregate based on dollar volume (17.0% vs. 21.1%). The 2009 aggregate data were not available for comparison, but PSB's lending penetration ratios were similar to its 2007 record. Both PSB and the aggregate's lending penetration ratios were less than the demographics (36.6% LMI). However, almost 20% of the LMI families were below the poverty level, making HMDA-reportable lending to these families difficult, despite the relatively affordably-priced housing stock (median home value = \$106.1 thousand).

According to PSB, weakened demand in mortgage loans caused a significant decline in PSB's HMDA-reportable lending. This was also evidenced by the lower volume of

HMDA-reportable lending done by the aggregate. However, in 2009, PSB's lending activities increased by 33.1% possibly demonstrating a more optimistic environment and renewed resumption of demand for HMDA-reportable loans in the assessment area. It should be noted that during this time period, there were federal government tax credit programs for homebuyers that were in effect.

The following chart provides a summary of the HMDA-reportable lending distribution based on borrower income.

Distribution of HMDA-Reportable Lending by Borrower Income									
2007									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	37	9.7%	1,535	5.4%	1,272	5.9%	97,645	3.2%	19.0%
Moderate	97	25.3%	5,177	18.2%	4,620	21.5%	495,274	16.2%	17.6%
LMI	134	35.0%	6,712	23.6%	5,892	27.4%	592,919	19.4%	36.6%
Middle	104	27.2%	7,554	26.5%	6,067	28.2%	794,655	26.0%	22.7%
Upper	143	37.3%	14,207	49.9%	8,898	41.4%	1,565,168	51.3%	40.4%
Unknown	2	0.5%	0	0.0%	634	3.0%	99,092	3.2%	0.0%
Total	383		28,473		21,491		3,051,834		
2008									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	29	10.5%	1,278	4.9%	1,175	7.1%	94,800	3.8%	19.0%
Moderate	57	20.6%	3,160	12.1%	3,735	22.6%	436,400	17.4%	17.6%
LMI	86	31.0%	4,438	17.0%	4,910	29.8%	531,200	21.1%	36.6%
Middle	74	26.7%	5,358	20.5%	4,668	28.3%	666,841	26.5%	22.7%
Upper	112	40.4%	15,840	60.6%	6,349	38.5%	1,224,058	48.7%	12.8%
Unknown	5	1.8%	486	1.9%	571	3.5%	92,052	3.7%	0.0%
Total	277		26,122		16,498		2,514,151		
2009									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	Data not available				%
Low	49	13.3%	2,214	6.4%	Data not available				19.0%
Moderate	77	20.9%	5,199	15.0%	Data not available				17.9%
LMI	126	34.1%	7,413	21.4%	Data not available				36.9%
Middle	102	27.6%	8,505	24.5%	Data not available				22.7%
Upper	137	37.1%	18,404	53.1%	Data not available				12.8%
Unknown	4	1.1%	345	1.0%	Data not available				0.0%
Total	369		34,667		Data not available				
GRAND TOTAL									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	115	11.2%	5,027	5.6%		6.4%		3.5%	
Moderate	231	22.4%	13,536	15.2%		22.0%		16.7%	
LMI	346	33.6%	18,563	20.8%	10,802	28.4%	1,124,115	20.2%	
Middle	280	27.2%	21,417	24.0%		28.3%		26.3%	
Upper	392	38.1%	48,451	54.3%		40.1%		50.1%	
Unknown	11	1.1%	831	0.9%		3.2%		3.4%	
Total	1,029		89,262						

Small Business Loans: “Outstanding”

The distribution of small business loans based on the revenue size of the business demonstrated a more than reasonable penetration rate of lending among individuals of different income levels and businesses of different revenue sizes.

As noted previously, during this evaluation period, PSB directed more of its efforts to small business lending. Compared to the previous evaluation period, PSB’s lending to small business more than quadrupled in numbers, from an average of 22 loans annually to 101 loans annually.

In 2007, all of PSB’s small business lending was extended to businesses with gross annual revenues of \$1 million or less (“<=1MM GAR”). And while PSB’s small business lending fluctuated during the evaluation period, PSB’s penetration rate to businesses with <=\$1MM GAR, far exceeded the aggregate’s penetration rates in 2007 and 2008; aggregate data for 2009 were unavailable for comparison. PSB’s three-year average penetration rate of 60% was double the aggregate’s average penetration rate, and close to the business demographics of 73%.

The following chart provides a summary of the PSB's small business lending distribution based on revenue size during the evaluation period:

Distribution of Small Business Lending by Revenue Size of Business									
2007									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	65	100.0%	12,023	100.0%	10,328	35.5%	239,741	29.5%	63.0%
Rev. > \$1MM	-	0.0%	-	0.0%					5.6%
Rev. Unknown	-	0.0%	-	0.0%					31.4%
Total	65		12,023		29,063		812,292		
2008									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	61	46.2%	10,573	33.5%	6,164	27.9%	179,597	25.7%	61.6%
Rev. > \$1MM	71	53.8%	20,956	66.5%					5.2%
Rev. Unknown	-	0.0%	-	0.0%					32.2%
Total	132		31,529		22,101		699,821		
2009									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	Data not available				%
Rev. <= \$1MM	57	53.3%	6,688	38.8%					73.2%
Rev. > \$1MM	50	46.7%	10,548	61.2%					5.0%
Rev. Unknown	-	0.0%	-	0.0%					21.9%
Total	107		17,236						
GRAND TOTAL									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	183	60.2%	29,284	48.2%		32.2%		27.7%	
Rev. > \$1MM	121	39.8%	31,504	51.8%					
Rev. Unknown	-	0.0%	-	0.0%					
Total	304		60,788						

Geographic Distribution of Loans: "Outstanding"

The distribution of loans based on lending in census tracts of varying income levels demonstrated an excellent penetration rate of lending.

PSB's mortgage lending activities declined during the evaluation period, as mentioned above, reflecting changes in borrowers' demands and the bank's consequential reallocation of its loan product concentrations. However, even though PSB's mortgage lending activities declined from the prior period, PSB's penetration rates in HMDA-reportable loans in LMI geographies exceeded both the aggregate's and the family demographics. PSB's penetration rates in distribution in small business loans also exceeded the aggregate but performed below business demographics.

HMDA-Reportable Loans: “Outstanding”

The distribution of HMDA-reportable loans based on the income level of the geography demonstrated an excellent penetration rate of lending.

PSB’s lending penetration ratios for number of loans and dollar value of loans in LMI neighborhoods outperformed both the aggregate’s penetration rate and the owner-occupied housing units in 2007 and 2008. PSB’s record in 2008 was particularly impressive, as its penetration ratio was 65% better than the aggregate for the number of loans and more than double for the dollar value of loans. Although 2009 aggregate data were not available for comparison, PSB’s record appeared to remain strong,

The following chart provides a summary of PSB’s HMDA-reportable lending distribution based on the income level of the geography.

Distribution of HMDA-Reportable Lending by Geographic Income of the Census Tract									
2007									
Geographic Income	Bank				Aggregate				OO-HU
	#	%	\$000's	%	#	%	\$000's	%	%
Low	21	5.4%	1,517	5.1%	994	4.6%	90,321	2.9%	3.3%
Moderate	57	14.7%	3,146	10.5%	2,727	12.5%	274,814	8.8%	10.1%
LMI	78	20.1%	4,663	15.6%	3,721	17.1%	365,135	11.7%	13.4%
Middle	211	54.4%	16,837	56.2%	11,294	52.0%	1,592,376	50.9%	51.8%
Upper	99	25.5%	8,456	28.2%	6,716	30.9%	1,171,942	37.4%	34.8%
Unknown		0.0%		0.0%	1	0.0%	120	0.0%	
Total	388		29,956		21,732		3,129,573		
2008									
Geographic Income	Bank				Aggregate				OO-HU
	#	%	\$000's	%	#	%	\$000's	%	%
Low	19	6.6%	2,013	6.9%	625	3.7%	63,430	2.5%	3.3%
Moderate	49	17.1%	4,162	14.3%	1,769	10.6%	188,653	7.4%	10.1%
LMI	68	23.7%	6,175	21.2%	2,394	14.4%	252,083	9.8%	13.4%
Middle	155	54.0%	14,843	51.0%	8,759	52.5%	1,310,331	51.1%	51.8%
Upper	64	22.3%	8,091	27.8%	5,526	33.1%	1,000,964	39.0%	34.8%
Unknown		0.0%		0.0%		0.0%		0.0%	
Total	287		29,109		16,679		2,563,378		
2009									
Geographic Income	Bank				Aggregate				OO-HU
	#	%	\$000's	%	#	%	\$000's	%	%
Low	10	2.6%	1,147	2.6%	<i>Data not available</i>				3.3%
Moderate	50	13.1%	3,908	8.9%					10.1%
LMI	60	15.7%	5,055	11.5%					13.4%
Middle	199	52.1%	19,553	44.5%					51.8%
Upper	123	32.2%	19,333	44.0%					34.8%
Unknown		0.0%		0.0%					
Total	382		43,941						
GRAND TOTAL									
Geographic Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	50	4.7%	4,677	4.5%		4.2%		2.7%	
Moderate	156	14.8%	11,216	10.9%		11.7%		8.1%	
LMI	206	19.5%	15,893	15.4%		15.9%		10.8%	
Middle	565	53.5%	51,233	49.7%		52.2%		51.0%	
Upper	286	27.1%	35,880	34.8%		31.9%		38.2%	
Unknown	-	0.0%	-	0.0%		0.0%		0.0%	
Total	1,057		103,006						

Small Business Loans: "Satisfactory"

The distribution of small business loans based on the income level of the geography of the business demonstrated a reasonable rate of lending.

In 2007, although PSB's penetration rate based on number of loans exceeded the aggregate's penetration rate, its penetration rate for the dollar volume of loans was

lower than the aggregate's. PSB's lending in low-income geographies was always lower than the business demographics, but it's lending penetration rate in moderate-income geographies did exceed the business demographic in 2009.

The following chart provides a summary of PSB's small business lending distribution based on the income level of the geography.

Distribution of Small Business Lending by Geographic Income of the Census Tract									
2007									
Geographic Income	Bank				Aggregate				Bus. Dem
	#	%	\$000's	%	#	%	\$000's	%	
Low	6	9.2%	1,282	10.7%	2,276	7.8%	82,336	10.1%	13.4%
Moderate	7	10.8%	462	3.8%	2,898	10.0%	92,571	11.4%	11.5%
LMI	13	20.0%	1,744	14.5%	5,174	17.8%	174,907	21.5%	24.9%
Middle	25	38.5%	6,088	50.6%	14,002	48.2%	380,844	46.9%	46.6%
Upper	27	41.5%	4,191	34.9%	9,887	34.0%	256,541	31.6%	28.5%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	65		12,023		29,063		812,292		
2008									
Geographic Income	Bank				Aggregate				Bus. Dem
	#	%	\$000's	%	#	%	\$000's	%	
Low	12	9.1%	2,255	7.2%	1,743	7.9%	75,740	10.8%	13.4%
Moderate	10	7.6%	3,028	9.6%	2,184	9.9%	78,798	11.3%	11.5%
LMI	22	16.7%	5,283	16.8%	3,927	17.8%	154,538	22.1%	24.9%
Middle	80	60.6%	18,792	59.6%	10,697	48.4%	329,155	47.0%	46.1%
Upper	30	22.7%	7,454	23.6%	7,477	33.8%	216,128	30.9%	12.8%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	132		31,529		22,101		699,821		
2009									
Geographic Income	Bank				Aggregate				Bus. Dem
	#	%	\$000's	%	#	%	\$000's	%	
Low	11	10.3%	2,739	15.9%	<i>Data not available</i>				13.1%
Moderate	20	18.7%	2,414	14.0%					11.3%
LMI	31	29.0%	5,153	29.9%					24.4%
Middle	52	48.6%	7,821	45.4%					46.2%
Upper	24	22.4%	4,262	24.7%					29.4%
Unknown	0	0.0%	0	0.0%					0.0%
Total	107		17,236						
GRAND TOTAL									
Geographic Income	Bank				Aggregate				Bus. Dem
	#	%	\$000's	%	#	%	\$000's	%	
Low	29	9.5%	6,276	10.3%		7.9%		10.5%	
Moderate	37	12.2%	5,904	9.7%		9.9%		11.3%	
LMI	66	21.7%	12,180	20.0%	9,101	17.8%	329,445	21.8%	
Middle	157	51.6%	32,701	53.8%		48.3%		47.0%	
Upper	81	26.6%	15,907	26.2%		33.9%		31.3%	
Unknown	0	0.0%	0	0.0%		0.0%		0.0%	
Total	304		60,788						

Action Taken In Response to Written Complaints With Respect to CRA: “Satisfactory”

Since the prior CRA evaluation, neither PSB nor the New York State Banking Department has received any written complaints regarding PSB’s CRA performance.

Community Development Test: “Outstanding”

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

Community Development Loans: “Outstanding”

PSB’s community development loans and letters of credit totaled \$11.8 million, of which 96.6% represented new money. More than half of this money funded a single economic development project (details below). The balance of the lending supported nonprofit institutions, community services and affordable housing.

Purpose	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Loans	\$000	# of Loans	\$000
Affordable Housing	6	724.5		
Economic Development	5	6,530.0		
Community Services	12	4,125.6	2	404.1
Total	23	11,380.1	2	404.1

The following is a brief description of some of PSB’s community development loans during the evaluation period:

Economic Development:

- In 2008 and 2009, PSB extended a total of \$6.0 million in construction loans to a mixed-use building project located in a low-income tract in downtown Schenectady. The project utilized various state and local government economic development programs, including the Empire State Development Corporation, Schenectady Metroplex Development Authority, and City of Schenectady Industrial Development Agency.

Community Services

- During the examination period, PSB extended a total of \$1.5 million in letters of credit (“LOCs”) to the Commission on Economic Opportunity for the Greater Capital Region (“CEO”), a nonprofit organization that addresses the needs of the poor by giving low-income individuals the skills, knowledge and opportunities

they need to become self-sufficient. PSB extended a \$500 thousand LOC in 2007; this was renewed both in 2008 and 2009.

- PSB extended a total of \$1.1 million to Workforce Development Institute Inc., a nonprofit corporation dedicated to improving the lives of working families by providing worker education/training for displaced workers. PSB extended a \$100 thousand LOC to the organization in 2007 and an additional \$500 thousand LOC was extended in 2008 and renewed in 2009.
- In 2009, PSB extended a \$500 thousand LOC to Unity House of Troy (“UHT”), a nonprofit organization. This organization is a human services agency that “provides a wide range of services to meet the otherwise unmet needs of people ...who are hurting and struggling”, including victims of domestic violence, children with developmental delays, and individuals living in poverty.

Affordable Housing

- PSB extended a \$136 thousand LOC for working capital and a \$93.5 thousand first mortgage loan to Troy Rehabilitation and Improvement Program (“TRIP”). TRIP is a community development corporation that purchases and rehabilitates distressed properties for resale. In addition, TRIP manages affordable rental units developed under a variety of federal and state programs.
- In 2009, PSB extended a total of \$395 thousand to UHT in mortgage loans to purchase properties for its affordable residence programs. In addition to the community services that this organization offers, UHT provides housing for poor people in the Troy area.

Community Development Investments: “Outstanding”

During the evaluation period, PSB made \$1.93 million in new community development investments, and still had \$1.49 million outstanding from prior evaluation periods. In addition, PSB made \$238.6 thousand in community development grants. This demonstrated an excellent level of community development investments over the course of the evaluation period.

Community Development Investments and Grants				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Inv.	\$000	# of Inv.	\$000
CD Investments				
Affordable Housing	11	\$ 809.8	5	1,493.0
Community Services	6	\$ 882.5		
Total	17	\$ 1,692.3	5	1,493.0
CD Grants	# of Grants	\$000	Not Applicable	
Affordable Housing	2	7.5		
Economic Development	5	34.0		
Community Services	36	197.1		
Total	43	238.6		

Below are some of the highlights of PSB's community development investments and grants.

Investments:

- *Community Preservation Corporation ("CPC")* – CPC is a nonprofit organization whose mission is to stabilize, strengthen and sustain low- and mixed-income communities by providing affordable housing lending to LMI communities. PSB had a prior period investment balance of \$1.2 million and added \$809.8 thousand of new investments.
- *Village of Green Island ("Green Island")* – In September 2004, Green Island was approved as a Banking Development District by NYSBD. PSB invested \$570 thousand in the village's revenue anticipation municipal notes.
- *City of Troy ("Troy")* – PSB invested a total of \$312.5 thousand in the form of revenue anticipation municipal notes. The majority of census tracts in Troy are LMI. The remaining tracts are middle-income tracts; none exceed 100% of the MSA median income.

Grants:

PSB contributed a total of \$126 thousand to United Way, a national nonprofit organization. These grants were earmarked to provide services to LMI communities in the assessment area of PSB.

Additionally, PSB supported a variety of institutions to support: the education of young people, affordable housing, small businesses, senior citizens and LMI individuals and families. Some of the recipients of PSB's grants were Northeast Health Foundation, Community Hospice of Rensselaer, Catholic Charities, The Community Hospice Foundation, and Unity House of Troy. All of these recipients focus their services on LMI

individuals and families.

Community Development Services: “Outstanding”

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

A total of 22 senior officers of PSB were board members and/or committee members of various civic community organizations, ranging from the local chamber of commerce, to civic and community service nonprofit organizations. Some of these organizations include:

Organizations:

- Rensselaer County Regional Chamber – A senior officer is a board member and two other senior bank officers are board committee members. The chamber has an Economic Development Partnership program that strives to develop, support and sustain the long-term economic vitality of the county. Its goal is to expand and develop new business for the region by providing relevant information, contacts and assistance through marketing opportunities to regional, national and international businesses.
- Rensselaer County Habitat for Humanity – Two bank officers are board members and one serves as a committee member. The organization is dedicated to providing affordable housing in the county by renovating and rehabilitating houses.
- Center for Economic Growth (“CEG”) - CEG, a private nonprofit organization, is committed to fostering economic growth in the capital region. CEG helps local companies to grow by offering tactical business development strategies and services. Three senior bank officers serve on the board.
- ROUSE Inc. a Rural Preservation Company – Rouse provides decent, affordable housing for low- to moderate-income seniors in Rensselaer County. A senior bank officer serves on the board.
- Better Neighborhoods, Inc. (“BNI”) - is dedicated to making a positive impact in the assessment area by providing safe, affordable housing for low- to moderate-income individuals and families and by promoting economic development in the underserved neighborhoods by providing support. A senior officer is a member of the finance committee.

Also, during the assessment period, 39 senior bank officers participated, attended and/or conducted 29 events supporting economic development and community service in the assessment area. Some of these services were as follows:

-
- In 2007, 2008 and 2009, PSB was a major sponsor of the Small Business Information Expo at the Saratoga Springs City Center. The expo focused on providing small businesses with information about taxes, health insurance, financing, compliance and worker's compensation.
 - In 2007, 2008 and 2009, PSB teamed up with the SBA Small Business Development Center to present a free seminar on how to use QuickBooks. The free seminar was in such demand that it was repeated three times in 2008.
 - In 2009, PSB sponsored a summer program of the "Academy for Character Education" through Sage Colleges, which targeted underprivileged Troy youth for training in honesty, respect and financial education. PSB received an award from this program for its community-minded support of projects and programs through financial and hands-on involvement. In particular, PSB was cited for participating in financial literacy for elementary students who were residents of the Troy Housing Authority.
 - In 2009, Pioneer participated in the "Get Smart About Credit" program, in which bankers visit local classrooms and community organizations to teach the basics of credit.

Innovative or Complex Practices: "Outstanding"

PSB demonstrated an excellent level of innovative or flexible community development practices. In addition to the community development lending and investment activity noted above, in conjunction with local government initiatives and nonprofit organizations, PSB has an affordable housing program that promotes ownership in its assessment area.

Responsiveness to Community Development Needs: "Outstanding"

PSB demonstrated an excellent level of responsiveness to credit and community development needs. During the assessment period, PSB was very responsive to the needs of its communities. Local nonprofit and business communities reached out to PSB for their banking and credit needs, as evidenced above.

Additional Factors

The extent of participation by the banking institution's board of directors or board of trustees in formulating the banking institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act

The board reviewed and approved the CRA program annually. The bank has a CRA Committee with members from different departments and branches, which is jointly headed by a member of the bank's board of trustees and the bank's CRA officer. The

CRA Committee met annually to monitor the bank’s performance, training and, to make recommendations to senior management. Senior management reported these activities to the board of trustees.

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.*

NYSBD noted no practices that were intended to discourage applications for the types of credit offered by the institution.

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

NYSBD noted no evidence of prohibited discriminatory or other illegal practices.

Record of opening and closing offices and providing services at offices

In 2007, PSB opened a branch in Albany County in the Town of Guilderland, a middle-income census tract. The bank did not close any branches or locations during the examination period.

The chart below shows PSB’s branches by the income level of the census tract.

Distribution of Branches within the Assessment Area						
County	Low #	Moderate #	Middle #	Upper #	Total #	LMI %
*Albany	1	2	1	3	7	43%
*Rensselaer	1	-	2	1	4	25%
*Saratoga	-	-	1	2	3	0%
Schenectady	-	-	1	-	1	0%
Total	2	2	5	6	15	27%

*Partial County

In addition, the PSB branch located at 148 George Street in the Village of Green Island (Albany County) has been designated as a Banking Development District (“BDD”) branch. The BDD is designed to encourage the establishment of bank branches in those areas where there is a demonstrated need for banking services. In its original BDD application, PSB defined two goals for its BDD branch: 1) Provide seniors with access to financial services; and 2) assist area small businesses’ and help promote economic revitalization. NYSBD continues to recommend that the branch remain in the BDD program.

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.

PSB ascertained the credit needs of its community through: communication and meetings with local government officials and community based organizations; senior officers' board memberships with local organizations; direct contact with the general public at branch offices; participation in housing, credit and banking services trade shows and fairs; PSB's Community Development Officer's contacts with nonprofit affordable housing agencies; and direct involvement with PSB's residential mortgage borrowers.

- 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

PSB marketed its affordable housing and FHA programs in local community newspapers and on its website. Each branch also had FHA flyers and displayed posters about these programs.

In addition, there were various local organizations that promoted PSB's affordable housing and other loan programs. Some of these organizations were: Albany Development Agency, Albany Housing Coalition, Inc., Albany County Rural Housing Alliance Inc., Albany Housing Authority, Better Neighborhoods, Capital District Affordable Housing Partnership, and the Federal Home Loan Bank of New York ("FHLBNY").

Other factors that in the judgment of the Superintendent and Banking Board bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community

PSB has further demonstrated its commitment to its community by having both a Community Development ("CD") officer and a CRA officer. On a regular basis, the CD officer met with nonprofit and community groups. He was also active with FHLBNY, annually working with an average of 10 to 12 families who received grants through FHLB's programs.

The CD officer worked with participating agencies to help people repair their credit history. The CD officer also worked closely with PSB's borrowers who were delinquent in their mortgage payments or experiencing financial difficulties. He worked with these borrowers to try to design payment plans that were agreeable to the borrowers and the bank. During the assessment period, PSB only foreclosed on five residential properties. In reducing the number of foreclosures, the borrowers, the bank and the community all benefited.

GLOSSARY

Aggregate Penetration Rate

The number of loans originated and purchased by all reporting lenders in specified categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the assessment area.

Community Development

The term “community development” is defined to mean:

1. Affordable housing (including multifamily housing) for low- or moderate-income (“LMI”) individuals;
2. Community services targeted to LMI individuals;
3. Activities that promote economic development by financing business or farms that meet the size eligibility standards of the United States Small Business Administration (“SBA”) Development Company or Small Business Investment Company programs, or have gross annual incomes of \$1 million or less;
4. Activities that revitalize or stabilize LMI geographies; and
5. Activities that seek to prevent defaults and/or foreclosures in loans included in (1) and (3) above.

A “community development loan” is defined as a loan that has as its *primary purpose* community development. This includes but is not limited to loans to:

- Borrowers for affordable housing rehabilitation and construction, including construction and permanent financing for multifamily rental property serving low or moderate income (“LMI”) persons;
- Nonprofit organizations serving primarily LMI or other community development needs;
- Borrowers to construct or rehabilitate community facilities that are located in LMI areas or that primarily serve LMI individuals;
- Financial intermediaries including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds or pools, micro-finance institutions, and low-income or community development credit unions that primarily lend or facilitate lending to promote community development;
- Local, state and tribal governments for community development activities; and
- Borrowers to finance environmental clean up or redevelopment of an industrial site as part of an effort to revitalize the LMI community in which the property is located.

A “qualified investment” is defined as a lawful investment, deposit, membership share or grant that has as its *primary purpose* community development. 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.

A “community development service” is defined as a service that has as its *primary purpose* community development, 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.

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 of the person, family or household is based on the income of person, family or household. A geography’s income is categorized by median family income for the geography. In both cases, the income is compared to the MSA or statewide nonmetropolitan median income.

Income level of individual or geography	% of the area median income
Low-income	Less than 50
Moderate-income	At least 50 and less than 80
Middle-income	At least 80 and less than 120
Upper-income	120 or more

Loans to Small Businesses

Small business loans to businesses with gross annual revenues (“GAR”) of \$1 million or less (“< = \$ 1MM”).

Low or Moderate Income (“LMI”) Geographies

Those census tracts or block numbering areas (“BNAs”), where according to the 2000 US Census, the median family income is less than 80% of the area median family income. In the case of tracted areas that are part of a Metropolitan Statistical Area (“MSA”) or Primary Metropolitan Statistical Area (“PMSA”), this would relate to the median family income for the MSA or PMSA in which the tracts are located. In the case of BNAs and tracted areas that are not part of a MSA or PMSA, the area median family income would be the statewide non-metropolitan median family income.

LMI Borrowers

Borrowers whose income, as reported on the loan application which the lender relied upon in making the credit decision, is less than 80% of the area median family income. In the case where the residential property is located in a MSA or PMSA, this would

relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure borrower income levels are updated annually by the U.S. Department of Housing and Urban Development (“HUD”).

LMI Individuals/Persons

Individuals or persons whose income is less than 80% of the area median family income. In the case where the individual resides in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure individual income levels are updated annually by HUD.

LMI Penetration Rate

A number that depicts the percentage of a bank’s total loans (for a particular product) that was extended to LMI geographies or borrowers. For example, an LMI penetration rate of 20% would indicate that the bank made 20 out of a total of 100 loans in LMI geographies or to LMI borrowers.

Small Business Loans

Loans to businesses with original amounts of \leq \$1MM.