



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, 2008

Institution: Pathfinder Bank
214 West First Street
Oswego, NY 13126

Note: This evaluation is not an assessment of the financial condition of this institution. The rating assigned does not represent an analysis, conclusion or opinion of the New York State 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 Pathfinder Bank (“Pathfinder”) 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, 2008..

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 small banking institutions are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Section 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

Pathfinder's performance was evaluated according to the large bank performance criteria, which include lending, investment and service tests. Pathfinder received a rating of "2," reflecting a "Satisfactory" record of helping to meet community credit needs. This rating is unchanged from the prior New York State Banking Department Performance Evaluation, dated December 31, 2005. This rating is based on the following factors:

CRA Rating: "Satisfactory"

Performance Levels	Pathfinder Bank		
	Performance Tests		
	Lending Test	Investment Test	Service Test
Outstanding			
High Satisfactory	X	X	X
Low Satisfactory			
Needs to Improve			
Substantial Non-Compliance			

The major factors supporting this rating include:

I. Lending Test: High Satisfactory

- **Lending Activity: "Outstanding"**
Overall, the levels of HMDA-reportable and small business loans extended by the bank in the assessment area reflected excellent responsiveness to the credit needs of the assessment area.
- **Assessment Area Concentration: "Low Satisfactory"**
Pathfinder originated an adequate percentage of its loans within its assessment area. Overall, the bank originated 73.7%, by number, and 65.2%, by dollar value, of its loans within the assessment area during the evaluation period. Pathfinder extended a high percentage of HMDA loans within the assessment area, but Pathfinder's concentration of small business loans within the assessment area was adequate.
- **Geographic Distribution of Lending: "Low Satisfactory"**
For both HMDA-reportable and small business loans, the geographic distribution of loans reflected an adequate dispersion among census tracts of different levels. For HMDA-reportable lending, for the first two years of the evaluation period, based on number of loans, the bank's penetration rate was slightly below that of the aggregate. However, in the final year, 2008, for which aggregate data was not available for comparison, Pathfinder made 26% of its loans in LMI census tracts, surpassing the aggregate's penetration rates for the prior two years. The geographic distribution of small business loans also reflected an adequate dispersion among census tracts of different income levels. Although Pathfinder's LMI penetration rate improved in 2008, the final year of the evaluation period, this performance could not fully offset poor

performance in 2007, where Pathfinder's LMI penetration rate was less than ½ that of the aggregate's penetration rate.

- **Distribution by Borrower Characteristics:** "High Satisfactory"
Overall, the distribution of loans based on borrower characteristics reflected a good penetration among individuals of different income levels and businesses of different sizes. However, the distribution of the bank's 1-4 family HMDA-reportable loans only reflected an adequate penetration among borrowers of different income levels. Pathfinder's lending to LMI borrowers during the evaluation period was relatively stable, but consistently below the market aggregate and family demographics. In contrast, Pathfinder's penetration rate of lending to businesses with gross annual revenues of \$1MM or less was excellent.
- **Community Development Lending:** "Outstanding"
Pathfinder had an outstanding level of community development loans. Since the previous evaluation, Pathfinder's community development loans increased by more than 700% to \$1.8 million of which almost 88% was new money.
- **Innovative and Flexible Lending Practices:** "High Satisfactory"
Pathfinder used flexible lending products that help meet the needs of the community. It is a participating lender in the Small Business Administration "SBA" guaranteed loan program. Pathfinder also participates in the U.S. Department of Agriculture ("USDA") Rural Development Housing Program.

II. **Investment Test:** "High Satisfactory"

Pathfinder had a significant level of qualified community development investments, totaling \$1.3 million, of which almost 75% (\$1 million) represented new money.

III. **Service Test:** "High Satisfactory"

- **Retail Banking Services:** "High Satisfactory"
Pathfinder has seven banking offices; two are located in moderate-income tracts, including a limited-service branch. The bank did not open or close any branches during the evaluation period.
- **Community Development Services:** "High Satisfactory"
Pathfinder provided a relatively high level of community development services. During the evaluation period, bank management and staff provided technical and financial expertise to various community development organizations operating within its assessment area. A considerable number of the bank's officers and staff also volunteered their time providing financial literacy training to LMI individuals in the community.

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's Profile:

Pathfinder is a New York State-chartered savings bank headquartered in Oswego, New York. The bank was originally chartered in 1859 as a mutual institution under the name of Oswego City Savings Bank and became Pathfinder Bank ("Pathfinder") in November 1999. Pathfinder is a wholly-owned subsidiary of Pathfinder Bancorp, Inc., a federally-chartered, mid-tier holding company, which is majority-owned by Pathfinder Bancorp, M.H.C., a federally-chartered mutual holding company. As of December 31, 2008, Pathfinder Bancorp, MHC held 63.7% ownership of the outstanding common stock of Pathfinder Bancorp, Inc. The remaining 36.3 % was publicly held.

Pathfinder has its own subsidiaries which include Pathfinder REIT, Inc., a real estate investment trust entity and Pathfinder Commercial Bank, a limited-purpose commercial bank established to serve the depository needs of public entities in its assessment area.

According to the Call Report dated as of December 31, 2008, the bank reported total assets of \$350.1 million, which consisted primarily of \$246.6 million in net loans and leases and \$71.6 million in investments. Total deposits were \$270 million. According to the latest available comparative deposit data dated June 30, 2008, Pathfinder obtained a market share of 26.7%, or \$268.6 million out of \$1.0 billion, inside its market, ranking it 1st among ten other deposit-taking institutions in Oswego County.

Pathfinder has seven banking offices, consisting of the main office, five full-service branches and one limited-service branch. Pathfinder has one office in Mexico, Fulton, Lacona and Central Square and three offices, including the main office in Oswego.

The bank is a consumer-oriented institution dedicated to providing mortgage loans and other traditional financial services to its customers and is primarily engaged in the business of attracting deposits from the general public in its market area and investing such deposits in loans secured by one-to-four family residential real estate and commercial real estate. The area is well-banked; Pathfinder faces competition from commercial and savings banks, savings associations, credit unions and mortgage banking companies.

The following is a summary of the bank's lending portfolio, based on Schedule RC-C of the December 31, 2006 to, 2008 Call Reports:

TOTAL GROSS LOANS OUTSTANDING						
LOAN TYPE	12/31/2006		12/31/2007		12/31/2008	
	\$000	%	\$000	%	\$000	%
1-4 Residential Mortgage Loans	133,566	65.9	143,408	64.6	157,672	63.3
Commercial & Industrial Loans	20,495	10.1	21,338	9.6	27,518	11.0
Commercial Mortgage Loans	40,312	19.9	45,336	20.4	54,970	22.1
Multifamily Mortgages	103	0.1	82	0.0	66	0.0
Consumer Loans	3,329	1.6	3,926	1.8	3,506	1.4
Construction Loans	2,342	1.2	3,893	1.8	2,142	0.9
Loans to Political Subdivisions	2,488	1.2	3,935	1.8	3,162	1.3
Total Gross Loans	202,635	100.0	221,918	100.0	249,036	100.0

As illustrated in the above chart, the bank's outstanding loan portfolio is primarily residential real estate, with 63.3% of its loan portfolio in 1 – 4 family residential mortgage loans. The bank's secondary loan product, commercial mortgage loans, comprised 22.1% of the loan portfolio as of December 31, 2008. However, in terms of new originations, particularly for the products that were the focus of this CRA examination, the bank's dollar volume lending is split fairly evenly between HMDA-reportable and small business loans (see chart page 4-3)

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 comprised of portions of Oswego County, namely the cities of Oswego and Fulton and the adjoining towns/villages of Granby, Mexico, Minetto, New Haven, Oswego Town, Scriba, Volney, Lacona, Sandy Creek, Richland, Pulaski, Central Square, Hastings, Hannibal, Palermo, Schroepfel, and Phoenix. During the evaluation period, the bank expanded its assessment area by adding the villages of Hannibal and Phoenix and the towns of Schroepfel, Hannibal, and Palermo.

There are 25 census tracts in the area, of which six (24%) are moderate-income, 17 (68%) are middle-income, and two (8%) are upper-income tracts.

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

Demographic and Economic Data

Demographic data regarding the families, owner-occupied housing units and small businesses located in LMI census tracts, as well as families that are LMI and businesses with revenues of less than \$ 1MM, are included in the appropriate sections of this report.

The assessment area had a total population of 103,003, of which, 12,139 (11.8%) were over 65 years of age and 23,926 (23.2%) were under 16 years of age.

Of the 26,112 families in the assessment area, 23.5% were low-income, 20.6% were moderate-income, 23% were middle-income and 32.9% were upper-income families. There were 38,649 households in the assessment area, of which 13.9% had income below the poverty level and 2.9% were on public assistance.

The MSA median family income for the Syracuse MSA #45060 was \$44,565. The US Department of Housing and Urban Development (“HUD”) estimated median family income for the area was \$61,000 in 2008.

There were 44,039 housing units in the assessment area, of which 92.4% were 1-4 family units, and 7.6% were multifamily. A majority (61.9%) of the area’s housing units were owner-occupied while 25.8% were renter-occupied.

According to the Bureau of Labor Statistics, the average unemployment rate (not seasonally adjusted) for Oswego County was 5.9% in 2006, 5.7% in 2007 and 7.1% in 2008, compared with 4.6% in 2006, 4.5% in 2007 and 5.4% in 2008 for New York State.

There were 6,251 non-farm businesses in the assessment area. Of these, 58.4% were businesses with reported revenues less than or equal to \$1 million, 3.6% reported revenues of more than \$1 million, and 38% did not report revenues. Of all the non-farm businesses in the assessment area, 69.53% were businesses with less than fifty employees while 88.5% operated from a single location. The largest industries in the assessment area were services (30.3%), followed by retail trade, (16.4%). It should be noted that although the number of manufacturing-related businesses comprised only 3.2% of all businesses in the assessment area, the area’s economy remains heavily dependent on this industry sector. Besides the State University of New York, the assessment area’s major employers include large manufacturing companies such as Entergy Nuclear Northeast, Novelis, Constellation, NRG and Huhtamaki.

PERFORMANCE TESTS AND ASSESSMENT FACTORS

Although Pathfinder is a small intermediate institution, as permitted under Part 76.7(3) of the General Regulations of the Banking Board, it has elected to be evaluated under the lending, investment and service tests within the assessment area in accordance with Parts 76.8, 76.9 and 76.10 of the General Regulations of the Banking Board. The following factors were also considered in assessing Pathfinder's record of performance: the extent of participation by the Board of Directors or Board of Trustees in formulating CRA polices and reviewing CRA performance; any practices intended to discourage credit applications, evidence of prohibited discriminatory or other illegal credit practices; 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.

The assessment period included calendar years 2006, 2007 and 2008. Pathfinder reports both HMDA and small business data.

In addition to bank-specific loan information submitted by Pathfinder, aggregate data for small business and HMDA-reportable loans were obtained from the Federal Financial Institutions Examination Council ("FFIEC"). The demographic data referred to in this report were derived from the 2000 U.S. Census Data, with the updated median family income figures provided by the U.S. Department of Housing and Urban Development ("HUD"). Business demographic data used in this report are information on US businesses, enhanced by Dun & Bradstreet and updated annually. As Pathfinder does not make farm loans, the data only include non-farm loans.

Pathfinder received a rating of "2," reflecting a "Satisfactory" 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, 2005.

CRA Rating: "Satisfactory"

I. Lending Test: "High Satisfactory"

The bank's lending performance was evaluated pursuant to the following criteria: (1) Lending Activity; (2) Assessment area concentration; (3) Geographic Distribution of Lending; (4) Distribution by Borrower Characteristics; (5) Community Development Lending; and (6) Flexible or Innovative Lending Practices.

Pathfinder reports both HMDA and small business loans; both were considered in evaluating the above-mentioned factors (2), (3) and (4).

- **Lending Activity: "Outstanding"**

Overall, the levels of HMDA-reportable and small business loans extended by the bank in

the assessment area reflected excellent responsiveness to the credit needs of the assessment area.

Pathfinder's HMDA-reportable lending activity during the evaluation period reflected excellent responsiveness to assessment area credit needs. In 2006, Pathfinder achieved a market share of 7% for HMDA-reportable lending (based on number of loans) and ranked 3rd among 160 lenders in the assessment area. In 2007, Pathfinder achieved a market share of 8.3% and ranked 2nd among 137 lenders in the assessment area. Market share data for 2008 were not available. The bank's HMDA lending showed an upward trend; from 177 loans in 2006 to 191 loans in 2007 and 218 loans in 2008.

Pathfinder's small business lending performance during the evaluation period reflected an excellent responsiveness to assessment area credit needs. In 2006, Pathfinder was ranked 7th among 35 small business lenders in the assessment area, with a market share of 5.7% based on number of loans. In 2007, Pathfinder achieved a market share of 2.8% and ranked 9th among 36 small business lenders in the assessment area. All of the lenders that ranked higher than Pathfinder were major small business credit card lenders, which are generally at the top of market share rankings as these institutions tend to generate large numbers of low dollar small business loans. In keeping with this, for both 2006 and 2007, in terms of dollars lent, Pathfinder was the largest small business lender within its assessment area. Market share data for 2008 were not available.

- **Assessment Area Concentration:** "Low Satisfactory"

Pathfinder originated an adequate percentage of its loans within its assessment area. Overall, the bank originated 73.7%, by number, and 65.2%, by dollar value, of its loans within the assessment area during the evaluation period.

The following chart provides a summary of HMDA-reportable and small business loans originated inside and outside of the assessment area:

Distribution of Loans Inside and Outside of the Assessment Area											
Loan Type	Number of Loans					Dollar Volume					
	Inside		Outside		Total	Inside		Outside		Total	
	#	%	#	%		\$000's	%	\$000's	%		
HMDA											
2006	177	81.2	41	18.8	218	13,625	82.7	2,857	17.3	16,482	
2007	191	74.6	65	25.4	256	17,886	68.9	8,055	31.1	25,941	
2008	218	80.7	52	19.3	270	18,598	79.0	4,952	21.0	23,550	
<i>Subtotal</i>	<i>586</i>	<i>78.8</i>	<i>158</i>	<i>21.2</i>	<i>744</i>	<i>50,109</i>	<i>76.0</i>	<i>15,864</i>	<i>24.0</i>	<i>65,973</i>	
Small Business											
2006	174	69.9	75	30.1	249	20,325	59.3	13,932	40.7	34,257	
2007	89	62.7	53	37.3	142	9,650	48.2	10,353	51.8	20,003	
2008	99	65.1	53	34.9	152	10,640	56.0	8,356	44.0	18,996	
<i>Subtotal</i>	<i>362</i>	<i>66.7</i>	<i>181</i>	<i>33.3</i>	<i>543</i>	<i>40,615</i>	<i>55.4</i>	<i>32,641</i>	<i>44.6</i>	<i>73,256</i>	
Total	948	73.7	339	26.3	1,287	90,724	65.2	48,505	34.8	139,229	

HMDA-Reportable Loans: “High Satisfactory”

Pathfinder extended a high percentage of HMDA loans within the assessment area. During the evaluation period, the bank originated 79% by number and 76% by dollar volume of its HMDA loans.

Small Business Loans: “Low Satisfactory”

The concentration of small business loans within the assessment area was adequate. The bank originated 67% by number and 65% of its small business loans during the evaluation period.

- **Geographic Distribution of Lending: “Low Satisfactory”**

Overall the geographic distribution of loans reflected an adequate dispersion among census tracts of different levels.

HMDA-Reportable Loans: “Low Satisfactory”

The geographic distribution of HMDA-reportable loans reflected an adequate penetration among census tracts of different income levels. For the first two years of the evaluation period, based on number of loans, the bank’s penetration rate was slightly below that of the aggregate. However, in the final year, 2008, for which aggregate data was not available for comparison, Pathfinder made 26% of its loans in LMI census tracts, surpassing the aggregate’s penetration rates for the prior two years. When all three years are taken into account, the bank’s lending penetration ratio in LMI census tracts exceeded the percentage of owner-occupied housing units in these geographies.

In 2006, the HMDA-reportable penetration rate in moderate-income census tracts was 14.7%, below both the market aggregate of 18.8% and the owner-occupied housing of 17.4% located in the same census tracts. In 2007, the bank’s moderate-income penetration rate increased to 18.8%, while the market aggregate’s ratio increased to 20.4%. The bank’s performance improved significantly to 25.7% in 2008. Aggregate data for 2008 were not available.

The following chart provides a summary of the bank's HMDA-reportable loan distribution during the evaluation period:

Distribution of HMDA-Reportable Loans by Geography Income Level									
Geography Income Level	2006								OO-Hus %
	Bank				Aggregate				
	#	%	\$000's	%	#	%	\$000's	%	
Low	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Moderate	26	14.7	1,315	9.7	477	18.8	26,231	15.0	17.4
Middle	121	68.4	9,285	68.1	1,884	74.4	134,316	77.0	75.2
Upper	30	16.9	3,025	22.2	170	6.7	13,962	8.0	7.5
N/A	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Total	177	100.0	13,625	100.0	2,531	100.0	174,509	100.0	100.0
Geography Income Level	2007								OO-Hus %
	Bank				Aggregate				
	#	%	\$000's	%	#	%	\$000's	%	
Low	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Moderate	36	18.8	1,866	10.4	468	20.4	29,965	17.4	17.4
Middle	136	71.2	13,439	75.1	1,698	74.1	130,298	75.7	75.2
Upper	19	9.9	2,581	14.4	126	5.5	11,936	6.9	7.5
N/A	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Total	191	100.0	17,886	100.0	2,292	100.0	172,199	100.0	100.0
Geography Income Level	2008								OO-Hus %
	Bank				Aggregate				
	#	%	\$000's	%	#	%	\$000's	%	
Low	0	0.0	0	0.0	Not Available				0.0
Moderate	56	25.7	3,594	19.3					17.4
Middle	140	64.2	12,806	68.9					75.2
Upper	22	10.1	2,198	11.8					7.5
N/A	0	0.0	0	0.0					0.0
Total	218	100.0	18,598	100.0					100.0

Small Business Loans: "Low Satisfactory"

The geographic distribution of small business loans reflected an adequate dispersion among census tracts of different income levels. Although Pathfinder's LMI penetration rate improved in 2008, the final year of the evaluation period, this performance could not fully offset poor performance in 2007, where Pathfinder's LMI penetration rate was less than ½ that of the aggregate's penetration rate.

In 2006, Pathfinder originated 15.5%, by number, of its small business loans in moderate-income geographies. In 2007, lending volume dropped significantly, by almost 50% compared to 2006. This was due to a one-time increase in lending due to staffing changes which resulted in a one-year volume increase, after which lending levels returned to Pathfinder's prior levels. However, at the same time, lending in LMI areas dropped by 70%. As a result, in 2007, the bank's originations in moderate-income geographies declined to 9.0%. These ratios were well below the moderate-income penetration rates of the market aggregate of 20.5% and 19.7% in 2006 and 2007, respectively. However, the

bank's performance showed significant improvement in 2008, increasing its penetration rate to 17.2% and its dollar volume to 35.1%. Aggregate data for 2008 were not available. For all three years, for number of loans, the bank's performance in moderate-income geographies was below the business demographics.

The following chart provides a summary of the bank's small business loan distribution during the evaluation period:

Distribution of Small Business Loans by Geography Income Level									
Geography Income Level	2006								Business Demographics
	Bank				Aggregate				
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Moderate	27	15.5	2,727	13.4	541	20.5	11,334	20.2	23.1
Middle	124	71.3	16,313	80.3	1,955	74.2	42,861	76.2	72.6
Upper	23	13.2	1,285	6.3	139	5.3	2,025	3.6	4.3
N/A	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Total	174	100.0	20,325	100.0	2,635	100.0	56,220	100.0	100.0
Geography Income Level	2007								Business Demographics
	Bank				Aggregate				
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Moderate	8	9.0	1,171	12.1	542	19.7	12,484	21.5	23.5
Middle	74	83.1	8,026	83.2	2,062	74.8	42,998	74.1	72.2
Upper	7	7.9	453	4.7	153	5.5	2,551	4.4	4.4
N/A	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Total	89	100.0	9,650	100.0	2,757	100.0	58,033	100.0	100.0
Geography Income Level	2008								Business Demographics
	Bank				Aggregate				
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0	0	0.0	Not Available				0.0
Moderate	17	17.2	3,731	35.1					23.6
Middle	71	71.7	6,120	57.5					72.2
Upper	11	11.1	789	7.4					4.2
N/A	0	0.0	0	0.0					0.0
Total	99	100.0	10,640	100.0					100.0

- **Distribution by Borrower Characteristics: "High Satisfactory"**

The distribution of borrowers reflected a good penetration among individuals of different income levels and businesses of different sizes.

HMDA-Reportable Loans: "Low Satisfactory"

The distribution of the bank's 1-4 family HMDA-reportable loans reflected an adequate penetration among borrowers of different income levels. Pathfinder's lending to LMI borrowers during the evaluation period was relatively stable, but consistently below the market aggregate and family demographics.

Pathfinder's LMI borrower penetration rates, by number of loans, were 34.5% in 2006, 31.9% in 2007, and 32.6% in 2008. In comparison, the market aggregate's LMI penetration rates were 38.5% in 2006 and 35.3% in 2007. Aggregate data for 2008 were not available.

The following chart provides a summary of the bank's HMDA-reportable lending distribution during the evaluation period:

Distribution of 1 - 4 Family HMDA-Reportable Loans by Borrower Income Level									
Borrower Income Level	2006								Family Demographics
	Bank				Aggregate				
	#	%	\$000's	%	#	%	\$000's	%	
Low	14	7.9	862	6.3	288	11.4	12,092	7.0	23.5
Moderate	47	26.6	2,423	17.8	685	27.1	37,282	21.7	20.6
Middle	52	29.4	4,135	30.3	767	30.4	52,299	30.5	23.0
Upper	63	35.6	6,080	44.6	727	28.8	65,414	38.1	32.9
N/A	1	0.6	125	0.9	57	2.3	4,627	2.7	-
Total	177	100.0	13,625	100.0	2,524	100.0	171,714	100.0	100.0
Borrower Income Level	2007								Family Demographics
	Bank				Aggregate				
	#	%	\$000's	%	#	%	\$000's	%	
Low	21	11.0	896	5.0	221	9.7	9,703	5.7	23.5
Moderate	40	20.9	2,132	11.9	586	25.6	33,980	20.0	20.6
Middle	50	26.2	4,768	26.7	638	27.9	46,420	27.3	23.0
Upper	80	41.9	10,090	56.4	800	35.0	74,840	44.1	32.9
N/A	0	0.0	0	0.0	42	1.8	4,837	2.8	-
Total	191	100.0	17,886	100.0	2,287	100.0	169,780	100.0	100.0
Borrower Income Level	2008								Family Demographics
	Bank				Aggregate				
	#	%	\$000's	%	#	%	\$000's	%	
Low	23	10.6	1,216	6.5	Not Available				23.5
Moderate	48	22.0	3,090	16.6					20.6
Middle	62	28.4	5,165	27.8					23.0
Upper	85	39.0	9,127	49.1					32.9
N/A	0	0.0	0	0.0					-
Total	218	100.0	18,598	100.0					100.0

Small Business Loans: "Outstanding"

Pathfinder's penetration rate of lending to businesses with gross annual revenues of \$1MM or less was excellent.

During the evaluation period, Pathfinder extended loans to small businesses with gross annual revenue ("GAR") of \$1 million or less at rates that were well above the levels achieved by the market aggregate. In 2006, Pathfinder extended 50.6%, by number, of its small business loans to businesses with this revenue size. Pathfinder achieved these results even though a large number of loans are noted as made to businesses with no revenue information. This unusually high number of loans to businesses with no revenue information was due to a problem with the system used in collecting small business loan

data. This was not deemed to be significant, as the issue was fixed in the following year. Pathfinder's ratio of lending to businesses with GAR of \$1 million or less increased to 83.1% in 2007 and to 91.9% in 2008. In contrast, only 40.6% and 43.0% of the market aggregate's small business loans were extended to businesses with GAR of \$1 million or less in 2006 and 2007, respectively. Aggregate data for 2008 were not available.

The following chart provides a summary of the bank's small business lending distribution based on borrower revenues during the evaluation period:

Distribution of Small Business Loans by Business Revenue Size									
Revenue Size	2006								Business Demographics
	Bank				Aggregate				%
	#	%	\$000's	%	#	%	\$000's	%	
\$1 million or less	88	50.6	8,836	43.5	1,071	40.6	26,850	47.8	61.4
Over \$1 million	24	13.8	4,084	20.1					3.9
No Revenue Info*	62	35.6	7,405	36.4					34.7
Total	174	100.0	20,325	100.0	2,635	100.0	56,220	100.0	100.0
Revenue Size	2007								Business Demographics
	Bank				Aggregate				%
	#	%	\$000's	%	#	%	\$000's	%	
\$1 million or less	74	83.1	7,466	77.4	1,186	43.0	30,954	53.3	61.9
Over \$1 million	15	16.9	2,184	22.6					3.8
No Revenue Info	0	0.0	0	0.0					34.4
Total	89	100.0	9,650	100.0	2,757	100.0	58,033	100.0	100.0
Revenue Size	2008								Business Demographics
	Bank				Aggregate				%
	#	%	\$000's	%	#	%	\$000's	%	
\$1 million or less	91	91.9	9,916	93.2	Not Available				58.4
Over \$1 million	8	8.1	724	6.8					3.6
No Revenue Info	0	0.0		0.0					38.0
Total	99	100.0	10,640	100.0					100.0

- **Community Development Lending: "Outstanding"**

Pathfinder had an outstanding level of community development loans. Since the previous evaluation, Pathfinder's community development loans increased by more than 700% to \$1.8 million of which almost 88% was new money. A brief description of Pathfinder's community development loans follows:

- In 2006, Pathfinder extended a \$1.5 million loan commitment to a nursing home facility that derives more than 50% of its revenue from Medicaid. The purpose of the loan is to pay off the nursing home's existing mortgage with Pathfinder and to provide funding for renovations and upgrades to the facility.
- In 2007, Pathfinder originated a commercial mortgage loan for \$135 thousand, which was used to acquire a mixed-use residential/commercial building with two apartments on the upper floor and convert the commercial space on the lower level into three 1-

bedroom apartments for income-assisted tenants. The property is located in a moderate-income geography in Oswego and the apartments are rented out at affordable rates.

- In 2008, Pathfinder renewed its \$225 thousand revolving credit commitment to the Community Preservation Corporation (“CPC”). CPC is a lending consortium that makes construction and permanent loans for the creation, rehabilitation and preservation of affordable housing throughout New York State.
- **Innovative and Flexible Lending Practices: “High Satisfactory”**

Pathfinder used flexible lending products that help meet the needs of the community. It is a participating lender in the Small Business Administration “SBA” guaranteed loan program. The SBA guaranties 75% to 80% of the loans originated under this program, enabling businesses to obtain financing from participating lenders at reduced interest rates and terms that stretch over a very long period of time, both of which are not normally offered with conventional commercial credit facilities. During the evaluation period, Pathfinder originated 21 SBA 7(a) and two SBA Express loans with a combined volume of \$6 million.

Pathfinder also participates in the U.S. Department of Agriculture (“USDA”) Rural Development Housing Program which provides 100% loan-to-value financing for residential mortgages located in rural areas. Pathfinder originated 10 loans totaling \$794 thousand under this program.

II. Investment Test: “High Satisfactory”

Pathfinder had a significant level of qualified community development investments, totaling \$1.3 million, of which almost 75% (\$1 million) represented new money. Pathfinder’s total qualified investments consisted of its \$1 million investment in a FNMA mortgage-backed security and its outstanding investments of \$250 thousand in the Statewide Zone Capital Corporation of New York, \$52 thousand in the Community Lending Corporation, and \$34 thousand in the New York Business Development Corporation. Since the previous evaluation, Pathfinder’s volume of community development investments has increased by 123.4%.

The FNMA mortgage-backed security noted above contained underlying mortgages to LMI families, which although located outside the assessment area, are in counties that are in close proximity to the bank’s assessment area. Pathfinder was given CRA credit for this investment given the context of its assessment area. Pathfinder has attempted to find qualified investment opportunities, within its assessment area. However the bank’s assessment area has no low-income census tracts and only six moderate-income tracts. As such, the supply of CRA-qualified mortgage-backed securities whose underlying collateral would be comprised of local market real estate is limited. Despite these conditions, Pathfinder has exerted efforts to address the credit needs of LMI communities in the broader regional area by investing in the aforementioned FNMA security.

III. Service Test: “High Satisfactory”

- **Retail Banking Services: “High Satisfactory”**

Distribution of Branches: “High Satisfactory”

Pathfinder has seven banking offices, consisting of the main office, five full-service branches and one limited-service branch. Pathfinder has one office in Mexico, Fulton, Lacona and Central Square and three offices, including the main office in Oswego. Of the three offices in Oswego, two are located in moderate-income tracts, including the limited-service branch.

Record of Opening and Closing Branches: “High Satisfactory”

Pathfinder’s record of opening and closing of branches has not adversely affected the accessibility of its delivery systems. The bank did not open or close any branches during the evaluation period.

Availability and Effectiveness of Alternative Delivery Systems: “High Satisfactory”

Pathfinder’s delivery systems are accessible to geographies and individuals of different income levels in its assessment area. The bank has deposit-taking automated teller machines (“ATMs”) at each of its seven offices and six off-site ATMs in various locations within the assessment area. The ATMs located at each office and two off-site ATMs provide customers with 24-hour, 7-day banking convenience. Two of the bank’s seven offices and two of its off-site ATMs are located in moderate-income tracts. Additionally, banking by mail and internet banking services are available for convenient access to Pathfinder’s banking services during non-banking hours.

Range of Business Hours and Services Provided: “High Satisfactory”

The bank’s main office and branches offer convenient banking hours which do not vary in a way that inconveniences the needs of its assessment area. These hours vary from office to office; however, they generally include early and extended hours at all seven offices and Saturday half-day service hours at six of its seven branches.

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

Pathfinder provided a relatively high level of community development services. During the evaluation period, bank management and staff provided technical and financial expertise to various community development organizations operating within its assessment area. A considerable number of the bank’s officers and staff also volunteered their time providing financial literacy training to LMI individuals in the community. Described below are some examples of the community development services Pathfinder provided during the

evaluation period:

- A senior vice president of the bank serves as a board member of Operation Oswego County, Inc., an economic and job development corporation serving all of Oswego County. The primary mission of the corporation is the creation and retention of job opportunities, the diversification and strengthening of the county's economic base, and the development of the local economies within the county.
- Another senior vice president of the bank is a member of the Loan Committee of the Community Preservation Corporation, a lending consortium that makes construction and permanent loans for the creation, rehabilitation and preservation of affordable housing throughout New York State.
- A vice president served as the co-president of the Habitat for Humanity in Oswego. This individual is also a member of the board and the Fund Development Committee of the Literacy Volunteers of Oswego County, an organization that provides adults with no-cost tutoring in basic reading, writing, math and computer literacy.
- An assistant vice president is the treasurer of the Greater Mexico Chamber of Commerce.
- An employee of the bank is a board member of the United Way of Greater Oswego County. Another employee was a member of the Allocations Committee of this organization.
- A vice president of the bank participated as a guest speaker at a Home Buyer's seminar sponsored by a local realty company.
- Pathfinder's officers and staff participated as speakers in the "Money Smart" program that was offered through the combined resources and expertise of Pathfinder Bank, the Oswego Public Library and SUNY Oswego. The program is a seven-week course and was conducted in the spring and fall of 2007 and 2008. During each weekly session, two bank employees spoke about financial literacy related topics such as banking services, money and credit management, and homeownership. Altogether, ten bank employees participated in this program.

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

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

The board of directors reviewed and approval the bank's CRA Statement annually.

Any practices intended to discourage applications for types of credit set forth in the

banking institution's CRA Public File.

Examiners 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.

The most recent regulatory compliance and fair lending examinations conducted concurrently with this evaluation indicate satisfactory adherence to anti-discrimination and other applicable laws and regulations. No evidence of prohibited discriminatory or other illegal credit practices was noted.

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

Pathfinder ascertains the credit needs of its local community primarily through the involvement of its personnel in local realtor associations and in various local business and community organizations. These include the Community Preservation Corporation, Habitat for Humanity, The United Way, and the Salvation Army where officers of the bank serve as treasurers or as members of the board of these organizations. Pathfinder is also an affiliate member of the Oswego County Board of Realtors and the Greater Syracuse Association of Realtors. Membership in these organizations allows the bank to interact with realtors and helps them to determine the financing needs of the home purchasing public.

The extent of the banking institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the banking institution.

Pathfinder advertises its products through printed flyers and posters. The bank's various community and civic affiliations and customer call programs also help the bank to reach members of the community and make them aware of the credit programs offered by Pathfinder.

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.

Since the latest CRA evaluation as of December 31, 2006, neither Pathfinder nor the New York State Banking Department has received any written complaints regarding Pathfinder's CRA performance.

However, NYSBD did receive a letter from Home HeadQuarters, which wrote in strong support of Pathfinder's performance in meeting the credit needs of the Syracuse community. Home Headquarters is a private, not-for-profit Community Development Financial Institution ("CDFI") that works to promote sustainable homeownership and affordable home improvements for families in Central and Upstate New York. However, because most of the specific programs cited by Home HeadQuarters were done in the period after the evaluation period, direct credit could not be given for this Performance Evaluation.

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.