

**PUBLIC DISCLOSURE**

**MAY 19, 2008**

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**THE LOWELL FIVE CENTS SAVINGS BANK**

**90227**

**34 JOHN STREET**

**LOWELL, MASSACHUSETTS 01852**

**Division of Banks  
One South Station  
Boston, MA 02120**

**Federal Deposit Insurance Corporation  
15 Braintree Hill Office Park  
Braintree, MA 02184**

**NOTE:** This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.

## TABLE OF CONTENTS

I.	General Information.....	1
II.	Institution Rating	
	a. Overall Rating .....	1
	b. Lending, Investment, and Service Test Table.....	1
	c. Description of Institution.....	4
	d. Description of Assessment Area.....	5
	e. Conclusions with Respect to Performance Tests.....	9
III.	Appendix	
	a. Fair Lending (Massachusetts Division of Banks) .....	A-1
	b. Loss of Affordable Housing (Massachusetts Division of Banks).....	A-3
	c. General Definitions .....	A-4
	d. Investment Definitions.....	A-7
	e. Standard Public Evaluation Language .....	A-9

## GENERAL INFORMATION

The Community Reinvestment Act (“CRA”) requires the Commonwealth of Massachusetts Division of Banks (“Division”) and the Federal Deposit Insurance Corporation (“FDIC”) to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **The Lowell Five Cents Savings Bank (“Lowell Five” or the “Bank”)** prepared by the Division and the FDIC, the institution's supervisory agencies, as of **May 19, 2008**. The agencies evaluate performance in the assessment area, as they are defined by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The Division and the FDIC evaluate the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00 and Part 345 of the FDIC's Rules and Regulations, respectively.

### INSTITUTION'S CRA RATING:

This institution is rated “**HIGH SATISFACTORY**” by the Division.  
 This institution is rate “**SATISFACTORY**” by the FDIC.

Please note that the FDIC's rating matrix does not provide for a “High Satisfactory” rating.

An institution in this group has a good record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. The following table indicates the performance level of Lowell Five with respect to the Lending, Investment, and Service tests.

***LENDING, INVESTMENT, AND SERVICE TEST TABLE***

PERFORMANCE LEVELS	The Lowell Five Cents Savings Bank		
	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			<b>X</b>
High Satisfactory	<b>X</b>		
Satisfactory**		<b>X</b>	
Needs to Improve			
Substantial Noncompliance			

\* Note: The Lending test is weighted more heavily than the Investment and Service tests when arriving at an overall rating.

\*\*Note: FDIC rules and regulations stipulate use of a “high satisfactory” and “low satisfactory” rating for the three tests to categorize performance within a “satisfactory” range. For purposes of this jointly issued public evaluation, the term “satisfactory” will be used in lieu of the low satisfactory rating for the lending, investment, and service tests.

The following factors contributed to the institution's overall rating:

### ***LENDING TEST***

**Lending Activity** – Although overall lending volume declined since the prior evaluation, Lowell Five originated a high percentage of its loans within its assessment area. In 2006, a total of 83.1 percent, by number, of the Bank's mortgage and small business loans was originated in the assessment area and 89.1 percent in 2007. Given the level of competition and other economic factors within the area, the Bank's overall performance under this activity reflects good responsiveness to assessment area credit needs.

**Geographic Distribution** – The geographic distribution of loans reflects good dispersion throughout the assessment area. In 2006, Lowell Five's percentage of lending within low- income census tracts exceeded the aggregate and slightly below the aggregate within moderate-income tracts. The Bank's performance was above the percentage of owner-occupied housing units.

**Borrower Profile** – The distribution of borrowers reflects, given the product lines by the institution, excellent penetration among retail customers of different income levels and business customers of different sizes. The Bank's percentage of loans to low-income borrowers in 2006 exceeded the aggregate as well as the percentage of low-income families in the assessment area. The Bank's performance also exceeded the aggregate performance with respect to moderate-income borrowers and the percentage of moderate-income families. In 2007, loan penetration to low-income borrowers exceeded the percentage of low-income families; while penetration to moderate-income borrowers generally matched the percentage of moderate-income families.

**Community Development Loans** – Lowell Five made a relatively high level of community development loans, primarily in support of affordable housing projects. During the evaluation period the Bank committed \$23.8 million to 12 qualified community development projects in the assessment area.

**Innovative and Flexible Lending Programs** – The Bank made use of innovative and flexible lending practices during the evaluation period. The variety of programs offered, and the number and dollar amount of loans originated within its assessment area are considered adequate.

### ***INVESTMENT TEST***

Lowell Five had an adequate level of qualified community development investments and grants during the evaluation period. The majority of the Bank's investments consisted of qualified donations and grants.

## ***SERVICE TEST***

Delivery systems are readily accessible to all portions of the institution's assessment area. The institution opened a branch in a moderate-income census tract, thereby improving the accessibility of its delivery systems to low- and moderate- income individuals. Services are generally tailored to the convenience and needs of the assessment area, particularly low- and moderate-income geographies and individuals. Lowell Five provided a relatively high level of community development services throughout the assessment area.

## PERFORMANCE CONTEXT

### Description of Institution

Lowell Five is a full service mutual savings bank incorporated under the laws of the Commonwealth of Massachusetts. As of March 31, 2008, the Bank had total assets of \$663.8 million. Headquartered in Lowell, Massachusetts, Lowell Five operates 13 full service offices throughout Northern Middlesex County. The Bank's operations center and main branch, as well as two additional offices, are located in the City of Lowell. The Bank operates two full service branches in Tewksbury and one full service branch in each of the following towns: Billerica, Chelmsford, Dracut, North Chelmsford, Pepperell, Tyngsboro, Westford, and Wilmington. The Tyngsboro office is a school branch located inside the Greater Lowell Technical High School.

Lowell Five offers a variety of checking and savings accounts, retirement accounts, certificates of deposit, housing mortgages, construction mortgages, commercial real estate/investment property mortgages, reverse mortgages, second mortgage loans, home equity lines of credit, new and used automobile loans, personal loans, overdraft protection loans, boat/motorcycle loans, business loans, commercial real estate banking, ACH originations, merchants services, insurance/investment products, and other financial services.

As of March 31, 2008, total loans and leases were \$333.2 million with a loan-to-deposit ratio of 61.7 percent. As illustrated in Table 1, Lowell Five's primary business is residential lending, of which 1-4 family loans represented 54.2 percent. Loans secured by commercial real estate accounted for the second most significant portion of total loans at 18.3 percent.

Table 1 – Loan Portfolio Distribution as of March 31, 2008		
Loan Type	Dollar Volume \$(000)	Percentage of Total Loans (%)
1-4 Family Residential	180,584	54.2
Commercial Real Estate	60,892	18.3
1-4 Family Residential Construction	35,878	10.7
Construction and Land Development	14,992	4.5
Multi-family Residential	20,300	6.1
<b>Total Real Estate Secured</b>	<b>312,646</b>	<b>93.8</b>
Commercial and Industrial Loans	14,880	4.4
Consumer Loans	5,987	1.8
Less: Any Unearned Income on Loans	(314)	0.0
<b>Total Loans</b>	<b>333,199</b>	<b>100.0</b>

Source: Consolidated Report of Condition and Income (Call Report)

No significant financial or legal impediments exist that would limit the Bank's ability to help meet the credit needs of its community. However, the Bank operates in an extremely competitive environment. In 2006, a total of 406 lenders originated home mortgage loans within the assessment area. Lowell Five ranked 31<sup>st</sup> among these lenders, the second highest market ranking of any state non-member bank.

The Bank's CRA performance was deemed "Satisfactory" at the Division's previous evaluation dated June 2, 2003. The previous FDIC evaluation was conducted on May 16, 2005 and also resulted in an overall rating of "Satisfactory."

### Description of Assessment Area

The CRA requires a financial institution to define an assessment area or areas in which it intends to focus its lending efforts. It also requires a bank to designate one or more assessment areas within which its record of helping to meet the needs of its community will be evaluated.

During the evaluation period, Lowell Five designated the following 11 cities and towns as its assessment area: Billerica, Chelmsford, Dracut, Dunstable, Groton, Lowell, Pepperell, Tewksbury, Tyngsboro, Westford, and Wilmington. All municipalities are located within Middlesex County. During 2005, 2006, and 2007 these towns were in the Cambridge-Newton-Framingham MA., (15764) Metropolitan Division ("MD"), which was part of the Boston-Cambridge-Quincy MA-NH Metropolitan Statistical Area ("MSA"), and the Boston Consolidated Metropolitan Statistical Area ("CMSA"). The Bank's assessment area remained the same since the prior FDIC evaluation, although recent census modifications have altered some demographic configurations. Table 2 details the basic demographics of the Bank's designated assessment area.

Table 2 – Assessment Area Demographics										
Census Tract Income Level	Census Tracts in Assessment Area		Total Population		Total Households		Total Families		Total Housing Units	
	#	%	#	%	#	%	#	%	#	%
<b>Low</b>	10	15.2	30,956	9.9	10,863	9.9	6,160	7.7	11,382	10.1
<b>Moderate</b>	15	22.7	70,131	22.5	25,396	23.1	17,250	21.5	26,298	23.4
<b>Middle</b>	34	51.5	175,280	56.1	61,641	56.1	46,907	58.3	62,695	55.6
<b>Upper</b>	7	10.6	35,768	11.5	11,936	10.9	10,089	12.5	12,149	10.9
<b>Total</b>	<b>66</b>	<b>100</b>	<b>312,135</b>	<b>100</b>	<b>109,836</b>	<b>100</b>	<b>80,406</b>	<b>100</b>	<b>112,524</b>	<b>100</b>

SOURCE: 2000 U.S. Census

As indicated in Table 2, Lowell Five's assessment area is comprised of 66 census tracts that include 10 low-, 15 moderate-, 34 middle-, and 7 upper-income geographies. According to the 2000 U.S. Census, assessment area population is 312,135, with 101,087 or 32.4 percent residing in the low- and moderate-income census tracts. The assessment area also consists of 109,836 households, of which 9.9 percent and 23.1 percent are located within the low- and moderate-income census tracts, respectively. Housing units total 112,524, with 68.8 percent listed as owner-occupied and 29.8 percent classified as rental units.

An analysis of the total housing units confirms that a majority are 1-4 family residences (82.0 percent) with the remaining units comprised primarily of multi-family dwellings. With respect to the make up of total housing units in the low- and moderate-income census tracts, there are 11,382 (10.1 percent) and 26,298 (23.4 percent) units in these geographies, respectively. Within the low- and moderate-income census tracts, 2.9 and 17.0 percent, respectively, of these are owner-occupied.

Given this information, and knowing the Bank's interest in concentrating its lending efforts on 1-4 family dwellings, the assessment area provides the Bank with lending opportunities. However, limiting the Bank's ability to originate loans within the area's low- and moderate-income communities has been the significantly appreciating cost of housing in the assessment area.

### ***Housing Prices***

Home prices generally increased since the 2000 U.S. Census, when the median home value in the assessment area was \$179,677. In 2006, the median home value in the assessment area rose to \$377,886. The 2007 median housing value declined to \$367,168. As a side note, total housing permits actually increased in Middlesex County in 2007, due entirely to the increase in multi-family housing permits.

Table 3 contains the municipalities that comprise the assessment area and the respective median home sales prices. The table highlights that although home values were on the rise since the 2000 Census, they have decreased, on the average, a total of 3.0 percent from 2006 to 2007. Whereas the trend in values has reversed from prior years (2000 through 2004), the data nevertheless provides some insight into the constraints facing a financial institution desiring to serve these communities. Despite the decline in values, the median sales prices remain high in comparison to the median family incomes of the assessment area.

<b>Table 3 – Median Sales Price</b>			
<b>City/Town</b>	<b>2006</b>	<b>2007</b>	<b>% Change</b>
Billerica	\$345,000	\$342,500	-0.7
Chelmsford	\$370,000	\$353,500	-4.5
Dracut	\$305,000	\$285,000	-6.6
Dunstable	\$478,500	\$399,900	-16.4
Groton	\$465,000	\$501,450	7.8
Lowell	\$265,000	\$251,000	-5.3
Pepperell	\$322,500	\$322,500	0.0
Tewksbury	\$365,000	\$338,500	-7.3
Tyngsboro	\$388,750	\$381,100	-2.0
Westford	\$465,000	\$498,500	7.2
Wilmington	\$387,000	\$364,900	-5.7
<b>Assessment Area Median Sales Price</b>	<b>\$377,886</b>	<b>\$367,168</b>	<b>-3.0</b>

### ***Income***

The Median Family Income ("MFI") for the assessment area was \$67,294 as of the 2000 Census. The Department of Housing and Urban Development ("HUD") adjusts the 2000 MFI based on estimates. Table 4 reflects these HUD-adjusted MFIs for 2006 and 2007.

<b>Table 4 – Median Family Income Levels</b>		
<b>Metropolitan Division</b>	<b>2006</b>	<b>2007</b>
<b>15764-Cambridge-Newton-Framingham, MA MD</b>	<b>\$90,900</b>	<b>\$88,900</b>
Low-Income (Less than 50%)	\$0 to \$45,449	\$0 to \$44,449
Moderate-Income (50% to < 80%)	\$45,450 to \$72,719	\$44,450 to \$71,119
Middle-Income (80% to < 120%)	\$72,720 to \$109,079	\$71,120 to \$106,679
Upper-Income (120% and greater)	\$109,080 and greater	\$106,680 and greater

As depicted in the table, MFI levels decreased overall from 2006 to 2007. Related to income is the bankruptcy filing rate for the area. For Middlesex County, this rate nearly doubled between 2006 and 2007. Middlesex County ranked 10<sup>th</sup> out of the State's 14 counties, reflecting a bankruptcy filing rate of 1.45 percent in 2007.

### ***Employment***

Compared to the U.S. economy, Middlesex County experienced a much slower employment growth rate, at 0.8 percent, for both 2006 and 2007. However, the non-seasonally adjusted unemployment rates of 3.9 percent in 2006 and 3.8 percent in 2007 are below the U.S. rates of 4.2 percent and 4.6 percent, respectively. The Massachusetts unemployment rates of 4.7 percent for both 2006 and 2007 are also higher than the Middlesex County rates. The unemployment rate for Middlesex County trended slightly downward on a quarterly basis throughout 2007. The City of Lowell has the highest unemployment rates in the County (even though data revealed that Lowell's unemployment rate has steadily decreased from 2004 to 2007), followed by the Town of Dracut, while three towns share third place: Billerica, Tewksbury, and Tyngsboro.

Service is a major sector of the local economy, representing more than a third of total employment. Trade, finance/insurance/real estate, and construction are other key elements. Tourism is an economic mainstay in the downtown Lowell area, welcoming about 500,000 visitors annually. The largest employers in the area are M/A COM, Inc. (a microwave electronics firm), Saints Memorial Medical Center, Lowell General Hospital, the University of Massachusetts (at Lowell), Alcatel-Lucent, and Raytheon.

### ***Community Contact***

A community contact, referenced during the evaluation, stressed the need for local banks to provide financing programs for low- and moderate-income families. The contact also expressed the need for more affordable housing projects. According to the contact, housing prices are declining but are still too high for low- and moderate-income borrowers.

## **SCOPE OF EXAMINATION**

CRA guidelines classify Lowell Five as an Intermediate Small Institution ("ISI"), based on total assets. However, at management's option, an ISI bank may be evaluated under Large Institution CRA examination procedures. For the purpose of this evaluation, Lowell Five's management requested that the Bank be reviewed according to Large Institution CRA evaluation parameters, which include a Lending Test, an Investment Test, and a Service Test.

This CRA evaluation generally includes Bank activity for the period beginning May 16, 2005 through May 19, 2008. However, the majority of the Lending Test is focused on loan originations for 2006 and 2007. Therefore, home mortgage loans reported on the Bank's Home Mortgage Disclosure Act ("HMDA") Loan Application Registers ("LAR"s) and small business loans reported on the Bank's CRA loan registers for these two years are included in the analyses. With respect to the analyses for community development lending and innovative and flexible lending practices, the period covered is from the date of the prior evaluation (May 16, 2005) through May 19, 2008.

Aggregate lending data for 2006 is included for comparison purposes. Aggregate data for 2007 was not available for this evaluation. Since HMDA data provides information about home purchase and home improvement loans, as well as refinancings on 1-4 family and multi-family structures, brief mention is made of the Bank's performance within these loan subcategories. Finally, all lending comparisons with aggregate data, including market share analyses, are based on originations only; they do not include purchased loans since the Bank did not engage in this activity during 2006.

Please note that although both the number and dollar volume of the Bank's loans were reviewed, the number of originations is weighed more heavily than the dollar volume, as the number of loans is less likely to be influenced by factors such as an applicant's income level, business size, or housing values. If dollar volume were emphasized, higher income borrowers or areas would generally appear to receive a larger percentage of loans simply because each loan is likely to be larger. Furthermore, since it was noted that residential mortgages and commercial loans make up similar portions of the Bank's total loan portfolio, equal emphasis is placed on both types of lending for the purpose of this evaluation.

The Bank's engagement in small farm lending during the evaluation period was minimal. Additionally, consumer lending was less than 2 percent of total lending activity. As such, small farm and consumer lending were not considered in evaluating the Bank's overall performance.

The Investment and Service Tests include qualified community development investments and qualified community development and retail service activities for the period beginning May 16, 2005 through May 19, 2008.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### LENDING TEST

The Bank's overall performance with respect to the Lending Test is rated High Satisfactory. The following sections summarize the data that was reviewed and the conclusions that were reached regarding the Bank's performance within each of the applicable performance criterion under this test.

#### Lending Activity

This portion of the Lending Test focuses on the Bank's level of lending within the assessment area; the volume of lending relative to the Bank's capacity; and the level of lending relative to credit needs in the assessment area.

Lowell Five's loan-to-deposit (LTD) data for each quarter since the 2005 FDIC examination revealed an average LTD ratio of 60.8 percent. While considered reasonable, comparisons with similarly situated institutions revealed that Lowell Five's LTD ratio, on average was 40 basis points below those other institutions. Analysis of the Bank's assets revealed that management placed greater emphasis on securities and federal funds sold during the evaluation period. As of December 31, 2007, the Bank's securities portfolio, combined with federal funds sold and trading assets represented approximately 46.7 percent of total assets.

Lending levels reflected adequate responsiveness to the needs of the assessment area. Overall, a high percentage of loans were originated in the institution's assessment area. Table 5 reflects that in 2006 and 2007, a high majority of home mortgage and small business loans, both in number and dollar volume, was extended within the assessment area. As stated previously, in 2006, Lowell Five ranked 31<sup>st</sup> among 406 lenders in the assessment area that originated at least one home mortgage loan. This was the second highest market ranking of any state non-member bank in the assessment area. Further review revealed that most of the higher ranked institutions were larger regional and national banks and/or mortgage companies and credit unions. Given the competitive nature of the assessment area, the Bank's performance reflects very good assessment area loan concentration.

Loan Type	Number of Loans					Dollars in Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total \$(000)
	#	%	#	%		\$(000)	%	\$(000)	%	
Home Mortgage										
2006	117	83.6	23	16.4	140	17,227	75.2	5,673	24.8	22,900
2007	90	82.6	19	17.4	109	12,729	77.1	3,779	22.9	16,508
<b>Subtotal</b>	<b>207</b>	<b>83.1</b>	<b>42</b>	<b>16.9</b>	<b>249</b>	<b>29,956</b>	<b>76.0</b>	<b>9,452</b>	<b>24.0</b>	<b>39,408</b>
Small Business										
2006	79	90.8	8	9.2	87	10,750	90.0	1,192	10.0	11,942
2007	78	87.6	11	12.4	89	13,762	88.4	1,799	11.6	15,561
<b>Subtotal</b>	<b>157</b>	<b>89.2</b>	<b>19</b>	<b>10.8</b>	<b>176</b>	<b>24,512</b>	<b>89.1</b>	<b>2,991</b>	<b>10.9</b>	<b>27,503</b>
<b>TOTAL</b>	<b>364</b>	<b>85.6</b>	<b>61</b>	<b>14.4</b>	<b>425</b>	<b>54,468</b>	<b>81.4</b>	<b>12,443</b>	<b>18.6</b>	<b>66,911</b>

Source: reported HMDA LAR and CRA LR data (2006 and 2007)

### ***Home Mortgage Loans***

Table 5 shows that 83.1 percent of all home mortgage loans, by number, were originated inside the assessment area during the two years under review. This percentage reflects a good responsiveness and indicates that the Bank helped to meet the residential lending needs within its defined community during this period. Despite the high percentage of loans in the assessment area, the volume of loans decreased. Management attributes this decline to the cost of housing, slowing real estate market, and sluggish economy.

An analysis of lending data by loan purpose further supports the Bank's performance. In 2006, 80.4 percent of home purchase loans, 79.2 percent of refinance loans, and 91.3 percent of home improvement loans were made inside the assessment area. In 2007, 79.0 percent of home purchase loans, 76.2 percent refinance loans, and 96.6 percent of home improvement loans were made inside the assessment area. This data reflects a noticeable improvement compared to 2005.

### ***Small Loans to Businesses***

As Table 5 shows, 89.2 percent, by number, of the Bank's small business loans were made within the assessment area in 2006 and 2007 combined. This percentage illustrates the Bank's success in extending business credit within its assessment area.

In assessing performance under this criterion, consideration was again given to the Bank's market rank within the assessment area for 2006. The Bank ranked 25<sup>th</sup> out of 61 lenders in 2006, which originated at least one small business loan in the Bank's assessment area. Most lenders ranking higher than the Bank were financial institutions of much larger asset size. The only other locally-based banks noted were more than double the size of Lowell Five. Although market share data for small business loans is a good indicator of the Bank's performance, it should be noted that this data is derived from the county level, so it is not possible to compare the Bank's performance to other institutions that generated loans specifically within the Bank's assessment area.

### **Geographic Distribution of Lending**

The Bank's lending distribution is analyzed to determine the dispersion of loans among the geographies that comprise the Bank's assessment area. Greater emphasis within this criterion is placed on lending within low- and moderate-income census tracts. Overall, the Bank's performance under this criterion shows good dispersion.

### ***Home Mortgage Loans***

As depicted in Table 6, a review of the Bank's 2006 and 2007 lending activity revealed that the institution's percentages within low- and moderate-income tracts were greater than the percentages of owner-occupied units. In 2006, the Bank's performance exceeded the aggregate market in low-income tracts, and was slightly below the aggregate in the moderate-income tracts. Analysis of the 2007 HMDA data revealed a

decrease in lending within the low-income tracts, both in terms of number and percentage. Management had no specific reason for the decrease; however, it should be noted that the number of loans and the percentage within the moderate-income tracts increased from 2006. As a reminder, 2007 aggregate data is not available; however, comparison to the percentage of owner-occupied units supports the Bank's good dispersion.

Table 6 - Distribution of Home Mortgage Loans by Income Category of the Census Tract								
Census Tract Income Level	% of Total Owner-Occupied Housing Units	Aggregate Lending Data (% of #)	Bank Data 2006		Bank Data 2007		Total	
			2006	#	%	#	%	#
Low	2.9	6.3	10	8.5	4	4.4	14	6.7
Moderate	17.0	22.6	24	20.5	28	31.1	52	25.1
Middle	66.0	61.0	67	57.3	41	45.6	108	52.2
Upper	14.1	10.1	16	13.7	17	18.9	33	16.0
<b>Total*</b>	<b>100</b>	<b>100</b>	<b>117</b>	<b>100</b>	<b>90</b>	<b>100</b>	<b>207</b>	<b>100</b>

Source: U.S. Census, HMDA LAR (2006-2007), and 2006 HMDA Aggregate Data

Analysis of the Bank's lending by purpose revealed that the Bank did not originate any multi-family loans and that most of the lending activity occurred within the refinance and home improvement portfolios. In 2006, the Bank made 6 (16.2 percent) of its home purchase loans within the assessment area's 10 low-income census tracts and exceeded the aggregate, at 9.5 percent. Within moderate-income tracts, the Bank's performance, at 27.0 percent, exceeded the aggregate, at 24.6 percent. In 2007, the Bank made 3 (15.0 percent) of its home purchase loans within the low-income census tracts and 15 (50.0 percent) within its moderate-income census tracts.

In 2006, the Bank originated 5.3 percent of its refinance loans within its low-income census tracts, compared to aggregate at 5.0 percent. The Bank's performance in the moderate-income category, at 18.4 percent, was less than the aggregate, at 21.4 percent. In 2007, the Bank did not originate any refinance loans in the low-income census tracts but made 12.5 percent of these loans in moderate-income census tracts. This decline in performance within the low-income tracts was attributed to the rising interest rate environment and cost of housing.

In 2006, the Bank originated 4.8 percent of its home improvement loans within the low-income census tracts compared to the aggregate at 3.8 percent. Within the moderate-income category, the Bank's performance, at 16.7 percent, was less than aggregate at 21.4 percent. However, in 2007, the Bank generated nine loans (32.1 percent) within the moderate-income census tracts.

Additional factors were considered under this performance criterion in assessing the Bank's performance. These additional factors included:

- The 2000 Census revealed that approximately 75.4 percent of the housing units within the low-income tracts are rented, as are 46.3 percent within the moderate-income tracts. At these elevated levels, the ability to originate a high number of loans within low- or moderate-income tracts is limited.
- A review of the Bank's 2006 and 2007 HMDA data revealed that the Bank received a total of 24 applications from within its low-income tracts and 77 applications from within its moderate-income tracts. A closer analysis revealed that 14 of the low-income tract applications were originated (58.3 percent) as well as 52 (67.5 percent) of those received from moderate-income tracts. These percentages reflect the Bank's willingness to lend in these areas.
- A review of the 2006 market rank reports revealed that 406 financial entities originated at least one loan in the assessment area. Of this total, 152 financial institutions originated at least one loan in the assessment area's low-income tracts. Lowell Five originated 10 loans, ranking 27<sup>th</sup>
- A review of the moderate-income tracts in 2006 revealed that 230 lenders originated loans in these geographies. Lowell Five ranked 35<sup>th</sup>, with 24 loans.

### **Small Loans to Businesses**

Table 7 illustrates the distribution small businesses loans by census tract income level for 2006 and 2007. For comparison, the 2006 aggregate data and the percentage of businesses by census tract income level, according to Dunn and Bradstreet, are also shown.

<b>Table 7 – Distribution of Small Business Loans by Income Category of the Census Tract</b>						
<b>Census Tract Income Level</b>	<b>Business Locations (% of #)</b>	<b>Aggregate Originations (% of #)</b>	<b>2006 (by number)</b>		<b>2007 (by number)</b>	
	<b>2000</b>	<b>2006</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	10.8	7.0	12	15.2	3	3.8
<b>Moderate</b>	15.0	14.2	19	24.1	15	19.2
<b>Middle</b>	61.4	64.8	42	53.1	52	66.6
<b>Upper</b>	12.8	14.0	6	7.6	8	10.3
<b>Total</b>	<b>100</b>	<b>100</b>	<b>79</b>	<b>100</b>	<b>78</b>	<b>100</b>

*Source: 2000 U.S. Census Data, 2006 and 2007 Bank CRA Data, CRA Aggregate Data, and Dunn and Bradstreet*

In 2006, the Bank's performance in lending at 15.2 percent within the low-income and 24.1 percent within the moderate-income tracts exceeded that of the aggregate at 7.0 percent and 14.2 percent, respectively. Further, the Bank's performance exceeded the percentages of businesses located within the low- and moderate-income tracts.

The Bank's performance in 2007 within the low- and moderate-income tracts was not as strong as in 2006. Still, at 3.8 percent within low-income tracts, and 19.2 percent within the moderate-income tracts, the Bank's performance continued to be reasonable. The slight decline was attributed to competition in the assessment area.

With respect to market share for 2006, the Bank ranked 25<sup>th</sup> out of 112 lenders that originated at least one small business loan in Middlesex County and 25<sup>th</sup> for originations in the assessment area's low- and moderate-income tracts. With one or two exceptions, all lenders ranking higher were larger regional or national financial institutions. It should be noted that market share data is available only at the county level; therefore, performance comparisons with other institutions within the Bank's specific assessment area was not possible. However, analysis at the county level provides sufficient information to assess the Bank's performance. Market share data was not available for 2007.

## Lending to Borrowers of Different Incomes and Businesses of Different Sizes

This performance criterion analyzes lending to borrowers of different income levels and businesses of different sizes. Borrower incomes are compared to HUD's adjusted MFI figures for the year in which the loan is granted. The low-, moderate-, middle-, and upper-income categories are based on designated percentages of the MFI for the MSA.

### Home Mortgage Loans

The overall distribution of loans to borrowers of different incomes reflects, given the demographics of the assessment area, excellent penetration to individuals of different income levels, especially those of low- and moderate-income. Table 8 reveals that the Bank's percentage of loans to low-income applicants in the assessment area for 2006 outperformed aggregate and exceeded the percentage of low-income families by approximately three times. The Bank's originations to moderate-income borrowers slightly exceeded aggregate performance in 2006 and equaled the percentage of moderate-income families. The Bank's performance exceeded the percentages of both low- and moderate-income families in 2007.

Table 8 – Distribution of HMDA Loans by Borrower Income								
Median Family Income Level	% Total Families	Aggregate Lending Data (% of #)	Bank Data 2006		Bank Data 2007		Total	
		2006	#	%	#	%	#	%
Low	7.7	8.9	30	25.7	20	22.2	50	24.2
Moderate	21.4	27.0	33	28.2	19	21.1	52	25.1
Middle	58.3	33.9	30	25.6	23	25.6	53	25.6
Upper	12.6	25.2	19	16.2	25	27.8	44	21.2
\$0/NA Income	0.0	5.0	5	4.3	3	3.3	8	3.9
<b>Total*</b>	<b>100</b>	<b>100</b>	<b>117</b>	<b>100</b>	<b>90</b>	<b>100</b>	<b>207</b>	<b>100</b>

Source: 2006 and 2007 HMDA LARs. 2000 U.S. Census

In 2006, Lowell Five approved 76.9 percent of the low-income and 66.7 percent of the moderate-income applications received within its assessment area. By comparison, 2006 aggregate data indicates an approval rate of 37.8 percent for low-income applications and 39.0 percent for moderate-income applications.

An analysis of the Bank's lending by purpose with respect to the borrower income criterion was also conducted. In 2006, the Bank made 24.3 percent of all assessment area home purchase loans to low-income borrowers, which was considerably higher than aggregate's performance at 7.2 percent.

The Bank's performance in the moderate-income category at 27.0 percent was essentially equal to that of aggregate's performance. In 2007, the Bank originated a total of 20.0 percent of assessment area home purchase loans to both low- and moderate-income applicants.

In 2006, the Bank made 23.7 percent of assessment area refinance loans to low-income borrowers, essentially three times that of aggregate's 9.5 percent. The Bank's performance in the moderate-income category, at 31.6 percent, was more than the aggregate's performance, at 26.8 percent. In 2007, the Bank's percentage of refinance loans to both low- and moderate-income borrowers equated to 25.0 percent.

In 2006, the Bank made 28.6 percent of assessment area home improvement loans to low-income borrowers and 26.2 percent to moderate-income borrowers in the assessment area. This compares favorably to the aggregate performance, at 11.6 percent and 25.9 percent, respectively. For 2007, 21.4 percent of home improvement loans were granted to assessment area low-income applicants and 17.9 percent to moderate-income individuals.

The following factors were also considered in evaluating the Bank's overall performance with respect to loan distribution based on borrower income.

- The 2006 market share data reflects that 191 lenders originated loans in the Bank's assessment area to low-income borrowers and the Bank ranked 7<sup>th</sup> with 30 loans. With 33 loans, Lowell Five ranked 31<sup>st</sup> out of 265 institutions that originated loans to moderate-income borrowers.
- Despite a slight decline in home sale prices since 2005, housing values in the assessment area are still quite high. The overall value makes it difficult for low- and moderate-income applicants to qualify for a mortgage. Nevertheless, the Bank demonstrated very good penetration among these two income segments of its assessment area.
- A review of 2000 U.S. Census data revealed that approximately 22.1 percent of the family households in the assessment area were low-income. Further, approximately 29.0 percent of the households in the low-income tracts were below the poverty level. These demographics lend support to the claim that it is difficult to originate a high number of loans to the low- and/or moderate-income population within the assessment area.

**Small Loans to Businesses**

The distribution of loans to businesses of different sizes is depicted in Table 9.

<b>Table 9 – Distribution of Small Business Loans by Gross Annual Revenues of Business</b>					
<b>Gross Annual Revenues (000)</b>	<b>Aggregate Lending Data (% of #)</b>	<b>2006</b>		<b>2007</b>	
	<b>2006</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Less than or equal to \$1,000</b>	32.7	39	72.2	58	74.4
<b>&gt;\$1,000</b>	67.3	15	27.8	20	25.6
<b>Total</b>	<b>100</b>	<b>54*</b>	<b>100</b>	<b>78</b>	<b>100</b>

Source: 2006 Small Business Aggregate Data and 2006 and 2007 Bank CRA Data

\*Number of 2006 loans does not agree with the total number of small business loans originated in the assessment area because the GARs were reported as “unknown”.

As illustrated, 72.2 percent of the Bank’s loans in 2006 were made to businesses with gross annual revenues (GAR) of \$1 million or less. This performance is more than twice that of aggregate data. The Bank’s performance in 2007 showed a slight increase, by percentage, to businesses with GAR of \$1 million or less, at 74.4 percent. The Bank’s performance also compares favorably to certain demographic information, as 66.2 percent of businesses in the assessment area had gross annual revenues of \$1 million or less (data obtained from PCi Wiz, Inc. and not shown in the above table). Overall, the Bank’s performance for both years was strong.

As smaller dollar amount loans are typically made to smaller-sized businesses, an analysis of the Bank’s performance was also performed by loan size. This breakdown is depicted in Table 10.

<b>Table 10 – Distribution of Small Business Loans by Loan Size</b>				
<b>Loan Size (000s)</b>	<b>2006</b>		<b>2007</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Less than \$100	50	63.3	42	53.9
\$100 to \$250	16	20.3	15	19.2
\$250 to \$1,000	13	16.4	21	26.9
<b>Total</b>	<b>79</b>	<b>100</b>	<b>81</b>	<b>100</b>

Source: 2006 and 2007 CRA Data

In both 2006 and 2007, over 60 percent and 50 percent, respectively, of the Bank’s small business loans originated within its assessment area were in amounts of \$100,000 or less, illustrating the Bank’s success in meeting the credit needs of smaller businesses.

## Community Development Lending

A community development loan (“CDL”) is one that:

- has as its primary purpose community development;
- has not been reported or collected by the bank or an affiliate for consideration in the bank’s assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multi-family dwelling loan; and
- benefits the bank’s assessment area or a broader statewide or regional area that includes the bank’s assessment area.

Based on the Bank’s lending capacity and opportunities within the assessment area, Lowell Five made a relatively high level of CDLs, primarily in support of affordable housing projects and non-profit, community-based organizations.

During the evaluation period, the Bank committed \$23.8 million to 12 qualified community development projects in the assessment area. The funded commitments as of December 31, 2007 represented 3.4 percent of the Bank’s total loans. Although total commitments represented a decrease in dollar volume since the previous evaluation, when Lowell Five made 32 CDLs, totaling almost \$30 million, CDL activity during the evaluation period nevertheless reflects a more than reasonable performance under this criterion. The following items provide brief synopses of the Bank’s CDL activity since the prior CRA evaluation.

- In December 2005, Lowell Five provided funding in the amount of \$950,000 to rehabilitate an old mill in the defined Historic District of the City of Lowell. The mill is part of an area designated as a “HUBZone” (Historically Underutilized Business Zone). A total of 88.5 percent of Lowell’s census tract are labeled low- and moderate-income. The HUBZone Empowerment Contracting Program (“Program”) was enacted into law as part of the Small Business Reauthorization Act of 1997. The Program falls under the auspices of the U.S. Small Business Administration and encourages economic development in HUBZones through the establishment of preferences. The Program stimulates economic development and creates jobs in urban and rural communities by providing federal contracting preferences to small businesses. These preferences go to small businesses that obtain HUBZone certification. Furthermore, as part of the Tax Incentives and Loan Programs that are available for the rehabilitation of historic buildings within this area, the City of Lowell established an arts district within its historic downtown as a place to encourage a variety of artists to set up their studios and living space. Currently, the partially renovated mill houses 28 Artists Lofts, with more to be built. The renovation will also provide space for numerous small businesses. A host of housing opportunities are available for individual artists and cooperative groups who are just starting out or are well-established.
- The Bank participated with several other financial institutions in 2006 to make a \$1.97 million loan available to a non-profit corporation that works with, and assists, disadvantaged teens in Lowell. The majority of the program participants are low- and moderate-income. The funds requested were for the purchase of a

building in Lowell to house the entity's headquarters and youth center. The building is located in a low-income census tract. The organization's mission is to be a "by teens, for teens" safe-haven for youth development and grassroots organizing. The entity provides a safe and multicultural place of belonging, emphasizing the holistic development of Lowell's young people, ages 13-23, particularly those most often overlooked and labeled as "at-risk." The organization involves these young people through intensive street outreach, builds upon their unique strengths within a youth development framework, and creates opportunities to best support them in becoming agents of social change and organizers in the community. Lowell Five's portion of the loan was \$218,000.

- Lowell Five approved an original monetary commitment of \$2.9 million to a development and financial corporation to assist in the reinvention and replication of affordable housing units at the Julian D. Steele Project ("Project"). The development is located within a moderate-income census tract within the Bank's assessment area. The Project will build 90 single-family homes and 45 duplexes for a total of 180 units. The Project was started in April 2006 and Lowell Five began funding their \$2.9 million credit facility in July of that year. Thirty-five of the single family units are available to low- and moderate-income first-time homebuyers. Forty-five of the duplex-ownership units are available to first-time, low-income homebuyers. Forty-five of the duplex-rental units are available to low-income tenants. In 2006, Phases 1 and 2 were completed, during which time Lowell Five advanced \$1,451,885. In 2007, Phase 4 was initiated and Lowell Five advanced \$1,410,243. The Bank committed to an amount of just over \$10 million in total revolving advances throughout the Project's development.
- Lowell Five funded a number of projects that generated a total of 84 affordable housing units within its assessment area during the evaluation period. To date, a total of 55 of these units are sold. The Bank's original commitment with respect to these endeavors included 9 loans totaling \$19.7 million. Many of these loans were revolving commitments, allowing the Bank to advance funds as borrowings were paid back during the various construction phases that continued throughout the evaluation period. Prior to this, the Bank also originated several other loans to construct affordable housing units. Although these loans were originated prior to the current evaluation period and were not included in the CDL totals, two of them were revolving commitments, thereby making these credit facilities available to the borrowers during the period under review. As units were sold and loan balances reduced, funds became available again for the Bank to advance during this period.

Therefore, under all of these revolving credit facilities, Lowell Five advanced approximately \$8 million in 2005; \$22.8 million in 2006; \$11.9 million in 2007; and \$1.7 million in 2008 year-to-date.

These projects were initiated under the Massachusetts Comprehensive Permit Law – Chapter 40B, a state law that helps address the shortage of affordable housing statewide by reducing unnecessary barriers created by local approval

processes, local zoning, and other restrictions. The final goal of the various projects is to build a total of 395 single family homes, condominiums, and rental units, many of which will be specifically designated as affordable housing units.

### ***Other Lending Activity***

The Bank originated other loans during the evaluation period that did not meet the strict definition of community development or were already included in the HMDA or small business loan analysis. These efforts demonstrated the Bank's willingness to provide financing for projects that met the needs of low- and moderate-income areas or benefited low- and moderate-income individuals. For example, Lowell Five granted 13 loans totaling \$4.1 million to developers who provided multi-family housing in low- and moderate-income census tracts within the assessment area.

### **Innovative or Flexible Lending Practices**

Lowell Five uses innovative and/or flexible lending practices to serve the needs of the assessment area. The Bank offers its customers a variety of mortgage products. Further, as a portfolio lender, Lowell Five does not sell its residential mortgages to the secondary market. This decision allows the Bank to underwrite loans beyond the established secondary market underwriting standards, thereby providing Lowell Five with more flexibility for qualifying ratios and other compensating underwriting factors.

Since the prior evaluation, the Bank originated 36 loans under the various innovative and flexible programs, totaling approximately \$3.9 million. During the prior evaluation period, 26 loans were originated totaling \$1.6 million. The increase in these loans since the previous evaluation, both in number and dollar amount, and the addition of new products during this evaluation period, reflects Lowell Five's commitment to its assessment area.

The following items represent a summary of the loan products or programs Lowell Five participated in or uses that were innovative or have flexible underwriting criteria.

### ***Residential Lending Programs***

#### ***Massachusetts Housing Finance Agency ("MHFA") Get the Lead Out***

The Bank received referrals for this program from the City of Lowell's Lead Paint Abatement Program and from Community Teamwork, Inc., a community development corporation. MHFA funded the loans, but Lowell Five underwrote the applications, prepared all documentation, and supervised the loan closings. The Bank originated 13 mortgages totaling \$181,806 since the previous evaluation.

#### ***MAssAdvantage™ and MAssAdvantage Low™ Home Mortgage Programs***

Lowell Five, in association with the MHFA, offered loans under this program to income-eligible, first-time homebuyers, many of who were low- or moderate-income. These loans had both low and no down payment options as well as below market interest rates. In 2006, Lowell Five originated one loan for \$250,000 and two in 2007 totaling \$458,600.

### Massachusetts Housing Partnership (“MHP”) Soft Second Loan Program

The MHP Soft Second Loan Program, (“Program”) is an affordable housing program that the Bank began to offer in 2003. Under the Program, applicants are referred to the Bank by the MHP. The MHP is a statewide, public, non-profit, affordable housing organization that works in concert with the Governor and the state Department of Housing and Community Development to help increase the supply of affordable housing in Massachusetts. The Soft Second Program is available to first time homebuyers that are low- or moderate-income and help these individuals qualify for a mortgage. It combines a conventional first mortgage that requires only a 3 percent down payment with a subsidized second mortgage. The second mortgage has interest-only payments for the first 10 years; 75 percent of these payments for the first 5 years is covered by a subsidized government loan and gradually decreased to zero by year 10. Thus, the borrowers’ debt service during this period is reduced, allowing them to qualify for the mortgage. The Bank originated 11 second mortgages totaling \$1,738,710 since the prior evaluation.

### Reverse Mortgage Loan Program

Through its association with Homeowner Options for Massachusetts Elders (“H.O.M.E.”), the Bank offered reverse mortgages during the evaluation period. H.O.M.E. is a private, non-profit organization that assists elderly homeowners of low- or moderate-income in making informed decisions that will allow them to stay in their homes. To accomplish this, H.O.M.E. uses a statewide network of banks and trained counselors from local non-profit agencies. H.O.M.E. counselors provide assistance, information, counseling, and referral services, while member banks extend either reverse mortgages or senior equity lines of credit (“SELOCs”). The Bank originated 6 reverse mortgage loans totaling \$1,013,449 and 2 SELOCs totaling \$143,475.

### Comprehensive Permit Law – Chapter 40B

Chapter 40B is a state law that helps address the shortage of affordable housing statewide. Local Zoning Boards of Appeals can approve housing developments under flexible rules if at least 20 to 25 percent of the units have long-term affordability restrictions. The Bank originated several construction loans to fund seven projects to build 395 single family homes, condominiums, and rental units. Of these total units, 103, or 26.1 percent, are affordable housing units.

Once completed, the affordable units will be sold for substantially less than the market value to low- and moderate-income borrowers. The affordable housing units will contain deed restrictions that limit any future selling price to keep the units in the ‘affordable’ category. The mortgages originated for these units are not saleable in the secondary market due to the deed restrictions and will have to be retained in the lender’s loan portfolio. Lowell Five agreed to provide mortgage financing for the affordable housing units, but none has been granted to date.

Although the committed dollar amount from the Bank for these projects is already considered within the Community Development criterion, the Bank’s efforts to work with the developers and to underwrite this type of funding, is worthy of note under this criterion.

## ***Business Lending Programs***

### *Lowell Development and Financial Corporation's ("LDFC") Downtown Venture Fund*

The Downtown Venture Fund, a low-interest loan program administered by the City of Lowell and local financial institutions, invested over \$2 million in the opening or expansion of over 20 new downtown businesses over the past 5 years. The Fund is geared towards retail, restaurants, and arts and entertainment businesses. During the evaluation period, the Bank committed \$135,000 to the loan pool in support of this program.

## **INVESTMENT TEST**

### **Scope of Test**

The Investment Test evaluates the institution's record of helping to meet credit needs through qualified investments that benefit the assessment area or a broader statewide or regional area that includes the Bank's assessment area. A qualified investment is defined as a lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Community development purposes include those that either: 1) provide affordable housing for low- or moderate- income individuals or areas; 2) provide community services targeting low- or moderate-income individuals or areas; 3) promote economic development by financing small businesses; or, 4) revitalize or stabilize low- or moderate- income geographies. Activities considered under the Lending or Service Tests may not be considered under the Investment Test.

The institution's investment performance is evaluated pursuant to the following criteria: 1) the dollar amount of qualified investments; 2) the innovativeness or complexity of qualified investments; 3) the responsiveness of qualified investments to credit and community development needs; and, 4) the degree to which the qualified investments are not routinely provided by private investors. Per the regulation, qualified investments considered in this evaluation include all those acquired or made since the previous CRA examination as well as those made prior and still held by the institution, which are still outstanding and carried on the Bank's balance sheet.

During the evaluation period, the institution made an adequate level of qualified community development investments and grants; however, the Bank was rarely in a leadership position.

### **Qualified Investments**

During the previous evaluation, the Bank received CRA Investment Test credit for the purchase of a \$496,865 municipal security for the City of Lowell that was part of an offering of \$52.6 million in General Obligation State Qualified Bonds. Proceeds were used to pay for City projects, including a school, and water and sewer projects. Additional proceeds were also earmarked for paying the principal amount of bond anticipation notes that were issued to finance an affordable housing project. Although

this investment was purchased during the prior evaluation, the CRA regulation allows the Bank to receive consideration for any investment remaining on its books. The current book value is \$498,631.

Adding further support to this investment's inclusion is the fact that a significant majority of the City's geographies, (88.5 percent) are low- or moderate- income, as well as 65.1 percent of the families residing within the City of Lowell. As these projects directly benefited the City and/or were used for affordable housing, the overall investment is considered qualified.

### ***Charitable Contributions***

The remainder of the Bank's qualified investments consists of grants and donations. The Bank made an adequate level of grants and donations, reflecting good responsiveness to the community development needs of its assessment area. Since the previous evaluation, the Bank made \$672,547 in grants and donations, \$290,950, or 43.3 percent, of which were considered CRA-qualified contributions.

Further analysis by year indicated that the Bank provided \$73,850 in qualified dollars during the last six months of 2005. This represented 68.7 percent of total donations during that time period. In 2006, the Bank donated \$104,600, or 46.1 percent of total donations to qualified entities for that year representing 2.3 percent of pretax net operating income ("NOI"). In 2007, the amount in qualified contributions was \$74,250, representing 32.1 percent of total donations in 2007 and 1.6 percent of NOI. Finally, for year-to-date 2008, the Bank donated \$38,250 in qualified grants and donations, representing 35.9 percent of total donations.

The Bank's contributions supported an array of charitable organizations throughout the assessment area. These organizations provide housing and other services to low- and moderate-income individuals or promote CRA-qualified business development within the assessment area.

The following list details a sample of the organizations that benefited from the Bank's contributions:

#### *Community Teamwork, Inc (CTI).*

CTI is a private, non-profit Community Action Agency and a regional non-profit housing agency which offers an array of housing opportunities and supportive services to low-income families. CTI's core service area includes the City of Lowell and the surrounding Towns of Billerica, Chelmsford, Dracut, Dunstable, Tewksbury, Tyngsboro, and Westford.

#### *United Way of Massachusetts Bay and Merrimack Valley*

The mission of the United Way is to bring communities together, help improve people's lives, and strengthen neighborhoods. The Bank made several sizable contributions to the United Way in each year under review. The United Way targets its donations and resources to low- and moderate-income families, children, and communities.

### Merrimack Valley Housing Partnership

Merrimack Valley Housing Partnership is a private, non-profit organization. The organization offers several programs, including down payment assistance and first-time home buyer training, to promote homeownership for low- and moderate-income individuals in the Greater Lowell community.

### Consumer Credit Counseling Services

This nonprofit community service agency offers free comprehensive personal finance education and credit counseling programs. Counselors work with individuals to solve their debt problems and take control of their financial future by learning ways to manage money. A majority of the program's recipients are low- or moderate-income.

### Middlesex Community College Foundation, Inc.

The Middlesex Community College Foundation, Inc. provides scholarships to students who may otherwise have been unable to access education at the College. The majority of the scholarships offered through the foundation are based on financial need, thereby typically supporting those students of low- and moderate-income.

### Lowell Community Health Center (LCHC)

Lowell Community Health Center provides caring, quality, and culturally appropriate health services and affordable health care to the Greater Lowell community. For individuals without insurance, LCHC offers a sliding fee scale, or even free care, based on each patient's household size and income, primarily benefiting low- and moderate-income individuals and families.

### Boys & Girls Club of Greater Lowell

The mission of this organization is to inspire and enable all youth, especially those from disadvantaged circumstances, to realize their full potential as productive, responsible and caring citizens. The organization is dedicated to providing activities and events in a safe environment for underprivileged youth from low- and moderate-income families in the Greater Lowell area.

### The Cambodian Mutual Assistance Association (CMAA)

The CMAA is dedicated to improving the quality of life for the Cambodian-American community of Greater Lowell, other ethnic minorities, and economically disadvantaged persons through education, cultural, social, community, economic development and social programs. CMAA's primary target is low-income Lowell residents and recent immigrants.

### **Other Charitable Contributions**

Before moving its headquarters to a nearby location in Lowell, the Bank sold a former location in downtown Lowell to Lowell Community Teamwork at \$20,000 below the appraised value. This former Bank location now serves as a facility for Women, Infants and Children ("WIC"), a program that provides nutrition and health education, healthy foods, and other services free of charge to Massachusetts families who qualify by meeting the stated income requirements. The majority of the program recipients are low- or moderate-income.

## **SERVICE TEST**

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

The Bank was a leader in providing community development services in the assessment area during the review period. The Bank provided both deposit and loan services that benefited low- and moderate-income individuals. The Bank also participated in activities that helped low- and moderate- income individuals, as well as promoted small businesses in the assessment area.

### **Retail Banking Services**

The effectiveness of an institution's system for delivering retail banking services is evaluated pursuant to the following criteria:

- the distribution of the institution's branches among geographies of different income levels;
- the record of opening and closing branches, particularly branches located in low- and moderate-income geographies or that primarily serve low- or moderate-income individuals;
- the availability and effectiveness of alternate systems for delivering retail banking services; and,
- the range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

### ***Distribution of Branches***

During the review period, the Bank's delivery systems readily accessible to all portions of the assessment area, including low- and moderate- income geographies.

The Bank's operations center is located in a low-income census tract in Lowell, Massachusetts. In addition to the main office, the institution operated 13 branch locations. Three of these are also located in Lowell: two in moderate-income census tracts and one in a low-income census tract. Lowell Five operated branch locations in Billerica, Chelmsford, North Chelmsford, Dracut, Tyngsboro, Wilmington, and two Tewksbury locations, all of which are located in middle-income census tracts. The Bank also has a branch in a low-income census tract in Pepperell and an additional location in an upper-income census tract in Westford.

## ***Record of Opening and Closing Branches***

The Bank opened one branch in the assessment area since the previous evaluation, improving the availability of banking services to its customers. In May of 2007, the Bank opened a branch location in a moderate-income census tract in Lowell. The branch is located at 97 University Avenue. The Bank did not close any locations since the previous evaluation.

## ***Alternative Retail Banking Services***

Overall, branch hours are comparable to competing institutions. The Bank's branch offices offer normal business hours during the week from 9:00 A.M. to 4:00 P.M., excluding Wednesdays when the Bank closes at noon. Additionally, the Tyngsboro office, located in the Greater Lowell Technical High School, is only opened part time from 8:30 A.M. to 1:30 P.M. on weekdays during the school year. With the exception of one of the Lowell branches, which only has extended hours on Thursday, extended lobby hours are offered on Thursday and Friday until 6:00 P.M. In addition, extended hours are also offered, 9:00 A.M. to 12:00 P.M. on Saturdays in most locations. Drive-through facilities are available at 9 of the 13 offices. The drive-through facilities provided extended hours by opening an hour earlier than the lobby hours and closing an hour later on weekdays.

In addition, the Bank offers alternative delivery systems, which enhance both commercial and retail customer accessibility to services. The Bank operates Automated Teller Machines ("ATMs") at each branch location, as well as a stand alone ATM at 145 Thorndike Street in Lowell. The Bank participates with NYCE, CIRRUS, and MasterCard, and is a member of the NYCE Corporation Selective Surcharging Program, called SUM. SUM is a surcharge-free alliance of over 2,500 Massachusetts ATMs. The SUM Program is designed to provide consumers with surcharge-free banking alternatives throughout a broad geographic area of the Commonwealth.

The Bank also provides customers with 24-hour access to their accounts through the use of telephone and Internet banking. The Bank has a 24-hour customer telephone system called "Teller Line", permitting customers to verify balances, make transfers and loan payments, and inquire about checks or deposits. Information about some of the Bank's deposit and loan products, including interest rates, is also available through this service. The Bank's web-site, [www.lowellfive.com](http://www.lowellfive.com), provides office hours and locations, information about various deposit and loan products, interest rates for certificates of deposit and mortgage loans, financial calculators, and other Bank services. Applications for mortgage and consumer loans could be completed and sent electronically to the Bank. Internet banking with Bill\Pay is also offered through the website providing 24-hour access to customers' funds.

Additionally, customers have the option to bank-by-mail; this service allows customers to use a prepaid envelope to mail their deposits rather than having to come in to the Bank.

These alternative delivery systems are reasonably accessible to all portions of the assessment area.

## Community Development Services

In addition to reviewing retail banking services, the institution's community development services are evaluated pursuant to the following criteria:

- 1) the extent of community development services offered and used;
- 2) the innovativeness of community development services, including whether they serve low- and moderate-income customers in new ways or serve groups of customers not previously served;
- 3) the degree to which they serve low- and moderate-income areas or individuals; and
- 4) their responsiveness to available opportunities for community development services.

The Bank's staff demonstrated its commitment to the assessment area by volunteering their time and financial expertise to numerous community-oriented organizations and programs that provide community based services such as affordable housing opportunities to low- and moderate- income persons and organizations that promote economic development opportunities for small businesses. The following are a few examples of the Bank's participation with various organizations that benefited the community.

- Elder Services of Merrimack Valley – This non-profit organization is federally designated as the Area Agency on Aging and is managed by the State Home Care Program. The organization offers a variety of programs, including a Money Management Program, which is designed to assist low-income, adults complete financial tasks, including bill paying, budgeting, and check writing. A Bank Assistant Vice President served on the organization's Advisory Board. In addition, several other employees were involved in the Money Management Program. Participating staff included two of the Bank's Senior Vice Presidents, two Assistant Vice Presidents, and three Branch Managers.
- Lowell Development & Financial Corporation (LDFC) – A non-profit development corporation established to promote Lowell's economic revitalization and stabilization. A Senior Vice President and an Assistant Vice President of the Bank both served on the Board of Directors. Additionally, these individuals also served on the sub-committee for the Lowell Downtown Venture Fund ("LDVT"). The LDVT was organized by the City's Division of Planning and Development, and is designed to provide loans to businesses looking to locate or expand in the downtown Lowell area.
- Community Teamwork - A non-profit housing agency that offers housing opportunities and supportive services to low-income families in the Greater Lowell area. A Senior Vice President served as the Assistant Treasurer.
- The Lowell Transitional Living Center (LTLC) - A non-profit organization that provides safe, temporary shelter for homeless men and women in the Greater Lowell area. A Bank branch manager served on the Executive Board.

- The Greater Lowell Boys and Girls Club - The mission of this organization is to inspire and enable all youth, especially those from low- and moderate-income and disadvantaged circumstances, to realize their full potential as productive, responsible, and caring citizens. The organization is dedicated to providing activities and events in a safe environment for underprivileged youth in the Greater Lowell area. The Bank's Executive Vice President and two of the Bank's Senior Vice Presidents volunteered in various capacities.
- Girls Incorporated of Greater Lowell ("Girls, Inc.") – A non-profit organization that works with at-risk girls to provide a variety of life skills that will help them positively in the future, including introducing money management and career development skills. A majority of the organization's beneficiaries are members of low- and moderate-income families. A Senior Vice President served on the Executive Board. In addition a Vice President of the Bank was also a Board member of this organization.

### ***Other Community Services***

The Bank sponsors a program that offers Individual Development Accounts ("IDAs") to members of the Cambodian Mutual Assistance Association. The CMAA is an organization dedicated to improving the quality of life for the Cambodian-American community of Greater Lowell and other ethnic minorities through education, cultural, social, community, and economic development efforts.

Based on school enrollment data, and other data sources, most estimates place Lowell's Southeast Asian population at 30,000 to 35,000. Further estimates place Lowell as home to the second largest Cambodian refugee population in the U.S. IDAs are matched savings accounts that help low-income families move towards self-sufficiency and long-term prosperity. The CMAA's IDA, known as a refugee's saving program, addresses three saving goals: first time home buying, post-secondary education or recertification, and small business start ups. The Bank anticipates opening over a hundred of these free checking accounts for CMAA members. Five accounts were opened to date.

The Bank is a participant in the Massachusetts Community Banking Council's ("MCBC") -Basic Banking Program. The purpose of the program is to encourage financial institutions to offer low-cost checking and savings accounts for people with modest incomes. Additionally, the Bank participates in the MCBC's program, allowing non-bank customers to cash government checks without paying a fee.

The Bank provides free loan servicing for the Lowell Development and Financial Corporation's Downtown Venture Fund's loan portfolio. The fund offers low- interest loans to businesses in the downtown area of Lowell and specifically targets new retail and restaurant establishments. The goal of the organization is to revitalize and stabilize the area.

The Bank maintains free deposit accounts for a non-profit organization on the behalf of individuals who have received grants or loans to make improvements to their business properties. The Bank provides a business passbook savings account to each individual in the program. As improvements are made, the Bank releases the necessary funds to cover the expenditures.

The Bank provides the use of its premises annually to the Salvation Army during the Christmas holiday. Trees are set up in the branch lobbies so employees and customers can purchase and return gifts for needy children. Kettles are also placed in the lobbies for contributions.

### ***Educational Services and Seminars***

Although the following activities do not necessarily meet the strict definition of community development services, they are noted here to indicate the Bank's commitment to providing an additional level of outreach to the communities it serves.

#### *Molloy Alternative High School – Learning for Life*

The Bank conducted an educational seminar on basic banking principles at the Molloy Alternative High School in Lowell, MA. The seminar stressed the importance of banking relationships and establishing credit.

#### *Educational Savings Program*

For over 50 years, the Bank sponsored a School Banking Program. During the review period, the Bank served 25 schools within the assessment area. Bank representative visited each school twice a week, picking up passbooks and deposits one day and returning the passbooks on the second day.

#### *Greater Lowell Technical High School Bank*

A branch of the Bank operates within the Greater Lowell Technical High School. During each year, approximately eight students work in the branch as tellers, gaining financial education regarding checking and savings accounts.

### **Fair Lending or Other Illegal Credit Practices Review**

The Bank's compliance with fair lending laws and regulations was examined. There was no indication of discriminatory or other illegal credit practices inconsistent with helping to meet community and assessment area credit needs. Therefore, no evidence of disparate treatment or impact was identified.

The Bank did not receive any complaints relative to fair lending issues; however, adequate procedures were in place for handling such items during the evaluation period. Overall, the institution's fair lending policies, procedures, training programs, and internal assessment efforts were deemed satisfactory.

**APPENDIX A**  
**Fair Lending Policies and Practices**

Included in the Bank's Fair Lending Policy and General Loan Policy are the Bank's efforts to eliminate discrimination in all aspects of lending including product development, marketing and advertising, underwriting, pricing and training. The Bank has a second review process to ensure that denied applications are in no way the result of discriminatory practices.

Among the Bank's staff are forty-seven individuals who are bilingual in sixteen different languages including: English, Cambodian, Chinese, French, Gujarati, Hindu, Italian, Kanada, Khmer, Korean, Laotian, Portuguese, Spanish, Telugu, Thai and Vietnamese.

**MINORITY APPLICATION FLOW**

The purpose of the minority application flow is to assess the number of HMDA-reportable applications the Bank received from minorities within its delineated assessment area. The data analyzed was obtained from the Bank's HMDA/LAR for 2006 and 2007. In addition, the 2006 HMDA/LAR aggregate data was also analyzed in order to measure the Bank's performance relative to all other lenders within the assessment area.

The Bank received a total of 302 HMDA-reportable applications over the time period, of which 24 or 7.9% were received from minority applicants.

<b>MINORITY APPLICATION FLOW</b>								
<b>RACE</b>	<b>2006 Bank Data</b>		<b>2006 Aggregate Data</b>		<b>2007 Bank Data</b>		<b>Bank TOTAL</b>	
	#	%	#	%	#	%	#	%
<i>American Indian/ Alaska Native</i>	0	0.0	87	0.3	0	0.0	0	0.0
<i>Asian</i>	15	9.4	1,933	5.8	2	1.4	17	5.6
<i>Black/ African American</i>	1	0.6	1,270	3.8	5	3.5	6	2.0
<i>Hawaiian/Pac Isl.</i>	0	0.0	72	0.2	0	0.0	0	0.0
<i>2 or more Minority</i>	0	0.0	15	0.0	0	0.0	0	0.0
<i>Joint Race (White/Minority)</i>	1	0.6	241	0.7	0	0.0	1	0.3
<b>Total Minority</b>	<b>17</b>	<b>10.6</b>	<b>3,618</b>	<b>10.8</b>	<b>7</b>	<b>4.9</b>	<b>24</b>	<b>7.9</b>
<i>White</i>	124	77.5	20,449	61.1	119	83.8	243	80.5
<i>Race Not Available</i>	19	11.9	9,410	28.1	16	11.3	35	11.6
<b>Total</b>	<b>16</b>	<b>100.0</b>	<b>33,477</b>	<b>100.0</b>	<b>142</b>	<b>100.0</b>	<b>302</b>	<b>100.0</b>
<b>ETHNICITY</b>								
<i>Hispanic or Latino</i>	8	5.0	1,290	3.9	8	5.6	16	5.3
<i>Not Hispanic or Latino</i>	130	81.2	22,833	68.2	114	80.3	244	80.8
<i>Joint (Hisp/Lat /Not Hisp/Lat)</i>	0	0.0	215	0.6	1	0.7	1	0.3
<i>Ethnicity Not Available</i>	22	13.8	9,139	27.3	19	13.4	41	13.6
<b>Total</b>	<b>160</b>	<b>100.0</b>	<b>33,477</b>	<b>100.0</b>	<b>142</b>	<b>100.0</b>	<b>302</b>	<b>100.0</b>

Source: US Census, HMDA LAR, HMDA Aggregate Data

As indicated in the table above, in 2006 the percentage of applications the Bank received from minority borrowers was comparable to that received by the aggregate. The Bank received a slightly higher percentage of applications from Hispanic or Latino borrowers than was received by the aggregate.

In addition, the Bank's minority application flow for this period was compared with the racial and ethnic composition of the assessment area. The comparison of these data assists in deriving reasonable expectations for the rate of applications the Bank received from minority residential loan applicants. According to 2000 Census Data, the Bank's assessment area contained a total population of 312,135 individuals, 16.4% of which is representative of various racial and ethnic minorities. The breakout of the assessment area's minority population is as follows: 7.4% Asian, 5.6% Hispanic, 1.6% Black, 0.1% American Indian/ Alaska Native and 1.7% were identified as "other race". As indicated the Bank's percentages are highly comparable to the demographics of the assessment area in 2006, the Bank's performance levels are also compared to the application levels of all other HMDA reporters in the Bank's assessment area in that year. The Bank's percentages declined in 2007 but are still considered reasonable.

**APPENDIX B**  
***Loss of Affordable Housing***

The Division of Banks' regulation 209 CMR 46.22(2)(g) requires that the evaluation of the lending performance of a large institution include a review of its efforts to forestall the loss of affordable housing. The Division reviews the institution's loans to ensure that there is no undue concentration and a systematic pattern of lending resulting in the loss of affordable housing units.

Lowell Five's development of credit products with flexible lending criteria, participation in flexible lending programs, community development lending, and lending to low and moderate income borrowers has assisted low and moderate-income individuals to remain in their neighborhoods.

## **APPENDIX C**

### ***General Definitions***

#### **GEOGRAPHY TERMS**

**Census Tract:** Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Metropolitan Area (MA):** One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

**Metropolitan Statistical Area (MSA):** One or more metropolitan areas that have economic and social ties.

**Primary Metropolitan Statistical Area (PMSA):** A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

**Consolidated Metropolitan Statistical Area (CMSA):** The larger area of which PMSAs are component parts.

**Non-Metropolitan Area:** All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

## **HOUSING TERMS**

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

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

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

## **INCOME TERMS**

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

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

**Family Income:** Includes the income of all members of a family that are age 15 and older.

**Household Income:** Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

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

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

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

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

**HUD Adjusted Income Data:** The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

## **OTHER TERMS**

**Home Mortgage Disclosure Loan Application Register (HMDA LAR):** The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

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

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

## APPENDIX D - INVESTMENT DEFINITIONS

**Community Development Corporation (CDC):** A CDC allows banks and holding companies to make equity type of investments in community development projects. The equity investments are subject to limits specified by the bank's regulator. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community as well as to the financial and marketing needs of the bank. A CDC may purchase, own, rehabilitate, construct, manage and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization. Any real estate ownership should generally be temporary, with ownership reverting to members or organizations in the community.

**Community Development Financial Institutions (CDFIs):** CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. They procure loans and investments that conventional financial institutions are unable to invest in, and they link financing to other developmental activities. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. CDFIs share a common mission and can be chartered as a credit union or bank. CDFIs can also be unregulated nonprofit institutions that gather private capital from a range of social investors for community development lending or investing. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, microenterprise funds, and community development venture capital funds. A certified CDFI must meet eligibility requirements, which include: having a primary mission of promoting community development; serving an investment area or target population; providing development services; maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means; and not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

**Low Income Housing Tax Credits:** The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended, which is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department, through the Internal Revenue Service, distributes low-income housing tax credits to housing credit agencies. The housing agencies allocate tax credits on a competitive basis. Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits or sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains in place throughout the compliance period, usually 30 years.

**Qualified Investments:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development to support the following endeavors: 1) affordable housing; 2) community services targeting low- and moderate-income individuals; 3) activities that promote

economic development by financing small farms and small businesses; and 4) activities that revitalize or stabilize low- and moderate-income geographies.

## **APPENDIX E - STANDARD PE LANGUAGE**

### **LENDING TEST**

#### **Scope of Test**

The lending test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) by considering an institution's home mortgage, small business, small farm, and community development lending. The institution's lending performance is evaluated pursuant to the following criteria: 1) the volume of lending activity; 2) the proportion of lending within the assessment area(s); 3) the dispersion of loans and the number and amount of loans in low-, moderate-, middle- and upper-income geographies in the assessment area(s); 4) the distribution of loans among borrowers of low-, moderate-, middle- and upper-income levels and businesses (including farms) of different sizes; 5) the distribution of small business and small farm loans by loan amount at origination; 6) the volume of community development lending; and 7) the use of innovative or flexible lending practices. Performance under the lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

#### **Community Development Lending:**

##### **Performance Criteria**

The institution's community development lending activities are evaluated pursuant to the following criteria: 1) the extent to which community development lending opportunities have been made available to the institution; 2) the responsiveness of the institution's community development lending; and 3) the extent of leadership the institution has demonstrated in community development lending.

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

##### **Performance Criteria**

The institution's innovative and flexible lending practices are evaluated pursuant to the following criteria: 1) the degree to which the loans serve low- and moderate-income creditworthy borrowers in new ways or serve groups of creditworthy borrowers not previously served by the institution; and 2) the success of each product serving low- and moderate-income borrowers, including the number and dollar volume of loans originated during the review period.

## **INVESTMENT TEST**

### **Scope of Test**

The investment test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through its use of qualified investments that benefit the assessment area(s) or a broader statewide or regional area that includes the institution's assessment area(s). Activities considered under the lending or service test may not be considered under the investment test. The institution's investment performance is evaluated pursuant to the following criteria: 1) the dollar amount of qualified investments; 2) the innovativeness or complexity of qualified investments; 3) the responsiveness of qualified investments to credit and community development needs; and 4) the degree to which the qualified investments are not routinely provided by private investors.

## **SERVICE TEST**

### **Scope of Test**

The service test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of the institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. The institution's retail banking services are evaluated pursuant to the following criteria: 1) the distribution of the institution's branches among geographies of different income levels; 2) the record of opening and closing branches, particularly branches located in low- and moderate-income geographies or that primarily serve low- or moderate-income individuals; 3) the availability and effectiveness of alternate systems for delivering retail banking services; and 4) the range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

In addition, the institution's community development services are evaluated pursuant to the following criteria: 1) the extent of community development services offered and used; 2) the innovativeness of community development services, including whether they serve low- and moderate-income customers in new ways or serve groups of customers not previously served; 3) the degree to which they serve low- and moderate-income areas or individuals; and 4) their responsiveness to available opportunities for community development services.

## PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks and the Federal Deposit Insurance Corporation, at 400 Mystic Avenue, Medford, MA 02155"

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.