PUBLIC DISCLOSURE

August 2, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

MARLBOROUGH SAVINGS BANK

166 MAIN STREET
MARLBOROUGH , MA 01752

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

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 concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting its needs of its entire local community, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **Marlborough Savings Bank (or the "Bank")** prepared by the Division, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"

Marlborough Savings Bank's CRA rating is based on five lending performance criteria, which are evaluated within the Bank's performance context. The Bank's satisfactory rating is based on: (1) an average net loan to deposit ratio of 58.8 percent; (2) a reasonable majority of mortgage loans granted within its assessment area; (3) a more than reasonable lending distribution among borrowers of different income levels; (4) a good distribution of mortgage loans granted among the census tracts, comprising the assessment area and finally, (5) regular implementation of fair lending policies and procedures. No discriminatory lending practices were noted. No CRA complaints were received by the Bank.

PERFORMANCE CONTEXT

Description of Institution

Marlborough Savings Bank is a mutually owned state chartered savings bank, incorporated in 1860. The Bank maintains its main office and loan center in downtown Marlborough, Massachusetts. In addition, there are four full-service branch offices situated on Boston Post Road, Marlborough, on the main streets in Southborough and Northborough and at Sudbury Farms Market in Sudbury.

All offices offer 24- hour drive-up ATM's, while Sudbury's walk-up ATM is limited to store hours. All of the Bank's ATM's have network access via NYCE, CIRRUS. In addition, Marlborough Savings Bank is a SUM network member. These member institutions do not levy ATM surcharges on their own customers or to other members' customers.

Marlborough Savings Bank, as of March 31, 2004 had total assets of $259.9 million; total loans represented $135.6 million or 52.2 percent of assets. The table below details the Bank's loan portfolio.

Loan Portfolio as of March 31, 2004		
Type of Loans	$'s (000's)	% of Total Loans
Construction & Land Development	929	0.7%
Residential Real Estate		
a. 1-4 Family Mortgages	111,471	82.2%
b. Home Equity Lines/Loans	12,837	9.5%
c. Multifamily	1,601	1.2%
Commercial Loans		
a. Commercial Real Estate.	4,521	3.3%
b. Commercial Loans	306	0.2%
Consumer Loans		
a. Credit Cards		0.0%
b. Loans to Individuals	3,981	2.9%
Other Loans		
Total	135,646	100.0%

Source: FDIC Call Report of Condition.

First mortgage loans (secured by 1-4 family dwellings) represent the overwhelming majority (82.2%) of the bank's total loans, while home equity lines/loans comprise the second largest segment (9.5%). Commercial loans (including commercial real estate) and consumer loans represent 3.5 and 2.9 percent, respectively of all loans. And lastly, Multifamily loans (5 units or more) combined with construction loans, make-up the remaining portion (1.9%) of the portfolio.

As depicted, Marlborough Savings Bank is primarily a portfolio mortgage lender with some diversification in consumer and commercial lending areas. However, the Bank also offers a variety of secondary market mortgage products. Marlborough Savings Bank is an approved secondary

market seller/servicer with both the Federal National Mortgage Association ("FNMA/FannieMae") and the Federal Home Loan Mortgage Association ("FHLMC"). Additionally, the Bank established a correspondent lender relationship with Countrywide Home Loans, Inc in 2002. The institution's ability to meet community credit needs remains adequate, based on its financial condition, size and product offerings.

The Federal Deposit Insurance Corporation ("FDIC") evaluated Marlborough Savings Bank for CRA performance as of August 11, 2003 and assigned the bank an overall "Satisfactory" rating. The Division last conducted a CRA evaluation as of August 19, 1999. This evaluation resulted in a "Satisfactory" rating.

Description of Assessment Area

CRA requires financial institutions to define an assessment area within which the Bank's lending activity will be evaluated. Generally, assessment area(s) consist of Metropolitan Statistical Areas ("MSA"s) or contiguous political subdivisions, such as counties, cities and towns. Marlborough Savings Bank's assessment area is in conformance with the CRA regulation, containing only whole geographies or census tracts.

Marlborough Savings Bank's defined assessment area includes: the City of Marlborough and the towns of Hudson, Southborough, Northborough, two census tracts within the town of Sudbury and one adjacent tract in Framingham. All of these municipalities, excepting Northborough, are situated within the Boston, MA-NH Consolidated Metropolitan Statistical Area ("CMSA") and are part of Boston's Primary Metropolitan Statistical Area ("PMSA"). Northborough is situated with the Worcester, MA-CT MSA.

The Boston MA-NH MSA's area median income or median family income ("MFI") was $74,200 and $80,800 in 2002 and 2003, respectively. Likewise, the Worcester, MA-CT MSA MFI was $58,400 and $68,000 in 2002 and 2003, respectively. The Worcester MSA's area median income increased by $9,600 in 2003 representing a 16.4 percent increase over 2002 levels, while Boston's rose by $6,600 or 8.9 percent.

CRA evaluations are to use the new 2000 U.S. Census data geographic information when analyzing loan activity in 2003. Consequently, the assessment area discussion incorporates both the 1990 and 2000 U.S. Census data.

The Bank's assessment area contains a total of 17 census tracts based on both 1990 and 2000 Census data. The census tract income levels are based on the median family income within the given tract. The CRA regulation defines income levels as low-income (less than 50 percent of the area median income), moderate-income (50 to 79 percent of median family income), middle-income (80 to 119 percent of area median income), and upper-income (120 percent and greater of the area median income).

The 1990 assessment area's tracts consisted of one moderate-income tract (Downtown Marlborough), six middle income census tracts and nine upper income tracts/geographies. There was one "N/A" tract situated within Marlborough. (An "N/A" tract is an institutional or commercial geography, where demographic information is not available (N/A).

The 2000 assessment area contains eight middle income tracts and nine upper income geographies. The one former moderate-income tract is now a middle income geography, one upper tract is now designated as middle income. (The N/A tract has been closed into a middle income tract.) The eight middle income geographies are located within Marlborough (5 tracts)

and Hudson (3 middle tracts). The nine upper income census tracts are located in Northborough (3 upper tracts), Sudbury (2 tracts), Southborough (1), and Hudson and Marlborough (1 upper tract, each). The one Framingham census tract is also designated as upper income. Based on the 2000 census data, middle income tracts had median incomes ranging from 80.8 to 117.2 percent of the area median income/median family income; whereas the upper income tracts had median incomes ranging from 126.2 to 189.6 percent of the MFI

The assessment area population was 83,953 residents in 1990 and 94,627 residents in 2000, increasing by 10,674 individuals or 12.7 percent. In 1990, the assessment area's residents comprised 30,463 households of which 73.7 percent were family households. Similarly, the population in 2000 comprised 35,538 households of which 71.7 percent were families.

The following table shows the distribution of family households (by income levels) within each census tract category and for the assessment area, as a whole.

Household Demographics by Census Tract Category (by percentage)								
Tract Level	**1990 Census**				**2000 Census**			
	Low Income Families	**Moderate Income Families**	**Middle Income Families**	**Upper Income Families**	**Low Income Families**	**Moderate Income Families**	**Middle Income Families**	**Upper Income Families**
Moderate	28.3	22.3	22.6	26.8	0.0	0.0	0.0	0.0
Middle	16.4	19.3	27.2	37.0	17.7	19.8	25.4	37.2
Upper	7.5	10.3	19.0	63.1	8.6	10.9	16.4	64.1
Total	**12.1**	**14.4**	22.2	51.2	**12.9**	**15.1**	20.7	51.3

The comparison of 1990 and 2000 census data (in total and by tract income levels) indicates some minor shifts in the distribution of family households by income levels; these changes are noteworthy. Low and moderate-income families increased somewhat, going from 12.1 and 14.4 percent, respectively of all families (in the 1990 census), to 12.9 and 15.1 percent, respectively (in the 2000 Census). Middle income families decreased slightly, going from 22.2 percent (in 1990) to 20.7 percent of all family households (in 2000). In addition, the level of upper income families was nearly unchanged, going from 51.2 percent to 51.3 percent of all families in the 2000 Census. Finally, it is notable that family households are more evenly distributed (across all income levels) within the middle income geographies; whereas within the upper income geographies, the family household distribution is more inclined toward upper income families.

The table below compares the distribution of households (all households, not just family households) and housing units based on the 1990 and 2000 census data.

Census Tract Housing Characteristics (Distribution by Percentage)								
Income Category	**1990 Census**				**2000 Census**			
	House-holds	**Housing Units**	**Owner Occupied**	**Median Home Value**	**House-holds**	**Housing Units**	**Owner Occupied**	**Median Home Value**
Moderate	8.7	8.9	5.1	$150,100	NA	NA	NA	NA
Middle	38.9	39.4	33.6	$161,672	53.0	53.3	44.2	$180,297
Upper	52.4	51.7	61.3	$207,847	47.0	46.7	55.8	$269,280
NA	0.0	0.0	0.0	$0	NA	NA	NA	NA
Totals or Median	100.0	100.0	100.0	**$184,521**	100.0	100.0	100.0	**$221,876**

In the 1990 Census, the upper income census tracts contained the majority of households (52.4%) and consequently, the majority of housing units (51.7%); conversely, the moderate-income and middle income tracts (combined) contained a minority of households (47.6%) and housing units (48.3%). Since middle income tracts increased from 6 tracts in the 1990 census to 8 tracts in the 2000 Census, the majority of households (53.0%) and housing units (53.3%) now reside within these tracts. The upper income geographies, however, continue to hold a majority (55.7%) of owner occupied housing units. Based on the above U.S. Census data, median home values increased within the upper income tracts by $61,433 or 29.6 percent, whereas the median home value within the middle income tracts rose by $18,625 or 11.5 percent. Taken as a whole, the assessment area's median home price increased by $37,355 or 20.2 percent.

In general, the level of owner occupied units within the tracts varies based on the tracts' median income level. In the 2000 Census (within the upper tracts), owner occupied dwellings represented 85.2 percent of all occupied housing units; while (within the middle income tracts) owner occupied dwellings represented 59.3 percent of all occupied housing units. Notably, for the assessment area as a whole, the level of owner occupied dwellings increased from 67.3 percent (1990 census) to 71.4 percent (2000 Census) of all occupied units. The remaining housing units in the 2000 Census were; renter occupied units (26.3%), and lastly, vacant units (2.3%).

The following table provides current median home prices for the municipalities in which the Bank has offices. (Warren Information Services, complies these home prices, based on Registry of Deeds transactions).

	*December 2002	*December 2003
Marlborough	$284,000	$310,000
Southborough	$445,000	$502,500
Sudbury	$545,000	$586,250
Northborough	$330,250	$345,000

Source: Warren Information Services (Banker & Tradesman) *12 months ending December 2002 & 2003.

As shown, the cost of home purchases continues to rise within the Bank's assessment area. In 2003, median home prices increased in Marlborough by $26,000 (or 9.2%), in Southborough by $57,500 (or 12.9%), in Sudbury by $41,250 (or 7.6%) and lastly, in Northborough by $14,750 (or 4.5%).

The Home Mortgage Disclosure Act ("HMDA") requires lenders to report all purchase mortgages, refinances and home improvement loans to their respective regulators. Mortgage activity within the assessment area is highly competitive. In 2002, there were 363 HMDA reporting lenders active within the assessment area. These mortgage lenders ranged from large nationally based mortgage companies (and regional banks) to small proprietary mortgage lenders. In aggregate, these HMDA reporting lenders originated (or purchased) a total of 11,526 loans totaling $2.5 billion (in 2002) within the assessment area. The top ten mortgage lenders and their market share are as follows: (1) Washington Mutual Bank, FA (7.8%); (2) Countrywide Home Loans, Inc (7.2%), (3) Fleet National Bank (6.2%); (4) Well Fargo Home Mortgage (5.3%); (5) GMAC Mortgage (3.8% market share); and (6) Bank Of America, N.A. (3.3%); (7) GMAC Bank (2.9%); (8) Wells Fargo Funding, Inc (2.4%) and (9) St. Mary's Credit Union (2.2% market share) and (10) ABN Amro Mortgage Group, Inc (1.9%). These ten combined held 43.0 percent market share of all mortgage loans reported under the HMDA requirements. Marlborough Saving Bank ranked 11th holding a 2.0 percent market share within its assessment area.

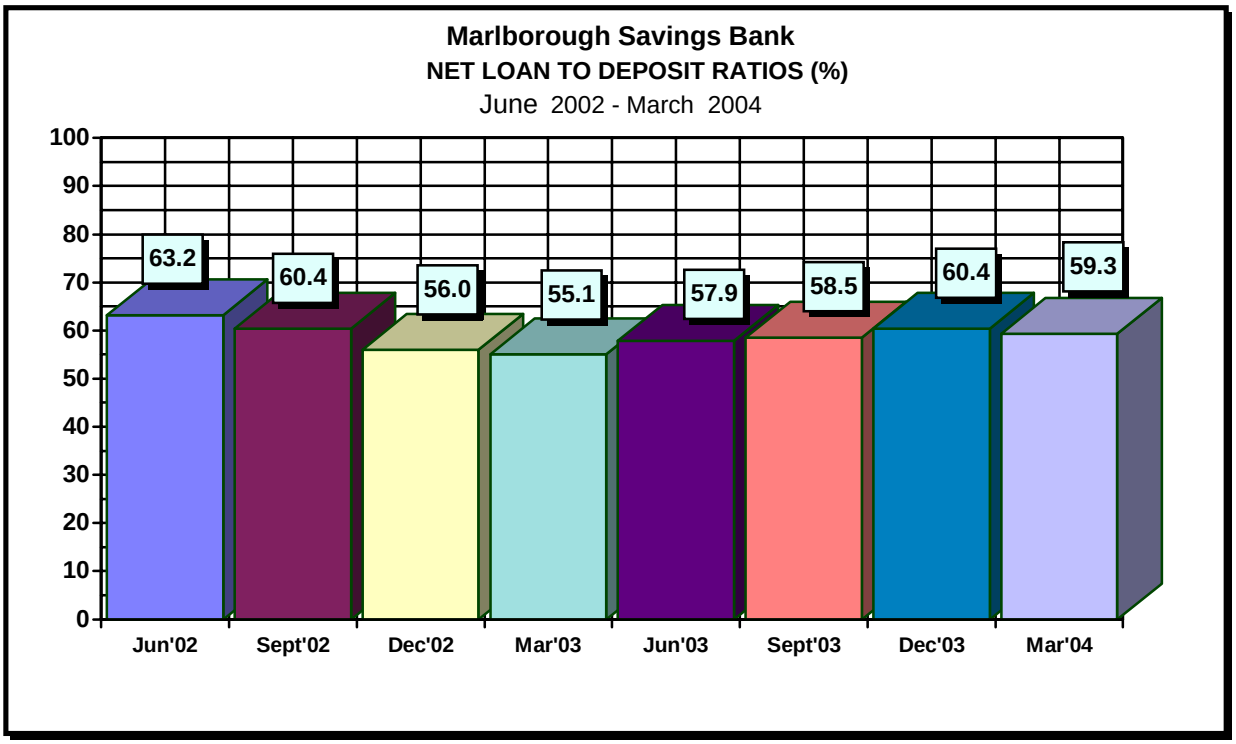
The credit products reviewed for the purposes of this evaluation included all of the Bank's mortgage loan activity reported under HMDA. The evaluation covers these lending activities for the years 2002 and 2003.

PERFORMANCE CRITERIA

1. LOAN TO DEPOSIT ANALYSIS

This criterion evaluates the level and trend of the Bank's net loan-to-deposit ratio. The average net loan-to-deposit ratio is 58.8 percent for the eight quarters from June 30, 2002, through March 31, 2004. Marlborough Savings Bank's performance is considered to be reasonable, given the institution's lending capacity and the credit needs of its assessment area.

The following graph illustrates the ratio's level and trend for the quarters reviewed.



In 2002, the Bank experienced deposit growth of 12.6 percent and a slightly negative loan growth of 1.8 percent, explaining (in part) the decline in the ratio of net loans to deposits ("NLTD") through March 2003. In 2003, NLTD demonstrated an increasing trend due to a positive loan growth of 10.0 percent, paired with a modest deposit growth of 2.3 percent.

Based on the Division's CRA small institution's performance standards, this criterion includes, "as appropriate, other lending related activities, such as loan originations for sale to the secondary market, community development loans or qualified investments." Marlborough Savings Bank established in 2002 a correspondent lending relationship with Countrywide Home Loans, Inc. ("Countrywide"), a large secondary market lender. As a Countrywide correspondent lender, the Bank is able to provide a broader selection of competitively priced fixed rate mortgage products. Marlborough Savings Bank sold 35 loans for a total of $8.7 million from January 2003 to August 1, 2004 to Countrywide. (Refer to Fair Lending Policies and Practices for further description of the bank's mortgage product offerings.)

Lastly, the following table compares Marlborough Savings Bank's net loan-to-deposit ratio to the NLTD ratio of three other community based institutions, situated within the assessment area.

Institution	Net Loans to Deposits	Total Assets $'s (000's)
Hudson Savings Bank	107.7%	$541,897
St. Mary's Credit Union	76.7%	$452,987
Marlborough Savings Bank	59.3%	$259,911
Marlborough Co-operative Bank	68.5%	$82,554

Source: Call Reports (FDIC and NCUA) as of 3/31/04

Although second smallest in asset size, Marlborough Savings Bank maintained a reasonable level of net loans to deposits, as shown in the above comparison. The above institutions are not necessarily considered "similarly situated" due to the differences in total assets. However, all the above institutions compete with Marlborough Savings Bank for loan customers.

In conclusion, the institution's average net loan to deposit ratio of 58.8 percent is reasonable given the Bank's capacity to lend and the credit needs of the assessment area. Overall, Marlborough Savings Bank performance is considered to meet the standards for a "satisfactory" performance.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

The second performance criterion is based on the Bank's record of lending within its assessment area. Marlborough Savings Bank's lending activity within the assessment area, representing a majority of all HMDA reportable mortgage loans granted, meets the standards for a satisfactory performance. The mortgage loan activity was analyzed to determine the bank's performance for this and the two subsequent lending criteria. The period under review constitutes calendar years 2002 and 2003.

Based on HMDA reported data, Marlborough Savings Bank granted a total of 750 residential loans totaling $111.6 million during the period reviewed. Lending activity inside the assessment area represented 66.8 percent by number and 60.0 percent by dollar amount of the total mortgage loans granted.

The following table details the Bank's lending inside and outside its assessment area.

Distribution Residential Loans Inside and Outside the Assessment Area								
	Inside				Outside			
	Number of Loans		Dollar in Loans (000s)		Number of Loans		Dollars in Loans (000s)	
	#	%	$	%	#	%	$	%
2002	219	69.1	28,012	60.6	98	30.9	18,216	39.4
2003	282	65.1	38,994	59.6	151	34.9	26,423	40.4
Total	501	**66.8**	67,006	**60.0**	249	**33.2**	44,639	**40.0**

Source: Home Mortgage Disclosure Act – Loan Application Register (HMDA-LAR).

The largest residential lending concentrations inside the assessment area were; Marlborough (306 loans for $36.4 million), Hudson (68 loans totaling $9.8 million) and Northborough (52 loans for

$8.0 million). The loans originated within the City of Marlborough represented 61.1 percent (by number) and 54.4 percent (by dollars) of all loans granted within the assessment area.

In conclusion, the institution's lending inside its assessment area represented a majority of the loans originated and consequently, meets the standard for a satisfactory performance.

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

The third criterion evaluates the extent to which the institution lends to borrowers of different income levels within the assessment area. Mortgage loan originations were evaluated for 2002 and 2003 to determine the institution's performance. The Bank's performance for this criterion was found to be more than reasonable and to exceed the standards for a satisfactory performance.

Borrowers' incomes are compared to the area median/median family income for the MSA to determine the borrowers' income levels. By definition, borrowers qualify as low income (below 50% of MSA area median/MFI), moderate-income (between 50% and 79% of MSA median family income), middle-income (between 80 and 119% of MSA MFI) and upper-income (120% or more of MSA area median/MFI).

The Boston MA-NH MSA's area median income/MFI was $74,200 and $80,800 in 2002 and 2003, respectively. Likewise, the Worcester, MA-CT MSA median family income (MFI) was $58,400 and $68,000 in 2002 and 2003, respectively. In the Boston MSA in 2003, a low-income family earned $39,600 or less, while a moderate-income family household earned from $40,400 to no more than $63,800, annually. Middle income families had incomes ranging from $64,600 to $96,200, while upper income family households earned $97,000 or more, annually.

The following table compares the Bank's 2002 distribution of loans by borrowers' income levels to that of the aggregate HMDA lenders. Furthermore, the table also compares these presentations to the distribution of family households by income levels within the assessment area.

Distribution of Mortgage Loans by Borrower Income Levels

Income Level	% Family Households 1990 Census	**Aggregate Lenders 2002		Bank 2002			
		% of #	%of $	#	%	$(000)	%
Low	**12.1**	2.9	**1.5**	26	11.9	1,327	**4.7**
Moderate	**14.4**	11.8	**7.7**	42	19.2	3,441	**12.3**
Middle	22.3	21.3	**17.2**	66	30.0	7,890	**28.2**
Upper	51.2	47.9	**55.2**	84	38.4	15,129	**54.0**
NA	0.0	16.1	**18.4**	1	0.5	225	**0.8**
Total	100.0	100.0	**100.0**	219	100.0	28,012	**100.0**

Source:*1990 U.S. Census, ** HMDA Aggregate Data, CRA WIZ.

Comparison to both sets of data provides a measure of the reasonableness of the Bank's lending distribution. The aggregate lenders' data also indicates the level of lending opportunities existing among borrowers of all income categories. The aggregate lenders' distribution (by both number and dollars) parallels reasonably well the distribution of family households, excepting low-income families. In 2002, Marlborough Savings Bank's borrower income distribution (by both number and dollars of loans granted) well exceeded the HMDA aggregate performance for lending to both low

and moderate-income borrowers. In addition, the Bank also exceeded the aggregate lenders' performance for lending to middle income borrowers.

The following table compares the Bank's 2003 HMDA mortgage lending activity to family household demographic data, based on the 2000 Census.

Distribution of Mortgage Loans by Borrower Income Levels					
Income Level	Family Households 2000 Census	Bank 2003			
		#	%	$(000)	%
Low	**12.9**	**33**	**11.7**	**1,990**	**5.1**
Moderate	**15.1**	**68**	**24.1**	**7,065**	**18.1**
Middle	20.7	83	29.4	10,649	27.3
Upper	51.3	96	34.1	18,965	48.7
NA	0.0	2	0.7	325	0.8
Total	**100.0**	**282**	**100.0**	**38,994**	**100.0**

Source: 2000 U.S. Census, HMDA-LAR 2003

The above comparative analysis demonstrates that the Bank's level of lending to all income groups continues in a more than reasonable pattern. Of all the loans granted within the assessment area, the Bank's distribution of loans by number to low income borrowers closely reflects the level of low-income family households. The distribution of loans by both number and dollars to moderate income borrowers exceeds the level of moderate-income families. Likewise, the Bank's lending to middle income borrowers is well above the level of middle-income families within the assessment area. Lastly, the Bank's 2003 lending distribution to moderate-income borrowers indicates an increase in lending to this group over the Bank's 2002 performance.

In summary, Marlborough Savings Bank's mortgage lending in 2002 to low and moderate-income borrowers remained above the aggregate lenders' performance, indicating a level of lending well above market parity. Additionally, the institution's lending to both moderate-income and middle-income borrowers exceeds the level of these households within the assessment area, indicating a more than reasonable lending distribution to these income groups. Consequently, Marlborough Savings Bank's mortgage lending by borrower income levels exceeds the standards for a satisfactory rating.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

The fourth performance criterion evaluates the institution's record of addressing the credit needs of the assessment area based on the geographic distribution of loans. Marlborough Savings Bank's performance for this criterion is considered to be good and to meet the standards for a satisfactory performance. Census tract income categories are defined as low, moderate, middle and upper income, the same income categories used to determine borrowers' incomes. However, the ten-year U.S. Census MSA median incomes are used to determine the tracts' income levels.

The following table compares the Bank's geographic distribution of mortgage loans to that of the HMDA Aggregate Lenders' geographic distribution. The table also compares the Bank's and the aggregate performance to the distribution of owner occupied dwellings among the census tracts.

Distribution of Mortgage Loans by Census Tract Income Category							
Tract Level	*Owner Occupied Housing Units (%)	**Aggregate Lenders 2002		Bank 2002			
		# (%)	$'s (%)	#	%	$(000)	%
Low	0.0	0.0	**0.0**	0	0.0	0	**0.0**
Moderate	5.1	5.8	**4.7**	14	6.4	2,443	**8.7**
Middle	33.6	26.6	**22.0**	100	45.7	12,763	**45.6**
Upper	61.3	67.6	**73.3**	105	47.9	12,806	**45.7**
NA	0.0	0.0	**0.0**	0	0.0	0	**0.0**
Total	100.0	**100.0**	**100.0**	**219**	**100.0**	28,012	**100.0**

*1990 U.S. Census, ** HMDA Aggregate Data, CRA WIZ.

Based on 1990 U.S. Census data, the assessment area contained one moderate-income tract (Downtown Marlborough), six middle income census tracts and nine upper income tracts/geographies. (There was one "N/A" tract, a commercial tract with no available demographic information, which was situated in Marlborough.)

Overall, the aggregate lenders' geographic distribution compares reasonably to the distribution of owner occupied housing units however, with some notable differences. The aggregate lenders' loan distribution by number and dollars within the middle income tracts is below the level of owner occupied units within these tracts; while the loans granted within the upper income tracts exceed the units situated within these geographies. However, the loans granted by the aggregate lenders within the moderate-income tract closely reflect the owner occupied units situated there.

As demonstrated above, Marlborough Savings Bank granted an almost equal number and dollar volume of loans, in the middle and upper income census tracts. The Bank's lending within the middle income geographies exceeds both the owner occupied units and the aggregate lenders' loan distribution. Conversely, the Bank's lending within the upper income geographies is below both the owner occupied units situated within these tracts and the aggregate lenders' performance. Lastly, the Bank's lending presence within the one moderate-income tract exceeds both the aggregate lenders' performance and the owner occupied housing units there. Importantly, the dollar volume of loans granted within the moderate-income tract is above both sets of comparative data.

The following table compares the Bank's 2003 geographic lending distribution to the owner occupied housing units situated within the census tracts.

Distribution of Mortgage Loans by Census Tract Income Category					
Tract Level	**% Total Owner-Occupied Housing Units per 2000 Census**	**2003***			
		#	**%**	**$**	**%**
Middle	44.3	170	60.3	19,988	51.3
Upper	55.7	112	39.7	19,006	48.7
Total	**100.0**	**282**	**100.0**	**38,994**	**100.0**

Source: 2000 U.S. Census, 2003HMDA-LAR,CRA wiz.

The assessment area, based on 2000 Census data, contains eight middle income and nine upper income census tracts. The one former moderate-income is now a middle income geography, one former upper tract is designated as middle income. (The N/A tract has been closed into a middle income tract.) The eight middle income geographies are located within Marlborough (5 tracts) and Hudson (3 middle tracts). Hudson and Marlborough each contain one upper income geography/tract.

As mentioned previously, the loans originated by the Bank for 2002 and 2003, combined, in the City of Marlborough represented 61.1 percent by number and 54.4 percent by dollars of all loans granted within the assessment area. Given this concentration of lending activity, the above analysis demonstrates that the majority (60.3% by number and 51.3% by dollars) of loans were granted within the middle income geographies. The middle income tracts contain a minority (44.3%) of the owner occupied housing units. However, they contain the majority (53.0% and 53.3%, respectively) of all households and housing units.

Furthermore, two of the middle income tracts within the City of Marlborough have median incomes (of 80.9% and 83.9 %), which are just above the 80 percent threshold to be designated as middle income. The Bank granted, in 2003, 62 loans totaling $7.1 million within these two geographies, representing 36.5 percent by number and 35.5 percent by dollar volume of all loans granted within the middle income tracts. Marlborough Savings Bank continues to strive to hold a solid market share within the City of Marlborough, operating a main office and loan center in Downtown Marlborough.

In conclusion, the Bank's geographic loan distribution within the moderate and middle income tracts compared favorably to the aggregate HMDA lenders performance and to the level of owner occupied housing units within these geographies. Overall, Marlborough Savings Bank's geographic lending patterns are considered to be good and to meet the standards for a satisfactory performance.

5. REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTICES

Marlborough Savings Bank received no complaints regarding its CRA performance for the period under review. The following discussion details Marlborough Savings Bank' fair lending performance, as it relates to the guidelines established by the Division's Regulatory Bulletin 2.3-101. As the Bank regularly implements fair lending policies and practices, its performance is considered to be reasonable.

Marlborough Savings Bank incorporates a written fair lending policy within its retail lending policy. The Bank annually provides all management and staff with CRA training in an effort to keep them familiarized with the regulation's requirements.

Staff Composition and Training

As a member of the Massachusetts Bankers Association ("Mass Bankers"), the Bank regularly sends its lending staff to seminars sponsored by this organization. During the review period, lending staff attended a number of seminars pertinent to their job responsibilities. In 2002, a staff member attended a seminar, entitled "The Final Rule Expanding HMDA Requirements". In 2003, lending staff attended several seminars, topics included; the Fair Credit Reporting Act; mastering mortgage lending, revisions to the ECOA regulation; credit scoring; construction lending; and implementing changes to the HMDA. In addition, several Bank employees attended a seminar entitled Frequent Mistakes in Lending Compliance, sponsored by the Institute of Certified Bankers.

In 2004, lending staff attended an additional HMDA workshop, a residential lending conference and a fair lending summit, all sponsored by Mass Bankers.

Currently, the Bank employs 69 individuals, 57 full-time and 12 part-time. Among the staff members there are nine bilingual employees. Second languages include; Spanish, Israeli, Egyptian, Portuguese, and Russian. The Bank employs two "outside" mortgagor originators, who are compensated on a commission basis. These originators will meet with applicants at their home or any of the bank's offices.

Loan Product Offerings

Marlborough Savings Bank offers three first time homebuyer products. All have a 5 percent down payment requirement and all three are offered with no points and a thirty-year term. One product features a 7/1 Adjustable Rate Mortgage ("ARM"), another offers a 5/1 ARM, and the last offers a 3/1 ARM. All three products offer a lower interest rate than the Bank's conventional ARMs, reduced closing costs, and a borrower income cap of 130 percent of the MSA median income (either Boston or Worcester MSA). In 2002, Marlborough Savings Bank originated 16 loans totaling $2,250,700 under these programs. In 2003, the Bank originated 23 loans totaling $4,133,700 and through June 30, 2004, 12 loans totaling $2,660,925 have been originated under these programs.

As previously discussed in Section 1 (Loan to Deposit Analysis), Marlborough Savings Bank established, in 2002, a correspondent lending relationship with Countrywide Home Loans Inc, a nationally based secondary market mortgage lender. This lending relationship, established through the American Community Bankers' Partners, allows the Bank to offer competitively priced secondary mortgage programs. Through Countrywide, Marlborough Savings Bank can now offer 150 different mortgage loan products, with an array of interest rates, terms and conditions, including a variety of Loan to Value (LTV) and mortgage insurance options. As mentioned previously, Marlborough Savings Bank has originated and sold to Countrywide 35 mortgage loans totaling $8.7 million, during this evaluation period.

Marlborough Savings Bank is a Homeowner Options for Massachusetts Elders ("HOME") participant lender, offering all of HOME's loan programs. HOME is a statewide non-profit agency, which provides needed financial counseling to senior citizens; assisting low and moderate income elder homeowners to remain in their homes. As a participant lender, Marlborough Savings Bank adheres to a set of principles to always refer a potential applicant for counseling before making a loan. The HOME loan programs include a term reverse mortgage, Senior Home Equity Line of Credit ("SELOC") and Modifiable In-Home Care Reverse Mortgage. Marlborough Savings Bank currently holds two SELOC loans totaling $140,000 in its loan portfolio.

Marlborough Savings Bank's Senior Vice President serves on the Board of Directors for HOME, and on the organization's lender subgroup, which assist this non-profit in developing new loan products. In 2004, a Bank officer presented the topic of reverse mortgages at two financial literacy workshops for senior citizens.

Lastly, the Bank offers a Mobile Home Loan Program that features no points and no application fee. Borrower costs include an appraisal fee and a UCC filing fee. In addition, the Bank's mobile home loans are amortized for a maximum term of 15 years, instead of the usual 10-12 year amortization. In 2002 and 2003 combined, the Bank originated 39 mobile home loans totaling $1.7million. And through July 31, 2004, the Bank originated 31 loans totaling $1.2 million under this program.

Second Review

Marlborough Savings Bank has established a "second look" procedure for all loan applications slated to be denied. This procedure requires that a second lending officer review each rejected loan application, prior to actual denial notification. The Bank's second review procedure also requires that denied applications be compared to originated loans made with compensating factors and for the same purpose.

Furthermore, the Bank annually analyzes its HMDA loan and application data, as to borrower incomes, race and gender, and geographic location. This analysis is done to provide the Bank with feedback as to its lending patterns and its rate of non-originated applications. This annual report also provides a market share analysis and compares the Bank's data to that of HMDA aggregate lenders.

Minority Application Flow

Marlborough Savings Bank received a total of 598 mortgage applications, from within its assessment area, of which 6.9 percent were from members of a minority group. The Bank's 2002 and 2003 level of minority applicants was 8.6 and 5.4 percent respectively, while the 2002 aggregate lenders' level of minority applicants was 8.2 percent. Overall, Marlborough Savings Bank received a reasonable level of minority applicants and in 2002 closely mirrored the aggregate HMDA lenders' performance. (See the table below for further details.)

Mortgage Applicants by Race/Ethnicity

RACE	AGGREGATE DATA 2002		Bank 2002		Bank 2003		Bank Totals	
	#	%	#	%	#	%	#	%
Native American	41	0.3	2	0.7	0	0.0	2	0.3
Asian	421	2.9	4	1.5	5	1.5	9	1.5
Black	91	0.6	0	0.0	3	0.9	3	0.5
Hispanic	209	1.4	5	1.9	7	2.1	12	2.0
Joint Race	190	1.3	8	3.0	2	0.6	10	1.7
Other	240	1.7	4	1.5	1	0.3	5	0.8
Total Minority	1,192	**8.2**	**23**	**8.6**	**18**	**5.4**	**41**	**6.9**
White	8,351	57.3	237	88.8	300	90.7	537	89.8
NA	5,030	34.5	7	2.6	13	3.9	20	3.3
Total	**14,573**	**100.0**	**267**	**100.0**	**331**	**100.0**	**598**	**100.0**

Source: HMDA-LAR, CRA Wiz.

Furthermore, the Bank granted a total of 28 loans for $5.2 million (in 2002 and 2003, combined) to minority applicants, representing 5.6 percent (by number) and 7.8 percent (by dollar volume) of all HMDA reported loan originations. In 2002, the aggregate HMDA lenders granted 8.0 percent by number and 8.1 percent by dollar amount of all loans originated to minority applicants.

The institution's minority application flow is also compared to the assessment area's racial composition. In the 2000 Census, the assessment area total population was 94,627 residents, of which 10,046 residents or 10.6 percent were members of an ethnic/racial minority. Overall, total population increased by 12.7 percent (or 10,674 individuals); whereas, the total minority population increased by 104.9 percent (or 5,144 individuals). The largest population growth

occurred within the Asian and Hispanic communities, which grew by 81.3 and 85.1 percent, respectively. The assessment area's minority population is comprised as follows: Native American (0.1%), Asian (3.5%), Black (1.4%), Hispanic (3.5%) and Other (2.1%).

An institution's ability to attract minority applicants may be influenced by a number of factors including product offerings, competition and customer base and marketing presence within the minority neighborhoods or communities. Overall, Marlborough Savings Bank's ability to attract minority applicants is considered to be adequate.

Conclusion/Fair Lending

Marlborough Savings Bank's record of implementing and developing fair lending policies and practices is rated "satisfactory". This rating is based on regular training programs for all staff, credit products designed to meet the assessment area credit needs, regular efforts to market the institution's credit services to all segments of the assessment area, and efforts to review all denied mortgage and consumer loan applications to ensure fairness in the underwriting and loan application process.

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 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 local community;

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, at (Address at main office)."

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

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.