

**PUBLIC DISCLOSURE**

**JUNE 7, 2010**

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**MILLBURY SAVINGS BANK**

**109 ELM STREET  
MILLBURY, MA 01527  
CERT # 21920**

**DIVISION OF BANKS  
1000 WASHINGTON STREET  
BOSTON, MA 02118**

**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.

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## GENERAL INFORMATION

The Community Reinvestment Act (“CRA”) requires the Division of Banks (“Division”) to use its authority when examining financial institutions subject to its 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 Division 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 **Millbury Savings Bank (or “the Bank”)** prepared by the Division, the institution's supervisory agency.

### **INSTITUTION'S CRA RATING: This institution is rated “Satisfactory”**

Based on the Small Institution CRA evaluation procedures specified for institutions with assets of less than \$277 million as of December 31 of either of the prior two calendar years, Millbury Savings Bank’s overall CRA performance is considered **Satisfactory**.

- The Bank's loan-to-deposit ratio is reasonable given the institution’s size, financial condition and assessment area credit needs.
- A majority of loans and other lending related activities are in the institution’s assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, a more than reasonable penetration among individuals of different income levels (including low and moderate-income).
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The Bank has not received any CRA-related complaints since the last CRA evaluation.

## **SCOPE OF THE EXAMINATION**

Small Bank CRA evaluation procedures were used to assess the Bank's CRA performance. These procedures evaluated the Bank's CRA performance pursuant to the following criteria: loan-to-deposit (LTD) ratio, assessment area concentration, the borrower's profile, the geographic distribution of loans, and response to CRA complaints. The CRA evaluation considered activity since the Bank's prior FDIC CRA evaluation of November 8, 2007. The applicable timeframes for the loan product line reviews are described in the paragraphs that follow.

Millbury Savings Bank is primarily a residential lender based on discussions with management and a review of the Bank's balance sheet. The CRA evaluation includes an analysis of the residential loan data for 2008, 2009, and the first three months of 2010. Calendar year 2008 is focused on as this is the most recent year for which aggregate HMDA lending data is available (aggregate lending data). The aggregate lending data is used for comparison purposes within the evaluation and is a measure of loan demand. It includes lending information from all HMDA reporting lenders that originated loans in the Bank's assessment area. The residential loan data was obtained from the Loan Application Registers ("LAR"s) maintained by the Bank pursuant to the Home Mortgage Disclosure Act ("HMDA"). The LARs contain data about home purchase and home improvement loans, including re-financings, on one- to four-family and multifamily (five or more units) properties.

Demographic information is from the 2000 U.S. Census unless otherwise noted. Financial data was derived from the March 31, 2010 Report of Condition and Income (Call Reports).

## PERFORMANCE CONTEXT

### Description of Institution

Millbury Savings Bank is a mutually owned, state-chartered savings bank headquartered in Millbury, Massachusetts. In addition to the main office, the Bank operates one-full service branch on Route 146 in Millbury. Both offices are located in middle-income census tracts. Both locations offer drive-up window services and 24 hour ATM terminals. The ATM machines are tied into the major ATM networks (CIRRUS, NYCE, TX and SUM).

Millbury Savings Bank maintains a website at [www.millburysavings.com](http://www.millburysavings.com). The Bank offers a variety of home financing programs for the purchase, refinance, or construction of residential property, home equity loans, home equity line of credit, and homeowner septic repair loans. The Bank offers business loans, commercial real estate loans, automobile loans, collateral loans and personal loans. The Bank also offers checking accounts, savings accounts, money market accounts, Individual Retirement Accounts (IRA), certificates of deposit, cash and check debit cards, night deposit service, online banking and online bill payment, 24-hour bank by phone, business checking accounts, and business lending programs.

Millbury Savings Bank has direct competition from several institutions within the assessment area including UniBank, Bay State Savings Bank, Webster Five, Millbury Federal Credit Union, and Grafton Suburban Credit Union as well as from large national banking institutions and mortgage companies.

As of March 31, 2010, the Bank had total assets of \$205 million with total loans of \$120 million, or 58.4 percent, of total assets. The Bank has experienced asset growth of \$18 million, or 9.8 percent, since the prior examination.

Table 1 illustrates the current distribution of the Bank's loan portfolio based on the Federal Financial Institutions Examination Council ("FFIEC") Call Report as of March 31, 2010.

<b>Table 1 Millbury Savings Bank Loan Distribution as of March 31, 2010</b>		
<b>Loan Type</b>	<b>Dollar Amount (000s)</b>	<b>Percent of Total Loans (%)</b>
Construction and Land Development	1,774	1.5
1-4 Family Residential	82,312	68.7
Multi-Family (5 or more) Residential	7,366	6.2
Commercial Real Estate	18,586	15.5
<b>Total Real Estate Loans</b>	<b>110,038</b>	<b>91.9</b>
Commercial and Industrial	6,470	5.4
Consumer	3,262	2.7
<b>Total Loans</b>	<b>119,770</b>	<b>100.0</b>

The Bank is primarily a residential lender with more than half of the loan portfolio secured by residential properties. As noted in Table 1, approximately 68.7 percent of the loans are secured by residential one- to four-family properties, followed by commercial real estate loans at 15.5 percent, multi-family residential loans at 6.2 percent, and construction and land development at 1.5 percent. Commercial and industrial loans represent 5.4 percent of loans and consumer loans represent 2.7 percent. Total real estate loans account for 91.9 percent of the total loan portfolio. In discussions with the Bank's management, it was noted that the Bank is continuing to focus its lending efforts on residential and commercial lending and in 2010 has begun to make small business loans through the Small Business Administration (SBA) program.

The FDIC last evaluated the Bank’s CRA performance on November 8, 2007, and assigned a rating of “Satisfactory.” The Division last evaluated the Bank on April 13, 2005, and assigned a rating of “Satisfactory.”

There are no apparent financial or legal impediments that would limit the Bank’s ability to help meet the credit needs of its assessment area. Based upon the Bank’s asset size, product offerings, and branch network, its ability to meet the assessment area’s credit needs remains strong.

**Description of the Assessment Area**

The CRA requires financial institutions to define an assessment area within which its CRA performance will be evaluated. The Bank’s assessment area as currently defined meets the technical requirements of the CRA regulation since it: (1) consists of one or more political subdivisions, (2) includes the geographies where the Bank has its main office, branches, and deposit-taking ATMs, as well as the surrounding geographies in which the institution originated a substantial portion of its loans, (3) consists of whole census tracts, (4) does not extend substantially beyond state boundaries (unless permitted otherwise by the regulation), (5) does not reflect illegal discrimination, and (6) does not arbitrarily exclude low- and moderate-income areas.

Millbury Savings Bank has defined its assessment area to include seven cities and towns located throughout Worcester County in Massachusetts. The cities and towns included are as follows: Douglas, Grafton, Millbury, Oxford, and Sutton. In addition, the assessment area includes one census tract within the town of Shrewsbury, which is adjacent to Grafton and 1 census tract in Worcester, which is adjacent to Shrewsbury.

According to 2000 census data, the assessment area is comprised of 12 census tracts, of which there are no low- or moderate-income census tracts, 9 are middle-income and 3 are upper-income.

Refer to Table 2 for pertinent demographic information concerning the assessment area.

<b>Table 2 Demographic Information</b>					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (census tracts)	12	0.0	0.0	75.0	25.0
Population by Geography	71,591	0.0	0.0	66.4	33.6
Owner-Occupied Housing by Geography	20,142	0.0	0.0	64.9	35.1
Family Distribution by Income Level	19,330	15.4	15.2	24.0	45.4
Businesses by Geographies	5,511	0.0	0.0	59.8	40.2
Distribution of Low and Moderate Income Families throughout AA Geographies	5,924	0.0	0.0	74.7	25.3
Median Family Income		\$66,284	Median Housing Value		\$155,947
HUD Adjusted Median Family Income for 2010		\$79,900	Unemployment Rate		3.0%
Households Below Poverty Level		6.5%			

Source: 2000 US Census and HUD updated Median Family Income (MFI)

The assessment area has a total population of 71,591 residing in 19,330 family households. Of all family households in the area, 15.4 percent are low income, 15.2 percent are moderate income, 24.0 percent are middle income, 45.4 percent are upper income and 4.0 percent are families below the poverty level. Of the 27,459 households, 5,071 or 18.5 percent are low-income and 3,804 or 13.9 percent are moderate-income and 1,783 or 6.5 percent are households that are below the poverty level.

The assessment area consists of 28,385 total housing units, of which 20,142 or 71.0 percent are owner-occupied, 7,317 or 25.8 percent are rental units and 926 or 3.2 percent are vacant units. Of the 20,142 owner-occupied housing units, 13,079 or 64.9 percent are in the middle-income census tracts while 7,063 or 35.1 percent are in upper-income census tracts. The median housing value in 2000 for the assessment area was \$155,947, and the median age of the housing stock was 31 years. Like much of New England, the area's housing prices, until recently, saw dramatic increases in value since 2000. The average median sales price for housing has dropped significantly over the past few years. According to Banker and Tradesman, the median sales price for homes in 2009 ranged from \$160,000 in Worcester to \$300,000 in both Grafton and Shrewsbury. Despite this recent price decline, home prices are still considered high and largely out-of-reach for many low- and moderate-income borrowers.

Numerous businesses operate throughout the assessment area, with the highest concentration being in the middle-income census tracts. According to 2009 Business Geodemographic Data, the area has 5,511 non-farm businesses in operation, 77.5 percent of which are known to have gross annual revenues under \$1 million. The highest proportion of these business establishments are engaged in services at 41.3 percent. In terms of employees, approximately 71.5 percent of the area's businesses employ four or fewer people.

The unemployment rate statewide for Massachusetts is 9.1 percent according to April 2010 statistics gathered from the Bureau of Labor Statistics. This represents a significant increase as compared to the annual percentage of 2008 and 2009, where the unemployment rate in Massachusetts was 5.3 percent and 8.4 percent, respectively. As of April 2010, the unemployment statistics for some of the cities and towns in the assessment area per the Massachusetts Labor and Workforce Development were: Douglas 8.4 percent; Grafton 8.7 percent; Millbury 9.3 percent; Oxford 9.7 percent; Shrewsbury 8.1 percent; Sutton 8.7 percent; and Worcester 10.6 percent.

The Bank faces strong competition from other financial institutions that originated loans within the assessment area. These institutions range in size from small credit unions and mortgage companies with single office locations to the largest banks in New England. Among the more prominent lenders competing with the Bank are Millbury Federal Credit Union, Bank of America, Millbury National Bank and Fidelity Bank. The 2008 peer mortgage data institutions' market share shows that 228 lenders originated 2,951 residential mortgage loans in the Bank's assessment area. Millbury Savings Bank ranked 16<sup>th</sup> with a 1.8 percent market share. The top three lenders in the assessment area consisted of Countrywide Bank with 8.5 percent, JP Morgan Chase Bank with 7.0 percent, and GMAC Mortgage LLC with 4.4 percent.

### **Community Contact**

A community contact was conducted with an organization that provides safe, affordable housing to low-income families. The contact specifically mentioned that a majority of local financial institutions have been very generous and can be counted on to make financing available, serve on boards, and assist with fundraising activities.

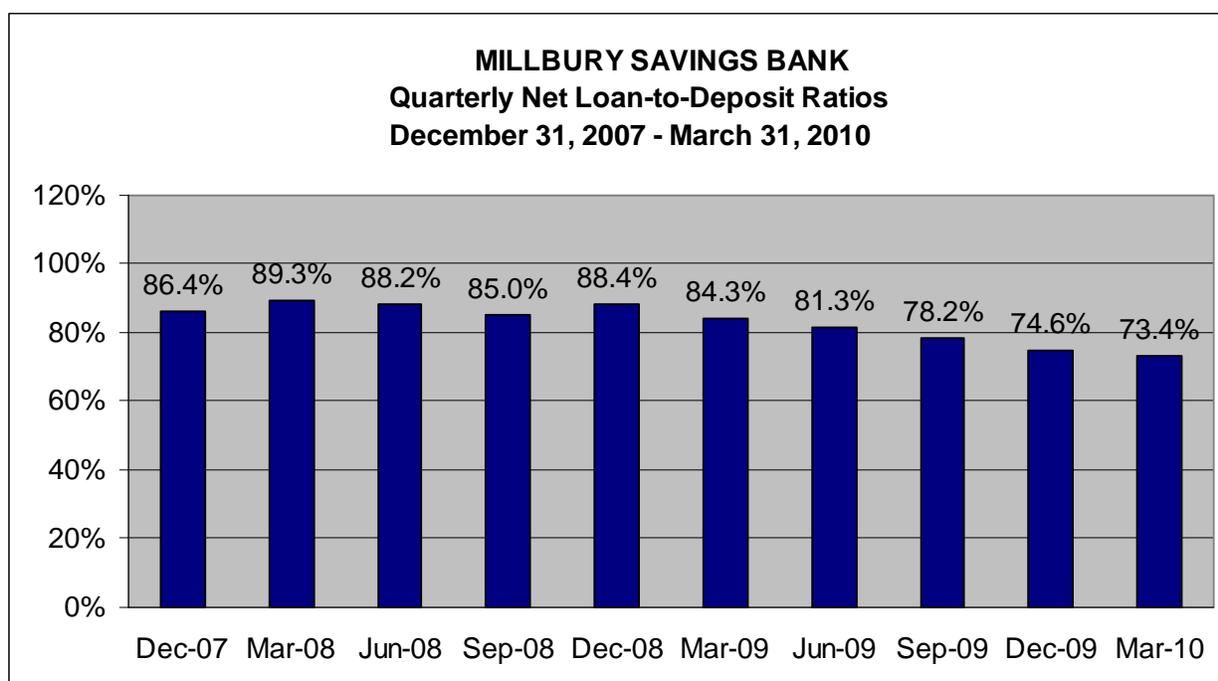
## PERFORMANCE CRITERIA

### 1. LOAN TO DEPOSIT (LTD) ANALYSIS

This performance criterion determines what percentage of the Bank's deposit base is reinvested in the form of loans. A comparative analysis of Millbury Savings Bank's quarterly net LTD ratios for the last 10 quarters since the prior FDIC CRA evaluation was conducted. The quarters reviewed include those ending December 31, 2007 through March 31, 2010. These ratios are based on total loans, net of unearned income and net of the allowance for loan and lease losses, as a percentage of total deposits.

The Bank's average quarterly net LTD ratio over the period reviewed was 82.6 percent and is considered reasonable. The net LTD ratio for this period has fluctuated over the last 10 quarters from a low of 73.4 percent (March 2010) to a high of 89.3 percent (March 2008). During this timeframe, net loans have decreased 1.7 percent and deposits have increased 15.8 percent.

The following graph illustrates the quarterly net loan-to-deposit trends.



For comparison purposes, the Bank's average LTD ratio was compared to the average LTD ratios of four similarly situated institutions (similar asset size and loan portfolio composition).

Refer to Table 3 below for the peer group LTD ratio comparison.

<b>Table 3 - Peer Group LTD Comparison as of 3/31/10</b>		
Bank Name	Total Assets \$('000s)*	Average Net LTD Ratio 12/31/07 – 3/31/10
South Adams Savings Bank	200,082	103.0
SaugusBank, A Co-operative Bank	202,115	89.4
Adams Co-operative Bank	203,100	108.1
<b>Millbury Savings Bank</b>	<b>204,913</b>	<b>82.6</b>
Hometown Bank	210,890	98.0

Source: Report of Condition and Income (Call Reports) 03/31/2010

As shown in Table 3 above, the four other institutions' average quarterly LTD ratios ranged between 89.4 percent and 103.0 percent. At 82.6 percent, the Bank's average LTD is less than all of the similarly situated financial institutions.

The Bank has experienced a decline in net loan-to-deposit ratios over the last five quarters. This is caused in part by an increase in deposits. The Bank is also selling more loans in the secondary market. Since the last examination, the Bank sold 30 loans totaling \$4.8 million. The loans were sold to Fannie Mae. Part of the loan portfolio is funded by monies borrowed from the Federal Home Loan Bank. This, in addition to the Bank's LTD ratio, demonstrates its willingness to reinvest in the community through its lending services.

Based on the above information and the Bank's capacity to lend, the capacity of other similarly-situated banks, the types of loans available at the Bank, and the lending opportunities available, the Bank's loan-to-deposit ratio is considered to meet the standards for satisfactory performance.

## 2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA

This performance criterion determines what percentage of the Bank's lending occurs within the Bank's assessment area and evaluates its appropriateness. Based on a review of home loan data, a majority of the Bank's lending activity occurs within the institution's assessment area.

Refer to Table 4 for the distribution of loans inside and outside the assessment area.

Year	Number of Loans					Dollars in Loans (000s)				
	Inside		Outside		Total #	Inside		Outside		Total \$
	#	%	#	%		\$	%	\$	%	
<b>2008</b>	52	53.6	45	46.4	97	8,628	52.1	7,932	47.9	16,560
<b>2009</b>	82	62.6	49	37.4	131	13,761	67.9	6,503	32.1	20,264
<b>YTD 2010</b>	13	65.0	7	35.0	20	2,298	56.3	1,786	43.7	4,084
<b>Total</b>	<b>147</b>	<b>59.3</b>	<b>101</b>	<b>40.7</b>	<b>248</b>	<b>24,687</b>	<b>60.3</b>	<b>16,221</b>	<b>39.7</b>	<b>40,908</b>

Source: 2008, 2009 and 2010 HMDA LAR

The Bank originated a total of 248 HMDA-reportable loans, totaling \$40.9 million, during the time period under review. Of these loans, 147 loans, or 59.3 percent, of the number and \$24.7 million, or 60.3 percent, of the dollar amount were originated inside the Bank's assessment area. As shown in the above table, the Bank's volume of lending has increased from 2008 to 2009.

A review of the Bank's year-to-date 2010 HMDA reportable loans also shows similar lending patterns with lending within the assessment area near 65.0 percent.

Based on the Bank's level of lending in the assessment area, the Bank's responsiveness to credit needs is considered to meet the standards for satisfactory performance.

## 3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

The Bank's HMDA reportable loans were further analyzed to determine the distribution of lending by borrower income level. The borrowers' reported incomes were compared to the median family incomes for the Worcester MA MD for 2008 and 2009. The income figures are based on median family income derived from data collected during the census for the respective

MSA. The income figures are adjusted annually by the Department of Housing and Urban Development to allow for such factors as inflation. The median family income for the Worcester MA MD for 2008 and 2009 were \$76,900 and \$79,700, respectively.

Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the Metropolitan Statistical Area (“MSA”). In the Worcester MSA for 2008 and 2009, a low-income family earned \$38,449 or less and \$39,849 or less, respectively. Moderate-income is defined as income between 50 to 79 percent of the median family income. In 2008 and 2009, a moderate-income family in the Worcester MSA earned no more than \$61,519 and \$63,759, respectively. Middle-income is defined as income between 80 and 119 percent of the median family income. Middle-income families had incomes ranging from \$61,520 to \$92,279 for 2008 and for 2009 the income was from \$63,760 to \$95,639. Upper-income is defined as income greater than 120 percent of the median family income. Upper-income family households earned \$92,280 or more for 2008 and for 2009 earnings were \$95,640 or more.

The following table presents the loans originated and categorized by the applicants’ reported income in relation to the median family income for the MSA in which the property is located. The following table also presents the Bank’s HMDA reportable lending performance as well as the 2008 aggregate data (exclusive of Millbury Savings Bank). In addition, the table also reflects the percentage of family households in each of the borrower income categories.

Median Family Income Level	% Families	Aggregate Lending Data 2008		2008		2009		Total	
		#	%	#	%	#	%	#	%
		<b>Low</b>	15.4	147	5.1	6	11.5	5	6.1
<b>Moderate</b>	15.2	497	17.1	9	17.3	19	23.2	28	20.9
<b>Middle</b>	24.0	752	25.9	17	32.7	23	28.0	40	29.9
<b>Upper</b>	45.4	1,058	36.5	20	38.5	30	36.6	50	37.3
<b>NA</b>	-	445	15.4	0	0.0	5	6.1	5	3.7
<b>Total</b>	<b>100.0</b>	<b>2,899</b>	<b>100.0</b>	<b>52</b>	<b>100.0</b>	<b>82</b>	<b>100.0</b>	<b>134</b>	<b>100.0</b>

Source: 2000 U.S. Census; 2008, 2009 HMDA LAR; and 2008 HMDA Aggregate Data

As shown in Table 5, the percentage of home loans originated by the Bank to low-income borrowers during 2008 at 11.5 percent significantly exceeds the percentage of loans reflected in the aggregate data for the same income category and time period at 5.1 percent. While these percentages are high, this is mitigated by the low volume of lending. While the Bank’s lending performance to low-income borrowers is lower than the percentage of low-income families in the assessment area (15.4 percent), the performance is still favorable considering families living below the poverty level are in this category and housing costs in the assessment area are relatively high.

In 2008, the Bank’s lending to moderate-income borrowers at 17.3 percent is slightly higher than the percentage of lending to moderate-income borrowers at 17.1 by the aggregate. This is primarily attributed to the significant competition that the Bank faces, including competition from several mortgage companies. These mortgage companies are better able to attract moderate-income borrowers by offering sub-prime loan products, which Millbury Savings Bank does not offer. The Bank’s performance did exceed the percentage of families in the moderate-assessment area (15.2 percent).

The Bank's performance in lending to low- and moderate-income borrowers in the assessment area is further highlighted by the 2008 market share report. The Bank ranked 14<sup>th</sup>, with a market share of 1.8 percent, for all assessment area loans originated to low- and moderate-income borrowers.

In 2009, the distribution of home loans among the borrower income categories was comparable to the prior year in that the middle- and upper-income borrowers accounted for the majority of the home loans. However, the proportion of loans to the low-income borrowers decreased from 11.5 percent to 6.1 percent, while moderate-income borrowers increased from 17.3 percent to 23.2 percent.

Also shown in Table 5, upper-income borrowers accounted for the highest proportion of residential lending. The strong penetration in this borrower income category is expected considering that 45.4 percent of the area's families are upper-income. In addition, the aggregate's lending was highest to upper-income borrowers at 36.5 percent. The Bank's middle-income borrowers accounted for the next largest share of loans and the Bank's lending also exceeded percentage of families as well as the aggregate lending in the area.

The Bank offered loan modifications for residential loans to help their customers avoid foreclosure and retain home ownership. During the examination period the Bank made 26 loan modifications for residential loans.

Millbury Savings Bank has been the top provider (six years) for septic loans under the Homeowner Septic Repair Loan Program, a combined effort of the Department of Environmental Protection, the Massachusetts Department of Revenue and the Massachusetts Housing Finance Agency. This loan program provides below-market-rate loans (0% to 5% fixed rates, based on household income) to eligible homeowners for connecting to town sewer lines or for a septic system repair or replacement in accordance with Title V.

The Bank has shown a willingness to lend to all applicants including those of low- and moderate-income. Given the demographics of the assessment area and the above information, the distribution of credit reflects a more than reasonable dispersion among individuals of different income levels. Therefore, the Bank exceeds the standards for satisfactory performance for this criterion.

#### **4. GEOGRAPHIC DISTRIBUTION OF LOANS**

An analysis of the geographic distribution of residential loans and a comparative analysis of 2008 HMDA aggregate data indicates that Millbury Savings Bank's loans are reasonably dispersed throughout the assessment area.

Lending activity within the assessment area was reviewed in order to determine the distribution of lending among the various census tracts. The assessment area is comprised of 12 census tracts including nine middle-income and three upper-income census tracts. As mentioned previously under the "Description of the Assessment Area," there are no low- or moderate-income census tracts. The nine middle-income census tracts are located in Douglas (1), Grafton (2), Millbury (3), Oxford (2), and Worcester (1). The three upper-income census tracts are located in Grafton, Shrewsbury and Sutton.

Please refer to the following table regarding the distribution of residential loans by census tract.

<b>Table 6</b>									
<b>Distribution of HMDA Loans by Income Category of the Census Tract</b>									
<b>Census Tract Income Level</b>	<b>% Owner-Occupied Housing Units</b>	<b>Aggregate Lending Data 2008</b>		<b>2008</b>		<b>2009</b>		<b>Total</b>	
		<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Middle</b>	64.9	1,788	61.7	37	71.2	57	69.5	94	70.1
<b>Upper</b>	35.1	1,111	38.3	15	28.8	25	30.5	40	29.9
<b>Total</b>	<b>100.0</b>	<b>2,899</b>	<b>100.0</b>	<b>52</b>	<b>100.0</b>	<b>82</b>	<b>100.0</b>	<b>134</b>	<b>100.0</b>

Source: 2000 U.S. Census; 2008 and 2009 HMDA LAR; and 2008 HMDA Aggregate Data

Due to the absence of low- and moderate-income geographies within the assessment area, the Bank's performance pursuant to this criterion was considered to weigh little in the overall rating of this examination.

In conclusion, the Bank has a reasonable dispersion among the various census tract geographies and meets the standards for satisfactory performance.

## **5. REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTICES**

The Bank has not received any CRA-related complaints during the evaluation period. As a result, this performance criterion is not applicable.

Millbury Savings Bank's fair lending performance was reviewed to determine how it conforms to the guidelines established by Regulatory Bulletin 2.3-101, the Division's Community Reinvestment and Fair Lending Policy. A review of the public comment file indicated that the Bank received no complaints pertaining to the institution's CRA performance since the previous examination. In addition, a review of the Bank's residential loan application files was conducted to check for fair lending issues. There was no disparate treatment evident in the file review.

Specific areas pertaining to prohibited activity, advertising practices, loan review, training, policy review, the Bank's loan application process, and regulations pertaining to the Equal Credit Opportunity Act, Fair Housing Act, and the Home Mortgage Disclosure Act are discussed in the Bank's loan policy.

## **MINORITY APPLICATION FLOW**

According to the 2000 U.S. Census Data, the Bank's assessment area contained a total population of 71,591 individuals of which 6.2 percent are minorities. The assessment areas minority and ethnic population is 1.2 percent Black/African American, 2.3 percent Asian, 0.1 percent American Indian, 0.0 percent Hawaiian/Pacific Islander, 1.6 percent Hispanic or Latino and 1.0 percent other.

For 2008 and 2009, the Bank received 166 HMDA reportable loan applications from within its assessment area. Of these applications, 4 or 2.4 percent were received from minority applicants, of which 3 or 75.0 percent resulted in originations. For the same time period, the Bank did not receive any applications from ethnic groups of Hispanic origin within its assessment area.

The Bank's level of lending was compared with that of the aggregate's lending performance levels for the most recent year that data was available, the year 2008. The comparison of this data assists in deriving reasonable expectations for the rate of applications the Bank received from minority residential loan applicants. Refer to the following table for information on the Bank's minority application flow as well as the aggregate lenders (excluding the Bank) in the Bank's assessment area.

<b>MINORITY APPLICATION FLOW</b>								
<b>RACE</b>	<b>Bank 2008</b>		<b>2008 Aggregate Data</b>		<b>Bank 2009</b>		<b>Bank TOTAL</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
American Indian/ Alaska Native	0	0.0	8	0.2	0	0.0	0	0.0
Asian	0	0.0	201	4.6	1	1.0	1	0.6
Black/ African American	2	3.0	54	1.2	0	0.0	2	1.2
Hawaiian/Pac Islander	0	0.0	8	0.2	0	0.0	0	0.0
2 or more Minority	0	0.0	6	0.1	0	0.0	0	0.0
Joint Race (White/Minority)	1	1.5	37	0.8	0	0.0	1	0.6
<b>Total Minority</b>	<b>3</b>	<b>4.5</b>	<b>314</b>	<b>7.1</b>	<b>1</b>	<b>1.0</b>	<b>4</b>	<b>2.4</b>
White	62	92.5	3,191	72.4	83	83.8	145	87.4
Race Not Available	2	3.0	901	20.5	15	15.2	17	10.2
<b>Total</b>	<b>67</b>	<b>100.0</b>	<b>4,406</b>	<b>100.0</b>	<b>99</b>	<b>100.0</b>	<b>166</b>	<b>100.0</b>
<b>ETHNICITY</b>								
Hispanic or Latino	0	0.0	77	1.8	0	0.0	0	0.0
Not Hispanic or Latino	64	95.5	3,378	76.7	84	84.8	148	89.2
Joint (Hisp/Lat /Not Hisp/Lat)	0	0.0	37	0.8	0	0.0	0	0.0
Ethnicity Not Available	3	4.5	914	20.7	15	15.2	18	10.8
<b>Total</b>	<b>67</b>	<b>100.0</b>	<b>4,406</b>	<b>100.0</b>	<b>99</b>	<b>100.0</b>	<b>166</b>	<b>100.0</b>

Source: 2008 and 2009 HMDA/ LAR, 2008HMDA Aggregate Data

The Bank's performance was below the 2008 aggregate's performance level for minority applicants. The Bank received 4.5 percent of its applications from minorities while the aggregate was at 7.1 percent. The Bank's performance was lower than the 2008 aggregate's performance for ethnic minorities. The Bank received no applications while the aggregate received 1.8 percent from ethnic minorities.

An important mitigating factor is the relatively low number of applications received by the Bank. The difference in the Bank's performance in relation to the aggregate is approximately one application from an individual of Hispanic or Latino ethnicity and 2 additional applications from minority applicants.

## **APPENDIX A**

### ***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 nonfarm nonresidential properties or are classified as commercial and industrial loans.

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

## 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 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, at 109 Elm Street, Millbury, MA 01527."

[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 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.