

PUBLIC DISCLOSURE

December 9, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**NORWOOD CO-OPERATIVE BANK
CERT # 26555**

**11 CENTRAL STREET
NORWOOD, MASSACHUSETTS 02062**

**Division of Banks
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Boston, MA 02118**

**Federal Deposit Insurance Corporation
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NOTE: This document is an evaluation of the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution. 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.

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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the 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 credit needs of its community, 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 **Norwood Co-operative Bank (or the Bank)**, prepared by the Division and the FDIC, the institution's supervisory agencies, as of **December 9, 2013**. The agencies evaluate performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation includes visits to the institution's branch. The Division and FDIC rate the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00 and in Appendix A to 12 CFR Part 345.

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

An institution in this group has a satisfactory record of helping to meet the credit needs of its entire assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The Lending Test is rated "Satisfactory."

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- A majority of home mortgage and small business loans are in the institution's assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, excellent penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- No CRA-related complaints were filed against the bank during the evaluation period. Therefore, this performance criterion was not a factor in assigning the overall rating.

The Community Development Test is rated "Satisfactory."

Norwood Co-operative Bank's community development performance demonstrates adequate responsiveness to the community development needs of its assessment area through its community development loans, qualified investments, and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment area.

SCOPE OF EXAMINATION

This evaluation was conducted jointly by the Division and the FDIC using Intermediate Small Bank (ISB) examination procedures, as established by the Federal Financial Institutions Examination Council (FFIEC). ISB examination procedures are utilized for institutions with assets of at least \$296 million as of December 31 of both the prior two calendar years and less than \$1.186 billion as of December 31 of either the prior two calendar years. These procedures evaluate the Bank's performance based upon a Lending Test and a Community Development Test. The Lending Test considers the institution's performance pursuant to the following criteria: loan-to-deposit (LTD) ratio; assessment area concentration; geographic distribution of loans; lending to borrowers of different incomes and businesses of different sizes (borrower profile); and record of taking action in response to CRA complaints. The Community Development Test considers the number and dollar amount of community development loans, qualified investments, and community development services.

The Lending Test focused on the Bank's home mortgage lending from January 1, 2012 through September 30, 2013 and the Bank's small business lending for 2012. Considering the Bank's current loan portfolio distribution and the volume of lending by loan type during the evaluation period, more weight is given to the Bank's performance in home mortgage lending when arriving at overall conclusions. Consumer loans and small farm loans were not considered in the evaluation as consumer loans represent a nominal percentage of the loan portfolio, and the Bank does not make small farm loans.

Under CRA, a home mortgage loan is considered to be a home purchase, home improvement, or refinancing of a one-to-four or multi-family (five or more units) property. The home mortgage loan data used in this evaluation was derived from the Bank's Loan Application Registers (LARs) maintained pursuant to the Home Mortgage Disclosure Act (HMDA). While the tables within this evaluation include 2012 and year-to-date 2013 (through September 30) home mortgage data, the primary focus is the Bank's lending performance in 2012, as this is the most recent year for which aggregate lending data is available. Aggregate lending data provides a measure of loan demand in the market and includes lending information from institutions reporting at least one home mortgage loan in the bank's assessment area, which is used for comparison purposes within the evaluation. Home mortgage lending activity for year-to-date 2013 was also analyzed to identify any significant trends or anomalies. The borrower profile and geographic distribution criteria consider only those loans made within the Bank's designated assessment area.

Under CRA, a small business loan is a commercial real estate loans or commercial and industrial loan with an original balance of \$1 million or less. Information concerning the small business lending was derived internally from Bank reports, as the Bank is not required to collect small business lending data due to its asset size. Comparisons to aggregate small business lending data are not included in this evaluation, as lenders that do report their small business data are generally much larger in size than Norwood Co-operative Bank. Instead, the Bank's small business lending performance is compared to the pertinent business demographic information obtained from Dun & Bradstreet.

Bank management provided data on community development loans, investments, and services for the period of May 18, 2010 through December 9, 2013, for consideration under the Community Development Test.

PERFORMANCE CONTEXT

Description of Institution

Norwood Co-operative Bank is a state-chartered, mutually-owned financial institution headquartered at 11 Central Street in Norwood, Massachusetts. The Bank's primary business focus is to serve the credit and deposit needs of the local community by offering a variety of products and services including checking, savings, and money-market accounts, consumer certificates of deposit, individual retirement accounts, credit cards, e-banking, online bill payment, electronic transfers, person-to-person payments, mortgages, consumer loans, and business loans. The Bank does not operate any retail locations besides the main office, and they have not opened or closed any branches since the previous examination.

As of September 30, 2013, the Bank had total assets of \$363.1 million and total loans of \$248.2 million, which represents 68.4 percent of total assets. Since the previous CRA evaluation, total assets decreased by 10.6 percent and total loans decreased by 20.2 percent. One factor that contributed to the decrease in the loan portfolio is the sale of loans on the secondary market. Over the approximately three year period since the previous CRA evaluation, the Bank sold \$166.6 million in residential mortgage loans, primarily to Fannie Mae, which is more than double the amount sold over the period of similar length included in the previous evaluation.

Table 1 details the distribution of the Bank's loan portfolio as of September 30, 2013. Loans secured by residential properties account for the most significant portion of the loan portfolio, at 52.4 percent. This category includes revolving, open-end lines of credit; closed-end mortgages (first and second liens); and loans secured by multi-family residential properties. Commercial real estate loans account for the second highest proportion at 33.8 percent. The percentage of closed-end loans secured by one-to-four family residential properties increased since the previous evaluation, and the percentages of the other loan categories remained relatively stable.

Table 1 - Loan Portfolio Distribution as of September 30, 2013		
Loan Type	Dollar Amount \$('000s)	Percent of Total Loans (%)
Construction and Land Development	30,617	12.3
Secured by Farmland	0	0.0
1-4 Family Residential	121,889	49.1
Multi-Family (5 or more) Residential	8,236	3.3
Commercial	83,783	33.8
Total Real Estate Loans	244,525	98.5
Commercial and Industrial	3,492	1.4
Agricultural	0	0.0
Consumer	438	0.2
Other	0	0.0
Less: Unearned Income	(261)	(0.1)
Total Loans	248,194	100.0

Source: September 30, 2013 Report of Condition

The prior CRA evaluation of the institution was conducted jointly by the Division and the FDIC as of May 17, 2010, and resulted in an overall 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.

Description of Assessment Area

The CRA requires each financial institution to define an assessment area (AA) 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 Bank originated a substantial portion of its loans; (3) consists of whole census tracts; (4) does not extend substantially beyond state boundaries; (5) does not reflect illegal discrimination; and (6) does not arbitrarily exclude low- or moderate-income areas.

The Bank has designated its assessment to include the municipalities of Bellingham, Canton, Dedham, Easton, Foxboro, Franklin, Mansfield, Medfield, Medway, Millis, Norfolk, North Attleboro, Norton, Norwood, Plainville, Raynham, Sharon, Stoughton, Walpole, Westwood, and Wrentham. The Towns of Easton, Mansfield, Norton, North Attleboro, and Raynham are located in Bristol County, which is within the Providence-New Bedford-Fall River, RI-MA Metropolitan Statistical Area (MSA) #39300, and the remaining towns are located in Norfolk County, which is within the Boston-Quincy, MA Metropolitan Division (MD) #14484.

To assess the lending performance, consideration was given to certain demographic data about the assessment area. Various demographic data used to assess the Bank's performance is provided in the following table.

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (census tracts)	74		2.7	39.2	58.1
Population by Geography	393,521		1.2	41.0	57.8
Owner-Occupied Housing by Geography	111,487		1.1	39.8	59.1
Businesses by Geography (Dun & Bradstreet)	40,242		1.3	42.2	56.5
Family Distribution by Income Level	102,636	12.3	13.3	19.7	54.7
2012 FFIEC Adjusted Median Family Income MSA #39300		\$75,600	Median Housing Value		\$402,169
2012 FFIEC Adjusted Median Family Income MD #14484		\$88,800	Unemployment Rate (2012)		6.3%
Families Below Poverty		3.1%			

Source: 2010 U.S. Census, unless otherwise noted

Geographies

The assessment area is currently composed of 74 census tracts, of which 2, or 2.7 percent, are moderate-income; 29, or 3.92 percent, are middle-income; and 43, or 58.1 percent, are upper-income. There are no low-income census tracts within the assessment area. The two moderate-income tracts are located in the Town of Stoughton.

Population and Families

Based on 2010 U.S. Census data, the total population of the assessment area is 393,521, which is composed of 141,408 households, of which 102,636 are families. Of these families, 12.3 percent are low-income; 13.3 percent are moderate-income; 19.7 percent are middle-income; and 54.8 percent are upper-income. It is also noted that 3.1 percent of the assessment area families are below the poverty level.

Housing

There are 147,493 housing units in the assessment area. Of these housing units, 75.6 percent are owner occupied, 20.3 percent are occupied rental units, and 4.1 percent are vacant. Of all owner-occupied housing units in the assessment area, only 1.1 percent are in the moderate-income census tracts, while 39.8 percent are in the middle-income tracts and 59.1 percent are in the upper-income tracts. The median housing value for the assessment area was \$402,169.

Businesses

According to 2012 Dun and Bradstreet business demographic data, there are 40,242 businesses in the assessment area, of which 72.4 percent have gross annual revenues (GARs) of \$1 million or less, 5.3 percent have GARs greater than \$1 million, and the remaining 22.3 percent have unknown revenues. Of the total businesses in the assessment area, 1.3 percent are in the moderate-income census tracts, 42.2 percent are in the middle-income census tracts, and 56.5 percent are in the upper-income census tracts. The largest portion of these businesses are engaged in the services industry (44.2 percent), followed by retail trade (11.4 percent), construction (9.4 percent), and finance, insurance, and real estate (8.0 percent). Of the businesses that reported the relevant data, 66.2 percent have four or fewer employees and 92.5 percent operate from a single location.

Unemployment

According to the 2010 U.S. Census, the unemployment rate for the assessment area was 4.4 percent. More recent data obtained from the U. S. Bureau of Labor and Statistics indicates that the 2012 year-end unemployment rate was 6.7 percent for Massachusetts, while the rate was 5.6 percent for Norfolk County and 9.3 percent for Bristol County.

Competition

Norwood Co-operative Bank operates in a competitive market in terms of financial services. There is competition for loans among numerous banks, credit unions, and non-depository mortgage lenders that operate in the area. In 2012, 422 lenders reported a total of 32,869 residential mortgage loans originated or purchased within the assessment area. Norwood Co-operative Bank ranked 28th out of this group of lenders, with a market share of 1.0 percent. Among the more prominent financial institutions competing with the Bank within the assessment area are Wells Fargo Bank, NA, JPMorgan Chase Bank, NA, and US Bank, NA. In the Town of Norwood alone, the Bank ranked first in residential mortgage loan originations in 2012.

In addition to the challenging lending market, competition from other financial institutions for deposits also impacts the Bank's lending performance, as deposits are a primary source of loan funding. According to the FDIC Deposit Market Share data as of June 2013, there were 54 financial institutions operating one or more branches within the Bank's assessment area, and Norwood Co-operative Bank ranked 22nd with a 1.1 percent market share.

Community Contact

Information from a community contact conducted in 2012 was reviewed in conjunction with this CRA evaluation. The contact was made with a municipal housing authority located within the Bank's assessment area. The contact noted that there is a lack of affordable rental housing units in the area, and that there are opportunities for local financial institutions to provide financing for the development of new units. Additionally, there is a need for more flexible lending programs for local homeowners. Overall, the contact indicated that financial institutions could do more to adequately serve the needs of the area.

Overall, considering there are no low-income census tracts and only two moderate-income census tracts within the assessment area, it appears that the area is somewhat affluent in nature. However, the fact that over 25 percent of the families residing in the assessment area are low- or moderate-income indicates that there is a need for affordable housing, including rental housing. With a median value of \$402,169, it is likely difficult for low- and moderate-income families to achieve homeownership within the assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

Loan-to-Deposit (LTD) Ratio Analysis

This performance criterion determines what percentage of the Bank's deposit base is reinvested in the form of loans and evaluates its appropriateness. The Bank's LTD ratio is reasonable, given the institution's size, financial condition, and assessment area credit needs.

The Bank's net LTD ratio is 81.4 percent for the quarter ending September 30, 2013. Over the 14 quarters since the previous CRA evaluation, the Bank's average net LTD ratio is 88.0 percent. Over the period since the previous evaluation, the Bank's quarterly net LTD ratio experienced a slightly declining trend, reaching a high of 94.1 percent as of June 30, 2012, and a low of 79.9 percent as of June 30, 2013.

A comparative analysis was conducted of the Bank's net LTD ratio to the ratios of five similarly situated Massachusetts-based financial institutions. The average ratios were calculated using the 14 quarterly Consolidated Reports of Condition and Income (Call Reports) for each institution. The relevant data is shown in Table 3.

Table 3 – Net Loan-to-Deposit Ratio Comparison			
Bank Name	Average Net LTD (%)	Most Recent LTD (%)	Total Assets \$(millions)
Walpole Co-operative Bank	107.8	118.1	419.1
Wellesley Bank	95.0	106.4	419.8
Norwood Co-operative Bank	88.0	81.4	363.1
Mansfield Co-operative Bank	83.6	89.9	406.6
Mechanics' Co-operative Bank	74.1	81.1	420.1
Weymouth Bank	73.2	72.1	217.4

Source: Consolidated Report of Condition and Income (Call Reports) by quarter from 6/30/10 to 9/30/13.

As shown in Table 3, the average net LTD ratio for this similarly situated group of institutions ranges from a high of 107.8 percent to a low of 73.2 percent, with Norwood Co-operative Bank ranking third highest.

As mentioned previously, Norwood Co-operative Bank sold \$166.6 million in residential mortgage loans over the evaluation period, which has the effect of reducing the Bank's LTD ratio. However, selling loans enables institutions to manage their liquidity and interest rate risk and also allows them to originate a larger volume of loans than would otherwise be possible.

Comparison of Credit Extended Inside and Outside of the Assessment Area

Lending performance was also evaluated by analyzing the percentage by number and dollar amount of residential and small business loans extended inside and outside the assessment area. As shown in Table 4, a majority of the Bank's residential and small business loans were inside the assessment area.

Table 4 – Distribution of Loans Inside and Outside the Assessment Area										
Loan Category or Type	Number of Loans					Dollars in Loans \$(‘000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
2012										
Home Purchase	76	64.4	42	35.6	118	17,918	63.7	10,225	36.3	28,143
Home Improvement	43	76.8	13	23.2	56	7,119	74.7	2,410	25.3	9,529
Refinance	200	82.0	44	18.0	244	44,020	82.2	9,541	17.8	53,561
Total 2012	319	76.3	99	23.7	418	69,057	75.7	22,176	24.3	91,233
2013*										
Home Purchase	69	76.7	21	23.3	90	16,071	73.9	5,682	26.1	21,753
Home Improvement	23	88.5	3	11.5	26	4,276	90.1	468	9.9	4,744
Refinance	49	73.1	18	26.9	67	9,005	71.7	3,558	28.3	12,563
Total 2013*	141	77.1	42	22.9	183	29,352	75.2	9,708	24.8	39,060
Total Residential	460	76.5	141	23.5	601	98,409	75.5	31,884	24.5	130,293
Small Business 2012	8	88.9	1	11.1	9	681	73.1	250	26.9	931
Grand Total	468	76.7	142	23.3	610	99,090	75.5	32,134	24.5	131,224

Source: 2012 and (*) the first three quarters of 2013 HMDA LARs

Residential Lending

As shown in Table 4, the Bank originated 76.3 percent of home mortgages loans by number and 75.7 percent by dollar volume within the assessment area in 2012. In 2013, the Bank originated 77.1 percent of home mortgages loans by number and 75.2 percent by dollar volume within the assessment area. Overall, the Bank originated 76.5 percent of home mortgage loans by number and 75.5 percent by dollar volume within the assessment area. While the overall volume of residential mortgage loans appears to be on a declining trend from 2012 to 2013, the concentration of residential loans inside the assessment area has remained fairly stable by both number and dollar amount.

Small Business Lending

As also shown in Table 4, the Bank originated only nine loans defined as small business loans under the CRA in 2012. Of these, 88.9 percent by number and 73.1 percent by dollar volume were within the assessment area.

Borrower Profile

This performance criterion evaluates the distribution of the Bank’s home mortgages by borrower income level, and small business loans by GARs. For residential lending, emphasis is placed on loans to low- and moderate-income borrowers, and for small business lending, emphasis is placed on loans to businesses with GARs of \$1 million or less. Overall, the distribution of borrowers reflects excellent penetration among retail customers of different income levels and businesses of different sizes. The following sections discuss the Bank’s performance by loan type.

Residential Lending

The distribution of residential loans reflects excellent penetration among borrowers of different income levels, particularly those of low- and moderate-income. Table 5 presents the Bank's home loans by borrower income level in 2012 and YTD 2013. Lending in 2012 is compared to the 2012 aggregate lending data, and 2012 and YTD 2013 lending is compared to the percentage of families by income level based on 2010 U.S. Census data.

Table 5 – Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Total Families	2012 Bank Lending		2012 Aggregate Lending Percentage	YTD 2013 Bank Lending	
		#	%		#	%
Low	12.3	25	7.8	2.6	12	8.5
Moderate	13.3	53	16.6	11.2	29	20.6
Middle	19.6	98	30.7	21.9	43	30.5
Upper	54.8	134	42.0	51.1	51	36.2
N/A	0.0	9	2.8	13.3	6	4.3
Total**	100.0	319	100.0	100.0	141	100.0

Source: 2010 U.S. Census Data, 2012 and first three quarters of 2013 NCB HMDA LARs, and 2012 Aggregate Data
Percentages may not total 100.0 due to rounding.

In 2012, the Bank originated 7.8 percent of home mortgage loans to low-income borrowers, which significantly exceeded aggregate performance of 2.6 percent. The Bank originated 16.6 percent of home mortgage loans to moderate-income borrowers, while aggregate performance was 11.2 percent. The Bank's home mortgage origination percentages compare favorably to the percentage of low- and moderate-income families in the assessment area, at 12.3 percent and 13.3 percent, respectively.

In 2013, the Bank originated 8.5 percent of home mortgage loans to low-income borrowers, which reflects a slight increase from 2012. For the same year, the Bank originated 20.6 percent of home mortgage loans to moderate-income borrowers, which is 7.3 percent higher than the percentage of moderate-income families in the assessment area.

Market share data for 2012 show that, of the 422 HMDA reporters that originated or purchased at least one loan in the Bank's assessment area (total count of 32,869), only 137 originated or purchased loans to low-income borrowers (total count of 842 loans, representing 2.6 percent of total loans). Norwood Co-operative Bank ranked 8th in lending to low-income borrowers, with 25 loans and a 3.0 percent market share. Market share data for 2012 also show that 229 lenders made loans to moderate-income borrowers in the assessment area, for a total of 3,684 loans, representing 11.2 percent of total loans. Norwood Co-operative Bank was tied for 18th in lending to moderate-income borrowers in the area, capturing 1.4 percent of the market. Given these statistics and considering its small size and high level of competition in the area, the Bank has done an excellent job with helping to meet the residential lending needs of borrowers of different incomes within the assessment area.

The Bank’s excellent penetration of loans to low-and moderate-income borrowers is in part due to its extensive use of innovative loan products. For example, the Bank offers a first-time homebuyer program with low down-payment requirements and reduced costs, and is a member of the Federal Home Loan Bank’s Equity Builder Program (EBP). The EBP offers assistance to borrowers with household incomes at or below 80 percent of the area median income with down-payments, closing-costs, and homebuyer counseling.

Small Business Lending

The distribution of small business loans reflects reasonable penetration to businesses of different sizes. Table 6 illustrates the distribution of the Bank’s small business loans within the assessment area by the GAR level, and presents business demographic data for comparison purposes.

Table 6 – Distribution of 2012 Small Business Loans by Gross Annual Revenues			
Total Bank Loans	Businesses with GAR of \$1 million or Less		
	% of Businesses	# of Bank Loans	% of Bank Loans
8	72.4	4	50.0

Source: 2012 Dun & Bradstreet demographic data and Bank lending data

As shown in Table 6, the Bank originated 50.0 percent of its small business loans to businesses with GARs of \$1 million or less in 2012. This percentage is lower than the percentage of businesses in the assessment area that have GARs of \$1 million or less; however, the distribution is reasonable considering the small number of small business loans originated in 2012.

Geographic Distribution

The distribution of residential loans and small business loans by census tract income level was reviewed to determine the Bank’s level of addressing the credit needs of all portions of the assessment area. Emphasis is generally placed on an institution’s performance in the any low-and moderate-income census tracts in the assessment area. As mentioned previously, Norwood Co-operative Bank’s assessment area has no low-income census tracts and only two moderate-income census tracts, both of which are in the Town of Stoughton. While the Bank did not originate any residential or small business loans in the two moderate-income census tracts, the overall distribution of the Bank’s loans reflects reasonable dispersion throughout the assessment area. The following sections discuss the Bank’s performance under this criterion by loan type.

Residential Lending

While the Bank did not originate any home mortgage loans in the moderate-income tracts in the assessment area, it should be noted that of all loans made by the aggregate market in the assessment area in 2012, only 0.6 percent were in the two moderate-income census tracts. Furthermore, only 1.1 percent of all owner-occupied housing units in the assessment area are located in those tracts. This information indicates that there is limited demand and opportunity for residential lending in those areas. The distribution of the Bank’s residential loans by census tract income level is shown in Table 7.

Table 7 – Distribution of Home Mortgage Loans by Census Tract Income Level						
Census Tract Income Level	% of Owner-Occupied Housing Units	Bank 2012 Lending		2012 Aggregate Lending Percentage	Bank YTD 2013 Lending*	
		#	%		#	%
Moderate	1.1	0	0.0	0.6	0	0.0
Middle	39.8	222	69.6	36.0	95	67.4
Upper	59.1	97	30.4	63.4	46	32.6
N/A	0.0	0	0.0	0.0	0	0.0
Total	100.0	319	100.0	100.0	141	100.0

Source: 2010 U.S. Census Data, 2012 and first three quarters of 2013 NCB HMDA LARs, and 2012 Aggregate HMDA Data

Market share data for the two moderate-income census tracts was also reviewed, which showed that in 2012, 69 lenders originated or purchased residential mortgages in those tracts. Of these lenders, only 33 originated or purchased more than one residential mortgage in the two tracts combined. The small number of originations by all lenders in 2012, coupled with the small number of owner-occupied housing units in the two moderate-income census tracts, demonstrates the limited demand and opportunity for residential lending within these tracts in the assessment area.

Small Business Lending

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. Table 8 illustrates the Bank’s lending data and relevant demographic data.

Table 8 – Distribution of 2012 Small Business Loans by Census Tract Income Level				
Census Tract Income Level	Total Businesses in Assessment Area		2012 Small Business Loans	
	#	%	#	%
Moderate	513	1.3	0	0.0
Middle	16,975	42.2	4	50.0
Upper	22,754	56.5	4	50.0
Total	40,242	100.0	8	100.0

Source: 2012 Dun & Bradstreet demographic data and Bank lending data

As shown in Table 8, the Bank’s small business loans were evenly distributed between the middle- and upper-income census tracts, which is relatively comparable to the distribution of businesses within the assessment area.

Response to Complaints

The Bank did not receive any CRA-related complaints since the previous examination.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

COMMUNITY DEVELOPMENT TEST

Community development activities considered for the Community Development Test generally include loans, investments, and services that have one or more of the following as their primary purpose:

- (1) Affordable housing (including multi-family rental housing) for low- or moderate-income individuals;
- (2) Community services targeted to low-or moderate-income individuals;
- (3) Activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company Programs or have gross annual revenues of \$1 million or less;
- (4) Activities that revitalize or stabilize low-or moderate-income geographies; or
- (5) Loans, investments, and services that support, enable, or facilitate Neighborhood Stabilization Program (NSP) eligible activities in designated target areas.

Overall, Norwood Co-operative Bank's community development performance demonstrates adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities in the institution's assessment area. The institution assesses the community development opportunities within its assessment area through involvement in local organizations, and through communications with customers during regular retail banking activities and with participants at financial education seminars.

Community Development Loans

A community development loan is defined as a loan that: (1) has community development as its primary purpose; (2) has not already been reported by the Bank for consideration under small business or home mortgage lending (unless it is a multi-family dwelling loan); and (3) benefits the Bank's assessment area or a broader statewide or regional area that includes the Bank's assessment area.

During the evaluation period, the Bank originated five community development loans totaling \$1,110,425 within its assessment area, all of which were related to the provision of affordable housing. The Bank originated one loan in 2010 for \$375,000, which created 4 affordable housing units; made two loans in 2012 totaling \$618,700, which created seven affordable units; and, originated two loans in 2013 totaling \$116,725, which created a single affordable unit. Three of the five loans created affordable units as mandated under Massachusetts' "40B" zoning variance laws. Chapter 40B is a Massachusetts statute that enables local zoning boards to approve affordable housing developments under flexible rules if at least 20-25 percent of the units have long-term affordability restrictions.

Qualified Investments

A qualified investment for the purposes of this evaluation is a lawful investment, deposit, membership share, or grant that has community development as its primary purpose. The evaluation considered (1) investment and grant activity, (2) the responsiveness to credit and community development needs, and (3) community development initiatives. The Bank made an

adequate level of qualified investments through contributions and donations toward community-based initiatives.

The Bank did not hold any qualified community development equity investments on its balance sheet during the evaluation period. However, the Bank provided assistance to community development efforts in the assessment area through direct grants and charitable contributions to area groups and organizations through its Charitable Foundation, which is overseen by the Bank’s Board of Directors. The Bank’s grants and contributions that meet the definition of qualified investments totaled \$86,875 over the period covered by this evaluation. A breakdown by year and community development purpose is illustrated in Table 9.

Table 9 - Community Development Grants and Donations by Category										
Category	5/18/2010-12/31/2010		2011		2012		1/1/2013 – 12/31/2013		Total	
	#	\$	#	\$	#	\$	#	\$	#	\$
Affordable Housing	0	0	0	0	0	0	0	0	0	0
Community Services	4	9,139	10	27,043	8	23,453	10	26,240	32	85,875
Revitalization/Stabilization	0	0	0	0	0	0	0	0	0	0
Economic Development	0	0	1	1,000	0	0	0	0	1	1,000
Total	4	9,139	11	28,043	8	23,453	10	26,240	33	86,875

Source: Internal Bank Records

The following is a sample of organizations that received qualified contributions from the Bank:

Project Bread/Walk for Hunger: Key initiatives for this organization include investing in soup kitchens, food pantries, health centers, summer meal programs, and elder meal programs, which are all aimed to reach the state’s most vulnerable populations; children, working poor families, immigrants, and seniors.

MetroWest Legal Services: This organization provides free legal aid to low-income people. Areas of focus are family law, which includes helping victims of domestic abuse, assistance for low-income families and individuals with affordable housing matters, and legal advocacy and representation for income-eligible health coverage applicants and recipients.

Norwood Housing Rehabilitation Program: This program is designed to assist low- and moderate-income homeowners living in Norwood with home repairs such as electrical, heating and plumbing work, structural repairs, roof and siding repairs, insulation and window replacement, lead paint and asbestos removal, and handicap accessibility improvements.

HESSCO Elder Services: The mission of this organization is to make it easier for older individuals and their families to access a comprehensive system of health and support services. Bank contributions were used to support the organization’s money management program, which primarily assists low-income individuals age 60 or over with budgeting, checkbook balancing, paying bills, writing checks, and offers complete financial management of government benefits.

Community Development Services

A community development service has community development as its primary purpose and is generally related to the provision of financial services. The Bank provided community development services to local organizations through the provision of technical and financial expertise.

Involvement in Community Development Organizations

The following are examples of how the Bank's participation with various organizations has benefited the assessment area.

Norwood Housing Authority: This organization owns and maintains five low-income housing developments in Norwood, which provide over 400 one-bedroom apartments. A Senior Vice President of the Bank is a member of the board, and the Bank helps to analyze whether a potential property purchase by the organization would be a viable investment and explores financing options.

Walpole Community Food Pantry: The mission of this organization is to provide an emergency food source to low- and moderate-income residents of the Town of Walpole. The Bank's Vice President/Compliance Officer serves on the Board of Directors as a representative of the Bank, and is responsible for creating both the general budget and budgets for special events, and analyzing economic and demographic changes.

Educational Seminars

Bank officers and employees participated in numerous seminars and other events sponsored by the Bank during the evaluation period. These events provided opportunities for Bank representatives to inform those in attendance about the products and services offered by the Bank and to educate the community about basic banking skills and potential financial obstacles they may face. The following sections discuss the educational seminars offered by the Bank during the evaluation period.

In June 2010, the Bank held a retirement and income planning seminar, which covered the topics of early retirement considerations, income planning, accounting for health care costs, and sources of retirement income. In October of the same year, the Bank held a seminar for financing a college education, which included the topics of why college is a good investment, tuition prices, educational savings vehicles, the 529 plan, financial aid, and student loans.

In March and September 2011, the Bank held first-time homebuyer seminars, which educated attendees about the process of purchasing a new home and included topics such as budgeting, credit scores, appraisals, and home inspections. The Bank also held an outreach breakfast for local veterans in June to educate them on MassHousing's Home of the Brave program. The Bank also offered a free seminar in November to help women take control of their finances by discussing topics such as legally protecting financial assets, creating a retirement income strategy, and the importance of social security for women.

In 2012, the Bank held first-time homebuyer seminars in March and September, which covered the same information from the previous year, but also included information about MassHousing loan programs. In May, the Bank coordinated a visit by special-needs students from Norwood

High School to educate them on topics such as savings, the benefits of direct deposits, and the importance of keeping their financial information secure. In the same month, the Bank also held a seminar on long-term and elder care, which focused on incorporating long term care into an individual's financial plan, options for long-term care insurance, and elder law and estate planning.

In January 2013, the Bank gave a presentation to Norwood senior citizens about the benefits of direct deposit, identity theft and current scams targeting the elderly. The Bank held two first-time homebuyer seminars and has also held a young adult financial education seminar in February in conjunction with National America Saves Weeks, which included topics such as the importance of savings, setting savings goals, how to budget, types of deposit accounts, and identity theft. In June, the Bank once again had special-needs students from Norwood High School visit the branch and discussed similar topics from the prior year. In October, the Bank held a young adult financial education seminar which focused on the fundamentals of investing, the effects of inflation and compounding, identifying goals, risk tolerance, types of investments, and the role of financial professions. In the same month, the Bank delivered a presentation to the senior class of Norwood High School about budgeting, saving, the pros and cons of debit and credit cards, identity theft, and investing. The Bank also held a seminar on the social security and its impact on one's financial future and discussed the basics of social security, early retirement considerations, working during retirement, income planning, the impact of taxes, understanding risks, and other potential sources of income.

Other Community Development Related Services

Basic Banking in Massachusetts – The Bank's checking and savings accounts meet the guidelines for the Massachusetts Community and Banking Council's (MCBC) Basic Banking in Massachusetts program, which is designed to offer low cost checking and savings accounts that help enable low- and moderate-income individuals to obtain basic banking services.

Interest on Lawyer's Trust Account (IOLTA) – Interest earned on these accounts is utilized to help fund improvements in the administration of justice and delivery of legal services to low-income clients. Interest earned on IOLTA accounts held at the Bank totaled \$13,432.72 between June 1, 2010 and December 31, 2010; \$26,316 in 2011; \$32,704 in 2012; and \$29,517.91 as of December 9, 2013.

APPENDIX A

Division of Banks - Fair Lending Policies and Practices

The Division of Banks provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106.

A review of the public file indicated that the Bank received no complaints pertaining to the institution's CRA performance since the previous examination.

The Bank has a written loan policy that incorporates a statement of policy against discrimination. All mortgage loans are written to secondary market guidelines. Exceptions to policy are tracked and reported to the Board of Directors on a quarterly basis. The Bank has a second review for all denied home mortgage loans. The Bank has also implemented an annual fair lending risk assessment that addresses fair lending risks faced by similarly situated institutions.

The review of the Bank's public comment file and its performance related to lending policies and practices did not reveal any violations of anti-discrimination laws and regulations.

MINORITY APPLICATION FLOW

The Bank's residential lending in 2012 was compared with 2012 aggregate lending performance. 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 a comparison to aggregate lending data within the Bank's assessment area.

According to the 2010 U.S. Census, the Bank's assessment area has a total population of 393,521 of which 11.4 percent are minorities. The assessment area's minority population is comprised of: 3.2 percent Black/African American; 3.7 percent Asian; 0.1 percent American Indian; 1.7 percent "other"; and 2.7 percent Hispanic or Latino.

In total for 2012 and YTD 2013, the Bank received 648 HMDA reportable loan applications within its assessment area. Of these applications, 35 or 5.4 percent were received from minority applicants, of which 62.9 percent resulted in originations. The Bank also received 15, or 2.3 percent, from ethnic groups of Hispanic origin within its assessment area, of which 66.7 percent resulted in originations.

The Bank's performance in 2012 is lower than the aggregate's level of racial minority applications, but higher than the aggregate's level of ethnic minority applications. The Bank received 3.6 percent of its applications from racial minorities, while the aggregate received 6.3 percent. The Bank received 2.9 percent of applications from Hispanic or Latino applicants, or joint applicants in which one applicant was Hispanic or Latino, while the aggregate received 1.4 percent from the same group.

Table 10					
Minority Application Flow					
RACE	Bank 2012		2012 Aggregate Data	Bank 2013	
	#	%	%	#	%
American Indian/ Alaska Native	0	0.0	0.1	0	0.0
Asian	8	1.8	4.1	17	8.3
Black/ African American	1	0.2	1.1	1	0.5
Hawaiian/Pacific Islander	0	0.0	0.0	0	0.0
2 or more Minority	0	0.0	0.0	0	0.0
Joint Race (White/Minority)	7	1.6	1.0	1	0.5
Total Minority	16	3.6	6.3	19	9.2
White	373	84.4	70.3	161	78.2
Race Not Available	53	12.0	23.4	26	12.3
Total	442	100.0	100.0	206	100.0
ETHNICITY					
Hispanic or Latino	6	1.3	0.8	0	0.0
Not Hispanic or Latino	369	83.5	75.1	175	85.0
Joint (Hisp/Lat /Not Hisp/Lat)	7	1.6	0.6	2	1.0
Ethnicity Not Available	60	13.6	23.5	29	14.1
Total	442	100.0	100.0	206	100.0

Source: 2012 and Q1-Q3 2013 HMDA LAR & 2012 HMDA Aggregate Data

The Bank's performance for YTD 2013 shows a positive trend with regard to applications received from minority applicants; however, there is a potential decrease in applications from Hispanic and Latino applicants.

Given the Bank's overall performance and the positive trend, the Bank's minority application flow is adequate.

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 at 11 Central Street Norwood, MA 02062."

[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 agencies, 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.