

PUBLIC DISCLOSURE

December 7, 2015

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

StonehamBank, a Co-operative Bank
Certificate Number: 26559

80 Montvale Avenue
Stoneham, Massachusetts 02180

Commonwealth of Massachusetts
Division of Banks
1000 Washington St, 10th Floor
Boston, Massachusetts 02118

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
New York Regional Office
350 Fifth Avenue, Suite 1200
New York, New York 10118

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation 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.

TABLE OF CONTENTS

Institution Rating	1
Scope of Evaluation	2
Description of Institution	3
Description of Assessment Area	5
Conclusions on Performance Criteria	8
Discriminatory or Other Illegal Credit Practices Review	15
Appendix A: Division of Banks – Fair Lending Policies and Procedures.....	16
Appendix B: Glossary.....	18

INSTITUTION RATING

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 assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

This document is an evaluation of StonehamBank's CRA performance prepared by the Division and the FDIC, the institution's supervisory agencies, as of December 7, 2015. StonehamBank's Community Reinvestment Act (CRA) performance was evaluated under the Lending Test and Community Development Test. Examiners did not identify any evidence of discriminatory or other illegal credit practices. The following points summarize the bank's Lending Test and Community Development Test performance.

The Lending Test is rated Satisfactory.

- The loan-to-deposit (LTD) ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs.
- The bank made a majority of its home mortgage and sampled commercial loans inside the assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects reasonable penetration of loans among borrowers of different income levels and businesses of different sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, the factor did not affect the Lending Test rating.

The Community Development Test is rated Satisfactory.

The institution's community development performance demonstrates adequate responsiveness to community development needs in its assessment area through qualified community development loans, investments, and 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 EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated September 4, 2012, to the current evaluation dated December 7, 2015. Examiners used the Interagency Intermediate Small Institution Examination Procedures to evaluate StonehamBank's CRA performance. These procedures include two tests: the CRA Small Bank Lending Test and the Community Development Test.

The Lending Test considered the institution's performance according to the following criteria:

- Loan-to-deposit ratio
- Assessment area concentration
- Geographic distribution
- Borrower profile
- Response to CRA-related complaints

The Community Development Test considered the following factors:

- Number and dollar amount of community development loans, qualified investments and community development services;
- The responsiveness of such activities to the community development needs of the assessment area.

Banks must achieve at least a Satisfactory rating under each test to obtain an overall Satisfactory rating. This evaluation does not include any lending activity performed by affiliates.

Loan Products Reviewed

Examiners determined that the bank's major product lines are home mortgage loans and commercial loans. While both products are included in the analysis, emphasis is placed on home mortgage lending. This conclusion considered the bank's business strategy and the number and dollar volume of loans originated during the evaluation period.

Examiners considered all home mortgage loans reported on the bank's 2014 and first three quarters of 2015 Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs). For 2014 the bank reported 193 loans totaling \$63.1 million, and for 2015 the bank reported 121 loans totaling \$40.2 million.

As the bank is not required to report small business loan information, examiners selected a sample of commercial loans for review under the Lending Test. The sample included 40 commercial loans totaling \$20.3 million from a universe of 170 loans totaling \$89.6 million in 2014.

For the Lending Test, examiners reviewed the number and dollar volume of home mortgage and commercial loans. While number and dollar volume of loans are presented, examiners emphasized performance by number of loans because the number of loans is a better indicator of the number of businesses and individuals served.

For the Community Development Test, bank management provided data on community development loans, qualified investments, and community development services since the prior CRA evaluation.

DESCRIPTION OF INSTITUTION

Background

StonehamBank is headquartered in Stoneham, Massachusetts, and operates in the eastern part of Massachusetts, in Middlesex and Essex Counties. The bank operates three wholly owned subsidiaries; 80 Montvale Avenue LLC, StoCo Securities Corporation, and StoCo Securities Corporation II. In addition, the bank established Stoneham Charitable Foundation, Inc. as a separate affiliated entity in 2001.

The bank received a Satisfactory rating at its previous FDIC and Division of Banks CRA Performance Evaluation based on Interagency Intermediate Small Institution Examination Procedures.

Operations

In addition to its main office located at 80 Montvale Avenue in Stoneham, the bank operates one other full-service branch in Billerica. StonehamBank offers loan products including commercial, home mortgage, and consumer loans, primarily focusing on home mortgage lending. The institution provides a variety of deposit services including checking, savings, individual retirement accounts, and certificates of deposit. The bank also offers investment services through Infinex Financial Group.

Alternative banking services include internet and mobile banking, electronic bill pay, and two automated teller machines. The bank did not open or close any branches, and no merger or acquisition activities occurred since the previous evaluation.

Ability and Capacity

Assets totaled approximately \$503 million as of September 30, 2015, including total loans of \$417 million and securities totaling \$60 million. The loan portfolio is illustrated in the following table.

Loan Portfolio Distribution as of September 30, 2015		
Loan Category	\$(000s)	%
Construction and Land Development	15,043	3.6
Secured by Farmland	0	0
1-4 Family Residential	189,473	45.4
Multi-family (5 or more) Residential	26,140	6.3
Commercial Real Estate	127,525	30.6
Total Real Estate Loans	358,181	85.9
Commercial and Industrial	57,521	13.8
Agricultural	0	0
Consumer	1,150	0.3
Other	12	0
Less: Unearned Income	149	0
Total Loans	417,013	100.0
<i>Source: Reports of Income and Condition</i>		

Examiners did not identify any financial, legal, or other impediments that affect the bank's ability to meet assessment area credit needs.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to designate one or more assessment area(s) within which it will focus its lending efforts, and its CRA performance will be evaluated. For purposes of this evaluation, the designated single, contiguous assessment area includes 93 census tracts (CTs) located in the Cambridge, Newton, Framingham MA Metropolitan Division (MD) (15764). The following sections discuss demographic and economic information for the assessment area.

Economic and Demographic Data

The bank's assessment area includes 93 CTs, which encompass the municipalities of Billerica, Burlington, Lynnfield, Malden, Medford, Melrose, North Reading, Peabody, Reading, Saugus, Stoneham, Tewksbury, Wakefield, Wilmington, Winchester, and Woburn. The assessment area contains 19 moderate-income, 54 middle-income, and 20 upper-income CTs; it does not include any low-income tracts. The following table illustrates select demographic characteristics of the assessment area.

Demographic Information for the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	93	0.0	20.4	58.1	21.5	0.0
Population by Geography	493,610	0.0	17.5	61.4	21.1	0.0
Housing Units by Geography	197,008	0.0	19.1	60.9	20.0	0.0
Owner-Occupied Units by Geography	133,330	0.0	12.2	63.4	24.4	0.0
Businesses by Geography	39,679	0.0	14.1	64.1	21.8	0.0
Family Distribution by Income Level	126,744	18.9	17.0	24.4	39.7	0.0
Median Family Income (2010 U.S. Census)		\$94,794	Median Housing Value			\$403,806
FFIEC-Estimated Median Family Income for 2015 Cambridge, Newton, Framingham MA MD (15764)		\$101,700	Unemployment Rate			6.7%
			Families Below Poverty Level			3.8%
<i>Source: 2010 U.S. Census, and FFIEC-Estimated Median Family Income; (*) The NA category consists of geographies that have not been assigned an income classification.</i>						

According to 2014 D&B data, there were 39,679 businesses. Gross annual revenues (GARs) for these businesses are below:

- 70.7 percent have \$1 million or less.
- 6.7 percent have more than \$1 million.
- 22.6 percent have unknown revenues.

The analysis of commercial loans under the Borrower Profile criterion compares the distribution of businesses by GAR level. Service industries represent the largest portion of businesses at 44.1 percent; followed by retail trade (12.0 percent); non-classifiable establishments (11.6 percent); and construction (10.3 percent). In addition, 63.2 percent of area businesses have four or fewer employees, and 90.2 percent operate from a single location.

The 2014 and 2015 FFIEC-updated median family income levels are used to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle- and upper-income categories are presented in the following table. These categories are based on the 2014 and 2015 FFIEC updated median family income.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Cambridge, Newton, Framingham MA MD Median Family Income (\$00,000)				
2014 (\$93,300)	<\$46,650	\$46,650 to <\$74,640	\$74,640 to <\$111,960	≥\$111,960
2015 (\$101,700)	<\$50,850	\$50,850 to <\$81,360	\$81,360 to <\$122,040	≥\$122,040
<i>Source: FFIEC.</i>				

The assessment area includes 197,008 housing units, of which 67.7 percent are owner-occupied, 25.4 percent are rentals, and 5.0 percent are vacant. The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units.

Data obtained from the U. S. Bureau of Labor and Statistics indicates that the 2014 year-end unemployment rate was 5.3 percent statewide. Unemployment rates varied from 3.9 percent for Middlesex County to 5.1 percent for Essex County. Unemployment rates generally declined throughout the evaluation period.

Competition

The bank operates in a highly competitive market for credit and financial services. The FDIC Deposit Market Share data as of June 30, 2015, shows that 31 financial institutions operated 186 branches within the bank’s AA, with the top five institutions accounting for 53.5 percent of total market share. StonehamBank ranked 15th, with a 2.3 percent deposit market share.

Aggregate HMDA lending data for 2014 shows that a total of 429 lenders originated or purchased 20,107 home mortgage loans within the bank’s assessment area. The top ten lenders include large national and regional banks as well as mortgage companies such as Bank of America, Guaranteed Rate Inc., JP Morgan Chase, Quicken Loans, and Wells Fargo. StonehamBank ranked 41st, with a 0.6 percent market share.

The bank is not required to collect or report its small business loan data, and it has not elected to do so. Therefore, the analysis of commercial loans under the Lending Test does not include comparisons against aggregate data. The aggregate data, however, reflects the level of demand for small business loans and is therefore included. Aggregate data for 2014 shows that 126 institutions reported 46,334 small business loans in the assessment area, indicating a moderate degree of competition for this product.

Community Contact

As part of the evaluation process, examiners contact third-party organizations engaged in community and economic development to aid in identifying the credit needs and availability within the community. Examiners conducted one such community contact with a non-profit

community development organization serving a portion of the bank's assessment area. The organization is a community-based agency responding to the basic needs of people of all ages including offering affordable daycare services, a food pantry, and other family-related social services.

The contact indicated positive trends in local economic conditions and did not perceive any deficiencies in the availability of credit to low- and moderate-income individuals. The contact identified the need for additional affordable housing and rental units in the area. Also, the contact identified the need for seasonal loans, including heat loans for the winter months.

Credit and Community Development Needs and Opportunities

Examiners considered information gathered from the community contact, the bank, and available economic data to determine the primary credit needs of the assessment area. Median housing values within the assessment area of \$403,806 make homeownership difficult for low- and moderate-income individuals and families; therefore, a primary community development need is affordable housing. In addition, there is opportunity and demand for home mortgage and commercial loans in the assessment area.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

StonehamBank demonstrated reasonable performance under the Lending Test. Geographic Distribution and Borrower Profile performance primarily support this conclusion.

Loan-to-Deposit Ratio

The LTD ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs. The bank's LTD ratio, calculated from Call Report data, averaged 114.1 percent over the past 13 calendar quarters from September 30, 2012, to September 30, 2015. The ratio ranged from a low of 109.9 percent as of March 31, 2013, to a high of 119.5 percent as of September 30, 2014. The ratio remained generally stable during the evaluation period. StonehamBank maintained a higher ratio when compared to similarly situated institutions, as shown in the following table. Examiners selected comparable institutions based on their asset size, geographic location, and lending focus. The bank has indicated that its LTD ratio has historically been maintained at a higher level, and is consistent with its lending strategy.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 9/30/2015 \$(000s)	Average Net LTD Ratio (%)
Reading Co-operative Bank	494,096	102.3
StonehamBank	502,822	114.1
The Savings Bank	521,819	84.3
Winchester Co-operative Bank	588,388	72.8
Winchester Savings Bank	523,970	74.9
<i>Source: Reports of Income and Condition September 30, 2012 – September 30, 2015</i>		

Assessment Area Concentration

The bank made a majority of home mortgage and sampled commercial loans, by number and dollar volume, within its assessment area.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollars Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home										
2014	105	54.4	88	45.6	193	29,739	47.2	33,327	52.8	63,066
2015	74	61.2	47	38.8	121	22,216	55.3	17,967	44.7	40,183
Subtotal	179	57.0	135	43.0	314	51,955	50.3	51,294	49.7	103,249
Commercial										
2014	29	72.5	11	27.5	40	15,359	75.7	4,929	24.3	20,288

Source: 2014 and 3 quarters of 2015 HMDA and 2014 Internal Bank Records

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The bank's reasonable performance of home mortgage and commercial lending supports this conclusion. As the assessment area does not contain any low-income tracts, examiners focused on the percentage by number of loans in moderate-income census tracts.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. Examiners focused on the comparison to aggregate data. The following table shows that the bank's performance in moderate-income census tracts compares reasonably to the aggregate level, at 0.4 percentage points lower in 2014.

Market share reports further support the bank's reasonable performance. The bank ranked 42nd among the 260 lenders that originated or purchased home mortgage loans in moderate-income census tracts.

For the first three quarters of 2015, the bank did not originate any loans in moderate-income census tracts. This is largely attributed to strong competition for home mortgage lending in the area. Considering assessment area demographics and comparisons to aggregate data, the bank's performance under this criterion is reasonable.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate						
2014	12.2	11.8	12	11.4	3,589	12.1
2015	12.2	--	0	0.0	0.0	0.0
Middle						
2014	63.4	59.4	71	67.6	18,115	60.9
2015	63.4	--	53	71.6	15,388	69.3
Upper						
2014	24.4	28.8	22	21.0	8,035	27.0
2015	24.4	--	21	28.4	6,828	30.7
Totals						
2014	100.0	100.0	105	100.0	29,739	100.0
2015	100.0	--	74	100.0	22,216	100.0
<i>Source: 2010 U.S. Census; 2014, and 3 quarters of 2015 HMDA Reported Data; 2014 HMDA Aggregate Data; "--" data not available</i>						

Commercial Loans

The bank made a significant majority of sampled commercial loans in middle-income tracts. In addition, StonehamBank made 6.9 percent of the sampled commercial loans in moderate-income CTs, which is below the percentage of businesses located in these tracts. Overall, this performance reflects poor penetration of the moderate-income tracts in the assessment area.

Geographic Distribution of Commercial Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Moderate	14.1	2	6.9	3,037	19.8
Middle	64.1	27	93.1	12,322	80.2
Upper	21.8	--	--	--	--
Total	100.0	29	100.0	15,359	100.0
<i>Source: 2014 D&B Data, Bank Records</i>					

Borrower Profile

The distribution of borrowers reflects reasonable penetration among borrowers of different income levels and businesses of different sizes. The bank's reasonable performance of home mortgage lending primarily supports this conclusion. Examiners focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers. They also focused on the percentage by number of commercial loans to businesses with GARs of \$1 million or less.

Home Mortgage Loans

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is reasonable. Examiners focused on the comparison to aggregate data.

Home mortgage lending to low-income borrowers, at 4.8 percent, is reasonable when compared to the aggregate data of 4.4 percent. Because of the high cost of housing in the bank’s assessment area, low-income families would not likely qualify for a mortgage under conventional underwriting standards. Therefore, the demand and opportunity for lending to low-income families are relatively limited. This helps explain the difference between bank performance of lending to low-income borrowers and the 18.9 percent of families of this income level.

The bank’s level of lending to moderate-income borrowers in 2014 is marginally higher than the aggregate, which demonstrates reasonable performance. The bank further increased the percentage of lending to moderate-income borrowers in the first three quarters of 2015.

Market share data further supported the bank’s reasonable performance under this criterion. In 2014, the bank ranked 28th in lending to low-income borrowers with a 0.5 percent market share. It ranked 45th in lending to moderate-income borrowers, with a 0.6 percent market share.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2014	18.9	4.4	5	4.8	582	2.0
2015	18.9	--	1	1.4	120	0.5
Moderate						
2014	17.0	16.1	20	19.0	3,680	12.4
2015	17.0	--	18	24.3	4,722	21.3
Middle						
2014	24.4	26.0	29	27.6	7,094	23.8
2015	24.4	--	24	32.4	6,827	30.7
Upper						
2014	39.7	36.7	32	30.5	8,457	28.4
2015	39.7	--	21	28.4		28.7
Income Not Available						
2014	--	16.8	19	18.1	9,926	33.4
2015	--	--	10	13.5	4,172	18.8
Total						
2014	100.0	100.0	105	100.0	29,739	100.0
2015	100.0	--	74	100.0	22,216	100.0
<i>Source: 2010 U.S. Census; 2014, and 3 quarters of 2015 HMDA Reported Data; 2014 HMDA Aggregate Data; "--" data not available</i>						

Commercial Loans

The distribution of commercial loans reflects reasonable penetration among businesses with gross annual revenues of \$1 million or less.

The bank's record of lending to businesses with gross annual revenues of \$1 million or less in 2014 was significantly less than the percentage of businesses in this revenue category. The bank made the same number of loans to small businesses as it did to businesses for which revenues were not considered. Excluding the 12 loans for which revenue information was not available, the percentage of loans to businesses with gross annual revenues of \$1 million or less stands at 70.6 percent. Overall, this comparison reflects reasonable performance.

Distribution of Commercial Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
≤ \$1,000,000	70.7	12	41.4	4,981	32.4
> \$1,000,000	6.7	5	17.2	2,427	15.8
Revenue Not Available	22.6	12	41.4	7,951	51.8
Total	100.0	29	100.0	15,539	100.0

Source: 2014 D&B Data, 2014 Internal Bank Records

COMMUNITY DEVELOPMENT TEST

StonehamBank demonstrated adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services. Examiners considered the institution's capacity and the need and availability of such opportunities.

Community Development Loans

The bank originated 57 community development loans totaling approximately \$4 million during the evaluation period. This level of activity represents 0.8 percent of average total assets and 1.0 percent of average total loans since the prior CRA evaluation. Of the 57 community development loans, 56 totaling approximately \$3.8 million were to a single community service entity that provides services targeted toward low- and moderate-income individuals. These loans helped expand transportation services for low- and moderate-income elders and individuals with disabilities. In addition, the bank originated one loan, which had a pro rata share of \$244,000 dedicated toward developing three affordable housing units in Billerica. The following table illustrates the bank's community development lending activity by year and purpose.

Community Development Loans												
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Neighborhood Stabilization		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2012*	0	0	2	82	0	0	0	0	0	0	2	82
2013	0	0	17	1,392	0	0	0	0	0	0	17	1,392
2014	1	244	25	1,880	0	0	0	0	0	0	26	2,124
2015**	0	0	12	430	0	0	0	0	0	0	12	430
Total	1	244	56	3,784	0	0	0	0	0	0	57	4,028

Source: Bank Records - * From September 5, 2012-December 31, 2012- ** - January 1, 2015 – December 7, 2015

Qualified Investments

StonehamBank made 85 qualified investments totaling approximately \$2.3 million. This total includes equity investments of approximately \$2.0 million, and qualified donations of \$231,000 made during the evaluation period. This dollar amount of equity investments equates to 0.5 percent of average total assets and 3.9 percent of average securities since the last evaluation. The two equity investments were made prior to the current evaluation period, with consideration given to the book value as of September 30, 2015.

Of the total dollar amount, 91.3 percent benefited efforts to provide affordable housing in the bank’s assessment area and the broader statewide area. These donations demonstrate the bank’s responsiveness to the need for affordable housing in the area, which is an identified community development need. The following table illustrates the bank’s community development investments by year and purpose.

Qualified Investments												
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Neighborhood Stabilization		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	2	2,047	0	0	0	0	0	0	0	0	2	2,047
2012	0	0	0	0	0	0	0	0	0	0	0	0
2013	0	0	0	0	0	0	0	0	0	0	0	0
2014	0	0	0	0	0	0	0	0	0	0	0	0
YTD 2015	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	2	2,047	0	0	0	0	0	0	0	0	2	2,047
Qualified Grants & Donations	7	33	75	188	1	10	0	0	0	0	83	231
Total	9	2,080	75	188	1	10	0	0	0	0	85	2,278

Source: Bank Records

Prior Period Investments

CRA Qualified Investment Fund – This Fund invests in pools of loans made to low- and moderate-income borrowers. The Fund targets areas in Massachusetts including municipalities in the bank’s assessment area. As of September 30, 2015, the book value of the bank’s investment was \$1,047,443.

Access Capital Strategies Community Investment Fund – This group is a secondary market purchaser of private placement securities backed by affordable housing, community development, and small business loans. The bank’s securities are backed by residential mortgage loans made to low- and moderate-income borrowers for properties located in Essex and Middlesex Counties, including communities in the bank’s assessment area. StonehamBank’s investment had a book value of \$1 million as of September 30, 2015.

Qualified Grant Investments

StonehamBank made donations that supported community-based initiatives, with an emphasis on community services targeted to low- and moderate-income individuals. Below are notable examples of the bank’s qualified donations:

- In 2013, 2014, and 2015, the bank made donations totaling \$33,000 to organizations that provide affordable housing to low- and moderate-income individuals.
- From 2012 through 2015, the bank made donations totaling \$89,000 to youth organizations that provide services targeted toward low- and moderate-income youth in the assessment area.

Community Development Services

During the evaluation period, bank employees provided 52 instances of financial expertise or technical assistance to 12 different community development-related organizations in the assessment area. The following table illustrates the bank’s community development services by year and purpose.

Community Development Services						
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Neighborhood Stabilization	Totals
	#	#	#	#	#	#
9/5/2012- 12/31/2012	1	5	0	0	0	6
2013	1	6	0	0	0	7
2014	7	12	1	0	0	20
YTD 2015	6	12	1	0	0	19
Total	15	35	2	0	0	52
<i>Source: Bank Records</i>						

Below are notable examples of the bank's community development services:

- Mystic Valley Elder Services (MVES) – The bank's President and Chief Executive Officer (CEO) serves on the Board of this organization. MVES provides a broad range of services to elders. These services include meals, home care, financial literacy, basic budgeting, bill management, and general advocacy. The majority of individuals served are low- or moderate-income. Further, a Vice President of the bank volunteers for the MVES Money Management Program.
- Blanket Fund – A Senior Vice President of the bank is the Principal of this organization. This organization concentrates on providing resources to local churches and shelters for the homeless. The Blanket Fund is affiliated with Housing Families, which is located in Malden.
- Liam Nation – The bank's Controller is the Treasurer of this organization that serves people with physical and cognitive disabilities. A majority of those served are low- or moderate-incomes.

In addition, StonehamBank provides financial literacy programs for organizations including elementary level (MoneySmart); young adults (First-Time Homebuyers Seminars); and, senior citizens (Identity Theft and Protecting Elders from Caregiver Financial Abuse).

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.

APPENDIX A

Massachusetts Division of Banks Fair Lending Policies and Procedures Review

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

Based on a review of the bank's public comment file and its performance relative to fair lending policies and practices, no violations of the anti-discrimination laws and regulations were identified. The bank's loan policy prohibits discrimination based on prohibited basis groups listed under the Equal Credit Opportunity Act (ECOA) and the Fair Housing Act (FHA). Also included in the bank's loan policy are procedures for the second review process of denied loan applications.

Minority Application Flow

According to the 2010 U.S. Census data, the bank's assessment area had a population of 493,610, of which 17.1 percent are minorities. The assessment area's minority population is 6.8 percent Asian, 3.9 percent Hispanic or Latino, 4.1 percent Black/African American, 0.1 percent American Indian, and 2.2 percent other race.

For 2014, the bank received 126 HMDA-reportable loan applications within its assessment area. Of these applications, four were received from racial and ethnic minority applicants, all of which were originated. YTD 2015, the bank received 8 applications from racial and ethnic minorities, of which five were originated.

The bank's level of lending was compared with the aggregate data for 2014, the most recent year for which data was available. The comparison of this data assists in deriving reasonable expectations for the rate of applications the bank received from minority residential loan applicants.

MINORITY APPLICATION FLOW					
RACE	2014 Bank		2014 Aggregate Data	2015 YTD Bank	
	#	%	% of #	#	%
<i>American Indian/ Alaska Native</i>	0	0.0	0.2	1	1.0
<i>Asian</i>	0	0.0	6.3	3	3.0
<i>Black/ African American</i>	0	0.0	1.7	1	1.0
<i>Hawaiian/Pac Isl.</i>	0	0.0	0.1	0	0.0
<i>2 or more Minority</i>	0	0.0	0.0	0	0.0
<i>Joint Race (White/Minority)</i>	1	0.8	1.3	0	0.0
Total Minority	1	0.8	9.6	5	5.0
<i>White</i>	102	80.9	65.9	79	79.0
<i>Race Not Available</i>	23	18.3	24.5	16	16.0
Total	126	100.0	100.0	100	100.0
ETHNICITY	#	%	% of #	#	%
<i>Hispanic or Latino</i>	0	0.0	2.1	1	1.0
<i>Not Hispanic or Latino</i>	100	79.4	72.1	82	82.0
<i>Joint (Hisp/Lat /Not Hisp/Lat)</i>	3	2.4	1.1	2	2.0
<i>Ethnicity Not Available</i>	23	18.2	24.7	15	15.0
Total	126	100.0	100.0	100	100.0

Source: 2014 and 3 Quarters of 2015 HMDA LAR Data, 2014 HMDA Aggregate Data, 2010 U.S. Census Data

The bank was below the percentage of applications received by aggregate for both racial and ethnic minorities. The bank continues its community outreach efforts to all segments of the population to attract applicants through multiple advertising channels and first-time homebuyer and educational seminars. The bank's minority application flow, when compared to aggregate data and assessment area demographics, is reasonable.

APPENDIX B

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

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

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county. Census tract boundaries normally follow visible features, but they may follow governmental unit boundaries and other non-visible features in some instances. They always nest within counties. Census tracts average about 4,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogenous for population characteristics, economic status, and living conditions to allow for statistical comparisons.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies; or
- (5) Enable or facilitate projects or activities that address needs regarding foreclosed or abandoned residential properties in designated target areas.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. In addition, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose bank:
 - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
 - (ii) Benefits the bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

Community Development Service: A service that

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the bank's retail banking services under § 345.24(d).

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Areas (CBSAs): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) an unemployment rate of at least 1.5 times the national average;
- (2) a poverty rate of 20 percent or more; or,
- (3) a population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

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. Other family 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).

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

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

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.

Home Mortgage Loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans to purchase manufactured homes, and refinancings of home improvement and home purchase loans.

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.

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 are only one person, median household income is usually less than median family income.

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.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (for example, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

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.

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

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.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Micropolitan Statistical Area: CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

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.

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.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area: All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

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.

Qualified Investment: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

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.

Underserved middle-income nonmetropolitan geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for

- Population size, density, and dispersion indicating the area's population is sufficiently small, thin, and
- Distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

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.

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).

"Urban" excludes 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.

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 (Address at main office)."

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Federal Deposit Insurance Corporation, at (Address at main office)."

[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.