PUBLIC DISCLOSURE

MARCH 19, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

DEDHAM INSTITUTION FOR SAVINGS

55 ELM STREET
DEDHAM, MA 02026

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

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

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GENERAL INFORMATION

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

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **DEDHAM INSTITUTION FOR SAVINGS** prepared by the Massachusetts Division of Banks, the institution's supervisory agency, as of **MARCH 19, 2002**. The Division evaluates performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

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

Dedham Institution for Savings' (DIFS) CRA performance reflects its commitment in helping to meet the credit needs within its assessment area. The bank's performance for calendar years 2000 and 2001 was based on three tests that determine the bank's overall CRA performance rating. These tests include the Lending Test, the Investment Test, and the Service Test.

According to the Lending Test, the majority of DIFS' residential and small business loans were originated within the assessment area. The analysis of residential loans originated by DIFS within the various geographies revealed that the majority of census tracts within the assessment area were penetrated. The bank's lending to businesses with gross annual revenues of $1 million or less has enhanced the bank's performance.

The Investment Test reflects the bank's support of community development through its participation in qualified investments and grants to non-profit organizations within the assessment area. These initiatives benefit affordable housing and community and economic development.

The Service Test indicates that the bank's delivery systems, which consist primarily of branch offices and automated teller machines, are convenient and accessible to all segments of the assessment area. Low and moderate-income residents and individuals within the assessment area who speak languages other than English benefit from the bank's efforts in providing services to the entire assessment area.

The institution's rating of "Satisfactory" is based upon its good record of ascertaining and helping to meet the credit needs within the entire assessment area in a manner consistent

with the bank's resources and capabilities. The individual ratings assigned to the three primary test areas present a more detailed representation of the bank's CRA performance.

LENDING, INVESTMENT, AND SERVICE TEST TABLE

The following table indicates the performance level of **Dedham Institution for Savings, Dedham, Massachusetts**, with respect to the lending, investment, and service tests.

PERFORMANCE TESTS Dedham Institution For Savings			
Performance Levels	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory		**X**	**X**
Satisfactory	**X**		
Needs to Improve			
Substantial Non-Compliance			

*Note: The Lending Test is weighed more heavily than the Service and Investment Tests when arriving at an overall rating.

DESCRIPTION OF INSTITUTION

The Dedham Institution for Savings (DIFS) is a $778 million institution headquartered at 55 Elm Street in Dedham, Massachusetts. The bank operates seven full-service offices and two limited-service offices that are all located in Norfolk County with a full-time equivalent staff of 184.

Consistent with its mutual savings bank origins, DIFS is primarily a residential mortgage lender. As shown by the data in the following table, loans secured by 1-4 family residential properties account for 86.4 percent of the bank's $465.9 million in outstanding loans. In 2001, the bank sold 229 mortgage loans totaling more than $43.0 million. Additionally, in 2000, the bank sold 356 mortgage loans totaling more than $40.0 million. Participation in the secondary mortgage market allows the bank to offer a variety of fixed-rate and adjustable-rate mortgage loan products. The loans sold are not reflected in the following table.

Loan Distribution as of December 31, 2001		
Loan Type	**Dollar Amount $(000)**	**Percent (%)**
Secured by:		
Construction and Land Development	6,899	1.5
1-4 Family Residential Properties	402,550	86.4
Multi Family (5 or more) Residential Properties	2,121	0.5
Nonfarm Nonresidential Properties	40,998	8.8
Commercial and Industrial Loans	6,710	1.4
Consumer Loans	6,683	1.4
Less: Unearned Income	0	0.0
Total	**465,961**	100.0

Source: Report of Condition

An analysis of DIFS' loans as a percent of assets was conducted. The bank's FFIEC Call Reports and UBPR data were utilized to determine the average loan to asset ratio for the last eight quarterly time periods, beginning March 31, 2000 through December 31, 2001. The data indicated that the net loan-to-asset ratio for that period averaged 63.2 percent. The average net loan-to-deposit ratio for the same period was 72.6 percent. The bank's assets increased 18.9 percent between March 31, 2000, and December 31, 2001

DIFS offers real estate, consumer and commercial credit products. These products include but are not limited to the following: residential mortgages with terms of up to 30 years; construction loans; first time homebuyer loan products; low-and moderate-income loans; automobile loans; collateral loans; home equity closed end loans; home equity lines of credit; home improvement loans; secured and unsecured personal loans; student loans; commercial real estate loans; commercial lines of credit; corporate business loans and SBA loans. In addition, various MassHousing loans are available, with reduced rates and flexible underwriting standards, to borrowers.

Additional discussion about credit products designed for low- and moderate-income loan applicants is provided later in this evaluation.

The bank has a seven member CRA Committee that meets quarterly. The committee is comprised of the bank's President, Executive Vice President and CRA officer, and five other bank managers. The CRA Committee is responsible for reviewing and overseeing the bank's efforts in complying with both the letter and spirit of the Community Reinvestment Act. The committee reviews the bank's geographic distribution of loans and deposits and monitors market data share.

The Commonwealth of Massachusetts and The Federal Deposit Insurance Corporation (FDIC) examined the bank for compliance with the CRA on December 13, 1999. Both examinations resulted in an overall rating of "Satisfactory." The performance rating at this examination is based upon the bank's activity for 2000 and 2001. Year 2000 HMDA data is presented along with aggregate data. Comparisons will also be made to 1990 census data for owner-occupied households as well as all households. Residential real estate home purchases were strong in 2000 and refinances were robust in 2001 when interest rates were declining. Greater weight will be given to the bank's performance for real estate lending versus small business lending since the bank's primary focus is residential real estate lending. Small business lending comparisons will be made to business geodemographic data as well as aggregate data for the year 2000.

DESCRIPTION OF ASSESSMENT AREA

Demographic and Economic Data

The configuration of the assessment area is based on DIFS' seven full-service branch offices, two limited-service satellite branch offices, and the contiguous communities they serve. The current assessment area forms a single contiguous area made up of the following communities: Canton, Dedham, Dover, Foxboro, Mansfield, Medfield, Milton, Needham, Norfolk, Norwood, Randolph, Sharon, Stoughton, Walpole, Wellesley, and Westwood, as well as the following neighborhoods in the City of Boston: Hyde Park, Roslindale, and West Roxbury. The towns are located in Norfolk County, with the exception of the Boston neighborhoods, which are located in Suffolk County.

According to 1990 U. S. Census data, the assessment area has a total population of 405,031 individuals residing in settings that range from Boston's urban neighborhoods to some very affluent communities in Norfolk County. The towns of Dedham and Norwood are considered the commercial centers of the assessment area. The bank's greatest presence is in Dedham where three full-service branches are located, followed by Walpole, where the bank operates a full- and limited-service office. Norwood,

Sharon, and Westwood each has a full-service office and Canton has a limited-service office.

All of the communities located in DIFS' assessment area are located inside the Boston Primary Metropolitan Statistical Area (PMSA). The assessment area, as currently defined, appears to meet all the technical requirements of the regulation in that it does not arbitrarily exclude low- and moderate-income areas. In addition, the area is made up of whole geographies and does not extend beyond the Commonwealth of Massachusetts.

The assessment area contains a total of 150,376 housing units. Just over two-thirds (102,361 or 68.1 percent) of these units are owner occupied, 28.2 percent are rentals, and 3.7 percent are vacant. Of the vacant housing units, a small portion (0.1 percent) are boarded-up, and the other 99.9 percent are either second homes or for sale. The following table shows the housing characteristics among the various census tract income levels

Selected Housing Characteristics by Income Category of the Geography							
Geographic Income Category	***Percentage***						***Median Home Value***
	Census Tracts	***Households***	***Housing Units***	***Owner-Occupied***	***Rental Units***	***Vacant Units***	
Low	1.3	0.0	0.0	0.0	0.0	0.0	$0
Moderate	10.4	9.7	9.8	5.6	19.7	11.9	$156,883
Middle	50.6	55.8	56.2	53.6	61.3	64.8	$165,634
Upper	37.7	34.5	34.0	40.8	19.0	23.3	$266,917
Total	***100.0***	***100.0***	***100.0***	***100.0***	***100.0***	***100.0***	***$187,095***

Source: U.S. Census

Housing demographics show that the only low-income census tract has a very low amount of housing units. The moderate-income census tracts have a lower percentage of owner-occupied units compared to the middle- and upper-income tracts. The vast majority of the bank's assessment area is made up of middle- and upper-income census tracts.

The assessment area's population is made up of 144,530 households. Of these, 18.7 percent are low income; 13.5 percent are moderate income; 18.7 percent are middle income; and 49.1 percent are upper income. In addition, 5.4 percent of all the households in the assessment area are below the poverty level. The Housing and Urban Development (HUD) adjusted median family income for the Boston MSA was $66,500 for 2000 and $70,000 for 2001.

Census tracts are also classified according to income. The assessment area contains a total of 77 census tracts of which one is classified as low income, eight are moderate income, 39 are middle income, and 29 are upper income.

The only low-income census tract is located in the Roslindale neighborhood of Boston. This census tract is primarily parkland and has only 19 housings units. Only nine of

these units are owner-occupied. In addition, there are 335 people who are institutionalized in group quarters.

Of the eight moderate-income census tracts, seven are located in the City of Boston and one is in the Town of Foxboro. The moderate-income census tract located in Foxboro has a population of 274, of which 103, or 37.6 percent, reside in group quarters. There are 140 housing units, of which 13 are owner occupied. There appears to be a very low probability that the bank would originate an owner-occupied HMDA loan in either the low-income census tract or the moderate-income census tract in Foxboro.

The neighborhoods in the City of Boston are considered urban residential areas of the city. With the exception of Mansfield, the assessment area is geographically suburban. However, Dedham and Norwood appear to have the largest concentration of commercial businesses within the assessment area.

Two community contacts were reviewed and one additional contact was conducted at this examination.

- The first contact reviewed was with a community housing authority within the bank's assessment area. The director stated the need for affordable housing for the community. The lack of inexpensive housing has forced many of the residents or their children to find housing outside of the community where they lived most of their lives. Because of the town's strong appeal, more affluent individuals have been attracted to the community forcing prices even higher than the inflation rate. Banks should play a role in helping communities develop affordable housing.

- The second contact was with a Realtor in the Hyde Park area of Boston, which also services the neighborhoods of Mattapan, Roslindale, and Dorchester. The Realtor further covers the towns of Canton, Dedham, and Milton. The contact indicated that credit demands remain strong. However, potential homebuyers are finding it difficult to come up with the required downpayment for a home. Additionally, the contact mentioned that "soft second" mortgage programs represent a strong credit demand.

The third contact was conducted with a local town planning authority. Currently, the agency assesses the level of affordable housing at five percent. A housing development proposal has been presented to the Planning Board that would increase the percentage of affordable housing to nine percent, closer to the town's goal of ten percent. The contact stated that the rising real estate prices in his community have made it more difficult for lower income families to attain their housing needs. The contact also stated that flexible, affordable housing programs are needed to help lower income families purchase a home in the current economic environment.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

The institution's Lending Test performance was rated an overall "Satisfactory." The institution's lending efforts are rated under the seven major performance criteria: Lending Activity, Geographic Distribution, Borrower Characteristics, Community Development Lending, Innovative or Flexible Lending Practices, Fair Lending, and Loss of Affordable Housing. The following information details the data compiled and reviewed, as well as conclusions on the bank's performance.

Scope of Evaluation

Data regarding DIFS' residential mortgage and small business lending were reviewed to determine the concentration of loans originated and purchased within the assessment area. Lending data were obtained from the bank's Loan Application Registers (LAR) filed under the provisions of the Home Mortgage Disclosure Act (HMDA). CRA lending data regarding small business lending were obtained from loan origination information provided by the bank under a format specified by CRA regulations. For comparison, the 2000 aggregate information was used. However 2000 and 2001 figures were considered for rating purposes.

I. Lending Activity

HMDA Loans

From January 1, 2000, through December 31, 2001, the bank originated 1,324 HMDA-reportable loans totaling $299,460,000. As the following table indicates, the majority of home mortgage loans were originated within the assessment area. Of the total HMDA loans originated during this period, 851 loans or 64.3 percent by number and 59.5 percent by dollar volume, were granted within the bank's assessment area. Although both the number and dollar volume of the bank's loans are considered, the number of originations is weighed more heavily than the dollar volume.

Distribution of Home Mortgage Loans Inside and Outside of the Assessment Area								
Year	***Inside***				***Outside***			
	Number of Loans		***Dollar in Loans (000s)***		***Number of Loans***		***Dollars in Loans (000s)***	
	#	**%**	**$**	**%**	**#**	**%**	**$**	**%**
2000	310	59.3	59,343	54.6	213	40.7	49,382	45.4
2001	541	67.5	118,890	62.3	260	32.5	71,845	37.7
Total	**851**	**64.3**	**178,233**	**59.5**	**473**	**35.7**	**121,227**	**40.5**

Source: HMDA LAR, Cra Wiz

Of the 443 lenders that originated and purchased HMDA-reportable loans within the assessment area in 2000, the bank ranked tenth in market share with 1.9 percent. Sovereign Bank had the largest market share with 7.8 percent and Fleet National Bank had 7.4 percent. DIFS does not report its equity loans or equity lines of credit. The home equity lending data cannot be segregated from the other mortgage lending data. Therefore the aggregate totals may include the optional equity loan reporting by some lenders.

The bank has made an impact on loan volume within its assessment area due to the drop in interest rates. The bank's lending volume increased during 2001, mostly due to refinanced loans as a result of lower interest rates. The bank's effort to generate loan volume within the assessment area was evaluated by using originated and purchased loan figures. The following performance criteria are measured using both originated and purchased real estate and business loans.

Small Business Loans

The bank originated 123 small business loans for a dollar total value of $14,240,000. Of the total small business loans 83.7 percent of the total number were originated within the assessment area and 52.8 percent of the dollar volume was originated within the assessment area. Similar to HMDA lending, the bank's lending performance within the assessment area improved since the previous examination. Refer to the following table for more detailed information.

Distribution of Small Business Loans Inside and Outside of the Assessment Area								
Year	***Inside***				***Outside***			
	Number of Loans		***Dollars in Loans (000s)***		***Number of Loans***		***Dollars in Loans (000s)***	
	#	**%**	**$**	**%**	**#**	**%**	**$**	**%**
2000	55	79.7	4,565	44.5	14	20.3	5,693	55.5
2001	48	88.9	2,947	74.0	6	11.1	1,035	26.0
Total	**103**	**83.7**	**7,512**	**52.8**	**20**	**16.3**	**6,728**	**47.2**

Source: CRA Data Collection

II. Geographic Distribution

The bank's penetration of census tracts of different income levels is considered adequate. HMDA-reportable loans originated by the bank were analyzed to determine the extent of loan penetration within the assessment area's low-and moderate-income geographies. For this evaluation period, the bank has made at least one loan in most of the area's census tracts.

As indicated in the Description of the Assessment Area, there are virtually no residential properties within the single low-income census tract. The following table demonstrates that the distribution of the bank's HMDA-reportable loans within the moderate-income census tracts are at a lower level than the aggregate. In 2000, the bank ranked 17th in market share with 1.1 percent of loans originated in moderate-income census tracts. This pattern has been consistent throughout the two-year period. It is further noted that the concentration of owner-occupied housing units is within the middle-income census tracts. The rate of owner-occupancy and the distribution of aggregate lending data reflect this trend. A lower percentage based on dollar amount for both aggregate lending and bank lending is also indicated. No other substantial differences were noted.

HMDA Loans

The following table shows that the bank's lending within the moderate-income census tract was below that of the aggregate. It is noted that aggregate lending within moderate-income tracts was proportionately higher than the owner-occupancy rate. The fact that purchased loans accounted for 35 percent of the aggregate loan data may contribute to this disparity. In terms of dollar amount of loans, a lower percentage for both aggregate lenders and the bank was indicated. This was due to the fact that home values are usually less in lower-income census tracts than in upper-income census tracts. No other substantial differences were noted.

Distribution of HMDA Loans by Income Category of the Census Tract								
Census Tract Income Level	***% Total Owner-Occupied Housing Units***	***2000 Aggregate Lending Data***	***2000***		***2001***		***Total***	
		%	***#***	***%***	***#***	***%***	***#***	***%***
Low	*0.0*	*0.0*	*0*	*0.0*	*0*	*0.0*	*0*	*0.0*
Moderate	*5.6*	*8.3*	*15*	*4.8*	*15*	*2.8*	*30*	*3.5*
Middle	*53.6*	*54.3*	*144*	*46.5*	*259*	*47.9*	*403*	*47.4*
Upper	*40.8*	*37.4*	*151*	*48.7*	*267*	*49.3*	*418*	*49.1*
Total	***100.0***	***100.0***	***310***	***100.0***	***541***	***100.0***	***851***	***100.0***

Source: U.S. Census, HMDA LAR, HMDA Aggregate Data

In regards to lending within other income level census tracts, the bank's lending is rather evenly distributed between middle and upper-income census tracts for both years reviewed.

The bank's overall lending increased by 74.5 percent in 2001. However, the number of originated and purchased loans stayed at 15 loans for moderate-income census tracts. Currently, there is no market data for 2001. Refinanced home loans for 2001 accounted for almost 80 percent of the bank's real estate lending. The vast majority of these refinances originated from the bank's own loan portfolio. Although the bank's lending in moderate-income census tracts is relatively low the numbers have improved since the last public evaluation.

Small Business Loans

The penetration of small business loans within census tracts of different income levels is considered good. The following table indicates the distribution of the bank's small business loans originated within the assessment area by number of loans. For comparison purposes, the following table also includes a breakdown by percentage of the 18,784 small businesses that operate within the three census tract categories and the 2000 aggregate lending data for small business loans.

Distribution of Small Business Loans by Income Category of the Census Tract								
Census Tract Income Level	***% of Total Number of Small Businesses***	***Aggregate Lending Data (% of #)***	***2000***		***2001***		***Total***	
			#	***%***	***#***	***%***	***#***	***%***
Low	*0.0*	*0.0*	*0*	*0.0*	*0*	*0.0*	*0*	*0.0*
Moderate	*5.1*	*5.6*	*4*	*7.3*	*2*	*4.2*	*6*	*5.8*
Middle	*51.6*	*51.9*	*35*	*63.6*	*34*	*70.8*	*69*	*67.0*
Upper	*43.3*	*42.5*	*16*	*29.1*	*12*	*25.0*	*28*	*27.2*
Total	*100.0*	*100.0*	*55*	*100.0*	*48*	*100.0*	*103*	*100.0*

Source: CRA data collection, CRA Aggregate Lending Data

The major portion of the local business and development is located within the assessment area's middle-income geographies. Although DIFS is primarily a residential lender, the bank originated 103 small business loans totaling $7.5 million for the two-year period. The geographic distribution of the bank's small business loans among census tracts of different income levels is higher than the level of business development within the assessment area, especially within the moderate- and middle-income census tracts. Small business loans originated within moderate-income tracts represented 7.3 percent of the bank's total small business loan originated in 2000 compared to 5.6 percent for the aggregate.

III. Borrower Characteristics

HMDA Loans

The distribution of loans reflects an adequate penetration among borrowers of different income levels. For comparison purposes, the distribution of the assessment area's 144,530 households by borrower income level and 2000 aggregate data is indicated in the following table.

Distribution of HMDA Loans by Borrower Income								
Median Family Income Level	***% Total Households***	***2000 Aggregate Lending Data (% of #)***	***2000***		***2001***		***Total***	
			#	***%***	***#***	***%***	***#***	***%***
Low	*18.7*	*3.6*	*17*	*5.5*	*20*	*3.7*	*37*	*4.4*
Moderate	*13.5*	*12.2*	*49*	*15.8*	*73*	*13.5*	*122*	*14.3*
Middle	*18.7*	*20.3*	*64*	*20.6*	*148*	*27.4*	*212*	*24.9*
Upper	*49.1*	*42.4*	*177*	*57.1*	*287*	*53.0*	*464*	*54.5*
NA	*NA*	*21.5*	*3*	*1.0*	*13*	*2.4*	*16*	*1.9*
Total	***100.0***	***100.0***	***310***	***100.0***	***541***	***100.0***	***851***	***100.0***

Source: U.S. Census, HMDA LAR, HMDA Aggregate Data

Similar to the geographic lending patterns, the bank's lending to borrowers of different income levels can be compared to the percentage of total households and to the lending activity of all other HMDA-reportable lenders. Of the 443 lenders that originated and purchased HMDA-reportable loans in the assessment area in 2000, DIFS was seventh, with a market share of 2.6 percent of loans to low- and moderate-income borrowers. Fleet National Bank held the largest market share with 8.0 percent.

The overall concentration of DIFS' residential mortgage loans is higher among upper-income borrowers. As indicated in the above table, this is consistent with the distribution of total households within the assessment area. The bank's loan distribution in 2000 is slightly higher than that of the aggregate for low- and moderate-income borrowers. The number of loans made to low- and moderate-income borrowers has been consistently higher than that of the aggregate. This is also true for dollar volume. Although the loans to low-income individuals is proportionately lower than the 18.7 percent of low-income households, the penetration is considered reasonable since approximately 25 percent of the low- income households are below the poverty level and could not afford the costs associated with homeownership. The bank's level of lending among low- and moderate-income borrowers decreased in 2001. Nonetheless, DIFS has maintained a reasonable level of activity in these categories. To assist lower income individuals achieve homeownership, the bank has offered a number of in-house and government sponsored affordable housing programs. These programs offer expanded debt-to-income ratios and lower down payment requirements.

Small Business Loans

The bank's small business data indicated that a substantial majority of small business loans originated during the period reviewed were granted to businesses with gross annual revenues of less than $1,000,000. It is noted that the percentage of loans to businesses with revenues of $1,000,000 or less has increased. However, this is not considered significant due to the relatively small number of loans involved. The amount of small business loans by dollar amount indicates that slightly more than half of the dollars have gone to businesses with revenues of more than $1,000,000.

Distribution of Small Business Loans by Gross Annual Revenues of Business						
Gross Annual Revenues (000s)	***2000***		***2001***		***Total***	
	#	**%**	**#**	**%**	**#**	**%**
<= $1,000	35	63.6	34	70.8	69	67.0
> $1,000	20	36.4	14	29.2	34	33.0
Total	**55**	**100.0**	**48**	**100.0**	**103**	**100.0**

Source: CRA Data Collection

The distribution of small business loans by loan size was analyzed. DIFS originated a substantial majority of small business loans, by number, in dollar amounts of less than $100,000. This is also true of the aggregate. The bank has continued to increase its placement rate for loan amounts less than or equal to $100,000. This reflects the bank's commitment to serving the credit needs of smaller businesses within the assessment area.

Distribution of Small Business Loans by Loan Size							
Loan Size (000s)	***Aggregate Lending Data (% of %)****	***2000***		***2001***		***Total***	
		#	***%***	***#***	***%***	***#***	***%***
< $100	*95.4*	*44*	*80.0*	*43*	*89.6*	*87*	*84.5*
$100 - $250	*2.2*	*9*	*16.4*	*4*	*8.3*	*13*	*12.6*
> $250 - $1,000	*2.4*	*2*	*3.6*	*1*	*2.1*	*3*	*2.9*
Total	***100.0***	***55***	***100.0***	***48***	***100.0***	***103***	***100.0***

Source: CRA Data Collection * 2000

IV. Community Development Lending

Dedham Institution for Savings has exhibited some involvement under the community development lending criterion. During the period reviewed, the bank provided two community development loans, for a total dollar amount of $500,000. The following is a summary of loans to two non-profit organizations within the assessment area.

- In 2001, the bank provided two $250,000 mortgage-warehousing lines of credit to two non-profit community development corporations in order to provide individual mortgage loans to elder homeowners who have units in need of rehabilitation. Individual loan amounts would be approximately $20,000 per unit. Property locations will be in Hyde Park, Roslindale, West Roxbury, Jamaica Plain, Mattapan and Dorchester. These lines are direct links to the Affordable Housing Program subsidy the bank applied for and received from the Federal Home Loan Bank of Boston.

V. Innovative or Flexible Lending Practices

DIFS has developed or participated in innovative and flexible lending programs designed to help meet the credit needs within its assessment area. These programs use flexible criteria and underwriting standards. The following is a summary of these programs.

Residential Lending Programs

First Time Homebuyer Programs The bank offers two first-time homebuyer programs. Both programs offer discounted interest rates and lower down payment requirements. These products are designed for borrowers who have not owned a home for the past three years.

Flex 97: This product allows borrowers to have a smaller downpayment (up to 105 percent CLTV allowed with Community Second Loans). Seller contributions may cover closing cost and up-front fees.

Federal Home Loan Mortgage Corporation (FHLMC) “A” program
This program allows the bank some degree of latitude with underwriting standards. Discounted fees and flexible underwriting allow the bank to be more competitive.

Municipal Loan Program (MLP): This program is designed strictly for municipal workers who are working and looking to purchase a home within the DIFS assessment area, including Dorchester, Jamaica Plain, Mattapan, and Roxbury neighborhoods of Boston. Loan terms and underwriting ratios are flexible.

Neighborhood Plus Dedham Savings Community Reinvestment Program (NP): This program offers low- and moderate- income borrowers flexible terms, lower closing costs, and a low downpayment.

MassHousing This program offers the borrower flexibility with down payment and underwriting ratios.

Federal National Mortgage Association's (FNMA) Community Home Buyer's Program (CHBP) 3/2 Option: This product also has a low down payment of five percent, of which three percent must be the buyer's own funds, offers more flexible underwriting ratios, and lower closing costs. DIFS has contracted with Fannie Mae to offer this product. Borrowers must participate in a home-ownership or finance counseling program, unless certain conditions are met.

Residential Mortgage Loan Programs – Innovative and Flexible		
Loan Product	**Loans**	**Amount ($000's)**
First Time Home Buyers	215	$44,912
Flex 97	2	$242
FHLMC "A" Program	14	$2,328
MLP	3	$505
NP – DIFS - CRA Program	29	$4,124
MassHousing	1	$145
FNMA's Community Home Buyers	24	$2,328

Source: Dedham Institution for Savings

Small Business Loans

Small Business Administration (SBA) products - The bank offers the following SBA products:

SBA 504: This loan program is geared toward small- to medium-sized businesses and is sponsored by the SBA. The SBA provides direct financing of a portion of all small business loans originated through this program. The general loan structure involves 10.0 percent participation by the borrower, a 40.0 percent participation by a community development corporation, and a 50.0 percent participation by the bank.

SBA Low Doc: The Low Documentation Program is a one-page SBA application with a quick turn around time. This program is for start-up businesses with $5 million or less in annual sales for the past three years, and employs 100 or fewer individuals.

SBA 7A Loan: This program is also a low documentation program. Funds cannot be used for speculation or investment in rental real estate. Funds may be used for purchase of equipment, expansion, renovations or new facility purchases, working capital, inventory, or refinance debt.

SBA Loan Product	Number of loans	Amount
504 Loans	1	$475,000
Low Doc	1	$113,000
7A Loan	2	$309,000

VI. Fair Lending Policies and Practices

Dedham Institution for Savings' fair lending practices were reviewed to determine how they conform to the guidelines set forth in Regulatory Bulletin 2.3-101, the Division of Bank's Community Reinvestment and Fair Lending Policy. The bank does not maintain a formal fair lending policy; however, fair lending issues are incorporated into the bank's written loan policy. The loan policy makes reference to fair lending regulations such as ECOA and MCAD. Employees undergo fair lending and diversity training different times throughout the year. These training sessions are conducted in-house by the bank's Compliance Officer.

Officers and employees of the bank are involved with community organizations that allow them to better ascertain the needs of the community. Marketing efforts appear to reach individuals of all income levels and effectively cover the entire assessment area. Management has established a Loan Product Review Committee that meets monthly to discuss current loan products and implement new flexible lending products. On several occasions this committee has worked with representatives from FNMA and FHLMC to develop products that would meet the credit needs of the bank's assessment area. In addition, management has established a relationship with the Community Investment section of the Federal Home Loan Bank of Boston to discuss various programs offered by the FHLB and how the bank could apply for funding.

One of the bank's loan officers was hired to work with borrowers within the low- and moderate-income households in Hyde Park, Roslindale, and West Roxbury. In addition, this individual is responsible for establishing working relationships with many different housing agencies and community development corporations that provide educational classes to first time homebuyers. Also, to assist management in monitoring the bank's lending efforts, the bank contracts with the consulting firm BankMaps, Inc. The firm provides a service known as HMDA Maps, that provides an extensive overview of the lending patterns and demographic dynamics of the bank's assessment area. The bank's Compliance Officer also conducts a quarterly reviews of the bank's HMDA data to ensure the information entered on the bank's HMDA/LAR is complete and accurate.

Management refers all loan customers whose home loans are delinquent to the appropriate credit-counseling agency.

Minority Application Flow

The loan application registers for 2000 and 2001 were reviewed to determine if the application flow from different racial groups was reflective of the area's demographics. The racial makeup of DIFS' assessment area is as follows: 91.27 percent White, 4.23 percent Black; 2.32 percent Hispanic, 1.96 percent Asian/Pacific islander; 0.10 percent American Indian/Eskimo; and 0.11percent Other

Of the total HMDA reportable applications received from within the bank's assessment area, 92.0 percent were from white applicants, 7.8 percent were from minority applicants, and the remaining 0.2 percent were designated as NA. Of the total applications received from minority applicants 95.7 percent were originated.

Dedham Institution for Saving's minority application flow in 2000 was also compared to all other HMDA reportable lenders accepting applications from within the bank's assessment area. As indicated in the following table, the bank's minority application flow was less than the aggregate.

MINORITY APPLICATION FLOW

RACE	AGGREGATE DATA 2000*		DIFS 2000		DIFS 2001		DIFS TOTAL	
	#	%	#	%	#	%	#	%
Native American	48	0.2	0	0.0	0	0.0	0	0.0
Asian	579	2.4	5	1.5	7	1.3	12	1.4
Black	1,412	5.9	7	2.1	12	2.1	19	2.1
Hispanic	618	2.6	3	0.9	4	0.7	7	0.8
Joint	258	1.0	6	1.8	15	2.7	21	2.4
Other	285	1.2	5	1.5	5	0.9	10	1.1
Total Minority	**3,200**	**13.3**	**26**	**7.8**	**43**	**7.7**	**69**	**7.8**
White	12,117	50.3	306	91.6	513	92.3	819	92.0
NA	8,758	36.4	2	0.6	0	0.0	2	0.2
Total	**24,075**	**100.0**	**334**	**100.0**	**556**	**100.0**	**890**	**100.0**

*Source: PCI Services, Inc., CRA Whiz Software.

The aggregate received 13.3 percent of its loan applications from minorities in 2000 in comparison to DIFS, which received only 7.8 percent. However, It is noted that the aggregate includes large institutions and national mortgage companies.

Given the fact that DIFS' minority application flow at 7.8 percent is proportionate to the percentage of minorities within its assessment area or 8.7 percent of all individuals. Dedham Institution for Savings' minority application flow is considered acceptable.

VII. Loss of Affordable Housing

The bank's lending programs, which include community development and flexible underwriting programs, has assisted low- and moderate-income individuals to remain in their neighborhoods.

Conclusion - Lending Test

DIFS' responsiveness to community credit needs is adequate. The majority of the bank's residential and small business loans are originated inside the bank's assessment area. The distribution of loans among borrowers of different income levels and businesses of different sizes is good. In addition, the bank's record of helping to serve the credit needs of low- and moderate-income geographies is reasonable. The bank's use of innovative and flexible lending programs is adequate, and is similar to programs offered by other institutions. The bank has granted a limited amount of community development loans. The bank's overall lending profile shows little improvement since the previous CRA examination. Based on the aforementioned, the institution's overall lending performance is considered "Satisfactory."

INVESTMENT TEST

As defined under the CRA regulation, a qualified investment is a lawful investment, deposit, membership share or grant that has community development as its primary purpose. Community development includes affordable housing for low-and moderate-income individuals, community services targeted to low- and moderate-income individuals, activities that promote economic development by financing small businesses or small farms and activities that revitalize or stabilize low and moderate-income geographies.

DIFS has demonstrated a good responsiveness to community housing and economic development needs. The majority of contributions went toward the support of non-profit organizations that assist low- and moderate-income individuals and low- and moderate-income neighborhoods, revitalize neighborhoods, and provide youth programs, health and human services, and education and training. DIFS is rated "High Satisfactory" in this area.

The bank's investment portfolio, as of December 31, 2001, totaled $257.8 million. This figure comprised approximately 33.1 percent of total assets. The investments consist primarily of mutual funds, mortgage-backed securities, and other marketable securities. Of the total investments, $8.6 million is considered to be in qualified investments. The following summarizes the institution's qualified investments.

Qualified Investments

Access Capital Strategies Community Investment Fund, (ACSCIF) Inc. This equity fund invests in CRA securities backed by a wide range of community development loans, including home mortgages, affordable rental housing, commercial real estate and small business loans.

Federal Home Loan Mortgage Corporation (FHLMC) Gold –Mortgage Backed Bonds: These bonds contain mortgage loans made to low- and moderate-income persons who live in Norfolk County and Hyde Park.

Federal National Mortgage Association (FNMA) Mortgage- Backed Securities Pool
The listed securities have been edited to include just the portion targeted to low- and moderate- income households or census tracts.

Boston Bank of Commerce - $100,000: This is a $100,000 certificate of deposit with the Boston Bank of Commerce (a certified Community Development Financial Institution).

The following table shows the current book value of the bank's CRA qualified investments:

Date Purchased	Investment	Amount Purchased	Book Value	Location
10/31/99	ACSCIF	$2,000,000	$2,317,976	Massachusetts
11/29/01	ACSCIF	$1,500,000	$1,738,482	Massachusetts
	Boston Bank of Commerce	$100,000	$100,000	Boston
6/21/99	FHLMC GOLD	$950,251	$633,464	Norfolk County
6/21/99	FHLMC GOLD	$945,164	$549,307	Norfolk County
12/14/01	FHLMC GOLD	$171,200	$171,200	Hyde Park
12/14/01	FHLMC GOLD	$120,000	$120,000	Hyde Park
12/13/01	FNMA MBS Pool #259006	$261,000	$195,541	Dedham
6/14/00	FNMA MBS Pool #543083	$697,399	$429,685	Boston & Weymouth
8/23/00	FNMA MBS Pool #259095	$431,304	$229,700	Boston
9/21/00	FNMA MBS Pool #259103	$332,094	$262,705	Boston
10/23/00	FNMA MBS Pool #259122	$183,089	$181,138	Boston
12/20/00	FNMA MBS Pool #259142	$655,970	$213,077	Boston
1/23/01	FNMA MBS Pool #259156	$369,500	$250,148	Boston & Revere
2/20/01	FNMA MBS Pool #259169	$267,367	$155,888	Boston
4/23/01	FNMA MBS Pool #259199	$326,022	$322,247	Boston & Chelsea
7/23/01	FNMA MBS Pool #259245	$527,643	$427,076	Boston & Chelsea
9/24/01	FNMA MBS Pool #259288	$173,807	$173,670	Roxbury
11/21/01	FNMA MBS Pool #259324	$133,491	$133,491	Boston
	TOTAL	**$10,145,301**	**$8,604,795**	

Source: Bank Data as of 12/31/01

Grants

Dedham Institution for Savings provided grants to organizations that provide community services including education, shelter, and social services. This involvement promotes community development as defined under the CRA Regulation. During the review period, the bank provided qualified grants totaling $110,845. The following are some examples of the bank's grants and donations:

South Shore Habitat for Humanity: This non-profit organization's main purpose is to provide housing for low- and moderate-income people. Persons qualifying are required to participate in the construction of their home.

Health and Social Service Consortium, Inc. (HESSCO) Elder Services: This private, non-profit organization provides human services and financial counseling to low-income elderly individuals.

Consumer Credit Counseling: This non-profit organization provides financial counseling and educational programs for families and individuals.

Nuestra Communidad Development Corporation (CDC): This non-profit organization is a multi-service community corporation that services low- and moderate- income individuals in the City of Boston.

Conclusion – Investment Test

Overall, the level of qualified investments has improved considerably. At the last evaluation the bank's first round of investments totaled almost $4 million. The bank has continued to add to its investments with an additional $7.6 million in investments.

Currently, the bank has $8,715,640 in investments and grants or 1.1 percent of its assets, an increase of 49 percent since the last examination. Qualified investments and grants represent 3.4 percent of DIFS' total investments, an increase of 45 percent. Due to DIFS' overall growth in assets and investments, the bank has been able to maintain a significant level of qualified investments and grants. In addition, the bank has gained more expertise with its investment efforts. As a result, its investments are considered to be more innovative. Based upon this review, DIFS' investment performance is rated "High Satisfactory"

SERVICE TEST

The Service Test evaluates an institution's record of helping to meet the credit needs of its assessment area by analyzing both the availability and effectiveness of an institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. DIFS is rated "High Satisfactory" in this area. The following describes the institution's services.

RETAIL BANKING SERVICES

Distribution of Branches

Dedham Institution for Savings is headquartered at 55 Elm Street in Dedham, which is located in an upper-income census tract. In addition, the bank operates six full-service offices. Of the six full-service branch offices, two are located in upper-income census tracts in the towns of Dedham and Westwood, and four are located in middle-income census tracts in the towns of Dedham, Norwood, Sharon and Walpole. Hours of operation appear convenient and reasonable and compare favorably with other local financial institutions. Additionally, the bank operates two full-service branches, both of which are located in elderly retirement communities in Canton and in Walpole. These offices have limited business hours; however, they offer the same services as other branches.

Record of Opening and Closing Branches

A Branch Closing Policy is maintained by the bank and was last reviewed and approved by the Board on January 24, 2002. This policy outlines procedures to be followed should the decision be made to close an office. Since the previous CRA examination dated December 13, 1999, a limited service facility at Dedham High School has been closed. This closure was due to a change in the student curriculum. No other office has been closed; however, the bank opened a full service branch office that is located in the Town of Sharon.

Alternative Retail Banking Services

Services and hours of operation compare favorably to those of competing institutions and afford accessibility to all segments of the bank's assessment area. All but one of the full service offices offer extended hours during the week and are equipped with 24 hour Automated Teller Machines (ATMs) that are linked to the CIRRUS, NYCE, and TX networks. All but two of the office locations offer drive-up window service.

The bank is also a member of the SUM network of ATMs, a surcharge-free alliance of several financial institutions that include over 1,000 ATMs throughout Massachusetts. The bank's customers can avoid ATM surcharges by conducting business at alliance members' ATMs that bear the SUM logo. According to information obtained from the

Internet, 22 ATMs with the SUM logo are located in the vicinity of the low and moderate-income census tracts within the bank's assessment area. These communities are Hyde Park, Jamaica Plain, Roslindale, and West Roxbury.

Currently, there are 184 employees: 149 full-time and 35 part-time. The bank has 51 bi-lingual employees who are available to assist the non-English speaking customers and potential customers at the bank. Second languages spoken include Italian, Lebanese, Arabic, Greek, Portuguese, Spanish, Urdu, Gujrati, Gaelic, Polish, Farsi, French, Hebrew, Latin, Russian, and Hindi. As a result, the bank is able to provide better service to customers of different ethnic backgrounds.

Dedham Institution for Savings also offers the MasterMoney Debit Card to its customers. This card performs all of the same functions as an ATM card plus a MasterCard. When the debit card is used to make purchases at any merchant displaying the MasterCard logo, the amount of the purchase is directly withdrawn from the customer's checking account.

Other Retail Services

As a participant in Massachusetts Community and Banking Council's (MCBC) Basic Banking Program, Dedham Institution for Savings offers low cost savings and checking accounts to all segments of its assessment area, including those with modest incomes. The basic checking account features a low monthly fee ($3.00) with no minimum balance requirements and eight free checks per month. The Passbook/Statement savings account featuring no monthly fees with a $10 minimum balance requirement to earn interest. In addition, Dedham Institution for Savings offers a Relationship Checking account that will waive the $6.00 monthly fee on its personal checking account with direct deposit, automobile or mortgage loan or if a $1,000 account balance is maintained.

Customers and potential customers can obtain general bank information such as hour, branch location, products and services, etc., through the bank's web site at www.dedhamsavings.com. Interested consumers can apply for consumer loans and home equity loans through this site. Additional information or applications can be requested by utilizing the bank's e-mail.

COMMUNITY DEVELOPMENT SERVICES

The CRA regulation defines a community development service as a service that is primarily for a community development purpose, and is related to the provision of financial services. Dedham Institution for Savings' officers and employees are involved with community organizations that address economic and affordable housing development. Through these involvements, the bank's staff lends their technical expertise, experience, and judgment to these organizations. Detailed below is Dedham Institution for Savings qualified community development services.

The bank's President and a Vice President both serve on the board of the South West Affordable Housing Partnership (SWAHP). SWAHP is a non-profit group dedicated to determining the low and moderate-income housing needs in Dedham, Norwood, Walpole, and Westwood.

An Executive Vice President is involved with Horizons for Youth. Based in Sharon, this organization runs a camp, which provides nature, science, and environmental education in the context of summer recreation for underprivileged youth from Boston and Cambridge. As a banker and CPA, this Executive Vice President is involved in all financial aspects of this organization.

Dedham Institution for Savings management is working with two nonprofit agencies, Nuestra Communidad Development Corp and Neighborhood of Affordable Housing to help meet the needs for affordable housing in Boston's neighborhoods. These organizations have established the Senior Abandonment Prevention Program, which is a program that provides favorable loans to very low-income seniors who live in multifamily homes with rental units that are currently in disrepair and not rentable. While the seniors would benefit from rehabilitating these units and making them available for rent, they often lack the necessary resources and do not qualify for traditional financing options. Once renovated, the units will then be made available to families at or below 80 percent of the HUD's median income and to families who are currently homeless.

Management is also working with The Commonwealth Land Trust, Inc. to assist the Lower Roxbury Cooperative. This housing project currently provides 70 very low-income families at risk of homelessness with centrally located affordable housing and social services. The project was designed to help address affordable housing needs of very low-income families, particularly single parents and low-income residents who are at high risk of homelessness. Over 55 percent of the residents at the lower Roxbury Cooperative are single parents and 95 percent of the residents meet the low-income or very low-income guidelines. Elderly individuals represent 7.0 percent of the residents. They are long term residents of the neighborhood who are unable to afford other comparable housing.

In addition, the bank has expended considerable time and effort competing for funds on behalf of these area organizations and agencies. Application to the Federal Home Loan Bank of Boston Affordable Housing Program has been made for varying projects over the time period covered by this examination. While not all applications have been approved those that have are providing needed affordable housing units for low and moderate-income individuals and families within the bank's assessment area. In 2001, the bank secured two direct subsidies in the amount of $400,000 each, which will be used to rehabilitate the affordable housing units described above.

Dedham Institution for Savings was also successful in applying for and receiving a $500,000 Community Development Advance from the Federal Home Loan Bank of Boston in 2001. The advance will be used in conjunction with the Senior Abandonment Prevention Program.

Educational Services and Seminars

Dedham Institution for Savings has conducted seminars designed to educate consumers about banking and products available to meet their specific needs. These events provide opportunities for bank representatives to inform those in attendance about the products and services that are offered by the bank and to gain information about credit needs in the community. The bank's involvement since the previous examination is detailed below.

Bank personnel conducted and/or participated in a total of 18 homebuyer education seminars and workshops in 2000 and 2001. The seminars give an overview of the entire home buying process and were geared toward first time homebuyers. Other sponsors and participants in these seminars were Randolph Banking Collaborative, Nuestra CDC, Neighborhood Housing Services of the South Shore, Jamaica Plain Neighborhood Development Corporation, and NOAH.

Dedham Institution for Savings also sponsored three Budgeting and Credit seminars in 2000 and 2001. These seminars were held at the Hyde Park Municipal Building and the bank's office in Walpole.

In 2001, bank representatives participated in the Credit for Life Fair at Massasoit Community College. This event was sponsored by the Consumer Credit Counseling Services of Southern New England.

Also in 2001, the bank sponsored and participated in the Citizen's Housing and Planning Association, Inc. (CHAPA) Housing Fair at the Reggie Lewis Athletic Center.

Management of the bank also attended a New England Community Development Conference for Building and Preserving Affordable Housing. The Federal Home Loan Bank sponsored this event.

Conclusion - Service Test

As depicted above, DIFS' systems for delivering retail-banking services are accessible to geographies and individuals of different income levels within its assessment area. The bank's officers and employees have provided a high level of service activities and involvement in community organizations primarily for community development purposes and related to the provision of financial services. Many of the organizations that bank management and employees have taken a leadership role in promote economic development or target the revitalization of business communities. Bank management and staff have sponsored and participated in numerous educational seminars. The bank's service activities are considered to be above average.

APPENDIX A

SCOPE OF EXAMINATION

Dedham Institution for Savings
SCOPE OF EXAMINATION: The examination included an on-site analysis of all HMDA and CRA reported loans for the period noted below. Residential aggregate loan data was reviewed during the examination and included comparative loan data of competing institutions. Dedham Institution for Savings has one assessment area, which was reviewed using the large bank examination procedures.
TIME PERIOD REVIEWED: January 1, 2000– December 31, 2001
PRODUCTS REVIEWED: HMDA-reportable Loans and Small Business Loans

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

DEDHAM INSTITUTION FOR SAVINGS

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **MARCH 19, 2002**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

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

1) Make its most current CRA performance evaluation available to the public;

2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;

3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

   "You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (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 assessment area shall also include the address of the designated office for that assessment area.]

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

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