

PUBLIC DISCLOSURE

July 18, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Avidia Bank
Certificate Number: 90215

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Division of Banks
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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.

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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.

PERFORMANCE LEVELS	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory			
Satisfactory**	X	X	X
Needs to Improve			
Substantial Noncompliance			
<p><i>* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.</i></p> <p><i>**FDIC rules and regulations stipulate use of a “high satisfactory” and “low satisfactory” rating for the three tests. This jointly issued public evaluation uses the term “satisfactory” in lieu of “low satisfactory” for the Lending, Investment, and Service Test ratings, as the Division does not have a “low satisfactory” rating.</i></p>			

The Lending Test is rated Satisfactory.

- Lending levels reflect adequate responsiveness to the combined assessment area’s credit needs.
- The institution originated an adequate percentage of loans in the combined assessment area.
- The geographic distribution of loans reflects adequate penetration throughout the combined assessment area.
- The distribution of borrowers reflects, given the product lines offered by the institution, good penetration among retail customers of different income levels and business customers of different size.
- The institution makes limited use of innovative and/or flexible lending practices in order to meet the combined assessment area’s needs.

- The institution is a leader in making community development loans.

The Investment Test is rated Satisfactory.

- The institution has an adequate level of qualified community development, investment, and grants, occasionally in a leadership position, particularly those that are not routinely provided by private investors.
- The institution exhibits adequate responsiveness to credit and community development needs.
- The institution rarely uses innovative and/or complex investments to support community development initiatives.

The Service Test is rated Satisfactory.

- Delivery systems are reasonably accessible to essentially all portions of the institution's combined assessment area.
- To the extent changes have been made, the institution's record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly in low- or moderate-income geographies and/or individuals.
- Services (including, where appropriate, business hours) do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies and/or individuals.
- The institution provides a limited level of community development services.

DESCRIPTION OF INSTITUTION

Background

Avidia Bank is a mutual community bank headquartered in Hudson, Massachusetts (MA) and a subsidiary of Assabet Valley Bancorp. The bank received a “Satisfactory” rating from the FDIC and the Massachusetts Division of Banks during its prior joint CRA evaluation, dated July 8, 2019, based on Interagency Large Institution Examination Procedures.

Operations

The bank offers products and services through its main office in Hudson and eight full-service branches throughout Middlesex and Worcester Counties. The Clinton, Leominster, Northborough, Shrewsbury, and Westborough branches are in Worcester County. The Framingham, Hudson, and Marlborough branches are in Middlesex County. The bank closed one branch and relocated another since the prior evaluation. There has been no merger or acquisition activity since the prior evaluation.

Avidia Bank offers home mortgage, commercial, and consumer loans with a continued primary focus on residential and commercial lending. Residential lending products include home mortgage loans, construction loans, and home equity loans and lines of credit. For commercial customers, the bank offers commercial real estate land development loans, business lines of credit, dental practice loans, condominium association loans, and credit cards. Consumer and commercial deposit services include checking, savings, money market, certificate of deposit accounts, and merchant services for business customers. Additionally, the bank offers health savings accounts and investment services. Alternative banking services include internet, mobile, and telephone banking; person-to-person payment features; safe deposit boxes; and automated teller machines (ATMs).

Ability and Capacity

As of March 31, 2022, the bank had total assets of \$2.4 billion and total deposits of \$2.2 billion. Assets included total loans of \$1.6 billion and total securities of \$317.6 million. Assets increased by approximately \$776.8 million, or 47.7 percent since March 31, 2019 (the last quarter utilized at the prior evaluation). Asset growth was driven primarily by an increase in the bank’s loan portfolio due to the bank’s active participation in the Small Business Administration’s (SBA) Paycheck Protection Program (PPP). During the COVID-19 pandemic, banks offered these non-revenue based loans to support small businesses. Total loans increased by approximately \$364.2 million, or 29.3 percent and securities increased by approximately \$69.4 million, or 21.8 percent over the evaluation period. The following table illustrates the bank’s loan portfolio.

Loan Portfolio Distribution as of 3/31/2022		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	66,689	4.2
Secured by Farmland	23	0.0
Secured by 1-4 Family Residential Properties	410,820	25.6
Secured by Multifamily (5 or more) Residential Properties	47,061	2.9
Secured by Nonfarm Nonresidential Properties	423,525	26.4
Total Real Estate Loans	948,118	59.1
Commercial and Industrial Loans	632,425	39.4
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	7,989	.5
Obligations of State and Political Subdivisions in the U.S.	14,280	.9
Other Loans	911	.1
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	1,603,723	100.0
<i>Source: Reports of Condition and Income</i>		

The bank provides for its communities' credit needs in a manner consistent with its size, financial condition, resources, and local economic conditions. Although examiners did not identify any financial or legal impediments that affected the bank's ability to meet the combined area's credit needs, several economic and demographic indicators, such as the COVID-19 pandemic, low interest rates, and economic relief packages impacted lending opportunities.

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more assessment areas within which examiners will evaluate its CRA performance. Avidia Bank designated two contiguous assessment areas, which include municipalities from the Worcester, MA-Connecticut (CT) Metropolitan Statistical Area (MSA) assessment area and the Cambridge-Newton-Framingham, MA Metropolitan Division (MD) assessment area.¹ The two assessment areas are part of the larger Boston-Worcester-Providence, MA-Rhode Island (RI)-New Hampshire (NH)-CT Combined Statistical Area (CSA). The combined assessment area covers portions of Worcester and Middlesex Counties. The following sections discuss demographic and economic information for the combined assessment area.

Since the prior evaluation, the bank expanded its combined assessment area by adding 27 municipalities, bringing the total number of municipalities to 49. This change also increased the number of census tracts from 76 to 195. The following table details the cities and towns in the bank's combined assessment area.

¹ This document collectively refers to these areas as the combined assessment area.

Worcester County, MA			
Auburn*	Grafton	Milford*	Sterling
Berlin	Harvard*	Millbury*	Sutton*
Bolton	Holden*	Northbridge*	Upton
Boylston	Hopedale*	Northborough	West Boylston
Clinton	Lancaster	Princeton*	Westborough
Fitchburg*	Leominster	Shrewsbury	Westminster*
Gardner*	Lunenburg*	Southborough	Worcester*
Middlesex County, MA			
Acton	Framingham	Littleton*	Shirley*
Ashland*	Holliston*	Marlborough	Stow
Ayer*	Hopkinton	Maynard*	Sudbury
Bedford*	Hudson	Natick*	Wayland
Boxborough*	Lincoln*	Sherborn*	Weston*
Concord*			
<i>* New cities and towns</i>			

Economic and Demographic Data

Avidia Bank’s combined assessment area consists of 195 census tracts which includes 125 census tracts in Worcester County and 70 census tracts in Middlesex County. The census tracts have the following income designations according to the 2015 American Community Survey (ACS) data:

- 19 low-income census tracts,
- 34 moderate-income census tracts,
- 57 middle-income census tracts,
- 81 upper-income census tracts, and
- 4 census tracts with no income designation

The low-income census tracts are located in Fitchburg (2), Framingham (2) Gardner, Leominster, and Worcester (13). The moderate-income census tracts are located in Ashland, Clinton, Fitchburg (5), Framingham (5), Gardner (4), Leominster, Marlborough (2), Milford, Millbury, Shirley, and Worcester (12). The census tracts with no income designation include several colleges, universities, and a United States (U.S.) military laboratory facility. There are no underserved or distressed nonmetropolitan middle-income geographies or designated disaster areas within the combined assessment area.

The combined assessment area contains 18 census tracts designated as Qualified Opportunity Zones (QOZ). QOZs are economically distressed communities approved by the U.S. Department of Treasury, with the intent of spurring economic development and job creation. Specifically, the QOZs are in Clinton (2), Fitchburg (2), Framingham (2), Gardner (2), Leominster (2), Marlborough

(2) and Worcester (6). The following table illustrates select demographic characteristics of the combined assessment area.

Demographic Information Combined Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	195	9.7	17.4	29.2	41.5	2.1
Population by Geography	946,940	8.1	16.1	29.6	45.7	0.5
Housing Units by Geography	377,098	8.7	17.1	30.5	43.2	0.4
Owner-Occupied Units by Geography	230,239	2.5	11.6	31.3	54.5	0.0
Occupied Rental Units by Geography	122,504	19.3	26.0	30.0	23.8	1.0
Vacant Units by Geography	24,355	14.4	25.6	25.7	33.2	1.0
Businesses by Geography	93,856	5.6	15.8	25.3	51.4	1.9
Farms by Geography	2,351	3.1	12.5	23.8	60.3	0.3
Family Distribution by Income Level	236,870	20.5	15.0	18.7	45.7	0.0
Household Distribution by Income Level	352,743	24.7	13.6	15.8	45.9	0.0
Median Family Income MSA - 15764 Cambridge-Newton-Framingham, MA		\$100,380	Median Housing Value			\$332,617
Median Family Income MSA - 49340 Worcester, MA-CT MSA		\$81,137	Median Gross Rent			\$1,037
			Families Below Poverty Level			7.2%
<i>Source: 2015 ACS and 2021 D&B Data Due to rounding, totals may not equal 100.0% (* The NA category consists of geographies that have not been assigned an income classification.</i>						

According to 2021 D&B data, 93,865 non-farm businesses operate in the combined assessment area. The following reflects gross annual revenues (GARs) for these businesses.

- 86.8 percent have \$1.0 million or less,
- 4.3 percent have more than \$1.0 million, and
- 8.4 percent have unknown revenues

The analysis of small business loans under the Borrower Profile criteria compares the distribution of businesses by GAR level to D&B data. Service industries represent the largest portion of businesses at 40.2 percent, followed by non-classifiable establishments at 17.6 percent, and retail trade at 10.6 percent. The majority of businesses in the combined assessment area are small, with the majority (90.0 percent) of businesses operating with nine or less employees and the majority (90.5 percent) operating from a single location. Additionally, 83.7 percent of the businesses in the combined assessment area have GARs of less than \$0.5 million.

The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. As shown in the previous table, 61.1 percent of the 377,098 housing units are owner-occupied, providing opportunities for home mortgage lending in the combined assessment area. However, only 14.1 percent of owner-occupied units are located in low- or moderate-income census tracts, limiting the bank’s home mortgage lending opportunities in those areas.

Examiners used the 2019, 2020, and 2021 Federal Financial Institutions Examination Council’s (FFIEC) updated median family income levels to analyze home mortgage loans under the Borrower Profile criterion. The following table presents the low-, moderate-, middle-, and upper-income categories for each MD and MSA in the combined assessment area.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Cambridge-Newton-Framingham, MA Median Family Income (15764)				
2019 (\$115,500)	<\$57,750	\$57,750 to <\$92,400	\$92,400 to <\$138,600	≥\$138,600
2020 (\$118,800)	<\$59,400	\$59,400 to <\$95,040	\$95,040 to <\$142,560	≥\$142,560
2021 (\$120,200)	<\$60,100	\$60,100 to <\$96,160	\$96,160 to <\$144,240	≥\$144,240
Worcester, MA-CT MSA Median Family Income (49340)				
2019 (\$95,300)	<\$47,650	\$47,650 to <\$76,240	\$76,240 to <\$114,360	≥\$114,360
2020 (\$95,300)	<\$47,650	\$47,650 to <\$76,240	\$76,240 to <\$114,360	≥\$114,360
2021 (\$96,700)	<\$48,350	\$48,350 to <\$77,360	\$77,360 to <\$116,040	≥\$116,040
<i>Source: FFIEC</i>				

Although the combined assessment area’s median family income levels are higher than in other parts of MA, the area’s median housing value of \$332,617 may limit opportunities for low- and moderate-income families to qualify for traditional home mortgage loans. In addition, the combined assessment area has a moderate percentage of low- and moderate-income families (35.5 percent) and approximately 7.2 percent of families are below the poverty level, which is a subset of the low-income category.

According to the U.S. Bureau of Labor Statistics, unemployment rates in the combined assessment area increased since prior evaluation period due to the adverse effects of the COVID-19 pandemic. At the highest point in April 2020, unemployment rates in Worcester and Middlesex Counties were 16.3 percent and 13.3 percent, respectively. The following table reflects unemployment rates in the combined assessment area compared to the state and national unemployment rates throughout the evaluation period.

Unemployment Rates			
Area	2019	2020	2021
	%	%	%
Worcester County	3.3	9.3	5.9
Middlesex County	2.4	7.3	4.5
Massachusetts	3.1	9.4	5.7
National Average	3.7	8.1	5.3
<i>Source: Bureau of Labor Statistics</i>			

According to Moody’s Analytics, the Worcester, MA-CT MSA and the Cambridge-Newton-Framingham, MA MD have added jobs at an above average pace in the past year, due to tech-heavy professional/business services, such as pharmaceutical, biotech, and information technology firms. The number of jobs in local service industries such as leisure/hospitality, healthcare, personal services, and state/local governments are also increasing at a solid pace, but still have substantial losses to recoup despite continued gains. A full recovery in these industries will take longer than in the Northeast and U.S. because of the permanent loss of some workers in the hospitality and service industries. The unemployment rate continues to fall, but a declining labor force is making it more difficult to fill open jobs. The area top employers are EMC Corporation, UMass Memorial Health Care, UMass Medical School, TJX Corporation, Staples, and Raytheon.

Competition

The bank operates in a competitive market for financial services in the combined assessment area. According to Deposit Market Share data as of June 30, 2021, 35 financial institutions operated 245 branches within the combined assessment area. Of these institutions, Avidia Bank ranked 6th with a 5.7 percent deposit market share. The top three financial institutions, Bank of America N.A., TD Bank N.A, and Middlesex Savings Bank held a 45.4 percent deposit market share.

The bank faces a high level of competition for home mortgage lending from national lenders, mortgage companies, credit unions, and community banks. In 2020, aggregate home mortgage lending data, showed 504 lenders originated or purchased 59,622 home mortgage loans in the combined assessment area. Avidia Bank ranked 29th with a 0.9 percent market share. Lenders that ranked higher were primarily mortgage companies and large national lenders. The top five lenders, Quicken Loans, LLC; Fairway Independent Mortgage Corporation; Leader Bank N.A; Guaranteed Rate Inc.; and Wells Fargo N.A, collectively held 18.4 percent market share. Avidia ranked 3rd among community banks and was outperformed by Middlesex Savings Bank and Envision Bank ranking 17th and 21st, respectively.

The combined assessment area is also extremely competitive for small business lending. In 2020, aggregate small business lending data, showed 225 lenders originated or purchased 71,438 small business loans, for \$3.8 billion in the combined assessment area. Avidia Bank ranked 13th with a 2.1 percent market share. The top three lenders American Express National Bank; Bank of America, N.A.; and Citizens Bank N.A., held 37.2 percent of the market share. Avidia Bank ranked

3rd among community banks out performed by larger community banks; Eastern Bank and Enterprise Bank and Trust Company ranked 9th and 12th, respectively.

Community Contacts

As part of the evaluation process, examiners contact third parties active in the combined assessment area to assist in identifying the credit and community development needs. This information helps determine whether local financial institutions are responsive to these needs. It also shows what credit and community development opportunities are available.

Examiners performed a community contact with an affordable housing organization in the combined assessment area that also focuses on neighborhood development. The contact described a deep need for affordable housing, particularly for residents with lower and fixed incomes. The contact expressed that the COVID-19 pandemic exacerbated this need because home prices have increased significantly and housing stock is low. Consequently, low-income buyers are competing for homes against investors and cash buyers. The contact mentioned the need for MassHousing loans, first time homebuyer programs, and low-down payment programs to support low-income buyers. Further, the contact mentioned that given Worcester's high immigrant population, financial education and technical assistance would help residents, particularly in languages other than English.

Examiners also contacted a local organization that promotes community development, affordable housing, as well as small business and economic development within the combined assessment area. The contact observed that small businesses are looking to expand while start-up financing is rare. Regarding housing, the contact noted that affordable housing is an issue, particularly with respect to increasing market prices and market uncertainty. The contact further noted that the organization receives many requests for down payment assistance loans and coverage for other funding gaps. The contact suggested that financial institutions provide grants to help low- and moderate-income individuals with loan-related costs and fees. Additionally, the contact noted that donations from financial institutions would be helpful. Lastly, the contact noted that community banks support local micro-lending initiatives to small businesses.

Credit and Community Development Needs and Opportunities

Examiners considered demographic and economic data and information gathered from the community contact and the bank to determine the combined assessment area's primary credit and community development needs. Examiners determined that opportunities exist to increase the availability of affordable housing, financial education, and economic development. With high housing costs, it is particularly difficult for low- and moderate-income families to find affordable housing in the combined assessment area. Area small businesses also need financial support as they recover from the impact of the COVID-19 pandemic. Further, as population demographics change, there is greater need for diverse and multi-lingual products, services, and outreach. Overall, credit needs consist of innovative and flexible lending programs and products for both individuals and small businesses.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated July 8, 2019, to the current evaluation dated July 18, 2022. Examiners used the Interagency Large Institution Examination Procedures to evaluate Avidia Bank's CRA performance. These procedures include three tests: the Lending Test, Investment Test, and Service Test.

Avidia Bank designated two contiguous assessment areas. One assessment area is in the Worcester, MA-CT MSA and the other is in the Cambridge-Newton-Framingham, MA MD. Examiners conducted full-scope reviews of performance in the Worcester-MA-CT MSA and the Cambridge-Newton-Framingham, MA MD. However, as these assessment areas are part of the Boston-Worcester-Providence, MA-RI-NH-CT CSA and examiners did not identify anomalies in the bank's performance in either area, examiners presented conclusions for the CSA.

Activities Reviewed

Examiners determined that the bank's two major product lines are home mortgage and small business loans. This conclusion considered the bank's business strategy and the number and dollar volume of originations during the evaluation period. The bank did not originate any small farm loans during the evaluation period. No other loan types, such as consumer loans, represent a major product line and therefore are not presented.

Examiners considered all home mortgage loans reported on the bank's 2019, 2020, and 2021 Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs). The bank reported 460 home mortgage loans totaling \$149.4 million in 2019, 833 loans totaling approximately \$299.2 million in 2020, and 652 loans totaling approximately \$252.2 million in 2021. Examiners compared the bank's 2019 and 2020 home mortgage performance under the Geographic Distribution and Borrower Profile criteria to aggregate data. Aggregate data is not yet available for 2021. Examiners also compared 2019, 2020, and 2021 home mortgage performance to the 2015 ACS demographic data.

Examiners considered all small business loans reported on the bank's 2019, 2020, and 2021 CRA Loan Registers. The bank reported 549 small business loans totaling \$72.3 million in 2019, 5,114 loans totaling \$202,665 million in 2020, and 3,129 loans totaling \$193.5 million in 2021. Examiners compared the bank's 2019 and 2020 small business performance under the Geographic Distribution and Borrower Profile criteria to aggregate data. Aggregate data is not yet available for 2021. Examiners also compared 2019, 2020, and 2021 small business performance to D&B business demographic data. The small business aggregate lending data is based upon full county and is not assessment area specific. Avidia Bank's combined assessment area does not include full counties.

For the Lending Test, examiners analyzed the number and dollar volume of home mortgage and small business loans originated during 2019, 2020, and 2021. Although examiners presented the number and dollar volume, examiners emphasized performance by number of loans, as it is a better

indicator of the number of businesses and individuals served. Based on the bank's business focus, origination activity, and the loan portfolio distribution, examiners assigned equal weight to the bank's home mortgage and small business lending performance when arriving at overall conclusions and ratings.

Examiners reviewed the bank's retail banking products and services targeted toward low- and moderate-income individuals and small businesses, delivery systems for providing retail-banking services, including branches and alternative delivery systems, and the impact of any branch openings and closings during the evaluation period.

Examiners also reviewed community development loans, qualified investments, and community development services, as well as innovative and/or flexible lending practices from July 8, 2019 through the current evaluation date of July 18, 2022.²

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Avidia Bank's overall Lending Test performance is rated Satisfactory. The bank's excellent performance in Community Development Lending and adequate performance in the Lending Activity, Assessment Area Concentration, Geographic Distribution, Borrower Profile, and Innovative and Flexible Lending Practices criteria supports this rating.

Lending Activity

Avidia Bank's lending activity reflects adequate responsiveness to the combined assessment area's credit needs, considering its performance context and competition for loans.

For home mortgage lending, in 2020, loan volume increased significantly from 2019 loan volume. Conversely, in 2021, home mortgage lending declined slightly from 2020. This decline was due to interest rates stabilizing, as they had previously been at historic lows. Consequently the number of refinance transactions slowed and purchase transactions remained stable due to lack of inventory and sales process statewide.

For small business lending, in 2020 and 2021, loan volume, by number and dollar increased significantly from 2019 loan volumes. The increases were due to the bank's active participation in the SBA PPP. In 2020, the bank originated 1,288 PPP loans in the combined assessment area totaling \$118.6 million. Although loan volume by number declined in 2021 to 997 loans, this was due to the SBA PPP ending mid-year. Total dollar amount in 2021 also declined to \$96.2 million in the combined assessment area.

² Avidia Bank did not provide community development-related service information for 2022.

Assessment Area Concentration

The bank made an adequate percentage of home mortgage and small business loans within the combined assessment area. Although the following table shows that the bank made less than a majority of its home mortgage and small business loans by number and a majority by dollar within the combined assessment area, this performance is primarily due to the fact that the bank was an active PPP lender during 2020 and 2021 and originated a greater percentage of these loans outside its combined assessment. If the assessment area concentration analysis excluded PPP loans for this two-year period, the percentage of small business lending by number in the combined assessment area would increase to the 68.3 percent for 2020 and 51.2 percent for 2021. Collectively, the percent of all originations by number within the combined assessment area would increase to 59.3 percent. However, by dollar, the percentage would decline slightly to 53.7 percent.

Lending Inside and Outside of the Combined Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2019	313	68.0	147	32.0	460	88,137	59.0	61,242	41.0	149,379
2020	521	62.5	312	37.5	833	165,624	55.4	133,592	44.6	299,217
2021	412	63.2	240	36.8	652	142,634	56.6	109,590	43.5	252,224
Subtotal	1,246	64.1	699	35.9	1,945	396,395	56.6	304,424	43.4	700,819
Small Business										
2019	240	43.7	309	56.3	549	30,665	42.4	41,631	57.6	72,296
2020	1,288	25.2	3,826	74.8	5,114	118,616	58.5	84,049	41.5	202,665
2021	997	31.9	2,132	68.1	3,129	96,179	49.7	97,337	50.3	193,516
Subtotal	2,525	28.7	6,267	71.3	8,792	245,460	52.4	223,017	47.6	468,477
Total	3,771	35.1	6,966	64.9	10,737	641,855	54.9	527,441	45.1	1,169,296
<i>Source: Bank Data</i> <i>Due to rounding, totals may not equal 100.0%</i>										

Geographic Distribution

The geographic distribution of home mortgage and small business loans reflects adequate penetration throughout the combined assessment area. The bank's adequate home mortgage and small business lending performance supports this conclusion. Examiners focused on the percentage of loans in low- and moderate-income census tracts by number.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects adequate penetration throughout the combined assessment area. The following table shows that in 2019 and 2020, the bank's performance in low- and moderate-income census tracts was below demographics and aggregate performance. In

2021, the bank’s lending in low-income tracts exceeded the percentage of owner-occupied housing units and in the moderate-income tracts was slightly below demographics. The bank’s lending volume by number increased year over year in low- and moderate-income census tracts, illustrating a positive trend.

Geographic Distribution of Home Mortgage Loans Combined Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	2.5	3.4	6	1.9	1,934	2.2
2020	2.5	2.7	11	2.1	5,509	3.3
2021	2.5	--	14	3.4	4,999	3.5
Moderate						
2019	11.6	12.2	25	8.0	6,752	7.7
2020	11.6	10.1	33	6.3	9,084	5.5
2021	11.6	--	40	9.7	11,111	7.8
Middle						
2019	31.3	29.8	158	50.5	37,637	42.7
2020	31.3	27.9	228	43.8	61,055	36.9
2021	31.3	--	169	41.0	42,220	29.6
Upper						
2019	54.5	54.5	124	39.6	41,813	47.4
2020	54.5	59.3	249	47.8	89,977	54.3
2021	54.5	--	189	45.9	84,303	59.1
Not Available						
2019	0.0	0.1	0	0.0	0	0.0
2020	0.0	0.0	0	0.0	0	0.0
2021	0.0	--	0	0.0	0	0.0
Totals						
2019	100.0	100.0	313	100.0	88,137	100.0
2020	100.0	100.0	521	100.0	165,624	100.0
2021	100.0	--	412	100.0	142,634	100.0
<i>Source: 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Small Business Loans

The geographic distribution of small business loans reflects adequate penetration throughout the assessment area. In 2019, the bank’s lending exceeded demographics and aggregate performance in low-income census tracts. Although lending increased in 2020 and 2021, the bank fell below

demographics both years and below aggregate in 2020. In moderate-income census tracts, the bank exceeded demographics in all three years and exceeded aggregate in 2019 and 2020.

Geographic Distribution of Small Business Loans Combined Assessment Area						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	5.3	4.9	17	7.1	3,492	11.4
2020	5.4	5.2	34	2.6	3,748	3.2
2021	5.6	--	38	3.8	6,914	7.2
Moderate						
2019	15.5	15.9	47	19.6	6,923	22.6
2020	15.7	14.6	233	18.1	21,334	18.0
2021	15.8	--	171	17.2	13,633	14.2
Middle						
2019	25.3	25.5	93	38.8	9,337	30.4
2020	25.3	24.2	426	33.1	42,756	36.0
2021	25.3	--	340	34.1	26,822	27.9
Upper						
2019	52.0	52.4	82	34.2	10,763	35.1
2020	51.7	54.5	584	45.3	49,569	41.8
2021	51.4	--	442	44.3	48,162	50.1
Not Available						
2019	1.9	1.4	1	0.4	150	0.5
2020	1.9	1.5	11	0.9	1,209	1.0
2021	1.9	--	6	0.6	648	0.7
Totals						
2019	100.0	100.0	240	100.0	30,665	100.0
2020	100.0	100.0	1,288	100.0	118,616	100.0
2021	100.0	--	997	100.0	96,179	100.0
<i>Source: 2019, 2020 & 2021 D&B Data; Bank Data; 2019 & 2020 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Borrower Profile

The distribution of borrowers reflects, given the product lines offered by the institution, good penetration among individuals of different income levels and businesses of different sizes. The bank's good performance in home mortgage and small business lending supports this conclusion.

Examiners focused on the percentage, by number, of home mortgage loans to low- and moderate-income borrowers and small business loans to businesses with GARs of \$1.0 million or less.

Home Mortgage Loans

The distribution of home mortgage loans reflects good penetration among individuals of different income levels, including low- and moderate-income borrowers. During the evaluation period, lending to low-income borrowers exceeded aggregate performance in 2019 and 2020 and in 2019, 2020, and 2021 was significantly below demographics. However, low-income families in the combined assessment area, earning less than \$48,350, may have difficulty qualifying for a mortgage under conventional underwriting standards, considering the median housing value of \$332,617. Additionally, 7.2 percent of the families in the assessment area live below the poverty level.

Lending to moderate-income borrowers during the evaluation period exceeded demographics all three years. In 2019, the bank's performance was in line with aggregate and exceeded aggregate in 2020.

Distribution of Home Mortgage Loans by Borrower Income Level Combined Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	20.5	5.4	21	6.7	3,010	3.4
2020	20.5	3.8	21	4.0	3,679	2.2
2021	20.5	--	31	7.5	4,217	3.0
Moderate						
2019	15.0	17.9	54	17.3	11,472	13.0
2020	15.0	15.6	88	16.9	18,565	11.2
2021	15.0	--	81	19.7	17,304	12.1
Middle						
2019	18.7	22.4	84	26.8	21,933	24.9
2020	18.7	22.5	125	24.0	33,730	20.4
2021	18.7	--	88	21.4	24,639	17.3
Upper						
2019	45.7	41.7	149	47.6	49,647	56.3
2020	45.7	46.5	269	51.6	99,825	60.3
2021	45.7	--	188	45.6	80,970	56.8
Not Available						
2019	0.0	12.5	5	1.6	2,076	2.4
2020	0.0	11.6	18	3.5	9,826	5.9
2021	0.0	--	24	5.8	15,503	10.9
Totals						
2019	100.0	100.0	313	100.0	88,137	100.0
2020	100.0	100.0	521	100.0	165,624	100.0
2021	100.0	--	412	100.0	142,634	100.0
<i>Source: 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Small Business Loan

The distribution of small business loans reflects, given the product lines offered by the institution good penetration of loans to businesses with GARs of \$1.0 million or less. In 2019, the bank's lending exceeded aggregate performance. Although the bank's lending to small businesses with GARs of \$1 million or less was below demographics, not all businesses in the combined assessment area are in the market for a loan.

As shown in the following table, for 83.9 percent of 2020 originations and 77.5 percent of 2021 originations, GAR information was not available. This is because revenue information was not

required for PPP loans and PPP loans represented a significant portion of 2020 and 2021 small business loans. Therefore, given too many loans with revenues unknown, examiners were unable to draw conclusions regarding performance.

Distribution of Small Business Loans by Gross Annual Revenue Category Combined Assessment Area						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2019	84.5	42.4	140	58.3	11,830	38.6
2020	85.6	35.5	116	9.0	10,032	8.5
2021	86.6	--	148	14.8	21,684	22.5
>\$1,000,000						
2019	6.0	--	98	40.8	18,584	60.6
2020	5.4	--	92	7.1	18,716	15.8
2021	4.8	--	76	7.6	17,173	17.9
Revenue Not Available						
2019	9.5	--	2	0.8	251	0.8
2020	9.0	--	1,080	83.9	89,868	75.8
2021	8.6	--	773	77.5	57,322	59.6
Totals						
2019	100.0	100.0	240	100.0	30,665	100.0
2020	100.0	100.0	1,288	100.0	118,616	100.0
2021	100.0	--	997	100.0	96,179	100.0
<i>Source: 2019, 2020 & 2021 D&B Data; Bank Data; 2019 & 2020 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Instead, examiners evaluated PPP loans using loan size as a proxy for those with revenues not available. In 2020 and 2021, a majority of PPP loans, by number, had loan sizes of \$100,000 or less, indicating that the bank is helping to serve the needs of small businesses in the combined assessment area. Examiners also noted that a majority of loans with available revenue information were made to businesses with GARs of \$1 million or less.

Distribution of PPP Loans By Loan Size Combined Assessment Area				
Loan Size	#	%	\$(000s)	%
< \$100,000				
2020	820	75.9	26,673	29.7
2021	604	78.1	17,695	30.9
\$100,000 - \$249,999				
2020	175	16.2	27,201	30.3
2021	114	14.8	16,999	29.6
\$250,000 - \$1,000,000				
2020	85	7.9	35,994	40.0
2021	55	7.1	22,628	39.5
Totals				
2020	1080	100.0	89,868	100.0
2021	773	100.0	57,322	100.0
<i>Source: 2020 and 2021 Bank Data Due to rounding, totals may not equal 100.0</i>				

Innovative or Flexible Lending Practices

The bank makes limited use of innovative and flexible lending practices in order to serve assessment area credit needs. The bank originated 468 innovative and flexible loans, totaling approximately \$49.7 million, to businesses and individuals during the evaluation period. Of these innovative and flexible loans, the bank extended \$48.2 million through small business lending programs, approximately \$1.4 million through residential lending programs, and \$87,000 through consumer lending programs. All programs are available throughout the bank's combined assessment area. The following table details the bank's innovative and flexible lending programs with originations from July 8, 2019 through July 18, 2022.

Innovative or Flexible Lending Programs Combined Assessment Area										
Type of Program	2019		2020		2021		YTD 2022		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Federal Home Loan Bank (FHLB) Equity Builder Program (EBP)	1	15	2	30	0	0	1	22	4	67
Massachusetts Housing Finance Agency (MHFA)	1	237	0	0	0	0	1	228	2	465
FHLB - Boston - HOW	0	0	1	15	0	0	1	22	2	37
Massachusetts Housing Partnership (MHP) One Program	0	0	2	439	1	334	0	0	3	773
MHP-Subsidy	1	10	2	16	0	0	0	0	3	26
MassHousing – Down Payment Assistance Program	1	13	0	0	0	0	0	0	1	13
Subtotal Residential Loans	4	275	7	500	1	334	3	272	15	1,381
SBA – guaranteed programs	8	7,898	9	4,085	10	4,202	9	4,336	36	20,521
SBA-COVID 19- PPP (Low- and Moderate-Income Tracts)	0	0	221	17,111	173	9,931	0	0	394	27,042
Massachusetts Capital Access Program (CAP)	4	102	11	285	3	47	3	250	21	684
Subtotal Small Business Loans	12	8,000	241	21,481	186	14,180	12	4,586	451	48,247
Mass Solar Loan Program	2	87	0	0	0	0	0	0	2	87
Subtotal Consumer Loans	2	87	0	0	0	0	0	0	2	87
Totals	18	8,362	248	21,981	187	14,514	15	4,858	468	49,715
<i>Source: Bank Records</i>										

The following summarizes several of the bank’s innovative and/or flexible programs.

Residential Lending Programs

- **FHLB EBP** - FHLB’s EBP offers member banks grants that assist low- and moderate-income borrowers with down payment, closing costs, and homebuyer counseling assistance.
- **MHFA Program** - The program offers fixed-interest rates with flexible credit requirements, a deferred down payment, or closing cost assistance loan option for low- and moderate-income borrowers. Borrowers must meet income and loan limits.
- **MHP One Program** - The program offers first time homebuyers a down payment as low as 3.0 percent; low, fixed-rate financing; and a state-backed reserve that relieves homebuyers

from private mortgage insurance. This flexible program targets low- and moderate-income first-time homebuyers. Borrowers must meet income guidelines to qualify for reduced-rate financing.

Small Business Lending Programs

- **SBA 7a Loan Program** - This loan program helps small businesses with start-up expenses or expansion. SBA 7a loans offer long-term financing options, a fixed maturity, and no prepayment penalties. The maximum loan amount is \$5.0 million and the SBA guarantees 75.0 percent of the value of most loans; 85.0 percent guaranty for loans up to \$150,000.
- **SBA 504 Certified Development Company (CDC) Program** - The SBA 504 CDC Program is an economic development program offering small business financing while promoting job growth and creating jobs. This program provides approved small businesses with long-term, fixed-rate financing for acquiring fixed assets for business expansion or modernization.
- **SBA Paycheck Protection Program (PPP)** – The SBA created the PPP in April 2020 to incentivize small businesses to keep workers employed during the COVID-19 pandemic.
- **Massachusetts CAP** - This loan guarantee program helps small businesses obtain loans from participating banks, using cash collateral guarantees from a loan loss reserve fund, enabling banks to make loans they might otherwise be unable to grant. Business may use the loan guarantees to start or expand their business or for permanent working capital.

Consumer Lending Programs

- **Mass Solar Loan Program**: Participating lenders offer low-, fixed interest rates, ten-year loans between \$3,000 and \$35,000, but loan amounts may be up to \$60,000. Proceeds finance the installation of solar systems. For low-income residents, benefits include interest rate buy downs. Moderate-income residents are eligible for market rates. The Mass Solar Loan program pays a portion of the loan principal when the project is complete. This program benefitted low-income individuals.

Community Development Loans

Avidia Bank is a leader in making community development loans. During the evaluation period, the bank originated 115 loans totaling approximately \$146.3 million. This number includes 62 loans for \$60.6 million originated under the SBA's PPP. Total community development loan activity represents 7.1 percent of average total assets and 9.8 percent of average total loans. Avidia Bank's performance increased from the previous evaluation when the bank made 33 loans totaling \$112.4 million. The bank's volume and ratio of community development loans to net loans compared favorably with three other institutions located in its combined assessment area of similar asset size and business focus. All three institutions were considered leaders in community development lending as of their most recent performance evaluation.

As examiners determined that the bank met the assessment areas' overall needs, examiners counted the community development loans made outside the combined assessment area. Of the 115 community development loans, the bank made 40 loans totaling \$60.5 million outside the assessment area. The following table illustrates the community development lending activity by year and purpose. The following table illustrates the bank's community development loans by year and community development category.

Community Development Lending Combined Assessment Area										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
2019	1	148	1	10	1	2,064	1	1,555	4	3,777
2020	12	7,895	1	18	41	34,820	15	51,288	69	94,021
2021	15	10,906	0	0	9	10,431	9	15,938	33	37,275
YTD 2022	6	3,964	0	0	3	7,235	0	0	9	11,199
Total	34	22,913	2	28	54	54,550	25	68,781	115	146,272

Source: Bank Records

The following are notable examples of the bank's community development loans:

- In 2019, the bank originated a \$1.6 million dollar loan to purchase a vacant 53,000 square foot office building. The building, located in a moderate-income census tract in Fitchburg will house multiple health care and social service offices. The acquisition contributed in attracting and retaining new and existing health care and social services providers in the area. This project contributed to providing health and community services to low- and moderate-income residents in the Fitchburg area.
- In 2020, the bank originated a \$648,000 loan to purchase a 13-unit residential property in Clinton. Proceeds were used to provide affordable housing for low- and moderate-income individuals.
- In 2021, the bank originated a \$3.7 million loan to an industrial chemical company that meets the SBA size test. Proceeds were used to expand and construct a property in Hudson. This project supported permanent job creation of 18 and retention of 6 among individuals who are currently low- or moderate-income.
- In 2022, the bank originated two SBA 504 loans totaling \$5.8 million to construct a craft brewery facility. The loans have a primary purpose of economic development creating permanent jobs for local low- and moderate-income individuals.

INVESTMENT TEST

Avidia Bank’s overall Investment Test performance is rated Satisfactory. The bank’s adequate performance in the Investment and Grant Activity and Responsiveness to Credit and Community Development criteria primarily support this rating.

Investment and Grant Activity

The institution has an adequate level of qualified community development investments and grants. The bank made 123 qualified investments totaling approximately \$4.6 million. This total includes qualified equity investments of approximately \$4.2 million and donations of approximately \$432,000. In total, the bank’s investments represent 0.2 percent of average total assets and 1.8 percent of average total securities. This activity level was comparable to similar situated institutions who maintained a similar performance and rating. The following table illustrates the number and dollar volume of investments and donations by year and purpose.

Qualified Investments Combined Assessment Area										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$	#	\$	#	\$	#	\$	#	\$
Prior Period	6	4,141	0	0	1	40	0	0	7	4,181
2019	0	0	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0	0	0
2021	0	0	0	0	0	0	0	0	0	0
YTD 2022	0	0	0	0	0	0	0	0	0	0
Subtotal	6	4,141	0	0	1	40	0	0	7	4,181
Qualified Grants & Donations	9	27	103	393	2	5	2	8	116	433
Total	15	4,168	103	393	3	45	2	8	123	4,614

Source: Bank Data

Equity Investments

The bank has seven qualified equity investments totaling nearly \$4.2 million. All seven investments remain from the prior period. Total equity investments decreased since the prior evaluation, when the bank had 10 qualified equity investments totaling \$19.0 million. The following are examples of the bank’s prior period equity investments.

Prior Period Investments

- **Carter House** - In 2018, the bank invested in a low-income housing project in Leominster. This project, established with a local CDC, focused on developing 39 units of affordable housing in North Central MA. The current book value is \$766,335.

- **Machado House** - In 2012, the bank invested approximately \$2.1 million to acquire, preserve, and rehabilitate 96 affordable housing units in Hudson. The Preservation of Affordable Housing Limited Liability Company is the project sponsor. The project is eligible for lower cost funding from the FHLB through their Community Development Advance Program. The bank receives low-income housing tax credits. The current book value is approximately \$584,587.
- **Marlborough Economic Development Corporation Revolving Loan Fund (RLF)** – In 2015, the bank invested \$50,000. The RLF allows businesses to obtain gap financing, if private lender financing is insufficient to meet the company’s actual financing needs to start or expand their business. The current book value is \$40,000.

Donations

During the evaluation period, the bank made \$431,780 in qualified donations. This represents a slight decline from the \$464,264 in qualified donations at the prior evaluation. The majority of CRA qualified donations supported community service organizations that primarily serve low- and moderate-income individuals. The following are notable examples of qualified donations.

- **Horizons for Homeless Children** – Horizons for Homeless Children’s mission is to improve the lives of MA young homeless children and provide high-quality early education, opportunities for play, and comprehensive family support services.
- **Habitat for Humanity** – Habitat for Humanity uses volunteer labor and donated materials to renovate old houses or build new, affordable housing for low- and moderate income families. The organization also provides low-income families with homeowner education and financial management.
- **North Star Family Services** – North Star Family Services provides stable housing, comprehensive services, and advocacy for low- and moderate-income families.

Responsiveness to Credit and Community Development Needs

The institution exhibits adequate responsiveness to credit and community development needs. The bank provided approximately \$4.1 million in investments and donations for affordable housing initiatives, which examiners identified as a significant need given high housing costs and lack of available affordable housing. The bank also made 105 donations that were focused on low- and moderate-income families and census tracts. The community contacts indicated the need for increased affordable housing and donations in the combined assessment area.

Community Development Initiatives

The institution rarely uses innovative and/or complex investments to support community development initiatives. The bank did not fund any new equity investments during the current evaluation period and its donations were not innovative or complex.

SERVICE TEST

Avidia Bank's Service Test performance is rated Satisfactory. The bank's good performance in the Changes in Branch Locations and Reasonableness of Business Hours and adequate performance in Accessibility of Delivery Systems criteria primarily supports this conclusion.

Avidia Bank's delivery systems are reasonably accessible to essentially all portions of the bank's combined assessment area. The bank has nine locations within Middlesex and Worcester Counties. Each branch offers a 24-hour deposit-taking ATM. In addition to the branches, Avidia Bank operates one remote ATM in a moderate-income census tract in Hudson. The following table illustrates the branch and ATM distribution by tract income level.

Branch and ATM Distribution by Geography Income Level Combined Assessment Area								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	19	9.7	76,616	8.1	0	0	0	0
Moderate	34	17.4	152,809	16.1	3	33.3	4	40.0
Middle	57	29.3	280,172	29.6	4	44.4	4	40.0
Upper	81	41.5	432,552	45.7	2	22.2	2	20.0
NA	4	2.1	4,791	0.5	0	0	0	0
Total	195	100.0	946,940	100.00	9	100.0	10	100.0

Source: 2015 ACS Data; Bank Data

As the table illustrates, the bank does not have any branches located in low-income geographies. However, branch distribution in the moderate-income census tracts is greater than the total percentage of moderate-income census tracts in the combined assessment area and the total population in the moderate-income census tracts.

In addition to its branches and ATMs, Avidia Bank offers alternative delivery systems to expand retail-banking services to all individuals. The bank offers telephone banking and online and mobile banking platforms to connect consumers and businesses to their accounts 24 hours a day to perform various transactions. There is no additional cost for these services. In addition, Avidia Bank allows customers to open consumer checking and savings accounts online. Alternative delivery systems allow low- and moderate-income individuals or those living in low- or moderate-income geographies, to open accounts without physically traveling to a branch.

Changes in Branch Locations

To the extent changes have been made, the institution's opening and closing branches has not adversely affected the accessibility of its deliver systems, particularly to low- and moderate-income geographies and/or low- and moderate-income individuals.

The bank closed one branch and relocated another since the prior evaluation. In April 2020, Avidia Bank closed its branch located at 42 Main Street, Hudson, which was located in a middle-income census tract. However, the bank's headquarters is 0.1 mile from this location. In June 2021, the bank relocated its branch office at 221 Washington Street in Hudson to 196 Washington Street in Hudson, both locations are in a middle-income census tract. The relocated branch is 0.2 miles from its previous location.

Reasonableness of Business Hours and Services

Services (including, where appropriate, business hours) do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies and/or individuals. All branches offer the same loan and deposit products, services, and maintain the same hours of operation. Branches are open Monday – Wednesday and Friday: 8:30 a.m. – 4:00 p.m., Thursday: 8:30 a.m. - 6:00 p.m., and Saturday: 8:00 a.m. - 12:00 p.m. ATM, internet, mobile, and telephone banking are available 24 hours a day, seven days a week.

Community Development Services

The institution provides a limited level of community development services. A majority of community development service activity consisted of employees and senior management members serving on the boards of local community development organizations in the combined assessment area. The bank provided 36 instances of community development services to those organizations. This activity level is an increase since the prior evaluation. However, the bank's level of community development services remains below that of similarly situated institutions. The following table summarizes the bank's community development services by year and purpose.

Community Development Services Combined Assessment Area					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2019	0	12	1	0	13
2020	0	12	1	0	13
2021	0	9	1	0	10
Total	0	33	3	0	36

Source: Bank Data

The following are examples of community development services provided.

Employee Involvement

- **Big Brothers Big Sisters of Central Mass & Metrowest** – The organization works with local schools and youth development programs to provide individualized mentoring programs to children most at need. An employee serves on the organization’s board and its finance committee.
- **Hudson Community Food Pantry** – The Hudson Community Food Pantry assists the poor, distressed, or underprivileged by collecting, storing, and distributing food and household items to individuals. An employee serves on the organization’s board.
- **Our Father’s House** – Our Father’s House works with homeless individuals and provides services to help them become self-sufficient. A senior vice president serves as the organization’s treasurer.

Other Services

Interest on Lawyers’ Trust Accounts (IOLTA) - The bank continues to administer IOLTA. Under this program, the interest earned goes to the Massachusetts IOLTA Program, and the funds are used to provide low-income individuals with various legal services.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The bank’s compliance with the laws relating to discrimination and other illegal credit practices were reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any evidence of discriminatory or other illegal credit practices

APPENDICES

DIVISION OF BANKS FAIR LENDING POLICIES AND PROCEDURES

The Division of Banks provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106. A review of the bank's public comment file illustrated that the bank did not receive any complaints pertaining to the institution's CRA performance since the prior evaluation. Examiners conducted the fair lending review in accordance with the Federal Financial Institutions Examination Council (FFIEC) Interagency Fair Lending Examination Procedures. Based on these procedures, examiners did not note any evidence of disparate treatment.

MINORITY APPLICATION FLOW

Examiners reviewed the bank's 2020 and 2021 HMDA LARs to determine if the application flow from the different racial groups within the bank's combined assessment area reflected demographics.

According to the 2015 ACS data, the bank's combined assessment area contained a total population of 776,381 individuals, of which 23.8 percent are minorities. The minority population represented is 4.4 percent Black/African American, 6.3 percent Asian, 0.1 percent American Indian, 10.5 percent Hispanic or Latino, and 2.5 percent other.

Examiners reviewed the bank's 2020 HMDA lending and compared it to 2020 aggregate. This data comparison assists in deriving reasonable expectations for the application rate the bank received from minority home mortgage loan applicants. Refer to the following table for information on the bank's minority application flow as well as the aggregates in the bank's combined assessment area.

MINORITY APPLICATION FLOW					
RACE	Bank 2020 HMDA		2020 Aggregate Data	Bank 2021 HMDA	
	#	%	%	#	%
American Indian/ Alaska Native	0	0.0	0.2	0	0.0
Asian	61	13.3	7.9	28	8.0
Black/ African American	0	0.0	3.9	4	1.1
Hawaiian/Pacific Islander	0	0.0	0.1	0	0.0
2 or more Minority	0	0.0	0.2	0	0.0
Joint Race (White/Minority)	5	1.1	1.7	1	0.3
Total Racial Minority	66	14.3	13.9	33	9.4
White	300	65.2	60.8	257	73.2
Race Not Available	94	20.4	25.3	61	17.4
Total	460	100.0	100.0	351	100.0
ETHNICITY					
Hispanic or Latino	7	1.5	7.1	14	4.0
Joint (Hisp/Lat /Not Hisp/Lat)	3	0.7	1.3	6	1.7
Total Ethnic Minority	10	2.2	8.4	20	5.7
Not Hispanic or Latino	347	75.4	66.9	269	76.6
Ethnicity Not Available	103	22.4	24.6	62	17.7
Total	460	100.0	100.0	351	100.0
<i>Source: ACS 2015, HMDA Aggregate Data 2020, HMDA LAR Data 2020 and 2021</i>					

In 2020, the bank received 460 HMDA reportable loan applications within its combined assessment area. Of these applications, the bank received 66 or 14.3 percent from minority applicants, of which 57 or 86.4 percent resulted in originations. The aggregate received 13.9 percent of its applications from minority applicants, of which the bank originated 63.6 percent. The bank also received 10 or 2.2 percent of applications from ethnic groups of Hispanic origin within its combined assessment area of which the bank originated 9 or 90.0 percent, compared to an ethnic minority application rate of 8.4 percent with a 59.5 percent origination rate.

In 2021, the bank received 351 HMDA reportable loan applications within its combined assessment area. Of these applications, the bank received 33 or 9.4 percent from minority applicants, 90.9 percent of which resulted in originations. For the same time period, the bank received 20 or 5.7 percent of all applications from ethnic groups of Hispanic origin within its combined assessment

area of which, the bank originated 90.0 percent. Overall, the minority application flow for this evaluation period is adequate.

LARGE BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) through its lending activities by considering a bank's home mortgage, small business, small farm, and community development lending. If consumer lending constitutes a substantial majority of a bank's business, the FDIC will evaluate the bank's consumer lending in one or more of the following categories: motor vehicle, credit card, other secured, and other unsecured. The bank's lending performance is evaluated pursuant to the following criteria:

- 1) The number and amount of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, in the bank's assessment area;
- 2) The geographic distribution of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on the loan location, including:
 - i. The proportion of the bank's lending in the bank's assessment area(s);
 - ii. The dispersion of lending in the bank's assessment areas(s); and
 - iii. The number and amount of loans in low-, moderate-, middle- and upper-income geographies in the bank's assessment area(s);
- 3) The distribution, particularly in the bank's assessment area(s), of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on borrower characteristics, including the number and amount of:
 - i. Home mortgage loans low-, moderate-, middle- and upper-income individuals
 - ii. Small business and small farm loans to businesses and farms with gross annual revenues of \$1 million or less;
 - iii. Small business and small farm loans by loan amount at origination; and
 - iv. Consumer loans, if applicable, to low-, moderate-, middle- and upper-income individuals;
- 4) The bank's community development lending, including the number and amount of community development loans, and their complexity and innovativeness; and
- 5) The bank's use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low- and moderate-income individuals or geographies.

Investment Test

The Investment Test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through qualified investments that benefit its assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s). Activities considered under the Lending or Service Test may not be considered under the investment test. The bank's investment performance is evaluated pursuant to the following criteria:

- 1) The dollar amount of qualified investments;
- 2) The innovativeness or complexity of qualified investments;
- 3) The responsiveness of qualified investments to available opportunities; and
- 4) The degree to which qualified investments are not routinely provided by private investors.

Service Test

The Service Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of the bank's systems for delivering retail banking services and the extent and innovativeness of its community development services.

The bank's retail banking services are evaluated pursuant to the following criteria:

- 1) The current distribution of the bank's branches among low-, moderate-, middle-, and upper-income geographies;
- 2) In the context of its current distribution of the bank's branches, the bank's record of opening and closing branches, particularly branches located in low- or moderate-income geographies or primarily serving low- or moderate-income individuals;
- 3) The availability and effectiveness of alternative systems for delivering retail banking services (*e.g.*, RSFs, RSFs not owned or operated by or exclusively for the bank, banking by telephone or computer, loan production offices, and bank-at-work or bank-by-mail programs) in low- and moderate-income geographies and to low- and moderate-income individuals; and
- 4) The range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

The bank's community development services are evaluated pursuant to the following criteria:

- 1) The extent to which the bank provides community development services; and
- 2) The innovativeness and responsiveness of community development services.

SCOPE OF EVALUATION

SCOPE OF EVALUATION

SCOPE OF EVALUATION	
TIME PERIOD REVIEWED	July 8, 2019 – July 18, 2022
FINANCIAL INSTITUTION	Avidia Bank
PRODUCTS REVIEWED	2019, 2020, and 2021 home mortgage and small business loans

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.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

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 or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

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.

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. Also, 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 Area (CBSA): 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).

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 (e.g., geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g., 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 Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

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 (e.g., 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 (also known as non-MSA): 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 120 percent or more of the area median income, or a median family income that is 120 percent or more 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.