

PUBLIC DISCLOSURE

December 16, 2019

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

BankGloucester
Certificate Number: 26536

160 Main Street
Gloucester, Massachusetts 01930

Division of Banks
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Boston, Massachusetts 02118

Federal Deposit Insurance Corporation
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New York, New York 10118

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.

TABLE OF CONTENTS

Institution Rating	1
Scope of Evaluation	2
Description of Institution	4
Description of Assessment Area.....	5
Conclusions on Performance Criteria	9
Discriminatory or Other Illegal Credit Practices Review	15
Division of Banks Fair Lending Policies and Procedures	16
Glossary	18

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Outstanding**. An institution in this group has an outstanding 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.

The following points summarize the bank's Community Reinvestment Act (CRA) performance.

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

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated October 15, 2013, to the current evaluation dated December 16, 2019. The Commonwealth of Massachusetts Division of Banks (Division) and the Federal Deposit Insurance Corporation (FDIC) examiners used the FFIEC Interagency Small Institution Examination Procedures to evaluate the institution's performance. These procedures include one test, the CRA Small Bank Lending Test.

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area by considering the following criteria:

- Loan-to-deposit ratio
- Assessment Area Concentration
- Geographic Distribution
- Borrower Profile
- Response to CRA- related complaints

Loan Products Reviewed

Examiners determined that the bank's 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 loans originated during the evaluation period. The bank's home mortgage loan originations were weighted more when determining overall conclusions due to the larger loan volume and business focus when compared to small business loan originations. Bank records indicate that the lending focus and product mix remained consistent throughout the evaluation period. No other loan types represent a major product line; therefore, they provide no material support for conclusions or ratings and are not presented.

The institution is required to collect and report home mortgage loan data pursuant to the Home Mortgage Disclosure Act (HMDA). Examiners considered all home mortgage loans reported on the institution's 2017 and 2018 HMDA Loan Application Register. In 2017, the institution originated 84 HMDA loans totaling approximately \$30.9 million. In 2018, the institution originated 119 HMDA loans totaling approximately \$44.8 million. Because the bank reports its home mortgage loan data pursuant to HMDA, examiners compared its 2017 and 2018 HMDA lending performance to the 2017 and 2018 aggregate lending data, respectively. In addition, examiners compared the institution's home mortgage lending performance under the Geographic Distribution and Borrower Profile criteria to the 2015 American Community Survey (ACS) demographic data.

As a small institution, the bank is not required to collect and report small business loan data and did not do so during the evaluation period. Accordingly, examiners selected a statistical sample of small business loans originated in 2018, and considered this sample representative of the bank's performance during the entire evaluation period. In 2018, the bank originated 52 small business loans totaling approximately \$13.6 million, of which 36 loans totaling approximately \$9.7 million are included in the sample. Small business loan data includes commercial real estate and commercial and industrial loans with original loan amounts of \$1 million or less, as

reported on the bank's Reports of Condition and Income (Call Report). D&B demographic data provided a standard of comparison to the bank's sampled small business lending performance.

Although the evaluation presents the number and dollar volume of each loan product line, examiners emphasized the percentage by number of loans, as it is a better indicator of the number of individuals and businesses served. Financial data about the bank was obtained from the September 30, 2019 Call Report.

DESCRIPTION OF INSTITUTION

Background

BankGloucester, headquartered in Gloucester, Massachusetts (MA), is a mutually-owned community financial institution. The FDIC assigned the institution a Satisfactory rating at its previous CRA Performance Evaluation, dated October 15, 2013, based on the FFIEC Interagency Small Institution Examination Procedures. The Division of Banks assigned a High Satisfactory rating at its previous CRA Performance Evaluation, dated February 22, 2011.

Operations

The institution operates two full-service branch offices located in Essex County, MA. The main office is located at 160 Main Street, Gloucester. Since the prior CRA evaluation, the institution opened a full-service branch in Essex, MA. Product and service offerings are the same at both branches. No branches were closed, and no merger or acquisition activities occurred since the prior evaluation.

BankGloucester offers loan products including residential, multifamily, and consumer loans, but is primarily a residential lender. The bank also offers a first-time homebuyer loan program and Veterans Administration (VA) loans. The bank provides a variety of business and consumer deposit accounts. Alternative banking services include automated teller machines, on-line banking, bill pay, mobile banking, and person-to-person payments.

Ability and Capacity

The institution's assets totaled approximately \$278.5 million as of September 30, 2019, and included total loans of approximately \$236.7 million, and total deposits of approximately \$233.3 million. The following table illustrates the loan portfolio.

Loan Portfolio Distribution as of 09/30/2019		
Loan Category	\$(000s)	%
Construction and Land Development	24,840	10.5
Secured by 1-4 Family Residential Properties	145,445	61.5
Secured by Multifamily (5 or more) Residential Properties	4,874	2.0
Secured by Nonfarm Nonresidential Properties	51,366	21.7
Total Real Estate Loans	226,525	95.7
Commercial and Industrial Loans	9,478	4.0
Consumer Loans	661	0.3
Total Loans	236,664	100.0
<i>Source: Reports of Condition and Income</i>		

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

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance is evaluated. Bank Gloucester designated a single assessment area that includes the City of Gloucester and the Towns of Rockport, Manchester-By-The-Sea, and Essex. All four municipalities are in Essex County, MA. Essex County is included in the Cambridge-Newton-Framingham, MA Metropolitan Division (MD 15764), which is part of the Boston-Cambridge-Quincy, MA-NH Metropolitan Statistical Area (MSA 14460).

Economic and Demographic Data

This section discusses demographic and economic information relevant to the assessment area. The bank's assessment area includes 13 census tracts. Prior to 2017, per the 2010 U.S. Census, the assessment area consisted of 0 low-income census tracts, 3 moderate-income census tracts, 4 middle-income census tracts, and 6 upper-income census tracts. Effective in 2017, the bank's assessment area census tract distribution changed due to the 2015 ACS demographic data collection. The census tracts currently reflect the following income designations:

- 1 low-income census tract,
- 3 moderate-income census tracts,
- 9 middle-income census tracts,
- 0 upper-income census tracts.

The bank's low- and moderate-income census tracts are all located within the City of Gloucester. Additionally, the bank's main branch is located in the sole low-income census tract within the assessment area. The following table illustrates assessment area demographic characteristics.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	13	7.7	23.1	69.2	0.0	0.0
Population by Geography	45,404	6.3	18.0	75.7	0.0	0.0
Housing Units by Geography	22,277	7.2	17.1	75.7	0.0	0.0
Owner-Occupied Units by Geography	12,299	2.8	14.6	82.6	0.0	0.0
Occupied Rental Units by Geography	6,774	15.1	23.9	61.0	0.0	0.0
Vacant Units by Geography	3,204	7.5	12.4	80.2	0.0	0.0
Businesses by Geography	4,026	14.4	11.0	74.6	0.0	0.0
Farms by Geography	155	6.5	18.7	74.8	0.0	0.0
Family Distribution by Income Level	12,320	25.4	18.8	21.0	34.8	0.0
Household Distribution by Income Level	19,073	30.8	16.8	16.2	36.2	0.0
Median Family Income MSA - 15764 Cambridge-Newton-Framingham, MA MD		\$100,380	Median Housing Value			\$432,816
			Median Gross Rent			\$1,023
			Families Below Poverty Level			4.8%
<i>Source: 2015 ACS Census and 2018 D&B Data</i> <i>Due to rounding, totals may not equal 100.0</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. According to 2015 ACS data, there are 22,277 housing units in the assessment area. Of these, 55.2 percent are owner-occupied, 30.4 percent are occupied rental units, and 14.4 percent are vacant. Only 2.8 percent (344) of the assessment area's owner-occupied housing units are located in the area's low-income geographies. In contrast, 15.1 percent (1,023) of the occupied rental units are located in these geographies. This data suggests that there is a greater opportunity for families to rent than to own housing units in low-income geographies. This limits the opportunities to originate 1-4 family residential mortgage loans in these geographies.

Examiners used the 2017 and 2018 FFIEC-updated median family income levels to analyze home mortgage loans under the Borrower Profile criterion. The following table presents the income categories.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Cambridge-Newton-Framingham, MA MD Median Family Income (15764)				
2017 (\$104,800)	<\$52,400	\$52,400 to <\$83,840	\$83,840 to <\$125,760	≥\$125,760
2018 (\$110,300)	<\$55,150	\$55,150 to <\$88,240	\$88,240 to <\$132,360	≥\$132,360
<i>Source: FFIEC</i>				

As previously noted in the assessment area demographics information, 25.4 percent of the assessment area's families are low-income and 18.8 percent are moderate-income. In addition, 4.8 percent have incomes below the poverty threshold. A low-income family in the assessment area in 2018, with an income of less than \$55,150, would not likely qualify for a mortgage under conventional underwriting standards, especially considering the median housing value of \$432,816. This limits the bank's opportunity to originate loans to low-income borrowers.

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by Gross Annual Revenue (GAR) level. According to 2018 D&B data, there were 4,026 non-farm businesses in the assessment area. GARs for these businesses are as follows:

- 87.6 percent have \$1 million or less.
- 5.0 percent have more than \$1 million.
- 7.4 percent have unknown revenues.

Service industries represent the largest portion of businesses at 44.2 percent, followed by retail trade (12.8 percent); non-classifiable (10.9 percent); construction (8.6 percent); and finance and insurance (7.4 percent). The vast majority of businesses in the assessment area are very small; 83.4 percent of businesses have GARs of less than \$500,000, 71.5 percent of businesses have four or less employees, and 91.8 percent of businesses operate from a single location.

According to Moody's Analytics, the economy of Gloucester and the surrounding areas focuses on fishing and maritime trade. Over the years, with the decline of the fishing industry, the economic base of Gloucester has diversified. Similar to other coastal communities, Gloucester is also reliant on seasonal jobs provided through tourism. Major corporate employers in Essex County include Raytheon Systems, Mass General Hospital for Children, and Columbia Gas of Massachusetts.

Data obtained from the U. S. Bureau of Labor and Statistics indicates that in 2018, the unemployment rate was 3.3 percent statewide. As of October 2018, the unemployment rate in Essex County was slightly below the state at 2.8 percent.

Competition

Financial services are moderately competitive within the assessment area. According to the 2019 FDIC Deposit Market Share data, there are 8 financial institutions operating 15 full-service branches within the assessment area. Of these institutions, BankGloucester ranked 3rd with 15.0 percent deposit market share. Cape Ann Savings Bank and Institution for Savings in Newburyport and its Vicinity were the only two banks to outrank BankGloucester, with a 30.8 percent and 19.8 percent market share, respectively.

According to aggregate data, there is a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders in the assessment area. In 2017, 164 lenders reported 1,439 originated or purchased residential mortgage loans. BankGloucester ranked 7th out of this group of lenders, with 45 loans, for a market share of 3.1 percent. The only community banks ranking higher than BankGloucester were Cape Ann Savings Bank, ranking 1st

with 12.6 percent market share, and Institution for Savings in Newburyport and its Vicinity ranking 2nd with 6.2 percent market share, both of which are significantly larger financial institutions. The remaining banks that outranked BankGloucester were national or regional banks, credit unions, and/or non-bank mortgage companies.

In 2018, 188 lenders reported 1,628 originated or purchased residential mortgage loans. BankGloucester ranked 7th out of this group of lenders, with 69 loans, for a market share of 4.2 percent. The only community banks' ranked higher were Cape Ann Savings Bank, ranking 1st with 11.5 percent market share, and Institution for Savings in Newburyport and its Vicinity ranking 3rd with 4.8 percent market share. The remaining banks that outranked BankGloucester were national or regional banks, credit unions, and/or non-bank mortgage companies.

The analysis of small business loans in the evaluation does not include comparisons to aggregate data. The aggregate data, however, reflects the level of demand for small businesses and is referenced here to help determine the general level of competition in the area for small business loans. In 2017, 108 lenders reported 16,643 small business loans, which indicates a high degree of competition for small business loans in the county. The top three lenders, originating approximately 44.0 percent of all small business loans in the area, were American Express, Bank of America, and Citibank, all large, multinational financial institutions.

Community Contact

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

Examiners contacted a non-profit community organization in the assessment area that provides affordable housing, financial education, and economic opportunity. The contact indicated that affordable housing and small business lending represent the community's credit needs. The contact discussed the geographic barriers of Cape Ann and the need for financial institutions to provide services to those most in need. The contact specifically discussed the need for more programs geared towards first time homebuyers. The contact spoke positively about the local financial institutions involvement in the community.

Credit Needs

Considering information from community contacts and demographic and economic data, examiners determined that affordable housing and small business lending are the assessment area's primary credit needs.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

BankGloucester demonstrated excellent performance under the Lending Test. Geographic Distribution and Borrower Profile performances support this conclusion.

Loan-to-Deposit (LTD) Ratio

The LTD ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs. The bank's LTD ratio, calculated from Call Report data, averaged 100.8 percent over the past 24 calendar quarters from December 31, 2013 to September 30, 2019. The ratio ranged from a low of 96.5 percent as of September 30, 2016, to a high of 105.6 percent as of December 31, 2015. The ratio remained generally stable during the evaluation period. The bank's average LTD ratio compares favorably to comparable institutions, as the following table reflects. Examiners selected comparable institutions based on their asset size, geographic location, and lending focus. The following table illustrates the bank's ratio compared to the other banks.

Loan-to-Deposit Ratio Comparison		
Institution	Total Assets as of 09/30/2019 (\$000s)	Average Net LTD Ratio (%)
BankGloucester	278,540	100.8
Marblehead Bank	214,934	96.3
First Ipswich Bank	464,951	85.9

Source: Reports of Condition and Income 12/31/2013 through 9/30/2019

Assessment Area Concentration

The bank originated a majority of its loans inside the assessment area. The bank did not originate a majority of small business loans by number and dollar amount inside the assessment area. This is due in part to the bank's relationship lending practices. Specifically, a large portion of the bank's small business relationships are based on referrals from customers located in other parts of Massachusetts and New England, thus affecting the bank's small business loan concentrations. Please refer to the following table.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2017	45	53.6	39	46.4	84	14,396	46.6	16,489	53.4	30,885
2018	69	58.0	50	42.0	119	22,017	49.2	22,768	50.8	44,785
Subtotal	114	56.2	89	43.8	203	36,413	48.1	39,257	51.9	75,670
Small Business										
2018	18	50.0	18	50.0	36	3,962	41.0	5,690	59.0	9,652
Subtotal	18	50.0	18	50.0	36	3,962	41.0	5,690	59.0	9,652
Total	132	55.2	107	44.8	239	40,375	47.3	44,947	52.7	85,322
Source: Evaluation Period: 1/1/2017 - 12/31/2018 Due to rounding, totals may not equal 100.0										

Geographic Distribution

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

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects excellent dispersion throughout the assessment area. The table below shows the bank's performance substantially exceeded the aggregate lending performance and demographic data in both low- and moderate-income census tracts in 2017 and 2018. Additionally, in 2018 lending increased in both low- and moderate-income census tracts. This positive trend supports the bank's excellent performance.

Market share data further supports the bank's excellent performance. In 2017, the bank ranked 4th in lending in low-income census tracts with 8.0 percent market share. The only community banks ranked higher were Cape Ann Savings Bank, ranking 1st with 22.0 percent market share, and Institution for Savings in Newburyport and its Vicinity, ranking 3rd and also maintaining 8.0 percent market share. Both are larger financial institutions. Wells Fargo Bank ranked 2nd in low-income census tracts with 12.0 percent market share, and originated only 2 more loans than BankGloucester. BankGloucester ranked 4th within moderate-income census tracts with 4.7 percent market share. Cape Ann Savings Bank, which ranked 1st with 14.4 percent market share, was again the only community bank ranking higher than BankGloucester. Guaranteed Rate, Inc. and Wells Fargo Bank ranked 2nd and 3rd with 7.4 percent and 5.1 percent market share, respectively. Wells Fargo made only one more loan than BankGloucester in this geography. Furthermore, BankGloucester ranked above larger financial institutions and mortgage originators including Mortgage Network Inc., Crosscountry Mortgage, Inc., and Quicken Loans, which ranked 5th, 6th, and 7th, respectively.

In 2018, the bank ranked 2nd in lending in low-income census tracts with 14.3 percent market share. Cape Ann Savings Bank ranked 1st with 22.2 percent market share, and originated only 5 more loans. BankGloucester ranked above much larger mortgage companies and financial institutions, including Digital Federal Credit Union, Quicken Loans, and Guaranteed Rate, Inc., which ranked 3rd, 4th, and 5th, respectively.

In moderate-income census tracts, BankGloucester ranked 2nd with 7.3 percent market share in 2018. The only community bank ranked higher was once again Cape Ann Savings Bank, ranking 1st with 18.3 percent market share. BankGloucester ranked above much larger mortgage services and financial institutions, including CrossCountry Mortgage, Citizens Bank, and Santander Bank, which ranked 3rd, 4th, and 5th, respectively.

These low-and moderate-income census tract lending market rankings are better than the bank's overall lending market rank of 7th in the assessment area. The following table illustrates the geographic distribution of home mortgage loans.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2017	2.8	3.5	4	8.9	1,064	7.4
2018	2.8	4.5	9	13.0	2,694	12.2
Moderate						
2017	14.6	14.9	10	22.2	2,870	19.9
2018	14.6	16.5	16	23.2	3,492	15.9
Middle						
2017	82.6	81.6	31	68.9	10,462	72.7
2018	82.6	79.1	44	63.8	15,831	71.9
Upper						
2017	0.0	0.0	0	0.0	0	0.0
2018	0.0	0.0	0	0.0	0	0.0
Not Available						
2017	0.0	0.0	0	0.0	0	0.0
2018	0.0	0.0	0	0.0	0	0.0
Totals						
2017	100.0	100.0	45	100.0	14,396	100.0
2018	100.0	100.0	69	100.0	22,017	100.0

*Source: 2015 ACS Census; 1/1/2017 - 12/31/2018 Bank Data, 2017 & 2018 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0*

Small Business Loans

The geographic distribution of sampled small business loans reflects reasonable dispersion. In 2018, the bank's performance exceeds the percentage of businesses by 7.8 percentage points in low-income census tracts. The bank did not make any loans in moderate-income census tracts. However, the percentage of business within the moderate-income census tracts represents the lowest concentration of small businesses within any census tract in the assessment area. Additionally, as previously discussed, the bank is not required to collect or report its small business loan data, and it has not elected to do so. Therefore, the small business loan tables do not include comparisons against aggregate data. The aggregate data, however, reflects the level of demand for small business loans. The aggregate data for 2018 reflects that area institutions reported only 120 small business loans in the moderate-income tracts within the assessment area. This data indicates a very low level of demand for this product in this geography. The following table illustrates the bank's loans in the assessment area by census tract income level in 2018.

2018 Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	14.4	4	22.2	809	20.4
Moderate	11.0	0	0.0	0	0.0
Middle	74.6	14	77.8	3,153	79.6
Upper	0.0	0	0.0	0	0.0
Not Available	0.0	0	0.0	0	0.0
Total	100.0	18	100.0	3,962	100.0

Source: 2018 D&B Data, Bank Records

Borrower Profile

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

Home Mortgage Loans

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is excellent. Examiners focused on the comparison to aggregate data. The table below shows that the bank's performance to low-income borrowers was above the aggregate by 11.1 percentage points in 2017, but declined to 1.0 percentage point below the aggregate performance in 2018. Although the bank's performance was slightly below demographics in the low-income category, the demand and opportunity for lending to low-income families was limited. As previously discussed, a low-income family in the assessment area in 2018, with an income of less than \$55,150, would not likely qualify for a mortgage under conventional underwriting standards, especially considering the median housing value of \$432,816. Furthermore, 4.8 percent of families are below the poverty level and often cannot

afford home ownership. This helps explain the difference between aggregate performance and area demographics and further supports the bank's excellent performance.

The bank's lending to moderate-income borrowers was above aggregate lending data and demographic data in both 2017 and 2018. Furthermore, in 2018, lending performance increased 3.2 percentage points, indicating a positive trend.

Market share data further supports excellent performance. In 2017, only 36 of the 164 (22.0 percent) lenders in the assessment area made loans to low-income borrowers in the assessment area. In 2017, the bank ranked 2nd with 8.3 percent market share lending to low-income borrowers. Cape Ann Savings Bank ranked 1st with 19.6 percent market share, but is a larger financial institution. In 2018, the bank ranked 9th in lending to low-income borrowers with 3.8 percent market share. The top 6 lenders in this category held 43.5 percent of the market share, and all are larger financial institutions or national mortgage companies, such as Citizens Bank, N.A., Quicken Loans, and Wells Fargo. Additionally, in 2017, only 72 of the 164 (43.9 percent) lenders in the assessment area made loans to moderate-income borrowers in the assessment area. BankGloucester ranked 8th with 3.3 percent market share lending to moderate-income borrowers. Cape Ann Savings Bank ranked 1st with 13.9 percent market share, and Institution for Savings in Newburyport and its Vicinity ranked 5th with 4.7 percent market share. These two banks represent the only community banks ranked higher than BankGloucester. J.P Morgan Chase Bank, N.A., ranked 7th and only made two more loans than BankGloucester, despite being a much larger financial institution. In 2018, the bank ranked 3rd when lending to moderate-income borrowers with 5.3 percent market share. Again, Cape Ann Savings Bank ranked 1st in this category with 11.8 percent market share, and represents the only community bank ranking higher than BankGloucester. The bank again ranks higher than much larger institutions and mortgage companies, including Quicken Loans, Citizens Bank, Wells Fargo, Bank of America, and JP Morgan Chase. These consistent market rankings further support excellent lending performance to low- and moderate-income borrowers. The following table illustrates the penetration of home mortgage loans among borrowers of different income levels.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2017	25.4	6.7	8	17.8	1,698	11.8
2018	25.4	8.2	5	7.2	615	2.8
Moderate						
2017	18.8	19.0	9	20.0	1,996	13.9
2018	18.8	18.7	16	23.2	3,537	16.1
Middle						
2017	21.0	26.3	9	20.0	3,171	22.0
2018	21.0	23.6	18	26.1	4,751	21.6
Upper						
2017	34.8	37.4	14	31.1	5,249	36.5
2018	34.8	38.0	20	29.0	9,256	42.0
Not Available						
2017	0.0	10.6	5	11.1	2,282	15.9
2018	0.0	11.6	10	14.5	3,859	17.5
Totals						
2017	100.0	100.0	45	100.0	14,396	100.0
2018	100.0	100.0	69	100.0	22,017	100.0
<i>Source: 2015 ACS Census; 1/1/2017 - 12/31/2018 Bank Data, 2017 & 2018 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0</i>						

Small Business Loans

The distribution of sampled small business loans reflects reasonable penetration to businesses with GARs of \$1 million or less. The table below shows the majority of sampled loans were to those businesses. Additionally, as previously discussed, examiners did not compare bank lending to aggregate data, as the bank is not a small business loan reporter under the CRA. However, aggregate data was reviewed to determine the level of demand. In 2018, only 56 lenders reported 7,597 small business loans to businesses with GARs less than \$1 million in the assessment area. Considering the high level of competition for business loans, the bank's performance is reasonable. This context helps support that bank lending to businesses with GARs of \$1 million or less is reasonable. The following table illustrates bank lending by GAR category.

2018 Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
≤ \$1,000,000	87.6	13	72.2	2,709	68.4
> \$1,000,000	5.0	5	27.8	1,253	31.6
Revenue Not Available	7.4	0	0.0	0	0.0
Total	100.0	18	100.0	3,962	100.0
<i>Source: 2018 D&B Data, Bank Records</i>					

Response to Complaints

The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the rating.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of discriminatory or other illegal credit practices; therefore, this consideration did not affect the institution's overall CRA rating.

APPENDICES

FAIR LENDING POLICIES AND PROCEDURES – MA DIVISION OF BANKS

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 indicated the bank received no complaints pertaining to the institution's CRA performance since the previous examination. The fair lending review was conducted in accordance with the FFIEC Interagency Fair Lending Examination Procedures. Based on these procedures, no evidence of disparate treatment was noted.

MINORITY APPLICATION FLOW

The bank's HMDA LARs for 2017 and 2018 were reviewed to determine if the application flow from the different racial groups within the Bank's assessment area was reflective of the assessment area's demographics.

According to the 2015 ACS Census Data, the Bank's assessment area contained a total population of 45,404 individuals of which 4.7 percent are minorities. The minority population represented is 0.8 percent Black/African American, 0.6 percent Asian, 0.1 percent American Indian, 1.8 percent Hispanic or Latino, and 1.4 percent other.

The bank's level of lending in 2017 was compared with that of the 2017 aggregate's lending performance. The comparison of this data assists in deriving reasonable expectations for the rate of applications the bank received from minority home mortgage loan applicants. Refer to the table below for information on the bank's minority application flow as well as the aggregate lenders in the bank's assessment area.

MINORITY APPLICATION FLOW					
RACE	Bank 2017 HMDA		2017 Aggregate Data	Bank 2018 HMDA	
	#	%	%	#	%
American Indian/ Alaska Native	0	0.0	0.1	0	0.0
Asian	0	0.0	0.3	1	1.3
Black/ African American	0	0.0	0.3	0	0.0
Hawaiian/Pacific Islander	0	0.0	0.0	0	0.0
2 or more Minority	0	0.0	0.0	0	0.0
Joint Race (White/Minority)	0	0.0	0.7	3	3.8
Total Racial Minority	0	0.0	1.4	4	5.1
White	47	90.4	81.0	64	81.0
Race Not Available	5	9.6	17.6	11	13.9
Total	52	100.0	100.0	79	100.0
ETHNICITY					
Hispanic or Latino	0	0.0	0.7	0	0.0
Joint (Hisp/Lat /Not Hisp/Lat)	0	0.0	0.9	1	1.3
Total Ethnic Minority	0	0.0	1.6	1	1.3
Not Hispanic or Latino	47	90.4	80.3	66	83.5
Ethnicity Not Available	5	9.6	18.1	12	15.2
Total	52	100.0	100.0	79	100.0

Source: ACS Census 2015, HMDA Aggregate Data 2017, HMDA LAR Data 2017 and 2018

In 2017, the bank received 52 HMDA reportable loan applications from within its assessment area. Of these applications, 0 were received from minority applicants or applicants from ethnic groups of Hispanic origin.

In 2018, the bank received 79 HMDA reportable loan applications within its assessment area. Of these applications, 4 or 5.1 percent were received from minority applicants, of which 1 or 100.0 percent resulted in originations. The bank also received 1 or 1.3 percent of applications from ethnic groups of Hispanic origin within its assessment area of which 1 or 100.0 percent were originated.

Considering the demographic composition of the assessment area and comparisons to aggregate data in 2017, the bank's minority application flow is reasonable.

GLOSSARY

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

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

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

Census Tract: A small, relatively permanent statistical subdivision of a county 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.

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.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

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

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

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

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

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

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement, and temporary-to-permanent construction loans.

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

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households are only one person, median household income is usually less than median family income.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

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

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

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

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

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

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

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

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

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

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

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

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 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.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

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

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

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

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