

PUBLIC DISCLOSURE

July 18, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Hometown Bank

Certificate Number: 26523

31 Sutton Avenue
Oxford, Massachusetts 01540

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

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 concerning the safety and soundness of this financial institution.

TABLE OF CONTENTS

INSTITUTION RATING 1
DESCRIPTION OF INSTITUTION 2
DESCRIPTION OF ASSESSMENT AREA..... 4
SCOPE OF EVALUATION..... 7
CONCLUSIONS ON PERFORMANCE CRITERIA 9
INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA 20
GLOSSARY 21

INSTITUTION RATING

This document is an evaluation of the CRA performance of Hometown Bank (the bank) prepared by the Division, the institution's supervisory agency as of July 18, 2022. The Division rates the CRA performance of an institution consistent with the provisions set forth in Massachusetts Regulation 209 CMR 46.00.

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

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

Examiners did not identify any evidence of discriminatory or other illegal credit practices. The following points summarize the bank's Lending Test and Community Development Test performance.

The Lending Test is rated High Satisfactory

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- A substantial majority of home mortgage and small business loans were originated inside the assessment area.
- The geographic distribution of home mortgage and small business loans reflects reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects good penetration of loans 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 Lending Test rating. Hometown Bank has an adequate record relative to fair lending policies and practices and a reasonable percentage of applications received from ethnic and racial minority applicants in the assessment area.

The Community Development Test is rated Outstanding.

The institution demonstrated excellent responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services, as appropriate. Examiners considered the institution's capacity and the need and availability of such opportunities for community development in the assessment area.

DESCRIPTION OF INSTITUTION

Background

Hometown Bank, established in 1889, is a full-service mutual bank headquartered in Oxford, Massachusetts (MA). The bank is a wholly owned subsidiary of Hometown Financial Group, Inc., which is a wholly owned subsidiary of company Hometown Financial Group, MHC, a bank-mutual holding. Operating under Hometown Financial Group is a family of 3 banks including: Hometown Bank, Abington Bank and Bank ESB. These banks continue to operate independently with a share services model.

Hometown Bank operates in the central part of MA and northeastern Connecticut (CT) in the counties of Worcester, MA; Franklin, MA; and Windham, CT. Hometown Bank operates three wholly owned subsidiaries, Hometown Securities I, Inc., Hometown Securities II, Inc., and WCB Realty, Inc. Hometown bank received a “High Satisfactory” rating from the Division of Banks during its prior evaluation, dated June 11th, 2018.

Operations

In October of 2019, Hometown Bank merged with Millbury Savings Bank, acquiring Millbury Savings Bank branches and staff.

The bank’s main headquarters and separate administrative center are located at 31 Sutton Avenue in Oxford, MA. The bank operates a total of 16 full-service branches in the following cities and towns in Massachusetts and Connecticut: Athol, Auburn, Leominster, Worcester (2), Millbury, Oxford, Webster (2), South Lancaster and Sturbridge, Massachusetts, and in Putnam, Brooklyn, Killingly, Thompson and Woodstock, Connecticut. All branches have drive-up facilities and offer Saturday hours and 24-hour automated teller machine (ATM) access. Additionally, a walk-up ATM (cash dispensing only) is located at Day Kimball Hospital in Putnam, CT.

The Oxford office is located in a middle-income census tract as are the Auburn, Sturbridge, Gore Road - Webster, Brooklyn, Thompson and Woodstock offices and the walk-up ATM at Day Kimball Hospital. The Millbury Street, Worcester branch is in a low-income census tract. The Athol, Leominster, Millbury, Killingly, Putnam, Grove Street - Worcester, and Webster Convenience Center offices are located in moderate-income tracts. The South Lancaster office is in an upper-income tract.

Ability and Capacity

As of March 31, 2022, Hometown Bank’s assets totaled approximately \$1.3 billion, including total loans of \$816 million (59.4 percent of total assets) and total securities of \$465 million. The bank had total deposits of \$1.2 billion. Following the previous evaluation, since June 30, 2018, total assets increased by approximately \$610 million, or (44.4 percent) and total deposits increased by \$562 million or (46 percent). The increases are primarily due to the merger with Millbury Savings Bank. Securities increased by approximately \$253 million (54.3 percent), and loans increased by approximately \$323.1 million (39.5 percent). The following table shows that loans secured by commercial real estate (nonfarm nonresidential properties) and commercial and industrial loans

account for 53.7 percent of the loan portfolio. Residential lending and multi-family residential properties account for 37.4 percent. Loans secured by commercial real estate experienced the most significant increase since the last examination. Commercial Real Estate loans increased from 30.9 percent to 50.0 percent of the total loan portfolio. The bank’s PPP loans originations in 2020 and 2021 combined with the bank’s continued focus in its commercial lending division contributed to the commercial lending increase.

Loan Portfolio Distribution as of 3/31/2022		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	60,134	7.3
Secured by Farmland	706	0.1
Secured by 1-4 Family Residential Properties	219,682	26.6
Secured by Multifamily (5 or more) Residential Properties	88,763	10.8
Secured by Nonfarm Nonresidential Properties	412,990	50.0
Total Real Estate Loans	782,275	94.8
Commercial and Industrial Loans	31,597	3.7
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	2,882	0.3
Obligations of State and Political Subdivisions in the U.S.	8,834	1.2
Other Loans	0	0.0
Less: Unearned Income	0	0.0
Total Loans	825,558	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 will be evaluated. The bank designated an assessment area consisting of all of Worcester County, MA and portions of Franklin County, MA, and portions of Windham County, Connecticut. Both Worcester County, MA and Windham County, CT are located in the Worcester MSA. Franklin County is in the Springfield, MSA.

Assessment Area Towns			
Worcester County, MA			
Ashburnham	Athol	Auburn	Barre
Berlin	Blackstone	Bolton	Boylston
Brookfield	Charlton	Clinton	Douglas
Dudley	East Brookfield	Fitchburg	Gardner
Grafton	Hardwick	Harvard	Holden
Hopedale	Hubbardston	Lancaster	Leicester
Leominster	Lunenburg	Mendon	Milford
Millbury	Millville	North Brookfield	Northborough
Northbridge	Oakham	Oxford	Paxton
Petersham	Royalston	Rutland	Shrewsbury
Southborough	Southbridge	Spencer	Sterling
Sturbridge	Sutton	Templeton	Upton
Uxbridge	Warren	Webster	West Boylston
West Brookfield	Westborough	Westminster	Winchendon
Worcester			
Franklin County, MA			
Erving	Orange	Shutesbury	
Windham County, CT			
Brooklyn	Eastford	Hampton	Killingly
Pomfret	Putnam	Thompson	Woodstock

The following sections discuss demographic and economic information relevant to the assessment area.

Economic and Demographic Data

Hometown Bank’s assessment area consists of 188 census tracts and reflect the following income designations according to the 2015 ACS U.S. Census:

- 19 Low-income tracts,
- 37 Moderate-income tracts,
- 77 Middle- Income tracts,
- 52 Upper-Income tracts, and
- 3 tracts with no income designation

The assessment area’s low and moderate -income census tracts are primarily concentrated in Worcester, Ma and disbursed throughout the Massachusetts cities and towns of Athol, Dudley, Fitchburg, Clinton, Gardner, Leominster, Orange, Milford, Millbury, Southbridge, Spencer, Warren

and Webster. Extending into Connecticut, Putnam and Killingly have moderate-income tracts. There are no underserved or distressed nonmetropolitan middle-income geographies or designated disaster areas within the bank’s assessment area. However, there are several opportunity zones within portions of the Massachusetts and Connecticut assessment area. Opportunity zones are federal and state designated areas identified as areas of high economic need, with many opportunity zones having the lowest median family income. Opportunity zone locations in Massachusetts include Athol, Fitchburg Gardner, Leominster, Orange, Southbridge, Spencer, Webster and Worcester. The 3 census tracts with no income designation are in the city of Worcester. Clark University and the College of the Holy Cross comprise two of these tracts, while the third is a predominantly non-residential area that includes a hospital, pharmaceutical college and municipal offices.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	188	10.1	19.7	41.0	27.7	1.6
Population by Geography	886,931	8.2	17.7	41.6	32.0	0.5
Housing Units by Geography	362,395	8.9	19.1	42.2	29.4	0.4
Owner-Occupied Units by Geography	217,426	2.6	13.5	46.3	37.6	0.1
Occupied Rental Units by Geography	113,914	20.0	27.9	35.0	16.1	1.0
Vacant Units by Geography	31,055	12.2	26.1	39.9	21.0	0.8
Businesses by Geography	71,541	6.7	16.4	36.8	37.6	2.5
Farms by Geography	2,269	2.0	9.1	44.3	44.2	0.3
Family Distribution by Income Level	220,594	22.2	16.5	20.3	41.0	0.0
Household Distribution by Income Level	331,340	25.7	14.7	17.1	42.5	0.0
Median Family Income MSA - 14454 Boston, MA		\$90,699	Median Housing Value			\$247,056
Median Family Income MSA - 44140 Springfield, MA MSA		\$67,203	Median Gross Rent			\$938
Median Family Income MSA - 49340 Worcester, MA-CT MSA		\$81,137	Families Below Poverty Level			8.1%
Median Family Income MSA - 49340 Worcester, MA-CT MSA		\$81,137				

Source: 2015 ACS, 2021 D&B Data, and FFIEC Estimated Median Family Income
 (*) The NA category consists of geographies that have not been assigned an income classification.

According to 2010 US Census data, housing unit statistics in low and moderate-income census tracts show an owner occupancy rate of 16.1 and rental unit rate of 47.9 percent. The low owner-occupancy rates and high rental rates, indicates limited owner-occupied home mortgage lending opportunities in those census tracts. Both factors may also signal a need for affordable rental housing in these areas. The percentage of vacant properties in low and moderate-income census tracts, however, demonstrates opportunities for rehabilitating and renovating properties in the assessment area.

Examiners used the FFIEC- updated median family income level to analyze home mortgage loans under the Borrower Profile criterion. The following table presents low-, moderate-, middle-and upper-

income categories. These categories are based on the 2020 and 2021 FFIEC-updated median family income for each MD in the assessment area. According to 2010 US Census data, the percentage of families below the poverty level in the assessment area is 8.1 percent. This may limit these families from qualifying for a home mortgage loan, which limits lending opportunities.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Springfield, MA MSA Median Family Income (44140)				
2020 (\$76,900)	<\$38,450	\$38,450 to <\$61,520	\$61,520 to <\$92,280	≥\$92,280
2021 (\$81,300)	<\$40,650	\$40,650 to <\$65,040	\$65,040 to <\$97,560	≥\$97,560
Worcester, MA-CT MSA Median Family Income (49340)				
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>				

Competition

The bank operates in a highly competitive market for home mortgage loans. In 2020, 522 lenders operated in the assessment area, Hometown ranked 44th and in 2021 the ranking fell to 50th.

Community Contact

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

Examiners contacted a representative from a non-profit which serves the assessment area. The contact identified a lack of affordable housing and financial education as areas with the most concern. Increased housing prices in the community and investors scooping up properties is creating a shortage of available homes for LMI individuals. The contact indicated that there is a need for more availability of programs catered towards LMI individuals, such as those with expedited closings, were needed in the assessment area. The contact stated that local financial institutions were receptive to the lending and community development needs of the assessment area.

Credit and Community Development Needs and Opportunities

Examiners identified the primary credit needs of the assessment area based on demographic and economic information, discussions with management, and the conversations with the community cont. Examiners determined the primary credit needs of the community to be affordable housing and financial education.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated June 11, 2018, to the current evaluation dated July 18, 2022. The Massachusetts Division of Banks (Division) conducted this evaluation concurrently with the Federal Reserve Bank of Boston using the Interagency Intermediate Small Institution Examination Procedures to evaluate Hometown's CRA performance. These procedures include two tests: the Lending Test and the Community Development Test.

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

- Loan-to-deposit ratio
- Assessment area concentration
- Geographic distribution
- Borrower profile
- Response to CRA-related complaints and record related to fair lending practices

The Community Development Test considered the following factors.

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

Lending and community development performance were evaluated based primarily on activities inside the bank's assessment area. The bank's assessment area is primarily comprised of the Worcester MSA, which is a multistate MSA that includes portions of Massachusetts and Connecticut. In addition, there is a small portion of Franklin County, MA which is in the Springfield MSA portion of the state. As the bank does not maintain branches outside of the Worcester, MA-CT Metropolitan Statistical Area, (Worcester MSA), a separate analysis was not conducted and separate ratings were not assigned for each state. Instead, the bank's performance was evaluated, and a rating assigned, based on an analysis of the bank's activities compared to aggregate and demographic data inside the bank's defined assessment area.

Activities Reviewed

Examiners reviewed the lending activity and determined 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 record of originating home mortgage loans contributed more weight to the overall conclusions due to the larger loan volume when compared to small business lending during the most recent calendar year. Also, no other loan types, such as small farm loans or consumer loans, represent a major product line. Therefore, they provided no material support for conclusions or ratings and are not presented.

This evaluation considered all home mortgage loans reported on the bank's 2020 and 2021 Loan Application Registers (LARs). Aggregate data for 2020 and 2021 includes the lending activity of all institutions subject to HMDA reporting within the bank's assessment area.

Small business loans were also reviewed for the same period. As an Intermediate Small Institution, the bank has the option of collecting and reporting small business lending data. The bank opted to collect, but not report, the data for its own purposes. As the bank is not required to report small business loan data, small business aggregate data was not used for formal comparison purposes. Instead, the bank's performance was compared to applicable businesses demographic data.

For the Lending Test, examiners analyzed the number and dollar volume of loans. Although this evaluation presents 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. The bank's record of originating home mortgage loans contributed more weight to overall conclusions due to the larger loan volume when compared to small business lending during the evaluation period.

For the Community Development Test, examiners reviewed community development loans, qualified investments, and community development services since the prior CRA evaluation date of June 11, 2018.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Hometown Bank demonstrated a good performance under the Lending Test. Loan to Deposit Ratio, Assessment Area Concentration, Geographic Distribution, and Borrower Profile performance support this conclusion.

Loan-to-Deposit Ratio

The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. The bank's LTD ratio, calculated from Call Report data, averaged 73.3 percent over the past 16 calendar quarters from June 30, 2018, to March 31, 2022. The ratio ranged from a low of 61.6 percent as of September 30, 2021, to a high of 83.4 percent as of December 31, 2019. These percentages were impacted in 2020 and in 2021 as a result of the bank's strategy to sell fixed rate residential mortgage originations on the secondary market coupled with the influx of deposits due to economic stimulus payments in connection with the COVID-19 pandemic. Examiners selected comparable institutions based on their asset size, geographic location, and lending focus. The following table shows that Hometown Bank's ratio fell below those of similarly situated institutions.

Loan-to-Deposit (LTD) Ratio Comparison		
Bank	Total Assets as of 3/31/2022 (\$000s)	Average Net LTD Ratio (%)
Hometown Bank	1,373	74.2
Bluestone Bank	1,332	80.9
North Easton Savings Bank	1,410	80.5

Source: Reports of Condition and Income 06/30/2018- 03/31/2022

Assessment Area Concentration

Hometown Bank originated a substantial majority of its home mortgages and small business loans within its assessment area. During the review period, Hometown Bank originated 737 loans, or 89.6 percent, within its assessment area.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				
	Inside		Outside			Inside		Outside		Total \$(000s)
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2020	341	88.8	43	11.2	384	83,787	65.9	43,410	34.1	127,198
2021	267	89.6	31	10.4	298	76,768	69.1	34,381	30.9	111,149
Subtotal Home Mortgage	608	89.1	74	10.9	682	160,555	67.4	77,791	32.6	238,346
Small Business										
2020	55	88.7	7	11.3	62	10,491	86.4	1,647	13.6	12,138
2021	74	94.9	4	5.1	78	15,010	94.6	864	5.4	15,874
Subtotal Small Business	129	92.1	11	7.8	140	25,501	91.0	2,511	9.0	28,012
Total	737	89.6	85	10.4	822	186,056	69.9	80,302	30.1%	266,358

Source: Bank Data Due to rounding, totals may not equal 100.0

Geographic Distribution

The geographic distribution of home mortgage loans reflects reasonable dispersion amongst census tracts within its assessment area. Hometown Bank outperforms the aggregate in lending to moderate-income census tracts in 2020 and 2021. The percentage of lending in moderate-income tracts increase from 2020 to 2021. Through the merger with Millbury Savings Bank, the bank's physical presence was expanded into the Worcester market, increasing the number of moderate-income branches which allowed for increased opportunity. In 2020, Hometown Bank ranked 31st in lending to moderate income tracts, this ranking rose to 29th place in 2021.

Although the bank is performing below aggregate in low-income census tracts, home mortgage loans in these tracts increased from 0.9 percent to 3.7 percent from 2020 to 2021.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2020	2.6	3.1	3	0.9	766	0.9
2021	2.6	3.8	10	3.7	2,970	3.9
Moderate						
2020	13.5	11.8	55	16.1	11,409	13.6
2021	13.5	13.3	56	21.0	24,042	31.3
Middle						
2020	46.3	41.9	192	56.3	47,342	56.5
2021	46.3	42.9	141	52.8	27,612	36.0
Upper						
2020	37.6	43.1	91	26.7	24,271	29.0
2021	37.6	40.0	60	22.5	22,143	28.8
Not Available						
2020	0.1	0.1	0	0.0	0	0.0
2021	0.1	0.1	0	0.0	0	0.0
Totals						
2020	100.0	100.0	341	100.0	83,787	100.0
2021	100.0	100.0	267	100.0	76,768	100.0
<i>Source: 2015 ACS; Bank Data, 2020 & 2021 HMDA Aggregate Data, Due to rounding, totals may not equal 100.0%</i>						

The geographic distribution of small business loans reflects a reasonable dispersion within its assessment area. The bank's performance in low-income census tracts is in line with the percentage of businesses. In moderate-income census tracts, the bank's percentage of lending was above the percentage of businesses.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	2020		2021	
		#	%	#	%
Low	6.6	3	5.5	0	0.0
Moderate	16.1	13	23.6	20	27.0
Middle	37.6	26	47.3	40	54.1
Upper	37.3	13	23.6	14	18.9
Unknown	2.4	0	0.0	0	0.0
Total	100.0	55	100.0	74	100.0
<i>Source: D&B Data; Bank Data</i>					

Borrower Profile

The distribution of home mortgage loans shows a good distribution across income levels, including low-to-moderate income borrowers. Examiners focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers. The following table shows that Hometown Bank performs above aggregate in lending to low-income and moderate-income borrowers

Market share data further supports this conclusion. In 2020, Hometown ranked 17th in lending to low-income borrowers. In 2021, this ranking fell to 31st, however the bank still performed above peers. In 2020, Hometown ranked 36th in lending to moderate income borrowers. In 2021, this ranking fell to 48th.

The bank offers several programs that benefit low- and moderate-income borrowers, including the bank's own Affordable Housing Loan Program, Mass Housing, a First-Time Homebuyer (FTHB) Program and the bank's new Double Down Program. Introduced in 2021, the Double Down Program is a Certificate of Deposit-secured loan typically in the amount of \$950. With lump-sum funding of the CD, this zero-interest rate loan is designed to help borrowers establish or rebuild credit.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2020	22.2	5.3	40	11.7	3,624	4.3
2021	22.2	6.1	29	10.9	3,461	4.5
Moderate						
2020	16.5	19.5	72	21.1	12,267	14.6
2021	16.5	20.2	57	21.3	8,845	11.5
Middle						
2020	20.3	23.4	88	25.8	16,090	19.2
2021	20.3	23.9	68	25.5	10,353	13.5
Upper						
2020	41.0	37.3	123	36.1	31,414	37.5
2021	41.0	34.2	74	27.7	20,400	26.6
Not Available						
2020	0.0	14.5	18	5.3	20,393	24.3
2021	0.0	15.6	39	14.6	33,709	43.9
Totals						
2020	100.0	100.0	341	100.0	83,787	100.0
2021	100.0	100.0	267	100.0	76,768	100.0
<i>Source: 2015 ACS; Bank Data, 2020 & 2021 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

The bank’s percentage of business loans to businesses with a GARs of 1 million or less was below the demographics in 2020 with 38.2 percent, compared to the 91.3 percent of the assessment area’s demographic. This percentage increased in 2021, climbing to 60.8 percent.

This performance mainly impacts lending opportunities with the Paycheck Protection Program, which received notable consideration under the Community Development Test.

The bank is an SBA preferred lender and the FHLB Housing our Workforce loan program, both designed to assist small businesses.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	2020		2021	
		#	%	#	%
≤ \$1,000,000	91.3	21	38.2	45	60.8
> \$1,000,000	7.9	34	61.8	29	39.2
Revenue Not Available	0.8	0	0.0	0	0.0
Total	100.0	55	100.0	74	100.0
<i>Source: D&B Data; Bank Data</i>					

Response to Complaints and Fair Lending Policies and Practices

Hometown Bank did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test rating.

The Division of Banks provides comments regarding the institution’s fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106. The fair lending review was conducted in accordance with the Federal Financial Institutions Examination Council (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 2020 and 2021 were reviewed to determine if the bank’s application flow from different racial and ethnic groups reflected the assessment area’s demographics.

According to 2015 ACS U.S Census data, the bank’s assessment area contained a total population of 886,931 individuals of which 19.8 percent are minorities. The assessment area’s minority and ethnic population is 9.6 percent Hispanic or Latino, 3.9 percent Black/African American, 4.2 percent Asian, 0.1 percent American Indian, and 2.0 percent other.

The bank’s level of applications was compared with that of the 2020 and 2021 aggregate 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	2020		2020 Aggregate Data	2021		2021 Aggregate Data
	#	%	%	#	%	%
American Indian/ Alaska Native	0	0.0	0.2	2	0.5	0.3
Asian	11	2.1	5.6	7	1.7	5.3
Black/ African American	1	0.1	2.9	3	0.7	3.9
Hawaiian/Pacific Islander	1	0.1	0.1	0	0.0	0.1
2 or more Minority	0	0.0	0.1	0	0.0	0.1
Joint Race (White/Minority)	4	0.7	1.2	5	1.2	1.2
Total Racial Minority	17	3.2	10.1	17	4.1	10.9
White	439	82.1	67.7	297	72.4	64.4
Race Not Available	79	14.7	22.2	96	23.5	24.7
Total	535	100.0	100.0	410	100.0	100.0
ETHNICITY						
Hispanic or Latino	13	2.4	6.3	7	1.7	7.3
Joint (Hisp/Lat /Not Hisp/Lat)	14	2.6	1.3	5	1.2	1.3
Total Ethnic Minority	27	5.0	7.6	12	2.9	8.6
Not Hispanic or Latino	369	69.0	69.9	273	66.6	67.5
Ethnicity Not Available	139	26.0	22.5	125	30.5	23.9
Total	535	100.0	100.0	410	100.0	100.0

Source: ACS Census 2015, HMDA Aggregate Data 2020 and 2021, HMDA LAR Data 2020 and 2021

In 2020, the bank received 535 home mortgage loan applications from within its assessment area. Of these applications 17, or 3.2 percent, were received from racial minority applicants, of which eight, or 47.0 percent, resulted in originations. The aggregate received 10.1 percent of its applications from minority consumers, of which 61.0 percent were originated. For the same period, the bank also received 27 applications, or 5.0 percent, from ethnic groups of Hispanic origin within its assessment area. Of these applications, 18 or 66.6 percent were originated, compared with an aggregate application rate of 7.6 percent with a 59.5 percent origination rate.

In 2021, the bank received 410 home mortgage loan applications from within its assessment area. Of these applications, 17 or 4.1 percent were received from racial minority applicants, of which 9 or 52.0 percent, resulted in originations. The aggregate received 10.9 percent of its applications from minority consumers, of which 60.9 percent were originated. For the same period, the bank also received 12 applications, or 2.9 percent, from ethnic groups of Hispanic origin within its assessment area. Of these applications, seven or 58.3 percent, was originated, compared with an aggregate application rate of 8.6 percent with a 60.9 percent origination rate.

Hometown Bank's application flow to applicants of Racial Minority and Hispanic Ethnicity is below aggregate performance. Considering the demographic composition of the assessment area, market competition, and comparisons to aggregate data in 2020 and 2021, the bank's minority application flow is adequate. The bank should remain cognizant of its community outreach and marketing strategies to reach all groups within the assessment area.

COMMUNITY DEVELOPMENT TEST

Hometown Bank demonstrated excellent responsiveness to the assessment area’s community development needs through qualified community development loans, qualified investments, and community development services. Examiners considered the institution’s capacity and the need and availability of such opportunities for community development in the assessment area. Hometown’s leadership level and involvement in community development lending when compared to similarly situated banks supports this rating. As the bank was responsive to the community development needs and opportunities within its assessment area, examiners also considered community development activities outside the assessment area. Community Development activities were considered during the period of June 11, 2018, through July 18, 2022.

Community Development Loans

The bank originated 22 community development loans totaling approximately \$61 million during the evaluation period. An additional, 1,257 totaling \$92.8 million were originated in 2020 and 2021 as part of the SBA Paycheck Protection Program (PPP) in response to the COVID-19 pandemic. In addition, since the bank was responsive to assessment area needs, examiners considered CD loans outside of the assessment area.

The bank’s CD lending activity by dollar amount exceeded those of comparable institutions, even when excluding Hometown’s PPP loans. Additionally, the bank’s CD loan activity by dollar amount increased from the previous evaluation period, during which the bank made 27 CD loans totaling \$11.1 million.

The following table illustrates the bank’s community development lending activity by year and purpose.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2019	0	0	0	0	0	0	0	0	0	0
2020	5	1,751	1	2,207	496	41,900	221	18,383	723	64,241
2021	2	4,020	2	1,720	395	41,704	151	28,790	550	76,234
YTD 2022	4	4,420	0	0	1	5,400	1	4320	6	14,140
Total	11	10191	3	3,927	892	89,004	373	51,493	1279	154,615

Source: Bank Data

The following are examples of the bank’s qualified community development loans.

- In 2020, Hometown participated with another financial institution in a renovation of an affordable housing complex in Worcester. The renovations will provide updates to 45 units of affordable housing. The bank’s participation involved five loans totaling \$1.7 million. All 45 units will be reserved for low-to-moderate income households, or those below the poverty level.

- In 2020, the bank originated a \$2.2 million loan to a behavioral health facility and addiction treatment center located in Worcester, Massachusetts. The facility is rented out at below market value and serves surrounding low-to-moderate income communities.
- In 2021, the bank originated a \$3.3 million loan for the purchase of 16 properties located in low and moderate-income census tract. These properties will be occupied by low-income tenants.
- In response to the COVID-19 pandemic in 2020 and 2021, the bank originated 1,257 PPP loans totaling approximately \$92.8 million within its assessment area. These loans were administered by the SBA as part of the Coronavirus Aid, Relief, and Economic Security Act. The PPP loans help businesses retain staff during the economic crisis due to the Covid-19 pandemic. These loans are particularly responsive as they provide funding to businesses in order to retain jobs during the pandemic.

Qualified Investments

Hometown made 384 qualified investments totaling approximately \$ 7.8 million, which includes 8 qualified equity investments of \$ 7.1 million and 376 donations totaling \$ 658,202. Investment activity increased since the previous evaluation where the bank made 180 investments totaling approximately \$3 million.

The dollar amount of qualified investments equates to 0.6 percent of average total assets and 2.2 percent of average total securities. The bank’s investment activity supported economic development and affordable housing initiatives. The bank’s donations assisted some of the lowest income individuals and areas of its assessment area. Hometown Bank’s investment activity, by number and dollar is comparable to that of similarly situated institutions who received an Outstanding on the Community Development Test.

The following table illustrates the bank’s community development investments by year and purpose.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	1	962,314	0	0	0	0	0	0	1	962,314
2019	0	0	0	0	0	0	0	0	0	0
2020	0	0	0	0	1	5,000	0	0	1	5,000
2021	4	4,957,690	0	0	1	5,000	0	0	5	4,962,690
YTD 2022	1	1,214,812	0	0	0	0	0	0	1	1,214,812
Subtotal	6	7,134,816	0	0	2	10,000	0	0	8	7,144,816
Qualified Grants & Donations	8	10,000	330	520,572	29	88,405	9	39,225	376	658,202
Total	14	7,144,816	330	520,572	31	98,405	9	32,225	384	7,803,018

Source: Bank Data

Equity Investments

Below are the bank's qualified equity investments.

- **Worcester Community Housing Resources, Inc.** – Worcester Community Housing Resources, Inc. is a not-for-profit organization intended to create and preserve affordable housing opportunities for low to moderate income households and both initiates and supports neighborhood revitalization throughout Worcester County. The bank purchased a \$100,000 note with WCHR.
- **Freddie Mac** – The bank purchased approximately \$1.1 million in mortgage-backed securities that include mortgages in low-to-moderate income areas of the Worcester MSA.
- **NewVue Communities** – NewVue Communities is a nonprofit organization dedicated to developing quality housing, creating economic opportunities, and fostering civic engagement in North Central Massachusetts. NewVue provides programs and services to 22 communities from Athol to Harvard. These programs focus on small business assistance, homeownership education, financial literacy, foreclosure prevention, and more. The bank's investment contribution totaled \$10,000 to NewVue Communities.

Donations

Below are notable examples of the bank's qualified donations.

- **YMCA of Putnam County** –The YMCA serves surrounding low-to-moderate income tracts, offering services and programs that focus on healthy living, educational achievement, and strengthening surrounding communities regardless of age, income, or background. The bank's contribution was responsive to community service needs of the assessment area.
- **Worcester Community Action Council** – Founded in 1965, the Worcester Community Action Council (WCAC) is one of 23 community action agencies in Massachusetts created to address poverty and equitable access. Hometown's contribution assisted WCAC in helping low-to-moderate income families access community services and assisting individuals and families with fuel assistance, education, childcare, youth programs, and financial literacy programs.
- **Quinebaug Valley Community College Foundation, Inc.** –The QVCC Foundation works to raise funds, so low-to-moderate income residents of northeastern Connecticut are able to attend Quinebaug Valley Community College regardless of income, and achieve technological advancement, professional development, and educational excellence. The bank's contribution was responsive to community service needs of the assessment area.

Community Development Services

During the evaluation period, Hometown employees, officers and directors provided 123 instance of community services to community development organizations in the form of employee involvement, educational seminars, and other services. This represents an increase in activity from the previous examination of a total of 90 instances to 40 different organizations. Hometown Bank ranked below its peers who received an Outstanding under the Community Development Test. The following table illustrates community development services by year and purpose.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2018	0	31	3	0	34
2019	1	20	3	0	24
2020	1	12	1	0	14
2021	3	31	2	0	36
2022	1	14	0	0	15
Total	6	108	9	0	123

Source: Bank Data

The following are notable examples of the bank’s community development services.

Employee Involvement

- **The North Central Massachusetts Development Corporation (NCMDC)-** NCMDC is the principal resource for the region in terms of economic development; lending and financing; and implementing a multi-faceted regional economic development strategy to enhance economic development services while expanding lending capacity to accommodate the region’s unique industry mix. The NCMDC is governed by the North Central Massachusetts Economic Development Council which is composed of representatives from the entire 26- community region. These representatives involve business and community leaders, the regions’ five Chambers of Commerce, regional planning and development organizations, and elected officials on the state and local level. During the exam period, a Vice President of Commercial Lending participated as a Loan Committee Review Member, reviewing new micro loan applications, and offering assistance to small business.
- **United Way of Central Massachusetts** – United Way is focused on creating community-based and community-led solutions to strengthen education, financial stability, and health. United Way of Central Massachusetts helps families from 30 area towns. Several Hometown Bank employees donated their time and expertise, teaching financial literacy classes to low-to-moderate income families within the bank’s assessment area.
- **Entrepreneurship For All** – EforAll is a nonprofit seeking to create an economic and social impact by assisting and promoting minority-owned businesses and businesses

located in low-to-moderate income areas. Bank employees utilized their financial expertise to mentor and assist new business endeavors within the assessment area.

Other Services

- Interest on Lawyers Trust Accounts (IOLTA) - The bank maintains Interest on Lawyers Trust Accounts (IOLTA), a funded program of Massachusetts, which provides legal assistance to over 100,000 individuals across the state. IOLTA continues to be the primary source for consumer, family, education, disability, and elder law services for low-income clients. The goal of the program is to use the interest received for the improvement of the administration of justice and for civil and legal services for low-income clients.
- The bank's deposit products meet the Basic Banking in Massachusetts guidelines set forth by the Massachusetts Community and Banking Council's (MCBC). This statewide program is designed to offer low-cost checking and savings accounts to low- and moderate-income individuals.

INTERMEDIATE SMALL 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) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

Community Development Test

The Community Development Test considers the following criteria:

- 1) The number and amount of community development loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the bank provides community development services; and
- 4) The bank's responsiveness through such activities to the area's community development needs considering the amount and combination of these activities, along with their qualitative aspects.

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. Institution CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Institution 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 institution:
 - (i) Has not been reported or collected by the institution or an affiliate for consideration in the institution'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 institution's assessment area(s) or a broader statewide or regional area including the institution'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 institution'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.

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.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, require all financial institution 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 (31 Sutton Avenue, Oxford, Massachusetts 01540)."

[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.