

PUBLIC DISCLOSURE

March 20, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bay State Savings Bank
Certificate Number: 90311

28 Franklin Street
Worcester, MA 01608

Division of Banks
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Boston, Massachusetts 02118

Federal Deposit Insurance Corporation
350 Fifth Avenue, Suite 1200
New York, New York 10118

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

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INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory** by the FDIC and **High Satisfactory** by the Massachusetts Division of Banks.

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. Although the FDIC and Massachusetts Division of Banks (Division) agree on the bank's overall performance, FDIC regulations do not include a High Satisfactory designation for the overall or individual test ratings.

The Lending Test is rated Satisfactory by the FDIC and High Satisfactory by the Division.

- The loan-to-deposit (LTD) ratio is more than reasonable (considering seasonal variations and taking into account lending related activities) given the institution's size, financial condition, and assessment area credit needs.
- The bank made a majority of its home mortgage and small business loans in 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, reasonable penetration among individuals of different income levels (including low- and moderate-income) 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.

The Community Development Test is rated Outstanding.

- The institution's community development performance demonstrates excellent responsiveness to community development needs in 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

Bay State Savings Bank (BSSB), established in 1895, is a full-service, stock-owned savings bank that is headquartered in Worcester, Massachusetts. The bank is a wholly owned subsidiary of 1895 Corp, which is wholly owned by 1895 MHC, a mutual holding company. The bank does not have any subsidiaries that offer credit-related products or services. BSSB controls a charitable trust that supports local community initiatives. The Division rated BSSB “High Satisfactory” at its previous evaluation dated April 24, 2017. The FDIC rated BSSB “Satisfactory” at its previous evaluation dated November 12, 2019. Both agencies used Interagency Intermediate Small Institution Examination Procedures.

Operations

BSSB’s main office is located at 28 Franklin Street in Worcester, Massachusetts. In addition to the main office, the bank operates five other full-service branches in the following municipalities: Worcester (3), Auburn (1), and Holden (1). BSSB also operates a limited-service branch located at Auburn High School that is not available to the public. The bank has not closed or opened any branches since its previous evaluation.

The bank offers a variety of banking products and services. Deposit products include personal and business checking, savings, money market, individual retirement accounts (IRAs), and certificate of deposit accounts. Retail loan products include residential mortgage loans, home equity lines and loans, construction loans, vehicle loans, and other personal loans. BSSB also participates in the Mass Save HEAT Loan program, offering qualified applicants a loan, with zero percent interest, to finance certain energy-efficient improvements to their residences. Commercial loan products include commercial mortgages, construction loans, equipment loans, lines of credit, letters of credit, small business loans, and Small Business Administration (SBA) guaranteed loans. Alternative delivery systems include online and mobile banking services such as mobile check deposit, card management, and bill pay capabilities. Additionally, BSSB is a part of the SUM® Network, allowing customers access to their accounts, free of surcharges, from any ATM within the network.

Ability and Capacity

As of December 31, 2022, BSSB reported total assets of \$500.6 million and total deposits of \$441.0 million. Loans totaled \$427.3 million, representing 85.4 percent of total assets. Securities totaled \$48.0 million, representing 9.6 percent of total assets. Consistent with the loan portfolio distribution at the prior evaluations, loans secured by one-to-four family residential properties represent the largest portion of the portfolio, followed by loans secured by nonfarm nonresidential properties. Loan composition has not changed significantly since the prior evaluation period. The following table illustrates the loan portfolio.

Loan Portfolio Distribution as of 12/31/22		
Loan Category	\$(000s)	%
Construction and Land Development	14,193	3.3
Secured by Farmland	1,634	0.4
Secured by 1-4 Family Residential Properties	263,784	61.7
Secured by Multifamily (5 or more) Residential Properties	24,556	5.7
Secured by Nonfarm Nonresidential Properties	107,452	25.1
Total Real Estate Loans	411,619	96.3
Commercial and Industrial Loans	10,248	2.4
Agricultural Loans and Other Loans to Farmers	0	0.0
Consumer Loans	5,478	1.3
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	16	0.0
Less: Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	427,361	100.0
<i>Source: Reports of Condition and Income; due to rounding, totals may not equal</i>		

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

DESCRIPTION OF ASSESSMENT AREA

BSSB designated a single assessment area that consists of the entirety of Worcester County, which is located within the Worcester, MA-CT Metropolitan Statistical Area (MSA). The bank has not changed the assessment area since the previous evaluations. The following section describes economic and demographic information for the assessment area.

Economic and Demographic Data

The assessment area comprises 191 census tracts with the following income designations according to the 2020 U.S. Census:

- 22 low-income census tracts,
- 32 moderate-income census tracts,
- 84 middle-income census tracts,
- 50 upper-income census tracts, and
- 3 census tracts with no income designation.

More than half of the low- and moderate-income geographies in the assessment area are located in the City of Worcester, where there are 14 low-income and 14 moderate-income census tracts.

With the release of 2020 U.S. Census data, census tract income designations and demographic data within the assessment area changed. For this evaluation, examiners used data from the 2020 U.S. Census to determine census tract income designations for 2022 and 2023, while the 2015 American Community Survey (ACS) determined census tract income designations for 2019, 2020, and 2021. According to the 2015 ACS, the assessment area consisted of 172 census tracts, of which 19 were low-income census tracts, and 34 were moderate-income census tracts. Worcester also had a high concentration of low- and moderate-income geographies based on the 2015 ACS.

The following table illustrates select demographic characteristics of the assessment area based on 2020 U.S. Census Data.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	191	11.5	16.8	44.0	26.2	1.6
Population by Geography	862,111	10.5	15.3	41.8	31.5	0.9
Housing Units by Geography	336,533	10.5	16.1	43.3	29.6	0.5
Owner-Occupied Units by Geography	206,343	2.8	11.3	47.7	38.1	0.1
Occupied Rental Units by Geography	107,738	24.0	24.3	35.6	14.9	1.2
Vacant Units by Geography	22,452	15.9	21.2	39.8	22.5	0.6
Businesses by Geography	71,144	10.0	14.2	41.0	34.1	0.8
Farms by Geography	2,059	2.6	7.0	47.2	43.0	0.2
Family Distribution by Income Level	205,474	22.0	16.5	19.9	41.6	0.0
Household Distribution by Income Level	314,081	25.4	15.2	16.1	43.4	0.0
Median Family Income MSA - 49340 Worcester, MA-CT MSA		\$96,860	Median Housing Value			\$292,771
			Median Gross Rent			\$1,095
			Families Below Poverty Level			6.4%

Source: 2020 U.S. Census and 2022 D&B Data; due to rounding, totals may not equal 100.0%
() The NA category consists of geographies that have not been assigned an income classification.*

As shown in the previous table, there is an owner-occupancy rate of 14.1 percent and an occupied rental unit rate of 48.3 percent in low- and moderate-income census tracts. The low percentage of owner-occupied units in low- and moderate-income census tracts indicate limited home mortgage lending opportunities in those geographies, particularly in low-income census tracts where only 2.8 percent of all owner-occupied units in the assessment area located.

Demographic data for the low- and moderate-income census tracts in the assessment area also indicates limited opportunities for home mortgage lending. Specifically, median housing values are as high as \$418,300, and median family incomes are as low as \$12,386 in low- and moderate-income census tracts in the assessment area. In addition, the percentage of families with incomes below the poverty level is as high as 72.9 percent within the low-income tracts, which further indicates limited opportunities for home mortgage lending in these areas, as families with income below the poverty level may face challenges qualifying for a traditional home mortgage.

Examiners use median family income levels from the Federal Financial Institutions Examination Council (FFIEC) to analyze home mortgage loans under the Borrower Profile criterion. The following table presents the median family income ranges in the Worcester, MA-CT MSA.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Worcester, MA-CT MSA Median Family Income (49340)				
2021 (\$96,700)	<\$48,350	\$48,350 to <\$77,360	\$77,360 to <\$116,040	≥\$116,040
2022 (\$107,900)	<\$53,950	\$53,950 to <\$86,320	\$86,320 to <\$129,480	≥\$129,480

Source: FFIEC

According to 2022 D&B data, 71,144 non-farm businesses are located in the assessment area. The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by gross annual revenue (GAR). GARs for these businesses are below:

- 87.3 percent have GARs of \$1.0 million or less.
- 4.1 percent have GARs of more than \$1.0 million.
- 8.6 percent have unknown revenues.

Service industries represent the largest portion of businesses at 36.2 percent, followed by non-classifiable establishments (18.8 percent); retail trade (11.0 percent); finance, insurance, and real estate (10.1 percent); and construction (9.6 percent). Top employers in the area include hospitals, universities, and retail stores.

As shown in the following table, unemployment rates in the assessment area have decreased from the high unemployment rates in 2020 caused by the COVID-19 pandemic similar to statewide and national levels. The Bureau of Labor Statistics has not yet released the 2022 annual unemployment rates at the county level.

Unemployment Rates			
Area	2020	2021	2022
	%	%	%
Worcester County	9.3	5.9	--
Massachusetts	9.4	5.5	3.8
National Average	8.1	5.3	3.6

Source: Bureau of Labor Statistics; "--" data not available

Competition

Bay State Savings Bank operates in a highly competitive market for financial services. The presence of national, regional, and community banks and credit unions create significant competition in the area. According to the June 30, 2022, FDIC deposit market share data, 27 institutions operated 192 offices in the assessment area. BSSB ranked 18th with a market share of

1.9 percent. The top two institutions, Bank of America, N.A. and Berkshire Bank, have a combined deposit market share of 25.7 percent.

According to Home Mortgage Disclosure Act (HMDA) aggregate data, a high level of competition for home mortgage loans exists among banks, non-depository mortgage lenders, and credit unions in the assessment area. According to 2021 aggregate data, 499 lenders reported originating or purchasing 47,984 home mortgage loans in the assessment area. BSSB originated 155 loans and ranked 75th with a 0.3 percent market share. The top 10 institutions are large national and regional lenders with a combined market share of 31.5 percent.

The bank also faces a high level of competition for small business loans among banks and non-depository lenders in the assessment area. BSSB is not required to collect or report its small business loan data, so the analysis of small business loans under the Lending Test does not include comparisons against aggregate data. Aggregate data, however, provides context about the demand for small business loans. According to 2021 CRA aggregate data, 145 institutions reported originating or purchasing 19,689 small business loans in the assessment area. The top three institutions, American Express National Bank; Bank of America, N.A.; and Citibank, N.A. are large national lenders with a combined market share of 37.0 percent by number of loans.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to understand the area's credit and community development needs. The information obtained also helps determine what credit and community development opportunities are available whether local financial institutions are responsive to assessment area needs.

Examiners contacted a representative of a local organization that promotes and develops permanent and sustainable improvement in low-income neighborhoods through affordable housing, community activism, and economic development. The contact noted that more outreach from local financial institutions in different languages would be helpful to combat language barriers. The contact also noted that there is a need for down payment assistance and that education on budgeting and credit score management would assist individuals in the assessment area. The contact also stated that additional ATMs and physical branches would be helpful, as the contact has seen several move out. Regarding housing, the contact noted that affordable housing is a constant concern in the area, especially given increasing market prices.

Credit and Community Development Needs and Opportunities

Examiners considered information gathered from the community contact, the bank, and available economic and demographic data to determine the assessment area's primary credit and community development needs. Examiners determined that affordable housing is a primary community development need, particularly to address homelessness and to provide down payment assistance to borrowers. Finally, there are opportunities to provide accessible banking services through physical branches and ATMs in the low- and moderate-income census tracts. Credit needs include both home mortgage and small business loans. Due to the COVID-19 pandemic, businesses had unique credit needs for funding to retain staff and meet payroll demands despite significant work

disruptions and slowdowns. Additionally, low interest rates increased opportunities to refinance home mortgage loans due to historically low interest rates during 2020 and 2021 in particular.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated November 12, 2019 to the current evaluation dated March 20, 2023. Examiners used the Interagency Intermediate Small Institution Examination Procedures to evaluate BSSB's CRA performance. These procedures include the CRA Small Bank Lending Test and the Community Development Test. Banks must achieve at least a Satisfactory rating under each test to obtain an overall Satisfactory rating. This evaluation does not include any lending activity performed by affiliates.

Activities 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 originations made during the evaluation period. The bank did not originate any small farm loans during the review period, and consumer loans represent a very small portion of the loan portfolio; therefore, examiners did not analyze these product types.

The evaluation considered all originated and purchased home mortgage loans reported on the bank's 2019, 2020, 2021, and 2022 HMDA Loan Application Registers. The bank reported 191 home mortgage loans totaling \$69.5 million in 2019, 222 home mortgage loans totaling \$73.7 million in 2020, 241 home mortgage loans totaling \$82.3 million in 2021, and 164 home mortgage loans totaling \$69.7 million in 2022. In the Geographic Distribution and Borrower Profile sections, examiners only presented 2021 and 2022 HMDA data; these years are representative of bank performance for the full evaluation period. Examiners compared BSSB's home mortgage lending performance to 2021 HMDA aggregate lending data. Aggregate data for 2022 was not yet available as of the evaluation date. Examiners used 2015 ACS demographic data as a source of comparison for 2019 through 2021, and 2020 U.S. Census data as a source of comparison for 2022 bank lending.

Although BSSB is not required to report small business loan data, it collected small business loan data relevant for CRA performance for 2020, 2021, and 2022. Examiners evaluated the full universe of bank small business loans originated in 2020, 2021, and 2022. The bank originated 381 small business loans totaling \$38.7 million in 2020, 250 loans totaling \$20.9 million in 2021, and 35 loans totaling \$13.8 million in 2022. The bank originated SBA Paycheck Protection Program (PPP) loans in 2020 and 2021 to meet credit needs during the COVID-19 pandemic, which explains the higher number of small business loan originations during these years compared to 2022. The volume of small business loans originated in 2022 is more in line with the bank's historical lending patterns.

Examiners assessed BSSB's small business lending performance by comparing it to D&B business

demographic data for the applicable year. Although examiners referenced CRA aggregate data to recognize small business lending demand in the assessment area, examiners did not compare bank lending to aggregate data due to the bank not reporting small business loan data.

Due to the bank's loan portfolio composition and lending focus, examiners placed more weight on home mortgage loans than on small business loans. Although the total number of small business loans is greater than that of home mortgage loans, this is primarily driven by PPP loans, which accounted for 92.0 percent of small business loans originated in the assessment area during this time period. Home mortgage loans account for a greater portion of the loan portfolio and total originations in 2022.

For the Lending Test, examiners reviewed the number and dollar volume of home mortgage and small business loans. Although the evaluation presents both the number and dollar volume of loans, examiners emphasized performance by number of loans, which better represents the extent of individuals and businesses served.

For the Community Development Test, examiners reviewed community development loans, investments, and services performed since the prior CRA examination. Examiners obtained demographic and economic information referenced in the evaluation from the 2020 U.S. Census, 2015 ACS, D&B, Moody's Analytics, the U.S. Bureau of Labor Statistics, and FDIC data. Examiners also obtained information from the December 31, 2022 Report of Income and Condition (Call Report).

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

BSSB received a Satisfactory rating from the FDIC and High Satisfactory rating from the Division under the Lending Test. Reasonable or better performances under each factor supports the rating. The following sections summarize the bank's Lending Test performance.

Loan-to-Deposit Ratio

The LTD ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs. As shown in the following table, the bank's LTD ratio averaged 95.8 percent over the last 13 calendar quarters. The ratio ranged from a high of 107.3 percent as of December 31, 2019 to a low of 85.8 percent as of June 30, 2022. The 21.5 percent decrease was primarily due to the substantial increase in deposits brought on by the COVID-19 pandemic, which outpaced loan growth. Similarly situated institutions, which examiners selected based on their geographic location, asset size, and loan portfolio composition, experienced comparable decreases during this period. Since June 30, 2022, BSSB's LTD ratio increased to 95.9 percent as of December 31, 2022. As shown by the table below, BSSB's average LTD ratio substantially exceeds that of each similarly situated institution.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 12/31/2022 (\$000s)	Average Net LTD Ratio (%)
Bay State Savings Bank	500,594	95.8
Athol Savings Bank	582,843	70.8
Clinton Savings Bank	693,626	82.7
North Brookfield Savings Bank	383,177	79.5
<i>Source: Reports of Condition and Income 12/31/19 through 12/31/22</i>		

Assessment Area Concentration

The bank made a majority of its home mortgage and small business loans inside the assessment area. The percentage of lending inside the assessment area was consistent throughout the evaluation period for both products. The following table depicts bank lending inside and outside the 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
	#	%	#	%	#	\$	%	\$	%	
Home Mortgage										
2019	127	66.5	64	33.5	191	30,578	44.0	38,970	56.0	69,548
2020	152	68.5	70	31.5	222	43,891	59.6	29,813	40.5	73,703
2021	155	64.3	86	35.7	241	41,157	50.0	41,178	50.0	82,335
2022	107	65.2	57	34.8	164	34,272	49.2	35,431	50.8	69,702
Subtotal	541	66.1	277	33.9	818	149,898	50.8	145,392	49.2	295,290
Small Business										
2020	334	87.7	47	12.3	381	34,031	88.0	4,656	12.0	38,687
2021	216	86.4	34	13.6	250	17,870	85.6	3,015	14.4	20,885
2022	31	88.6	4	11.4	35	12,133	87.8	1,686	12.2	13,819
Subtotal	581	87.2	85	12.8	666	64,034	87.3	9,357	12.7	73,391
<i>Source: 2019-2022 HMDA Reported Data; 1/1/2019 - 12/31/2022 Bank Data Due to rounding, totals may not equal 100.0</i>										

Geographic Distribution

The geographic distribution of home mortgage and small business loans reflects excellent dispersion throughout the assessment area. Excellent performance in the heavier-weighted home mortgage lending, and reasonable performance in small business lending, supports this conclusion.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects excellent dispersion throughout the assessment area. As shown in the following table, the bank's lending percentage in low-income

census tracts exceeded aggregate performance and more than doubled the percentage of owner-occupied housing units in those tracts in 2021. The bank’s performance more than tripled the demographic comparator in 2022.

For moderate-income tracts, BSSB’s lending percentage exceeded both the percentage of owner-occupied housing and aggregate performance in 2021. The bank’s performance continued to exceed the percentage of owner-occupied housing units in 2022.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$ (000s)	%
Low						
2021	2.9	4.1	10	6.5	3,060	7.4
2022	2.8	-	9	8.4	7,356	21.5
Moderate						
2021	13.0	12.7	22	14.2	7,304	17.7
2022	11.3	-	14	13.1	4,167	12.2
Middle						
2021	43.6	40.5	59	38.1	12,159	29.5
2022	47.7	-	46	43.0	12,556	36.6
Upper						
2021	40.4	42.6	63	40.6	18,504	45.0
2022	38.1	-	38	35.5	10,193	29.7
Not Available						
2021	0.1	0.1	1	0.6	130	0.3
2022	0.1	-	0	0.0	0	0.0
Totals						
2021	100.0	100.0	155	100.0	41,157	100.0
2022	100.0	100.0	113	100.0	34,272	100.0
<i>Source: 2015 ACS Census; 2020 U.S. Census; 2021 and 2022 HMDA Reported Data; 2021 HMDA Aggregate Data; “-” data not available Due to rounding, totals may not equal 100.0</i>						

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. In 2021, the percentage of loans in low-income census tracts substantially exceeded the percentage of businesses in these tracts, while the percentage of loans in moderate-income tracts fell slightly below the percentage of businesses. In 2022, the percentage of loans in low-income tracts was comparable to the percentage of businesses, while the percentage of loans in moderate-income tracts exceeded the demographic.

Geographic Distribution of Small Business Loans						
Tract Income Level		% of Businesses	#	%	\$(000s)	%
Low						
	2021	7.3	34	15.7	3,292	18.4
	2022	10.1	3	9.7	342	2.8
Moderate						
	2021	15.8	32	14.8	4,080	22.8
	2022	14.2	6	19.4	4,512	37.2
Middle						
	2021	34.0	63	29.2	4,371	24.5
	2022	41.0	13	41.9	4,794	39.5
Upper						
	2021	40.1	73	33.8	4,875	27.3
	2022	34.1	9	29.0	2,485	20.5
Not Available						
	2021	2.7	14	6.5	1,252	7.0
	2022	0.8	0	0.0	0	0.0
Totals						
	2021	100.0	216	100.0	17,870	100.0
	2022	100.0	31	100.0	12,133	100.0
<i>Source: 2021 & 2022 D&B Data; 1/1/2021 - 12/31/2022 Bank Data</i>						
<i>Due to rounding, totals may not equal 100.0</i>						

Borrower Profile

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels and businesses of different sizes. The bank's reasonable home mortgage and small business lending performances support this conclusion.

Home Mortgage Loans

The distribution of home mortgage loans to individuals of different income levels is reasonable. In 2021, BSSB's percentage of loans to low-income borrowers exceeded the aggregate performance. Although the bank's performance to such borrowers trailed the percentage of low-income families, the aggregate performance better indicates demand and opportunity for lending to low-income families. With a maximum income of \$48,350 in 2021, low-income families, especially the 6.4 percent of the population below the poverty level, would have faced difficulty qualifying for a home mortgage loan under conventional underwriting standards.

BSSB's lending percentage to moderate-income borrowers exceeded both aggregate performance and demographics in 2021, but slightly trailed demographics in 2022.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	22.1	5.7	10	6.5	1,178	2.9
2022	22.0	-	8	7.5	1,104	3.2
Moderate						
2021	16.3	19.7	34	21.9	6,390	15.5
2022	16.5	-	17	15.9	3,705	10.8
Middle						
2021	20.0	23.9	40	25.8	8,671	21.1
2022	19.9	-	28	26.2	6,897	20.1
Upper						
2021	41.6	35.1	56	36.1	16,747	40.7
2022	41.6	-	41	38.3	11,909	34.7
Not Available						
2021	0.0	15.7	15	9.7	8,171	19.9
2022	0.0	-	13	12.2	10,657	31.1
Totals						
2021	100.0	100.0	155	100.0	41,157	100.0
2022	100.0	100.0	113	100.0	34,272	100.0
<i>Source: 2015 ACS Census; 2020 US Census; 2021 and 2022 HMDA Reported Data, 2021 HMDA Aggregate Data; "-" data not available Due to rounding, totals may not equal 100.0</i>						

Small Business Loans

The distribution of small business loans reflects reasonable penetration to businesses with GARs of \$1.0 million or less. Since PPP loans represented a substantial majority (92.6 percent) of loans in 2021 and GAR data was not collected for these loans, 2022 lending allows for a more meaningful analysis. Although the bank's percentage of lending to businesses with GARs of \$1.0 million or less fell well below the percentage of such businesses, it still represents a majority of the bank's 2022 small business loans. Additionally, by dollar volume, a sizable 73.0 percent of the bank's 2022 lending went to businesses with GARs of \$1.0 million or less.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2021	86.0	10	4.6	2,923	16.4
2022	87.5	16	51.6	8,863	73.0
>1,000,000					
2021	4.6	6	2.8	862	4.8
2022	4.0	15	48.4	3,270	30.1
Revenue Not Available					
2021	9.3	200	92.6	14,085	78.8
2022	8.4	0	0.0	0	0.0
Totals					
2021	100.0	216	100.0	17,870	100.0
2022	100.0	31	100.0	12,133	100.0

*Source: 2021 & 2022 D&B Data; 1/1/2021 - 12/31/2022 Bank Data
Due to rounding, totals may not equal 100.0*

Because examiners were unable to conduct a meaningful analysis of 2021 lending by GAR level, examiners supplemented the borrower distribution analysis by evaluating 2021 PPP loans using loan size as a proxy for GARs. The following table shows that a substantial majority of bank PPP loans had loan sizes of \$100,000 or less, indicating that the bank helped to serve the needs of small businesses in its assessment area.

Distribution of PPP Loans by Loan Size (2021)				
Loan Size	#	%	\$(000s)	%
<\$100,000	158	79.0	4,391	31.1
\$100,000 - \$249,999	28	14.0	4,729	33.6
\$250,000 - \$1,00,000	14	7.0	4,965	35.3
Total	200	100.0	14,084	100.0

*Source: 1/1/2021 – 12/31/2021 Bank Data
Due to rounding, totals may not equal 100.0.*

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

BSSB demonstrates 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.

Community Development Loans

BSSB originated 70 community development loans totaling \$38.9 million during the evaluation period. Of these loans, 24 loans totaling \$6.2 million benefitted a broader statewide area outside of the bank's assessment area. Of the 24 loans, 18 totaling \$1.0 million were PPP loans located in low- or moderate-income census tracts.

This level of activity represents 8.1 percent of average total assets and 9.7 percent of average net loans over the evaluation period. BSSB’s community development lending by number and dollar amount exceeded that of two similarly situated institutions. The overall volume of community development lending reflects an increase, by both number and dollar amount, over the previous evaluation period, during which the bank originated 26 community development loans totaling \$10.0 million in the assessment area. The increase in community development lending since the prior evaluation period was primarily driven by traditional community development lending, demonstrating the bank's strong commitment to originating community development loans that are highly impactful and have a lasting effect on the community. The bank’s responsiveness to the assessment area’s needs for affordable housing and economic development demonstrates the bank’s commitment to community development within its assessment area.

The following table illustrates community development loans by year and purpose.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
11/12/2019 - 12/31/2019	1	272	1	10	4	3,792	0	0	6	4,074
2020	6	8,307	1	79	13	4,646	12	1,012	32	14,044
2021	3	3,268	0	0	11	6,021	8	1,481	22	10,770
2022	5	3,393	1	2,700	1	300	2	2,382	9	8,775
01/01/2023- 03/20/2023	1	1,199	0	0	0	0	0	0	1	1,199
Total	16	16,439	3	2,789	29	14,759	22	4,875	70	38,862

Source: Bank Records

Below are examples of the bank’s qualified community development loans:

- During the evaluation period, the bank originated four SBA 504 loans totaling \$5.4 million. The loan program provides small businesses with long-term financing through a Certified Development Company (CDC). Small businesses use the financing to acquire fixed assets for expansion and modernization, which promotes business growth and job creation. Generally, the loan structure includes a 10.0 percent equity investment by the small

business, 40.0 percent participation by the CDC, and 50.0 percent participation by the bank. These three loans helped retain low- and moderate-income jobs within the assessment area.

- In 2022, the bank originated a \$2.7 million loan to convert a bowling alley into a childcare facility located in a moderate-income census tract in Worcester. The facility will have 155 daycare and preschool slots. Fifty percent of the slots will be for children from low-income families, 30.0 percent of the slots will be for children from moderate-income families, and 20.0 percent will be for middle- and upper-income families. The facility will also create 29 low- and moderate-income jobs, primarily teacher and teaching assistant positions. This loan helped expand access to community services for the assessment area’s low- and moderate-income families.
- In 2020, the bank extended a line of credit for \$235,000 to a non-profit affordable housing organization. The organization will use the funds to purchase and renovate run-down or abandoned properties or to build new construction. The organization rents the finished homes to low-income families at a percentage of their income. This line of credit helps promote affordable housing in the assessment area.

Qualified Investments

BSSB made 168 qualified investments for \$300,950. This amount comprises grants and donations benefitting the assessment area. This equates to 0.1 percent of average total assets and 1.4 percent of average total securities since the prior evaluation. The bank increased its qualified investments by both number and dollar amount since the previous evaluation. During the previous evaluation period, the bank made 75 qualified investments totaling \$177,000. The increase in qualified grants and donations demonstrates the bank’s commitment to supporting community needs. Qualified investments were particularly responsive to needs for affordable housing and community services in the assessment area. BSSB’s level of qualified investments was above that of two similarly situated institutions by number and below one by total dollar amount.

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	
	#	\$	#	\$	#	\$	#	\$	#	\$
11/12/2019 - 12/31/2019	1	10,000	9	5,855	0	0	0	0	10	15,855
2020	5	16,500	44	71,965	3	13,500	1	8,333	53	110,298
2021	2	11,000	53	82,467	1	2,000	0	0	56	95,467
2022	2	1,500	42	68,330	1	1,000	1	1,000	46	71,830
YTD 2023	0	0	3	7,500	0	0	0	0	3	7,500
Total	10	39,000	151	236,117	5	16,500	2	9,333	168	300,950

Source: Bank Records

Below are notable examples of the bank’s qualified investment activities:

- **YWCA of Central Massachusetts** – The YWCA of Central Massachusetts aims to serve the needs of women with its varied supportive services. The YWCA offers childcare, health and wellness, transitional housing, and domestic violence services to residents of central Massachusetts, including several low- and moderate-income census tracts in the bank’s assessment area. During the evaluation period, the bank provided a grant for the organization to upgrade its IT infrastructure and made multiple contributions to YWCA’s capital campaign, which funded the expansion and renovation of its facility. The bank’s support of this organization helped provide access to community services for the assessment area’s low- and moderate-income individuals and families.
- **Straight Ahead Ministries** – Straight Ahead Ministries is a nonprofit organization that works with disadvantaged low-and moderate-income young adults and helps them enter into the workforce. Straight Ahead Ministries coordinates its own job readiness and placement program, and helps individuals develop resumes, learn interview skills, attain certification, and gain and keep long-term employment. Straight Ahead Ministries operates in the bank’s assessment area, serving Worcester, Leominster, and Fitchburg. The bank's support of this organization helped to provide community services to low- and moderate-income individuals within the assessment area.
- **Quinsigamond Community College Foundation** – The Quinsigamond Community College Foundation collects funds to support the college through tuition aid, academic supplies, housing, and transportation needs. Approximately 75.0 percent of the college’s student body is low- or moderate-income. During the examination period, the bank supported the foundation’s “Student Emergency Aid Fund” which provided timely financial support to students in emergency circumstances. The bank’s support of this organization helped to provide community services to the assessment area’s low- and moderate-income individuals.

Community Development Services

During the evaluation period, BSSB employees provided 847 hours of financial expertise or technical assistance to 39 different community development-related organizations in the assessment area. The services primarily supported providing access to community services and supporting the revitalization or stabilization of low- and moderate-income geographies. The total number of hours declined slightly since the previous evaluation period, when the bank provided 911 hours of financial expertise or technical assistance. BSSB provided financial expertise or technical assistance to more community development-related organizations than two similarly situated intuitions.

The following table illustrates community development services by year and purpose.

Community Development Services By Hours					
Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Total
	#	#	#	#	#
11/12/2019 - 12/31/2019	3	82	0	5	90
2020	4	161	12	53	230
2021	4	170	1	53	228
2022	6	173	4	49	232
YTD 2023	0	50	4	13	67
Total	17	636	21	173	847
<i>Source: Bank Data</i>					

The following are examples of employee involvement and financial literacy programs provided by the bank.

Employee Involvement

- **Worcester Community Housing Resources** – This non-profit organization creates and preserves affordable housing for low- and moderate-income households throughout Worcester County. The organization also maintains a community loan fund, which provides low-interest financing to homeowners who need assistance with significant home repairs and to individuals and organizations who develop affordable housing. A Senior Vice President served on the organization's board in 2020 and an Associate Vice President served on the organization's board and loan committee in 2021 and 2022. The bank's involvement with this organization helped expand and maintain affordable housing within the assessment area.
- **Downtown Worcester Business Improvement District** – This non-profit is designed to help meet the goals of the Worcester Downtown Urban Revitalization Plan to help revitalize downtown Worcester. The organization is located in a low-income census tract that is also designated as an Opportunity Zone. The President of the bank is on the organization's board of directors and the Finance Committee. The bank's involvement with this organization helps to revitalize and stabilize low- and moderate-income geographies within the bank's assessment area.
- **Abby's House** – This non-profit organization in Worcester maintains a homeless shelter and affordable housing units and provides support services for homeless, battered, and low-income women. The shelter maintains nine overnight beds and the organizations operates 72 single-room supportive housing units and 7 two-bedroom apartments. Five bank employees provided financial and technical expertise through serving on the board, finance committee, and development committee. The bank's support of this organization helped to provide community services to the assessment area's low- and moderate-income individuals and families.

Financial Literacy

- **United Way of Central Massachusetts’s Women’s Initiative** – This program aims to reduce incidents of violence affecting girls aged 10-14 years old in Worcester and the surrounding area through mentoring, educational opportunities, and financial literacy. The program's financial literacy component, “Dollar Scholar”, features female mentors from the financial services industry who cover basic financial literacy and provide knowledge to support college, career, and life plans. During the evaluation period, several bank employees volunteered as financial literacy mentors for the program. The bank’s involvement helped provide community services through the provision of financial literacy to low- and moderate-income children within the bank’s assessment area.

Technical Assistance

- **Jobs for New England Recovery Grant** – In response to the COVID-19 pandemic, the Federal Home Loan Bank of Boston created the Jobs for New England Recovery Grant. The grant allowed member financial institutions to apply for grant funds that they would donate to small businesses and non-profit organizations that were experiencing significant losses or challenges due to the COVID-19 pandemic. BSSB applied for and received \$150,000 in grant funding in 2020 and 2021, which was distributed to 18 small businesses and non-profit organizations located within the assessment area and a broader statewide area. This service supported economic development by providing technical assistance to small businesses.

The bank also provides services to low- and moderate-income individuals through branches and ATMs located in low- and moderate-income areas. The bank operates two of their six full-service branches, both of which also have ATMs, in low- or moderate-income census tracts. Specifically, the bank operates one branch and ATM in a low-income census tract and one branch and ATM in a moderate-income census tract, both of which are located in Worcester.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

APPENDICES

DIVISION OF BANKS FAIR LENDING POLICIES AND PROCEDURES

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

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

According to 2015 ACS U.S. Census data, the bank's assessment area contains a population of 810,935 individuals, of which 20.9 percent are minorities. The assessment area's minority population is 4.2 percent Black/African American, 4.4 percent Asian, 0.2 percent American Indian, 10.2 percent Hispanic or Latino, and 1.9 percent Other.

Examiners compared the bank application activity 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	1	0.4	0.3
Asian	8	2.9	6.0	7	2.9	5.7
Black/ African American	10	3.6	3.2	6	2.5	4.2
Hawaiian/Pacific Islander	0	0.0	0.1	0	0.0	0.1
2 or more Minority	1	0.4	0.1	0	0.0	0.2
Joint Race (White/Minority)	2	0.7	1.3	5	2.1	1.3
Total Racial Minority	21	7.6	10.9	19	7.9	11.8
White	206	74.3	66.9	168	69.7	63.3
Race Not Available	50	18.1	22.2	54	22.4	24.9
Total	277	100.0	100.0	241	100.0	100.0
ETHNICITY						
Hispanic or Latino	10	3.6	6.7	20	8.3	7.7
Joint (Hisp/Lat /Not Hisp/Lat)	3	1.1	1.4	4	1.7	1.3
Total Ethnic Minority	13	4.7	8.1	24	10.0	9.0
Not Hispanic or Latino	181	65.3	69.4	152	63.1	66.8
Ethnicity Not Available	83	30.0	22.5	65	26.9	24.1
Total	277	100.0	100.0	241	100.0	100.0
<i>Source: ACS Census 2015, HMDA Aggregate Data 2020 and 2021, HMDA LAR Data 2020 and 2021</i>						

In 2020, the bank received 277 home mortgage loan applications from within its assessment area. Of these applications 21, or 7.6 percent, were received from racial minority applicants, of which 8, or 38.1 percent, resulted in originations. The aggregate received 10.9 percent of its applications from minority applicants, of which 61.2 percent were originated. For the same period, the bank also received 13 applications, or 4.7 percent, from ethnic groups of Hispanic origin within its assessment area. Of these applications, 6 or 46.2 percent were originated, compared with an aggregate application rate of 8.1 percent with a 59.6 percent origination rate.

In 2021, the bank received 241 home mortgage loan applications from within its assessment area. Of these applications, 19, or 7.9 percent were received from racial minority applicants, of which 7, or 36.8 percent, resulted in originations. The aggregate received 11.8 percent of its applications from minority consumers, of which 61.1 percent were originated. For the same period, the bank also received 24 applications, or 10.0 percent, from ethnic groups of Hispanic origin within its assessment area. Of these applications, 12 or 50.0 percent were originated, compared with an aggregate application rate of 9.0 percent with a 61.0 percent origination rate.

The bank employs individuals able to provide translation assistance in several languages, including Spanish and Vietnamese.

Considering the demographic composition of the assessment area, market competition, and comparisons to aggregate data in 2020 and 2021, the bank's application and origination rate to racial and ethnic minorities is considered adequate.

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.