

# **PUBLIC DISCLOSURE**

April 12, 2022

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Berkshire Bank  
Certificate Number: 23621

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Pittsfield, Massachusetts 01201

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

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## INSTITUTION RATING

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

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

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

**The Lending Test is rated Satisfactory.**

- Lending levels reflect adequate responsiveness to assessment area credit needs.
- A high percentage of home mortgage and small business loans are made in the assessment areas.
- The geographic distribution of loans reflects poor penetration throughout the assessment areas.
- The distribution of borrowers reflects, given the product lines offered by the bank, good penetration among retail customers of different income levels and business customers of different sizes.
- The bank uses innovative and flexible lending programs to serve assessment area credit needs.
- The bank made a relatively high level of community development loans.

**The Investment Test is rated Outstanding.**

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

**The Service Test is rated Satisfactory.**

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

## **DESCRIPTION OF INSTITUTION**

### **Background**

Berkshire Bank is a state-chartered stock savings bank headquartered in Pittsfield, Massachusetts, and it is wholly owned by its holding company, Berkshire Hills Bancorp, Inc. The prior evaluation, dated July 11, 2018, resulted in a Satisfactory rating based on a joint evaluation conducted by the Federal Deposit Insurance Corporation (FDIC) and the Massachusetts Division of Banks using Interagency Large Institution Examination Procedures.

### **Operations**

In addition to its main office, Berkshire Bank operates 106 full-service branches, four loan production offices, and one limited-service branch each in Massachusetts, New York, Connecticut, Rhode Island, and Vermont. The bank acquired Savings Institute Bank and Trust in May 2019. The branches acquired through the Savings Institute Bank and Trust acquisition increased Berkshire Bank's existing branch network in Connecticut and expanded the branch network into Rhode Island. Specifically, the acquisition added 12 branches in the Hartford-East Hartford, CT Combined Statistical Area (CSA); 6 branches in the Worcester, MA-CT Metropolitan Statistical Area (MSA); and 5 branches in the Providence-Warwick, RI-MA MSA.

Berkshire Bank sold eight branches located in New Jersey and Pennsylvania in August 2021; the bank no longer operates in either of these states. The bank also closed 24 branches since the prior evaluation; please refer to the individual assessment areas for information on branch closings.

The bank is primarily a real estate lender, and it offers a variety of residential and commercial loan products such as fixed- and adjustable-rate mortgages, jumbo mortgages, Federal Housing Administration (FHA) loans, Veteran Affairs (VA) loans, commercial real estate, and Small Business Administration (SBA) loans. During the COVID-19 pandemic, the bank offered Paycheck Protection Program (PPP) loans. Berkshire Bank also offers secured and unsecured consumer loan products. Please refer to individual rated areas for state-specific loan products.

The bank offers a range of deposit products, such as certificates of deposit, money market accounts, and various checking and savings account types. Berkshire Bank also operates a wealth management group that offers investment and wealth management services throughout its assessment areas.

The bank does not have any affiliate or subsidiaries relevant to the CRA evaluation or for which the institution requested activities to be considered.

### **Ability and Capacity**

As of December 31, 2021, Berkshire Bank reported total assets of \$11.5 billion, which included \$6.8 billion in total loans and \$2.5 billion in total securities. Deposits totaled \$10.2 billion. The loan portfolio distribution did not change materially since the prior evaluation. The following table illustrates the loan portfolio.

<b>Loan Portfolio Distribution as of 12/31/2021</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	323,469	4.7
Secured by Farmland	1,140	0.0
Secured by 1-4 Family Residential Properties	1,782,114	26.1
Secured by Multifamily (5 or more) Residential Properties	515,817	7.6
Secured by Nonfarm Nonresidential Properties	2,540,371	37.2
<b>Total Real Estate Loans</b>	<b>5,162,911</b>	<b>75.6</b>
Commercial and Industrial Loans	1,245,867	18.2
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	161,910	2.4
Obligations of State and Political Subdivisions in the U.S.	222,707	3.3
Other Loans	37,879	0.6
Lease Financing Receivable (net of unearned income)	683	0.0
Less: Unearned Income	0	0.0
<b>Total Loans</b>	<b>6,831,957</b>	<b>100.0</b>
<i>Source Reports of Condition and Income</i>		
<i>Due to rounding, totals may not equal 100.0%.</i>		

Examiners did not identify any financial, legal, or other impediments that would limit Berkshire Bank's ability to meet the credit needs of its assessment areas.

## DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. Berkshire Bank designated several assessment areas, as shown in the following table, comprising six rated areas. Examiners analyzed each individual assessment area, and if no anomalies were present, examiners combined assessment areas at the MSA or CSA level for presentation purposes. The following table describes the combined assessment areas within each rated area.

Rated Area and Assessment Area Breakdown	
Rated Area	Assessment Areas
Massachusetts	Pittsfield, MA MSA
	Springfield, MA MSA
	Boston-Cambridge-Newton, MA-NH MSA (Boston MSA)
Worcester, MA-CT MSA	Worcester, MA-CT MSA
New York	Albany-Schenectady, NY CSA (Albany CSA)* <i>*includes non-MSA portions of the CSA</i>
	Utica-Rome, NY MSA
	Syracuse, NY MSA
Rhode Island	Providence-Warwick, RI-MA MSA (Providence MSA)
Connecticut	Hartford-East Hartford-Middletown, CT CSA (Hartford CSA)
Vermont	VT Non-MSA – Bennington County (Bennington)
	VT Non-MSA – Lebanon County (Lebanon)
	VT Non-MSA – Rutland County (Rutland)
<i>Source Bank Records</i>	

In addition to the assessment areas included in the table above, the bank also operated in two additional assessment areas in New Jersey (New York-Newark, NY-NJ-CT-PA CSA) and Pennsylvania (Montgomery-Bucks-Chester, PA Metropolitan Division) during part of the evaluation period. Berkshire Bank no longer operates any branches in New Jersey or Pennsylvania; therefore, examiners did not conduct separate analysis of these assessment areas or provide ratings for New Jersey or Pennsylvania. However, examiners considered the bank's community development loans, qualified investments, and community development services in these assessment areas in the overall section under "regional activities" and provided notable examples of activities as applicable.

Refer to the rated areas and individual assessment areas for additional information.

### ***Economic and Demographic Data***

Please refer to the individual rated area and assessment area sections for specific economic and demographic data, competition information, and the number of census tracts and branches in each assessment area.

Examiners referenced 2015 American Community Survey (ACS) data when analyzing the bank's performance. In 2021, the combined assessment areas included 2,478 census tracts with the following income designations according to the 2015 ACS:

- 331 low-income census tracts,

- 452 moderate-income census tracts,
- 976 middle-income census tracts,
- 670 upper-income census tracts, and
- 49 census tracts with no income designation.

## SCOPE OF EVALUATION

### General Information

Examiners used Interagency Large Institution Examination procedures to evaluate Berkshire Bank's CRA performance since the prior evaluation dated July 11, 2018 to the current evaluation dated April 12, 2022.

### *CRA Rated Areas*

Examiners weighed each rated area based on the bank's lending, deposit, and branch activity. The following table reflects a breakdown of each rated area's loans, deposits, and branches.

<b>Rated Area Breakdown of Loans, Deposits, and Branches</b>						
<b>Rated Area</b>	<b>Loans</b>		<b>Deposits</b>		<b>Branches</b>	
	<b>\$(000s)</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>	<b>#</b>	<b>%</b>
Massachusetts	3,383,000	36.6	3,964,247	39.5	33	31.1
New York	2,223,000	24.1	1,933,983	19.3	30	28.3
Worcester, MA-CT MSA	1,387,000	15.0	2,379,720	23.7	17	16.0
Connecticut	1,339,000	14.5	1,043,507	10.4	17	16.0
Rhode Island	493,000	5.3	314,993	3.1	4	3.8
Vermont	414,000	4.5	404,907	4.0	5	4.7
<b>Total</b>	<b>9,239,000</b>	<b>100.0</b>	<b>10,041,357</b>	<b>100.0</b>	<b>106</b>	<b>100.0</b>
<i>Source Bank Data; 2021 Peer Branch and Deposit Data.            Due to rounding, totals may not equal 100.0%</i>						

When determining the bank's overall rating, examiners attributed the greatest weight to the Massachusetts and New York rated areas because they accounted for a majority of the bank's deposits, loans, and branches.

The Worcester, MA-CT MSA accounted for slightly more deposits than the New York assessment areas; however, it contains a moderate amount of lending and number of branches. The Connecticut rated area accounted for a similar level of lending and branch presence as the Worcester, MA-CT MSA; therefore, both areas received moderate weight when determining overall conclusions.

Lastly, the Rhode Island and Vermont rated areas accounted for relatively low level of deposits, loans, and branches compared to other areas; therefore, these areas received the least weight when determining overall conclusions.

The Scope of Evaluation section under each individual rated area provides addition information including whether examiners performed a full- or limited-scope review for each assessment area.

## **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 loans originated during the evaluation period. While Berkshire Bank originated a comparable number of home mortgage and small business loans during the review period, home mortgage loans received slightly more weight due to a higher dollar amount of loans originated. Examiners did not present other loan types, such as small farm or consumer loans, because they do not represent a major product line. Therefore, they provided no material support for conclusions or ratings.

This evaluation considered all home mortgage loans reported on the bank's 2018, 2019, 2020, and 2021 Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs). Examiners presented 2019, 2020, and 2021 data because 2020 is the most recent year with available HMDA aggregate data and presenting 2019 and 2021 data allows for trend analysis. Examiners did not present 2018 data, other than under the Assessment Area Concentration criterion, as activity was generally consistent with other years.

In 2018, the bank reported 2,470 loans totaling \$986.3 million. In 2019, the bank reported 1,833 loans totaling \$490.8 million. In 2020, the bank reported 1,845 loans totaling \$459.9 million. In 2021, the bank reported 1,839 loans totaling \$661.3 million. For comparative purposes, examiners reviewed HMDA aggregate data for 2019 and 2020, which consists of all loans reported in the bank's assessment areas by institutions subject to HMDA data collection requirements. HMDA aggregate data for 2021 was not available as of the evaluation date. Furthermore, examiners reviewed 2015 ACS data as additional comparative standards for Berkshire Bank's home mortgage lending performance in 2019, 2020, and 2021.

This evaluation also considered all small business loans reported on the bank's 2018, 2019, 2020, and 2021 CRA Small Business Loan Registers. Examiners presented 2019, 2020, and 2021 data because 2020 is the most recent year with available aggregate data and presenting 2019 and 2021 data allows for trend analysis. Examiners did not present 2018 data, other than under the Assessment Area Concentration criterion, as activity was generally consistent with other years.

In 2018, the bank reported 914 loans totaling \$195.4 million. In 2019, the bank reported 774 loans totaling \$155.4 million. In 2020, the bank reported 5,232 loans totaling \$548.4 million, which reflects a significant increase in volume due to PPP lending. In 2021, the bank reported 666 loans totaling \$159.3 million. For comparison, examiners reviewed CRA aggregate data for 2019 and 2020, which consists of all small business loans reported in the bank's assessment areas by institutions subject to CRA data reporting requirements. CRA aggregate data for 2021 was not available as of the evaluation date. Furthermore, examiners reviewed 2019, 2020, and 2021 D&B business demographic data as additional comparative standards for Berkshire Bank's small business lending performance.

For the Lending Test, examiners reviewed both the number and dollar volume of loans. While lending tables present the number and dollar volume, examiners emphasized performance by number of loans because the number of loans better indicates the number of individuals and businesses served.

For the Lending, Investment, and Service Tests, bank management provided data on innovative and/or flexible lending practices, community development loans, qualified investments, and community development services since the prior CRA evaluation dated July 11, 2018 through the date of this evaluation. In addition, examiners reviewed the bank's delivery systems for providing retail-banking services, including branches and alternative delivery systems, and the impact of branch openings and closings during the evaluation period. Examiners also reviewed retail banking products and services targeted toward low- and moderate-income individuals or small businesses within the assessment areas.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

Berkshire Bank demonstrated Satisfactory performance under the Lending Test. This conclusion is consistent with the Lending Test conclusions for the Massachusetts, New York, Rhode Island, and Vermont rated areas. Conclusions for the Worcester, MA-CT MSA and the Connecticut rated areas exceed this conclusion. The following sections discuss the bank's overall performance in the combined assessment areas under each criterion.

#### **Lending Activity**

Lending levels reflect adequate responsiveness to assessment area credit needs. In 2019, Berkshire Bank originated or purchased 1,378 home mortgage loans totaling \$287.6 million in the assessment areas. In 2020, the bank originated or purchased 1,516 home mortgage loans totaling \$344.7 million in the assessment areas. Lending activity in 2021 was consistent by number at 1,510 home mortgage loans, but increased significantly by dollar amount totaling \$507.5 million. The increased dollar amount is reflective, in part, of the general increase in the price of homes over the evaluation period. The bank's market ranking of 77<sup>th</sup> out of 1,141 lenders supports adequate performance.

In 2019, Berkshire Bank originated 543 small business loans for \$79.8 million in the assessment areas. The bank originated 4,281 small business loans totaling \$378.6 million in the assessment areas in 2020, which reflects a significant increase in volume due to PPP lending. In 2021, the bank originated 489 small business loans totaling \$78.7 million in the assessment areas. This activity was more consistent with the bank's historical small business loan activity, as the bank referred any 2021 PPP applications to other qualified lenders. The bank's market ranking of 20<sup>th</sup> out of 405 small business lenders supports adequate performance.

Performance in the combined assessment areas is generally consistent with the prior evaluation; however, the bank's lending activity in the Massachusetts rated area decreased since the prior evaluation. Refer to individual rated area and assessment area sections for more information.

#### **Assessment Area Concentration**

A high percentage of home mortgage and small business loans are made in the assessment areas. See the following table.

Lending Inside and Outside of the Assessment Areas										
	Number of Loans					Dollar Amount of Loans \$(000s)				
Loan Category	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%	#	\$	%	\$	%	\$(000s)
Home Mortgage										
2018	1,920	77.7	550	22.3	2,470	684,430	69.4	301,850	30.6	986,280
2019	1,378	75.2	455	24.8	1,833	287,574	58.6	203,265	41.4	490,840
2020	1,516	82.2	329	17.8	1,845	344,672	74.9	115,251	25.1	459,922
2021	1,510	82.1	329	17.9	1,839	507,492	76.7	153,851	23.3	661,343
<b>Subtotal</b>	<b>6,324</b>	<b>79.2</b>	<b>1,663</b>	<b>20.8</b>	<b>7,987</b>	<b>1,824,167</b>	<b>70.2</b>	<b>774,218</b>	<b>29.8</b>	<b>2,598,385</b>
Small Business										
2018	552	60.4	362	39.6	914	94,180	48.2	101,253	51.8	195,433
2019	543	70.2	231	29.8	774	79,755	51.3	75,583	48.7	155,338
2020	4,281	81.8	951	18.2	5,232	378,616	69.0	169,829	31.0	548,445
2021	489	73.4	177	26.6	666	78,664	49.4	80,629	50.6	159,293
<b>Subtotal</b>	<b>5,865</b>	<b>77.3</b>	<b>1,721</b>	<b>22.7</b>	<b>7,586</b>	<b>631,215</b>	<b>59.6</b>	<b>427,294</b>	<b>40.4</b>	<b>1,058,509</b>
<b>Total</b>	<b>12,189</b>	<b>78.3</b>	<b>3,384</b>	<b>21.7</b>	<b>15,573</b>	<b>2,455,382</b>	<b>67.1</b>	<b>1,201,512</b>	<b>32.9</b>	<b>3,656,894</b>
<i>Source HMDA Reported Data; CRA Reported Data</i>										

### **Geographic Distribution**

The geographic distribution of loans reflects poor penetration throughout the assessment areas. Examiners focused on the percentage by number of home mortgage and small business loans in low- and moderate-income census tracts, comparing bank performance to aggregate lending and demographic data. The bank demonstrated poor performance under the geographic distribution criterion in four of the six rated areas, including Massachusetts, Vermont, Connecticut, and Rhode Island. The Worcester, MA-CT MSA demonstrated good performance and the New York rated area demonstrated adequate performance. Please refer to the rated area and assessment area sections for details.

### **Borrower Profile**

The distribution of borrowers reflects, given the product lines offered by the bank, good penetration among retail customers of different income levels and business customers of different sizes. Examiners focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers, and the percentage by number of small business loans to businesses with gross annual revenues (GARs) of \$1.0 million or less. Examiners compared bank performance to aggregate lending and demographic data.

The bank demonstrated good performance under the borrower profile criterion in three of the six rated areas, including New York, Vermont, and Connecticut. Performance in the Worcester, MA-CT MSA was excellent, and performance in the Massachusetts and Rhode Island rated areas was adequate. Please refer to the individual rated area and assessment area sections for specific analysis of geographic distribution performance.

## **Innovative or Flexible Lending Practices**

Berkshire Bank uses innovative and flexible lending programs to serve the assessment areas' credit needs. Examiners assessed these programs according to the degree to which the loans serve low- and moderate-income borrowers in new ways or serve creditworthy borrowers not previously served by the bank and the success of these products in terms of number and dollar volume originated during the evaluation period.

During the evaluation period, Berkshire Bank originated 9,148 loans totaling \$1.6 billion using innovative or flexible loan programs. The bank also added several new innovative and/or flexible lending programs since the prior evaluation. The following table illustrates the total number and dollar amount of innovative and flexible lending programs offered during the evaluation period by program type. The bank offers several programs that are available across all rated areas, as well as several state-specific programs that are only available in Massachusetts or Connecticut.

<b>Innovative or Flexible Lending Programs by Rated Area</b>			
<b>Program</b>	<b>#</b>	<b>\$(000s)</b>	<b>Rated Area</b>
FHA	202	41,972	All
ONE Program	128	29,625	Massachusetts
VA	34	8,472	All
CHFA - FHA*	31	5,349	Connecticut
CFHA - Conventional*	22	3,811	Connecticut
Mass Housing Finance	15	3,061	Massachusetts
USDA	10	1,945	All
FHA-CRA Product*	10	1,396	All
CHFA - USDA*	5	851	Connecticut
Non-Warrantable Condo	4	815	All
FHLB Equity Builder Program	31	427	All
CHFA- DPA*	27	173	Connecticut
CHFA - VA*	1	153	Connecticut
MHFA-DPA*	3	17	Massachusetts
<b>Subtotal Residential Loans</b>	<b>523</b>	<b>98,067</b>	<b>-</b>
SBA 7(A)	593	715,329	All
PPP*	5,095	708,541	All
Small/Express Business Credit	243	32,777	All
Future Fund*	43	1,339	Massachusetts
Runway Project*	8	160	Massachusetts
<b>Subtotal Commercial Loans</b>	<b>5,982</b>	<b>1,458,146</b>	<b>-</b>
Mass Save - HEAT loans	448	4,350	Massachusetts
Fresh Start Program	1,802	1,313	All
Refresh Program (Promissory Notes)	177	462	All
CBT Tech	22	449	Connecticut
Restitution Agreements*	180	445	All
Easter Seals*	9	223	Massachusetts
MyCommunity Home Equity Loan*	3	35	All
Emergency Loan Fund	2	2	Massachusetts
<b>Subtotal Consumer Loans</b>	<b>2,643</b>	<b>7,279</b>	<b>-</b>
<b>Totals</b>	<b>9,148</b>	<b>1,563,492</b>	<b>-</b>
<i>Source Bank Data</i>			
<i>*Program is new since the prior evaluation period</i>			

The following are examples of the bank's innovative and flexible lending programs.

### ***Residential Loan Programs***

- *Federal Home Loan Bank (FHLB) Equity Builder Program* – In partnership with the FHLB of Boston, participating lenders award program grant funds for down payment, closing costs, or rehabilitation assistance to eligible households. To be eligible, income must be at or below 80.0 percent of the area's median family income for the property location. The maximum grant amount is \$15,000 per household.
- *Federal Housing Administration (FHA) Loan Program* – The FHA mortgage loan program is a flexible government program allowing homebuyers to make a minimal down payment, finance a portion of the closing costs, and qualify at higher debt ratios with lower credit scores. This product increases access to credit for lower-income borrowers.
- *United States Department of Agriculture (USDA) Rural Housing* – Through approved lenders, this program provides low- and moderate-income households with the opportunity to build, rehabilitate, improve, or relocate a dwelling in an eligible rural area. The program provides a 90.0 percent loan note guarantee to approved lenders to reduce the risk of extending 100.0 percent loans to eligible rural homebuyers.
- *Fresh Start Program* – The bank offers an interest-free loan to retail and business customers to help pay back deposit account balances that remain overdrawn for more than 35 days. The deposit account stays active and accessible for use while the borrower has up to four months for repayment. While program eligibility is not limited to low- or moderate-income customers, the long overdraw period to qualify for this program reflects a focus on individuals with long-term or repeated financial obstacles to covering expenses. The flexible terms of this program are beneficial to the needs of low- and moderate-income individuals.

### ***Small Business Loan Programs***

- *SBA 7(a) Program* – The SBA 7(a) Program provides term loans for small businesses. These loans to small businesses offer smaller down payments; flexible terms that assist in opening, expanding, and continuing businesses; long-term financing options; a fixed maturity; and no prepayment penalties.
- *Small/Express Business Credit* – This program offers borrowers an accelerated turnaround time of up to 36 hours for approval on loan amounts of \$350,000 or less. The SBA provides a maximum guaranty of 50.0 percent, and no collateral is required for loans of \$25,000 or less.
- *SBA PPP* – PPP loans are SBA insured loans designed to support the basic operating needs of small businesses, including rent, utilities, and payroll, during the COVID-19 pandemic. PPP loans offer below-market interest rates, six-month payment deferrals, no origination fees, and no collateral requirements.

### ***Consumer Loan Programs***

- *MyCommunity Home Equity Loan* – Berkshire Bank developed the MyCommunity Home Equity Loan program to improve access to small dollar credit for low- and moderate-income individuals or individuals who own a home in a low- or moderate-income or majority-minority census tract. The program offers home equity loans between \$5,000 and \$15,000 for home improvements, debt reduction, or other expenses. The bank offered this loan program between 2019 and 2021.

### **Community Development Loans**

Berkshire Bank made a relatively high level of community development loans in the assessment areas. The bank originated 116 community development loans totaling \$238.5 million that met community needs of affordable housing, community services, economic development, and revitalization and stabilization. Of the 116 community development loans, the bank made eight loans totaling approximately \$19.5 million in the broader regional area, all of which benefitted the bank's previous New Jersey and Pennsylvania assessment areas.

This level of activity represents 2.1 percent of total assets and 3.5 percent of the bank's net loans. The bank's performance also more than double the number of originations during the prior examination (47), and it is also greater than the previous evaluation by dollar amount (\$186.9 million). The bank's performance was comparable to one similarly situated institution and below another similarly situated institution that is considered a leader in its community.

Performance is consistent throughout Massachusetts, the Worcester, MA-CT MSA, and Connecticut, while performance in New York, Rhode Island, and Vermont trails overall performance.

The following table illustrates the bank's community development lending activity.

<b>Community Development Lending by Rated Area</b>										
<b>Rated Area</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Massachusetts	17	31,528	13	15,433	10	16,197	5	21,007	<b>45</b>	<b>84,165</b>
New York	2	730	25	40,776	4	9,307	3	11,570	<b>34</b>	<b>62,383</b>
Worcester, MA-CT MSA	4	30,997	5	5,028	8	15,389	0	0	<b>17</b>	<b>51,414</b>
Connecticut	1	1,850	2	6,094	5	8,511	1	1,192	<b>9</b>	<b>17,647</b>
Rhode Island	0	0	1	40	0	0	0	0	<b>1</b>	<b>40</b>
Vermont	1	1,050	0	0	1	2,308	0	0	<b>2</b>	<b>3,358</b>
Regional Activities	1	644	0	0	5	8,508	2	10,299	<b>8</b>	<b>19,451</b>
<b>Total</b>	<b>26</b>	<b>66,799</b>	<b>46</b>	<b>67,371</b>	<b>33</b>	<b>60,220</b>	<b>11</b>	<b>44,068</b>	<b>116</b>	<b>238,458</b>
<i>Source Bank Data</i>										

The following are examples of community development loans in the broader regional area.

- In 2019, the bank originated a \$3.5 million loan to convert a garage into 21 residential units in New Jersey. The project is located in a low-income census tract and an Urban Renewal

Zone, and its goal is to bring additional residents into the area. This loan qualifies as community development by revitalizing and stabilizing a low-income census tract.

- In 2019, the bank originated a \$1.5 million SBA loan to fund a new restaurant in Pennsylvania. The restaurant will create 25 jobs for individuals that are likely low- or moderate-income. This loan qualifies for community development as it supports economic development by financing a small business and creating jobs for low- and moderate-income individuals.
- In 2019, the bank originated a \$2.1 million loan to purchase a cleaning business in Pennsylvania. The business is in a moderate-income census tract and the 10 jobs retained will likely benefit low- or moderate-income individuals. This loan qualifies for community development as it supports economic development by financing a small business and retaining jobs for low- and moderate-income individuals.

Please refer to the individual rated area and assessment area sections for additional examples.

## INVESTMENT TEST

Berkshire Bank demonstrated Outstanding performance under the Investment Test. The bank demonstrated excellent performance in New York rated area, but the other rated areas trail the overall conclusion. The bank's overall level of investment and grant activity, including strong regional activity, supports the overall conclusion. The following sections discuss the bank's performance under each criterion.

### Investment and Grant Activity

Berkshire Bank has an excellent level of qualified community development investments and grants, often in a leadership position, particularly those that are not routinely provided by private investors. The following table reflects qualified investment and grant activity in the assessment areas and the broader regional area by community development purpose.

Qualified Investments by Rated Area										
Rated Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Massachusetts	60	12,338	480	21,351	82	1,048	26	2,143	648	36,880
New York	38	2,631	204	9,674	30	232	17	26,280	289	38,817
Worcester, MA-CT MSA	17	5,414	137	520	11	147	16	181	181	6,262
Connecticut	22	6,138	134	444	22	1,469	5	16	183	8,067
Rhode Island	7	2,579	21	93	3	15	1	2,926	32	5,613
Vermont	14	2,054	33	2,085	0	0	1	1	48	4,140
Regional Activities	16	12,613	104	474	4	1,027	0	0	124	14,114
<b>Total</b>	<b>174</b>	<b>43,767</b>	<b>1,113</b>	<b>34,641</b>	<b>152</b>	<b>3,938</b>	<b>66</b>	<b>31,548</b>	<b>1,505</b>	<b>113,893</b>
<i>Source Bank Data</i>										

Equity investment activity included mortgage-backed securities and low-income housing tax credits (LIHTCs) that promoted affordable housing initiatives; historic tax credits (HTCs) that served to revitalize low- and moderate-income geographies; and other qualified equity investments. Total qualified investments represent 1.0 percent of total assets and 4.5 percent of total securities, and the level of qualified investments is consistent with the prior evaluation. In comparing the bank's total investment activity to the prior evaluation period, examiners focused on the total dollar amount of investments. Examiners attributed portions of the bank's mortgage-backed security investments to the assessment areas that they primarily benefitted rather than including them as broader statewide or regional activities.

The bank made a variety of equity investments and grants that benefitted the broader regional area, including the bank's previous New Jersey and Pennsylvania assessment areas. Regional equity investment activity includes \$12.6 million in prior period mortgage-backed securities benefitting Pennsylvania and New Jersey, and a 2022 investment of \$1.0 million in a small business investment company (SBIC) active in Massachusetts, New York, Connecticut, and Vermont. Regional grants primarily benefitted organizations that provide community services to low- and moderate-income individuals. Total regional investments and grant activity accounted for 12.4 percent of total qualified investments, demonstrating strong commitment to the areas the bank served during the evaluation period.

Examiners also considered the performance of similarly situated institutions headquartered in Massachusetts with a similar asset size and lending focus as Berkshire Bank. Examiners identified two similarly situated institutions that primarily lend in Massachusetts; therefore, comparison to their performance is detailed under the Massachusetts rated area section.

Below are notable examples of grants that benefitted the broader regional area:

- In 2020, the bank donated \$10,000 to a food bank in New Jersey. The food bank provides community services to low- and moderate-income individuals.
- In 2018, 2019, 2020, and 2021 Berkshire Bank made donations totaling \$12,000 to an organization that provides community services such as short-term housing, food, and financial education to low-income individuals in New Jersey.

Refer to the individual rated area and assessment area sections for a discussion of the qualified investment and donation activity applicable to those areas.

### **Responsiveness to Credit and Community Development Needs**

Berkshire Bank exhibits good responsiveness to credit and community development needs. Please refer to the individual assessment area sections for additional information on each community's unique credit and community development needs.

### **Community Development Initiatives**

Berkshire Bank occasionally uses innovative and/or complex investments to support community development initiatives. The investment portfolio includes LIHTC and HTC investments, which

require more bank resources and expertise to purchase than less complex investments such as mortgage-backed securities. Please refer to the individual assessment area sections for details on which areas benefitted from LIHTC and HTC investments.

## **SERVICE TEST**

Berkshire Bank demonstrated Satisfactory performance under the Service Test. This conclusion is consistent across all rated areas with the exception of the conclusion for the Rhode Island rated area, which is Needs to Improve. The following sections discuss the bank's performance under each criterion.

### **Accessibility of Delivery Systems**

Delivery systems are reasonably accessible to essentially all portions of Berkshire Bank's assessment areas. In addition to the bank's network of 106 branches, alternative delivery systems include 135 automated teller machines (ATMs), 3 loan production offices, online banking, and mobile banking. Online banking and mobile banking are available to all Berkshire Bank customers. Further, 14 of the bank's ATMs are "MyTeller" interactive teller machines (ITMs), which allow customers to have face-to-face conversations with tellers and conduct more transactions than offered through a traditional ATM without entering a branch location. ITMs can process most of the transactions that are accepted at the bank's in-branch teller windows, such as deposits, withdrawals, transfers, loan payments, and cashing checks. ITMs also offer extended teller service hours beyond those available in some branches, and some of the bank's ITMs are located in low- and moderate-income geographies. Please refer to each assessment area for more specific information regarding branch distribution and alternative delivery systems.

### **Changes in Branch Locations**

To the extent changes have been made, Berkshire Bank's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies or to low- and moderate-income individuals. Please refer to the individual assessment areas for more information on branch changes during the review period.

### **Reasonableness of Business Hours and Services**

Services, including business hours, do not vary in a way that inconveniences certain portions of the assessment areas, particularly low- and moderate-income geographies or individuals. Products, services, and business hours are generally consistent across rated areas. Please refer to the individual assessment area sections for information regarding variations in hours.

### **Community Development Services**

Berkshire Bank provides an adequate level of community development services. The following table reflects the hours of community services provided by bank employees within each rated area during the evaluation period.

<b>Community Development Services by Rated Area</b>					
<b>Rated Area</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
Massachusetts	225	1,196	193	525	<b>2,139</b>
New York	93	997	87	0	<b>1,177</b>
Worcester, MA-CT MSA	44	205	96	20	<b>365</b>
Connecticut	47	283	125	0	<b>455</b>
Rhode Island	0	5	196	0	<b>201</b>
Vermont	4	65	0	0	<b>69</b>
Regional Activities	55	183	6	0	<b>244</b>
<b>Total</b>	<b>468</b>	<b>2,934</b>	<b>703</b>	<b>545</b>	<b>4,650</b>
<i>Source Bank Data</i>					

Community development services declined by 4,300 hours since the prior examination, partially due to the COVID-19 pandemic preventing in-person volunteer activities. Regional activities primarily included financial literacy or technical assistance seminars provided to low- and moderate-income individuals and small businesses. Please refer to the individual rated area and assessment area sections for more information and examples of community development services provided during the review period.

Additionally, the bank introduced a MyFreedom Checking account (formerly known as Friends and Family Checking) in 2020. The MyFreedom Checking account is a low-cost alternative deposit product with a financial literacy element targeted to low- and moderate-income individuals. The bank implemented this product to benefit underbanked individuals in its assessment areas. In 2020, the bank opened 22 MyFreedom Checking accounts totaling \$11,000 and in 2021, the bank opened 60 MyFreedom Checking accounts totaling \$57,000.

## **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. Examiners did not identify any discriminatory or other illegal credit practices.

## MASSACHUSETTS

### CRA RATING FOR MASSACHUSETTS: SATISFACTORY

The Lending Test is rated: Satisfactory

The Investment Test is rated: High Satisfactory

The Service Test is rated: Satisfactory

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN MASSACHUSETTS

Berkshire Bank operates 33 of its 106 branches in Massachusetts. The bank designated three assessment areas within this state, as shown in the following table.

Description of Assessment Areas			
Assessment Area	Counties in Assessment Area	Census Tracts (#)	Branches (#)
Pittsfield MSA	Berkshire County	39	15
Springfield MSA	Hampden and Hampshire Counties	139	12
Boston MSA	Norfolk County, Suffolk County, and portions of Essex and Middlesex Counties	706	6
<i>Source Bank Data</i>			

At the prior evaluation, the Worcester, MA-CT MSA was also included under the Massachusetts rated area, as the bank only had branches in the Massachusetts portion of the multistate MSA. The bank now has branches in the Connecticut portion of the multistate MSA as well; therefore, this performance evaluation includes Worcester, MA-CT MSA as a separate rated area. Examiners considered this change when comparing the bank's performance in the Massachusetts rated area to the bank's performance at the prior evaluation. There were no other assessment area changes in this rated area during the review period.

### SCOPE OF EVALUATION – MASSACHUSETTS

The Massachusetts rated area evaluates the bank's performance within the three Massachusetts assessment areas (referred to as the Massachusetts assessment areas). Please refer to the overall Scope of Evaluation for a description of products reviewed and rationale for product weight. All three assessments areas received full-scope reviews given the level of loans, deposits, and branches located in each area.

Examiners weighed each Massachusetts assessment area similarly when determining the state's ratings and conclusions. The Pittsfield MSA and Springfield MSA assessment areas accounted for a significant majority of the state's deposits and branches. Although the Boston MSA assessment area had the least amount of deposits and branches, its lending activity surpassed the activity of the other two assessment areas. Therefore, the Boston MSA assessment area carried similar weight to the Pittsfield MSA and Springfield MSA assessment areas.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN MASSACHUSETTS**

### **LENDING TEST**

Berkshire Bank demonstrated Satisfactory performance under the Lending Test. Bank performance is consistent across the Massachusetts assessment areas. The following sections discuss the bank's performance under each criterion. Refer to individual assessment area sections for a detailed analysis of bank performance under these factors.

#### **Lending Activity**

Lending levels reflect adequate responsiveness to Massachusetts assessment areas credit needs. In 2019, the bank originated or purchased 571 loans totaling \$141.7 million in the Massachusetts assessment areas. In 2020, Berkshire Bank originated or purchased 573 home mortgage loans totaling \$146.1 million. In 2021, lending activity was consistent by number and dollar amount at 599 home mortgage loans totaling \$276.1 million. Lending activity declined since the prior evaluation due to a substantial decrease in lending in the Boston MSA assessment area. Refer to the Boston MSA assessment area section for more information. Please refer to the individual assessment area sections for market share information.

The bank originated 177 small business loans for \$30.4 million in the Massachusetts assessment areas in 2019. The bank originated 1,308 small business loans totaling \$133.9 million in 2020, with the significant increase due to PPP lending. In 2021, the bank originated 155 small business loans totaling \$26.4 million, which was more consistent with the bank's 2019 activity.

During the evaluation period, Berkshire Bank also established two consumer education and small business engagement centers in low-income census tracts. These centers, known as Reevx Labs, provide a community space as well as an opportunity to use an electronic device to open an online bank account in person, which expands access to online account opening to customers that may not otherwise have access to online or mobile banking. Please refer to individual assessment area sections for further details regarding the accessibility of delivery systems in each area.

#### **Changes in Branch Locations**

To the extent changes have been made, the bank's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals. The bank closed six branches in the Massachusetts rated area during the review period, and did not open any new branches. Of the six closed branches, one branch was in a low-income census tract in the Springfield MSA assessment area. Please refer to the individual assessment area sections for additional information.

#### **Reasonableness of Business Hours and Services**

Services, including business hours, do not vary in a way that inconveniences certain portions of the assessment areas, particularly low- and moderate-income geographies or individuals. The

reasonableness of business hours and services within the Massachusetts rated area is consistent with the conclusions in the overall institution section. Loan and deposit products do not vary by branch. Please refer to the individual assessment area sections, which detail minor variations among branch hours.

### **Community Development Services**

Berkshire Bank provides an adequate level of community development services in the Massachusetts rated area. The following table presents service hours provided in Massachusetts by assessment area. Refer to the individual assessment area sections for examples of notable community development services.

<b>Community Development Services by Assessment Area Rated Area: Massachusetts</b>					
<b>Assessment Area</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
Pittsfield MSA	55	734	12	462	<b>1,263</b>
Springfield MSA	144	330	57	62	<b>593</b>
Boston MSA	26	132	124	1	<b>283</b>
<b>Total</b>	<b>225</b>	<b>1,196</b>	<b>193</b>	<b>525</b>	<b>2,139</b>
<i>Source Bank Data</i>					

## **Pittsfield MSA – Full-Scope Review**

### **DESCRIPTION OF INSTITUTION’S OPERATIONS IN PITTSFIELD MSA**

Berkshire Bank operates 15 of its 106 branches in the Pittsfield MSA assessment area, which encompasses all of Berkshire County. The bank closed two branches in the assessment area since the previous evaluation.

### **Economic and Demographic Data**

The assessment area comprises 39 census tracts with the following income designations according to the 2015 ACS:

- 3 low-income census tracts,
- 4 moderate-income census tracts,
- 20 middle-income census tracts, and
- 12 upper-income census tracts.

The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area Assessment Area: Pittsfield MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	39	7.7	10.3	51.3	30.8	0.0
Population by Geography	129,288	8.4	11.4	50.5	29.7	0.0
Housing Units by Geography	68,385	9.0	10.7	50.5	29.8	0.0
Owner-Occupied Units by Geography	37,899	3.1	10.2	55.5	31.2	0.0
Occupied Rental Units by Geography	17,341	23.9	15.9	40.3	19.9	0.0
Vacant Units by Geography	13,145	6.1	5.5	49.8	38.6	0.0
Businesses by Geography	11,818	14.2	6.5	41.8	37.4	0.0
Farms by Geography	432	2.1	4.2	48.4	45.4	0.0
Family Distribution by Income Level	33,021	21.3	17.6	20.5	40.6	0.0
Household Distribution by Income Level	55,240	25.2	15.3	17.3	42.2	0.0
Median Family Income MSA - 38340 Pittsfield, MA MSA		\$66,604	Median Housing Value			\$227,590
			Median Gross Rent			\$771
			Families Below Poverty Level			9.7%
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.						

There are 68,385 housing units in the assessment area. Of these, 55.4 percent are owner occupied, 25.4 percent are occupied rental units, and 19.2 percent are vacant. The median housing value of \$227,590 reflects a moderately priced area.

The Federal Financial Institutions Examination Council (FFIEC)-updated median family income level is used to analyze home mortgage loans under the Borrower Profile criterion. The following table presents low-, moderate-, middle-, and upper-income categories for the assessment area.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
<b>Pittsfield, MA MSA Median Family Income (38340)</b>				
2019 (\$81,700)	<\$40,850	\$40,850 to <\$65,360	\$65,360 to <\$98,040	≥\$98,040
2020 (\$88,800)	<\$44,400	\$44,400 to <\$71,040	\$71,040 to <\$106,560	≥\$106,560
2021 (\$85,200)	<\$42,600	\$42,600 to <\$68,160	\$68,160 to <\$102,240	≥\$102,240
<i>Source FFIEC</i>				

According to 2021 D&B data, there were 11,818 businesses operating in the assessment area. The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by GAR level. GARs for these businesses are below.

- 84.5 percent of businesses have GARs less than or equal to \$1.0 million,

- 4.7 percent of businesses have GARs greater than \$1.0 million, and
- 10.8 percent of businesses have unknown revenues.

Service industries represent the largest portion of businesses at 39.3 percent, followed by non-classifiable establishments (15.8 percent); retail trade (13.8 percent); and finance, insurance, and real estate (9.0 percent). In addition, 63.5 percent of area businesses have four or fewer employees, and 88.8 percent operate from a single location.

### **Competition**

Berkshire Bank operates in a limited market for banking services. According to 2021 Deposit Market Share data, there were 14 financial institutions operating 68 branches in the assessment area. Berkshire Bank ranked 1<sup>st</sup> with a deposit market share of 32.4 percent. Other leading financial institutions include Greylock Credit Union and Adams Community Bank.

The Pittsfield MSA assessment area is a competitive area for mortgage loans. According to 2020 peer mortgage data, 236 lenders reported 4,752 originated or purchased home mortgage loans. Berkshire Bank ranked 6<sup>th</sup> with a 4.3 percent market share. The three most prominent mortgage lenders (Greylock Credit Union, Adams Community Bank, and Lee Bank) account for 39.0 percent of the total market share.

The Pittsfield MSA assessment area is a competitive area for small business loans. Based on 2019 peer small business data, 64 lenders reported 2,935 small business loans. Berkshire Bank ranked 13<sup>th</sup> with 1.8 percent market share. The leading financial institutions (American Express National Bank, JP Morgan Chase Bank, CitiBank) were large credit card companies. According to 2020 peer small business data, 95 financial institutions reported 2,535 small business loans. Berkshire Bank ranked 1<sup>st</sup> with 34.3 percent market share. American Express National Bank ranked 2<sup>nd</sup> with a market share of 5.0 percent. The improvement in market share from 2019 to 2020 reflects the institution's responsiveness to the credit needs satisfied by small business PPP lending.

### **Community Contact**

As part of the evaluation process, examiners contact third parties active in the assessment area to assess credit and community development needs.

Examiners contacted a non-profit organization active in Berkshire County. The organization relies partially on grants and low-income housing tax credits to fund affordable housing projects in the area. The contact emphasized the community's need for affordable housing opportunities and community service programs. Additionally, the contact described a need for credit counseling and homeownership education for the area's residents.

### **Credit and Community Development Needs and Opportunities**

Based on demographic and economic information, discussions with bank management, and the community contact interview, the Pittsfield MSA assessment area exhibits community development needs for affordable housing and community services assisting low- and moderate-income

individuals, and credit needs for small business loans. Opportunities for community development activities in this area include credit counseling opportunities and homeownership education programs to assist low- and moderate-income individuals achieve homeownership.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN PITTSFIELD MSA**

### **LENDING TEST**

Berkshire Bank demonstrated adequate performance under the Lending Test in this assessment area. The following sections discuss the bank's performance under each criterion.

#### **Lending Activity**

Lending levels reflect adequate responsiveness to the Pittsfield MSA assessment area's credit needs. In 2019, the bank originated or purchased 167 loans totaling \$23.1 million in the assessment area. In 2020, Berkshire Bank originated or purchased 203 home mortgage loans totaling \$40.1 million. Lending activity in 2021 was consistent by number and dollar amount at 202 home mortgage loans totaling \$39.9 million. The bank's 2020 market ranking of 6<sup>th</sup> out of 236 lenders supports adequate performance.

Berkshire Bank originated 53 small business loans for \$8.3 million in the assessment area in 2019. The bank originated 509 small business loans totaling \$37.6 million in the Pittsfield MSA assessment area in 2020, with the significant increase due to PPP lending. In 2021, the bank originated 40 small business loans totaling \$5.8 million, more consistent with the bank's historical non-PPP loan activity in this area. The bank's 2020 market ranking of 1<sup>st</sup> among 95 small business lenders reflects excellent performance within this product.

#### **Geographic Distribution**

The geographic distribution of home mortgage and small business loans reflects poor penetration throughout the assessment area.

#### ***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects poor penetration throughout the assessment area. As shown in the following table, the bank's performance in low-income geographies was below demographic data and the aggregate performance for 2019 and 2020. The bank's performance in moderate-income tracts was below demographics and aggregate performance in 2019 and declined slightly in 2020.

Performance in 2021 showed slight improvement by number and percentage; however, remained below relevant demographics in low-income geographies and moderate-income geographies.

<b>Geographic Distribution of Home Mortgage Loans</b> <b>Assessment Area: Pittsfield MSA</b>						
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2019	3.1	4.6	4	2.4	219	0.9
2020	3.1	3.1	4	2.0	1,391	3.5
2021	3.1	--	5	2.5	428	1.1
Moderate						
2019	10.2	9.1	8	4.8	519	2.2
2020	10.2	7.9	7	3.4	638	1.6
2021	10.2	--	10	5.0	971	2.4
Middle						
2019	55.5	53.5	84	50.3	9,273	40.1
2020	55.5	52.1	96	47.3	18,254	45.5
2021	55.5	--	104	51.5	19,025	47.7
Upper						
2019	31.2	32.8	71	42.5	13,134	56.7
2020	31.2	36.8	96	47.3	19,798	49.4
2021	31.2	--	83	41.1	19,484	48.8
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>167</b>	<b>100.0</b>	<b>23,146</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>203</b>	<b>100.0</b>	<b>40,081</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>202</b>	<b>100.0</b>	<b>39,908</b>	<b>100.0</b>
Source 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available.						

### ***Small Business Loans***

The geographic distribution of small business loans reflects adequate penetration throughout the assessment area. As shown in the following table, the bank's performance in low-income geographies was below aggregate performance and demographic data in 2019, but exceeded aggregate and demographic data in 2020. The bank's 2021 performance was below the demographic data for the same year.

In moderate-income geographies, the bank's performance was below aggregate and demographic percentages in 2019 and 2020, but increased to a level comparable to demographics in 2021.

Geographic Distribution of Small Business Loans Assessment Area: Pittsfield MSA						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	13.6	10.8	3	5.7	307	3.7
2020	13.7	12.1	72	14.1	6,413	17.1
2021	14.2	--	3	7.5	414	7.2
Moderate						
2019	6.6	8.0	2	3.8	51	0.6
2020	6.8	6.6	16	3.1	1,530	4.1
2021	6.5	--	3	7.5	642	11.2
Middle						
2019	42.7	42.8	31	58.5	5,959	72.1
2020	41.9	42.2	222	43.6	18,164	48.3
2021	41.8	--	14	35.0	1,237	21.5
Upper						
2019	37.1	38.4	17	32.1	1,946	23.6
2020	37.6	39.0	199	39.1	11,476	30.5
2021	37.4	--	20	50.0	3,460	60.1
<b>Total</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>53</b>	<b>100.0</b>	<b>8,263</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>509</b>	<b>100.0</b>	<b>37,583</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>40</b>	<b>100.0</b>	<b>5,753</b>	<b>100.0</b>
Source 2019, 2020 & 2021 D&B Data; Bank Data, 2019 & 2020 CRA Aggregate Data, "--" data not available.						

## **Borrower Profile**

The distribution of borrowers reflects, given the product lines offered by the bank, adequate penetration among individuals of different income levels and among businesses of different sizes.

### ***Home Mortgage Loans***

The distribution of borrowers reflects adequate penetration among individuals of different income levels. As shown in the following table, the bank's performance in lending to low-income borrowers was above the aggregate performance in 2019. While the percent of loans made to low-income borrowers declined in 2020, the bank's performance was comparable to the aggregate performance, and the percent of loans made to low-income borrowers in 2021 shows a positive trend. The bank's performance is below the percentage of low-income families for all three years, which is reasonable given the percentage of families in the area below the poverty level (9.7 percent). Low-income individuals, especially those below the poverty level, may face challenges in qualifying for a home mortgage given the median home value in the assessment area.

Among moderate-income borrowers, performance was slightly below aggregate performance in 2019 and 2020; however, the bank's performance was above demographic percentages for all three years.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b> <b>Assessment Area: Pittsfield MSA</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2019	21.3	10.0	24	14.4	1,317	5.7
2020	21.3	10.4	20	9.9	1,458	3.6
2021	21.3	--	26	12.9	1,992	5.0
Moderate						
2019	17.6	21.1	32	19.2	2,288	9.9
2020	17.6	18.7	37	18.2	4,227	10.5
2021	17.6	--	39	19.3	4,993	12.5
Middle						
2019	20.5	20.5	46	27.5	5,882	25.4
2020	20.5	18.7	49	24.1	7,081	17.7
2021	20.5	--	36	17.8	5,364	13.4
Upper						
2019	40.6	35.8	57	34.1	10,838	46.8
2020	40.6	40.5	86	42.4	24,510	61.2
2021	40.6	--	95	47.0	26,566	66.6
Not Available						
2019	0.0	12.6	8	4.8	2,821	12.2
2020	0.0	11.6	11	5.4	2,804	7.0
2021	0.0	--	6	3.0	992	2.5
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>167</b>	<b>100.0</b>	<b>23,146</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>203</b>	<b>100.0</b>	<b>40,081</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>202</b>	<b>100.0</b>	<b>39,908</b>	<b>100.0</b>

*Source 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available.*

### ***Small Business Loans***

The distribution of small business loans reflects good penetration among businesses of different sizes. As shown in the following table, the bank's percentage of lending to businesses with GARs of \$1.0 million or less was well above aggregate performance but below demographics in 2019. In 2020, lending to businesses with GARs of \$1.0 million or less was below aggregate and business demographics; however, banks were not required to collect or report revenue information for PPP

loans, and they comprised a significant portion of 2020 small business loans. The bank's 2021 percentage of lending to businesses with GARs of \$1.0 million or less was more comparable to area demographics and exceeded prior years in terms of the bank's performance among small businesses.

Please see the following table for more details.

Distribution of Small Business Loans by Gross Annual Revenue Category Assessment Area: Pittsfield MSA						
Business Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2019	82.3	48.6	36	67.9	1,738	21.0
2020	83.5	37.0	145	28.5	7,843	20.9
2021	84.5	--	30	75.0	3,804	66.1
>\$1,000,000						
2019	5.8	--	16	30.2	6,394	77.4
2020	5.4	--	56	11.0	17,025	45.3
2021	4.7	--	10	25.0	1,949	33.9
Revenue Not Available						
2019	11.9	--	1	1.9	131	1.6
2020	11.1	--	308	60.5	12,715	33.8
2021	10.8	--	0	0.0	0	0.0
<b>Total</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>53</b>	<b>100.0</b>	<b>8,263</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>509</b>	<b>100.0</b>	<b>37,583</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>40</b>	<b>100.0</b>	<b>5,753</b>	<b>100.0</b>

*Source 2019, 2020 & 2021 D&B Data; Bank Data, 2019 & 2020 CRA Aggregate Data, "--" data not available.*

### **Community Development Loans**

Berkshire Bank made a relatively high level of community development loans in the assessment area. The bank originated 14 community development loans totaling \$20.9 million that met the needs of the assessment area.

The majority of loans by number and dollar amount benefit affordable housing projects, which exhibit responsiveness to the needs identified by the community contact. This activity greatly exceeds that of the previous examination, when the bank only originated one loan for \$464,000 in the assessment area. The following table illustrates the bank's community development lending activity by year and purpose.

<b>Community Development Loans Assessment Area: Pittsfield MSA</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize and Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Partial 2018	0	0	0	0	0	0	2	5,159	2	5,159
2019	3	2,175	0	0	0	0	0	0	3	2,175
2020	2	1,198	4	5,582	1	3,731	0	0	7	10,511
2021	0	0	1	1,005	0	0	0	0	1	1,005
YTD 2022	1	2,000	0	0	0	0	0	0	1	2,000
<b>Total</b>	<b>6</b>	<b>5,373</b>	<b>5</b>	<b>6,587</b>	<b>1</b>	<b>3,731</b>	<b>2</b>	<b>5,159</b>	<b>14</b>	<b>20,850</b>
<i>Source Bank Data</i>										

The following are notable examples of community development loans in the assessment area:

- In 2018, the bank originated two loans to finance the construction of a 29-unit housing project in Berkshire County. The units are in a low-income census tract specifically identified by the municipality as a neighborhood development zone in need of revitalization. The loans total \$5.2 million and qualify as revitalization and stabilization of a low-income census tract.
- In 2019, the bank originated two loans in Berkshire County totaling \$900,000 to construct a 14-unit affordable housing project for women veterans. This loan qualifies as affordable housing for low- and moderate-income individuals.
- In 2022, the bank originated a \$2.0 million loan in Great Barrington. The construction project creates 49 units of affordable housing. This loan qualifies as affordable housing for low- and moderate-income individuals.

## **INVESTMENT TEST**

Berkshire Bank demonstrated adequate performance under the Investment Test in this assessment area. The following sections discuss the bank's performance under each criterion.

### **Investment and Grant Activity**

Berkshire Bank has an adequate level of qualified community development investments and grants, although rarely in a leadership position, particularly those that are not routinely provided by private investors.

Qualified equity investments in this area include two current investments totaling \$1.8 million. Berkshire Bank's qualified investments include housing development tax credits to facilitate building rehabilitation in a low-income area. The total dollar amount of equity investments trails the bank's performance at the prior evaluation; however, grant activity was responsive to community needs and exceeds the prior evaluation's activity.

Berkshire Bank provided 245 grants totaling \$2.2 million to organizations within the Pittsfield MSA assessment area during the evaluation period. Grants primarily address community service and revitalization initiatives.

The following are examples of notable grants:

- *City of Pittsfield – Tyler Street Lab (Morningside Neighborhood)* – This public-private effort seeks to bring together the community to foster innovation and entrepreneurship, especially for underrepresented populations in the Morningside neighborhood of Pittsfield, a low-income area. In 2020, the bank made a sizable grant that was responsive to community service needs in the assessment area for low- or moderate-income individuals.
- *Construct, Inc.* – Construct, Inc. is a nonprofit provider of affordable housing and supportive services to low- and moderate-income residents in Berkshire County. In 2020, the bank provided a highly responsive grant for the organization’s COVID-19 pandemic rental assistance. This donation qualifies for community development by supporting affordable housing.

### **Responsiveness to Credit and Community Development Needs**

Berkshire Bank exhibits good responsiveness to credit and community development needs. Investment activity primarily includes community services for the area, and the bank also provided targeted grants towards affordable housing initiatives. This activity reflects responsiveness to this area’s community development needs of affordable housing and community services assisting low- and moderate-income individuals. Lastly, investment activity supported revitalization of low- and moderate-income areas within the area, especially in downtown Pittsfield.

### **Community Development Initiatives**

Consistent with the bank’s overall performance, Berkshire Bank occasionally uses innovative and/or complex investments to support community development initiatives in this area. Housing development tax credits support revitalization efforts through incentivizing construction or rehabilitation of residential housing in the area.

## **SERVICE TEST**

Berkshire Bank demonstrated good performance under the Service Test in this assessment area. The following sections discuss the bank’s performance under each criterion.

### **Accessibility of Delivery Systems**

Delivery systems are accessible to essentially all portions of the Pittsfield MSA assessment area, especially low- and moderate-income geographies. Berkshire Bank operates two branches and three ATMs in low-income geographies and one ATM in a moderate-income geography. Although no Berkshire Bank branches operate in moderate-income geographies, the North Adams branch, which

is located in a middle-income census tract, is accessible to the surrounding moderate-income census tracts.

### **Changes in Branch Locations**

The bank did not open any branches in this assessment area, and it closed two branches in middle-income census tracts. To the extent changes have been made in this assessment area, Berkshire Bank's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies.

### **Reasonableness of Business Hours and Services**

Services, including business hours, do not vary in a way that inconveniences portions of the assessment area, particularly low- and moderate-income geographies or individuals in the assessment area. No material differences exist among products or services offered within branches.

Branch hours are generally consistent across branches (9 a.m. to 4 p.m. Monday through Thursday, and 9 a.m. to 5 p.m. on Fridays), and some branches operate with Saturday hours (9 a.m. to 12 p.m.) as well. Both branches in low-income geographies are accessible on Saturday either through Saturday branch hours or through an ITM on branch premises operating from 8:30 a.m. to 2:00 p.m. The North Adams branch, serving surrounding moderate-income census tracts, neither operates with Saturday hours nor includes an ITM with Saturday hours. However, its hours are consistent with many other branches in middle- and upper-income census tracts.

### **Community Development Services**

Berkshire Bank provides a relatively high level of community development services in the assessment area. The following table reflects the hours of community services provided by bank employees during the evaluation period.

<b>Community Development Services Assessment Area: Pittsfield MSA</b>					
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
Partial 2018	20	103	0	61	<b>184</b>
2019	9	238	8	101	<b>356</b>
2020	10	271	4	96	<b>381</b>
2021	12	93	0	168	<b>273</b>
YTD 2022	4	29	0	36	<b>69</b>
<b>Total</b>	<b>55</b>	<b>734</b>	<b>12</b>	<b>462</b>	<b>1,263</b>
<i>Source Bank Data</i>					

Performance in this area trails the bank's performance at the prior evaluation. However, Berkshire Bank continues to provide services that respond to the assessment area's community development needs, including community services and revitalization efforts.

The following are notable examples of community development services in the assessment area:

- A senior vice president serves as the Chairperson of the Board for an entity dedicated to revitalizing the low-income geographies in downtown Pittsfield.
- Several employees provided financial education courses targeting low- and moderate-income geographies within the assessment area.
- A vice president provided tax assistance through the Voluntary Income Tax Assistance (VITA) Program in downtown Pittsfield. The VITA program supports free tax preparation service for low- and moderate-income families.
- Several employees provided financial education courses targeting low- and moderate-income geographies within the assessment area.

## **Springfield MSA – Full-Scope Review**

### **DESCRIPTION OF INSTITUTION’S OPERATIONS IN SPRINGFIELD MSA**

Berkshire Bank operates 12 of its 106 branches in the Springfield MSA assessment area, which includes all of Hampshire County and Hampden County. The bank closed four branches in the assessment area since the previous evaluation.

#### **Economic and Demographic Data**

The assessment area comprises 139 census tracts with the following income designations according to the 2015 ACS:

- 24 low-income census tracts,
- 22 moderate-income census tracts
- 41 middle-income census tracts,
- 48 upper-income census tracts, and
- 4 tracts with no income designation.

Of the 24 low-income census tracts, 16 are located in Springfield. Of the 22 moderate-income census tracts, 20 are in Springfield and Holyoke.

The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area Assessment Area: Springfield MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	139	17.3	15.8	29.5	34.5	2.9
Population by Geography	628,800	14.3	15.3	31.0	36.5	2.9
Housing Units by Geography	254,960	14.1	16.0	33.7	36.0	0.1
Owner-Occupied Units by Geography	147,690	4.7	12.4	35.2	47.6	0.0
Occupied Rental Units by Geography	87,841	28.4	21.1	32.0	18.3	0.3
Vacant Units by Geography	19,429	20.9	20.7	30.6	27.4	0.4
Businesses by Geography	45,486	14.3	15.2	28.7	41.1	0.8
Farms by Geography	1,406	3.1	5.9	31.7	59.2	0.0
Family Distribution by Income Level	149,875	24.6	15.7	17.9	41.8	0.0
Household Distribution by Income Level	235,531	27.1	14.5	15.5	42.9	0.0
Median Family Income MSA – 44140 Springfield, MA MSA		\$67,203	Median Housing Value			\$209,221
			Median Gross Rent			\$856
			Families Below Poverty Level			12.0%
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.						

There are 254,960 housing units in the assessment area. Of these 57.9 percent are owner occupied, 34.5 percent are occupied rental units, and 7.6 percent are vacant. The median housing value of \$209,221 reflects a moderately priced area.

The following table presents low-, moderate-, middle-, and upper-income categories for the assessment area.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
<b>Springfield, MA MSA Median Family Income (44140)</b>				
2019 (\$76,700)	<\$38,350	\$38,350 to <\$61,360	\$61,360 to <\$92,040	≥\$92,040
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
Source FFIEC				

According to 2021 D&B data, there were 45,486 businesses operating in the assessment area. GARs for these businesses are below.

- 85.0 percent of businesses have GARs less than or equal to \$1.0 million,
- 4.7 percent of businesses have GARs greater than \$1.0 million, and
- 10.3 percent of businesses have unknown revenues.

Service industries represent the largest portion of businesses at 39.5 percent, followed by non-classifiable establishments (15.4 percent); retail trade (13.1 percent); and finance, insurance, and real estate (9.8 percent). In addition, 64.7 percent of area businesses have four or fewer employees, and 89.1 percent operate from a single location.

### **Competition**

Berkshire Bank operates in a moderately competitive market for banking services. According to 2021 Deposit Market Share data, there were 32 financial institutions with 219 branches in the area. Berkshire Bank ranked 8<sup>th</sup> with a deposit market share of 5.6 percent. Financial institutions that ranked ahead of Berkshire Bank included other local and national institutions, including Bank of America, TD Bank NA, and PeoplesBank. The three leading institutions account for 33.4 percent of the deposit market.

The Springfield MSA assessment area is a highly competitive area for mortgage loans. In 2020, 382 lenders reported 21,839 originated or purchased home mortgage loans in the assessment area. Berkshire Bank ranked 34<sup>th</sup> with approximately 1.0 percent market share. The three most prominent mortgage lenders (Quicken Loans, LLC; Citizens Bank NA; and Freedom Mortgage Corporation) account for 13.5 percent of the total market share.

The Springfield MSA assessment area is also a competitive area for small business loans. Based on 2019 market share data, 98 lenders reported 13,233 small business loans. Berkshire Bank ranked 36<sup>th</sup> with 0.4 percent market share. The leading financial institutions (American Express National Bank, JP Morgan Chase Bank, CitiBank) were large credit card companies. In 2020, 109 financial institutions reported 14,321 small business loans in the assessment area. Berkshire Bank ranked 12<sup>th</sup> with 3.2 percent market share. The three most prominent small business lenders (American Express National Bank, Bank of America, and Westfield Bank) had a 31.6 percent market share. The improvement in market share from 2019 to 2020 reflects the institution's responsiveness to the credit needs satisfied by small business PPP lending.

### **Community Contact**

Examiners contacted a nonprofit community development financial institution (CDFI) that provides small business financing and community services throughout the Springfield MSA assessment area. The contact emphasized high poverty levels in Springfield and Holyoke, as well as limited housing stock in the area. Additionally, the contact specifically noted that Berkshire Bank and its Reevx Labs location in Springfield support the community and underbanked individuals.

### **Credit and Community Development Needs and Opportunities**

Based on demographic and economic information, discussions with bank management, and the community contact interview, the Springfield MSA assessment area exhibits credit needs for small business loans and community development needs for affordable housing and community services assisting low- and moderate-income individuals. In particular, Springfield and Holyoke exhibit community development needs based on the high concentration of low- and moderate-income

geographies within the cities. Opportunities in this area include outreach to underbanked individuals, financial literacy courses, and small business lending programs.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN SPRINGFIELD MSA**

### **LENDING TEST**

Berkshire Bank demonstrated adequate performance under the Lending Test in this assessment area. The following sections discuss the bank's performance under each criterion.

#### **Lending Activity**

Lending levels reflect adequate responsiveness to this assessment area's credit needs. In 2019, the bank originated or purchased 219 loans totaling \$30.2 million in the assessment area. In 2020, Berkshire Bank originated or purchased 207 home mortgage loans totaling \$34.1 million. Lending activity in 2021 increased by number and dollar amount, as the bank originated or purchased 242 home mortgage loans totaling \$40.5 million. The bank's rank of 34<sup>th</sup> out of 382 lenders supports adequate performance.

Berkshire Bank originated 54 small business loans for \$8.7 million in the assessment area in 2019. The bank originated 454 small business loans totaling \$40.0 million in the rated area in 2020, with the significant increase due to PPP lending. In 2021, the bank originated small 69 small business loans totaling \$5.6 million, more consistent with the bank's historical non-PPP loan activity in this area. The bank's 2020 market share rank of 12<sup>th</sup> out of 109 lenders supports adequate performance.

#### **Geographic Distribution**

The geographic distribution of loans reflects adequate penetration throughout the assessment area. While the distribution of home mortgage loans in the assessment area was poor, the distribution of small business loans was good.

#### ***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects poor penetration throughout the assessment area. As shown in the following table, the bank's performance in low-income geographies was above demographic data and comparable to aggregate performance in 2019; however, performance declined in 2020 and was below demographics and aggregate performance. Despite an increase in lending overall in 2021, performance in low-income census tracts declined further and remained below demographics.

The bank's performance in moderate-income tracts was below demographics and aggregate performance in 2019 and 2020. Performance remained below demographics in 2021.

Geographic Distribution of Home Mortgage Loans Assessment Area: Springfield MSA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	4.7	6.1	13	5.9	2,519	8.3
2020	4.7	5.5	8	3.9	3,546	10.4
2021	4.7	--	7	2.9	1,127	2.8
Moderate						
2019	12.4	14.6	22	10.0	2,531	8.4
2020	12.4	12.8	17	8.2	1,994	5.9
2021	12.4	--	18	7.4	5,842	14.4
Middle						
2019	35.2	35.0	59	26.9	6,798	22.5
2020	35.2	34.0	53	25.6	7,173	21.1
2021	35.2	--	71	29.3	8,647	21.3
Upper						
2019	47.6	44.3	125	57.1	18,364	60.8
2020	47.6	47.7	129	62.3	21,346	62.7
2021	47.6	--	146	60.3	24,919	61.5
Not Available						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	0.0	0	0.0	0	0.0
2021	0.0	--	0	0.0	0	0.0
Totals						
2019	100.0	100.0	219	100.0	30,212	100.0
2020	100.0	100.0	207	100.0	34,059	100.0
2021	100.0	--	242	100.0	40,535	100.0
Source 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available.						

### ***Small Business Loans***

The geographic distribution of small business loans reflects good penetration throughout the assessment area. As shown in the following table, the bank's performance in low-income geographies was above aggregate performance and demographic data in 2019 and 2020. The bank's 2021 performance trended lower than prior years, but remained above demographic data.

In moderate-income geographies, performance was comparable to aggregate and demographic percentages in 2019. In 2020, performance was below both comparators, and continued to be below demographic percentages in 2021.

Geographic Distribution of Small Business Loans Assessment Area: Springfield MSA						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	14.0	12.4	13	24.1	3,243	37.5
2020	13.9	13.8	97	21.4	13,829	33.7
2021	14.3	--	13	18.8	2,073	37.2
Moderate						
2019	15.1	15.4	8	14.8	2,190	25.3
2020	15.2	14.5	49	10.8	4,482	10.9
2021	15.2	--	6	8.7	282	5.1
Middle						
2019	28.8	28.9	7	13.0	1,003	11.6
2020	28.8	29.8	95	20.9	9,068	22.1
2021	28.8	--	21	30.4	1,021	18.3
Upper						
2019	41.3	43.0	26	48.1	2,221	25.7
2020	41.2	41.7	213	46.9	13,641	33.3
2021	41.1	--	29	42.0	2,193	39.4
Not Available						
2019	0.9	0.3	0	0.0	0	0.0
2020	0.8	0.2	0	0.0	0	0.0
2021	0.8	--	0	0.0	0	0.0
<b>Total</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>54</b>	<b>100.0</b>	<b>8,657</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>454</b>	<b>100.0</b>	<b>41,020</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>69</b>	<b>100.0</b>	<b>5,569</b>	<b>100.0</b>
<i>Source 2019, 2020 &amp; 2021 D&amp;B Data; Bank Data, 2019 &amp; 2020 CRA Aggregate Data, "--" data not available.</i>						

### **Borrower Profile**

The distribution of borrowers reflects, given the product lines offered by the institution, good penetration among individuals of different income levels and among businesses of different sizes.

### ***Home Mortgage Loans***

The distribution of borrowers reflects good penetration among individuals of different income levels. As shown in the following table, the bank's percentage of loans originated to low-income borrowers was above the aggregate performance in 2019 and 2020. The bank's performance was below the percentage of low-income families for all three years, which is reasonable given the

percentage of families in the assessment area below the poverty level (12.0 percent). Low-income individuals, especially those below the poverty level, may face challenges in qualifying for a home mortgage given the median home value in the assessment area.

Among moderate-income borrowers, performance was above demographics and aggregate performance in 2019. While the bank's performance was below aggregate in 2020, performance was still above demographics. The bank's performance continued to exceed demographics in 2021.

<b>Distribution of Home Mortgage Loans by Borrower Income Level Assessment Area: Springfield MSA</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2019	24.7	7.1	28	12.8	2,400	7.9
2020	24.7	5.1	17	8.2	1,642	4.8
2021	24.7	--	23	9.5	1,894	4.7
Moderate						
2019	15.7	22.1	58	26.5	7,581	25.1
2020	15.7	19.1	35	16.9	4,696	13.8
2021	15.7	--	64	26.4	8,011	19.8
Middle						
2019	17.9	23.6	42	19.2	4,501	14.9
2020	17.9	23.6	54	26.1	6,964	20.4
2021	17.9	--	64	26.4	8,354	20.6
Upper						
2019	41.8	30.6	84	38.4	13,997	46.3
2020	41.8	35.0	94	45.4	17,692	51.9
2021	41.8	--	85	35.1	18,097	44.6
Not Available						
2019	0.0	16.5	7	3.2	1,734	5.7
2020	0.0	17.2	7	3.4	3,066	9.0
2021	0.0	--	6	2.5	4,179	10.3
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>219</b>	<b>100.0</b>	<b>30,212</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>207</b>	<b>100.0</b>	<b>34,059</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>242</b>	<b>100.0</b>	<b>40,535</b>	<b>100.0</b>
<i>Source 2015 ACS; Bank Data, 2019 &amp; 2020 HMDA Aggregate Data, "--" data not available.</i>						

### ***Small Business Loans***

The distribution of small business loans reflects good penetration among businesses of different sizes. In 2019, lending to businesses with GARs of \$1.0 million or less was above aggregate performance and below demographics. In 2020, lending to businesses with GARs of \$1.0 million or less was below aggregate performance and business demographics; however, banks were not required to collect or report revenue information for PPP loans, and they comprised a significant portion of 2020 small business loans.

The bank's performance in 2021 was more comparable to area demographics and exceeded prior years in terms of the bank's performance among small businesses.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b> <b>Assessment Area: Springfield MSA</b>						
<b>Business Revenue Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>&lt;=\$1,000,000</b>						
2019	83.0	41.0	37	68.5	4,520	52.2
2020	83.9	34.1	113	24.9	8,582	20.9
2021	85.0	--	59	85.5	4,076	73.2
<b>&gt;\$1,000,000</b>						
2019	5.7	--	16	29.6	4,037	46.6
2020	5.3	--	39	8.6	12,605	30.7
2021	4.7	--	7	10.1	1,236	22.2
<b>Revenue Not Available</b>						
2019	11.2	--	1	1.9	100	1.2
2020	10.8	--	302	66.5	19,833	48.4
2021	10.2	--	3	4.3	257	4.6
<b>Total</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>54</b>	<b>100.0</b>	<b>8,657</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>454</b>	<b>100.0</b>	<b>41,020</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>69</b>	<b>100.0</b>	<b>5,569</b>	<b>100.0</b>
<i>Source 2019, 2020 &amp; 2021 D&amp;B Data; Bank Data, 2019 &amp; 2020 CRA Aggregate Data, "--" data not available.</i>						

### **Community Development Loans**

Berkshire Bank made a relatively high level of community development loans in the assessment area. The bank originated 12 community development loans totaling \$16.0 million that reflected responsiveness to the assessment areas need for community services for low- and moderate-income individuals. This performance reflects an improvement from the prior examination, when the bank originated seven loans for \$14.2 million. The following table illustrates the bank's community development lending activity by year and purpose.

Community Development Loans Assessment Area: Springfield MSA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize and Stabilize		Totals	
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
Partial 2018	0	0	0	0	0	0	0	0	0	0
2019	1	314	2	2,718	0	0	1	724	4	3,756
2020	0	0	3	3,969	3	5,822	0	0	6	9,791
2021	0	0	1	1,750	0	0	1	724	2	2,474
YTD 2022	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>1</b>	<b>314</b>	<b>6</b>	<b>8,437</b>	<b>3</b>	<b>5,822</b>	<b>2</b>	<b>1,448</b>	<b>12</b>	<b>16,021</b>
<i>Source Bank Data</i>										

The following are notable examples of community development loans in the assessment area:

- In 2019, the bank extended credit of \$724,000 to finance the construction of commercial spaces in a low-income census tract in Springfield that is also a federally designated Opportunity Zone. The commercial spaces will operate as anchor locations attracting businesses to the area. The construction loan qualifies as revitalization and stabilization of a low-income census tract.
- In 2020, the bank originated a \$2.7 million PPP loan totaling \$2.7 million to a nonprofit organization providing social services for low- and moderate-income individuals. This loan supports community services for low- and moderate-income individuals.
- In 2021, the bank originated a \$1.8 million loan in Springfield. The loan provides refinancing and improvements for a local organization focused on shelter and advocacy for low- and moderate-income women. This loan supports community services for low- and moderate-income individuals.

## **INVESTMENT TEST**

Berkshire Bank demonstrated adequate performance under the Investment Test in this assessment area. The following sections discuss the bank's performance under each criterion.

### **Investment and Grant Activity**

Berkshire Bank has an adequate level of qualified community development investments and grants, although rarely in a leadership position, particularly those that are not routinely provided by private investors.

Seven prior period mortgage-backed security investments benefitting low- and moderate-income individuals, totaling \$1.1 million, comprise this area's qualified equity investments. The dollar amount of equity investments in this area has declined since the previous evaluation period, when the bank had double the amount of investments; however, the total dollar volume of grant activity increased. During the evaluation period, Berkshire Bank provided 140 grants totaling \$932,000 in the Springfield MSA assessment area. A majority of grant activity supports organizations dedicated to affordable housing and community service initiatives.

Below are notable examples of grants:

- *Dress for Success, Western Massachusetts* – Dress for Success provides low-income women professional attire and workforce development tools. The bank provided grants in 2018, 2019, 2021, and 2022 that were responsive to community service needs in the assessment area for low- or moderate-income individuals.
- *Way Finders, Inc.* – Way Finders, Inc. builds and manages affordable housing and provides homebuyer and financial education programs in the area to improve housing stability and economic mobility. The bank provided multiple grants in 2018, 2019, 2020, and 2021 that were responsive to affordable housing needs in the assessment area.

### **Responsiveness to Credit and Community Development Needs**

Berkshire Bank exhibits good responsiveness to credit and community development needs. Investment and grant activity supports this area's primary community development needs of affordable housing and community services. Additionally, grant activity supported financial literacy programs for low- and moderate-income individuals.

### **Community Development Initiatives**

Berkshire Bank occasionally uses innovative and/or complex investments to support community development initiatives in the Springfield MSA assessment area.

### **SERVICE TEST**

Berkshire Bank demonstrated adequate performance under the Service Test in this assessment area. The following sections discuss the bank's performance under each criterion.

### **Accessibility of Delivery Systems**

Delivery systems are reasonably accessible to essentially all portions of the Springfield MSA assessment area. Branch and ATM distribution are consistent with the area's demographics. Berkshire Bank operates two branches and ATMs in low-income census tracts and two branches and ATMs in moderate-income census tracts within this assessment area.

In addition to the ATMs mentioned above, the bank operates an ITM with extended hours in a low-income tract located in Springfield's Indian Orchard neighborhood. The bank established the ITM when the branch located at the same location closed in 2019.

### **Changes in Branch Locations**

To the extent changes have been made, the bank's branch closings have not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies or to low- and moderate-income individuals. Berkshire Bank has not opened any branches in this area. The bank closed four branches during the evaluation period. Branch closures were located in a low-

income census tract (1), middle-income census tracts (2), and an upper-income census tract (1). The impact of the branch closure in the low-income census tract was lessened because Berkshire Bank established an ITM at the closed branch's location. Additionally, the bank operates a full-service branch in a nearby middle-income census tract that can reasonably serve the low-income census tract of the closed branch.

### **Reasonableness of Business Hours and Services**

Services, including business hours, do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies or individuals. No material differences exist among products or services offered within branches.

Branch hours are generally consistent across branches (9 a.m. to 4 p.m. Monday through Thursday, and 9 a.m. to 5 p.m. on Fridays), but two branches serving low-income census tracts in downtown Springfield close at 4 p.m. on Fridays. Some branches offer additional hours on Saturdays from 9 a.m. to 12 p.m., including both branches that serve moderate-income geographies in the assessment area. Lastly, the bank operates an ITM in a low-income census tract with extended hours (7 a.m. to 7 p.m. Monday through Friday, and 8:30 a.m. to 2:00 p.m. on Saturdays).

### **Community Development Services**

Berkshire Bank provides an adequate level of community development services in the assessment area. The following table reflects the hours of community services provided by bank employees during the evaluation period.

<b>Community Development Services Assessment Area: Springfield MSA</b>					
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	#	#	#	#	#
Partial 2018	80	59	15	18	<b>172</b>
2019	62	93	39	8	<b>202</b>
2020	0	108	3	20	<b>131</b>
2021	1	70	0	16	<b>87</b>
YTD 2022	1	0	0	0	<b>1</b>
<b>Total</b>	<b>144</b>	<b>330</b>	<b>57</b>	<b>62</b>	<b>592</b>
<i>Source Bank Data</i>					

The bank's performance in this area declined since the prior evaluation. However, the distribution of community development services continues to exhibit responsiveness to the affordable housing and community service needs of the assessment area. Notably, Berkshire Bank opened a Reevx Lab location in 2021 to provide a community space for small businesses and individuals in the low- and moderate-income geographies in downtown Springfield. The community contact noted that the bank's Reevx Lab is responsive to underbanked individuals in the area.

The following are examples of community development services in the assessment area:

- A senior vice president serves on the Board of an organization dedicated to affordable housing in the Springfield MSA.
- A first vice president serves on the Board and on the Finance Committee for an organization that provides community services to low- and moderate-income individuals in Springfield.

## **Boston MSA – Full-Scope Review**

### **DESCRIPTION OF INSTITUTION’S OPERATIONS IN BOSTON MSA**

Berkshire Bank operates 6 of its 106 branches in the Boston MSA. The Boston MSA assessment area includes all of Suffolk and Norfolk Counties and portions of Middlesex and Essex Counties in the Boston-Cambridge-Newton, MA-NH MSA. This includes portions of the Boston, MA MD Median Family Income (14454) and the Cambridge-Newton-Framingham, MA MD (15764). At the prior evaluation, the bank’s operations in Worcester County were considered under this assessment area. For this evaluation, examiners presented the bank’s Worcester County assessment area separately under the Worcester, MA-CT MSA rated area. Also, the bank operated a loan production office in Woburn during the previous examination. This office was closed in 2018, which resulted in a decrease in loan volume within this assessment area.

#### **Economic and Demographic Data**

The Boston MSA assessment area comprises 706 census tracts with the following income designations according to the 2015 ACS:

- 106 low-income census tracts,
- 156 moderate-income census tracts,
- 238 middle-income census tracts,
- 193 upper-income census tracts, and
- 13 tracts with no income designation.

The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area Assessment Area: Boston MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	706	15.0	22.1	33.7	27.3	1.8
Population by Geography	3,241,515	12.8	22.7	36.1	28.1	0.2
Housing Units by Geography	1,308,043	12.0	23.0	36.9	27.8	0.3
Owner-Occupied Units by Geography	677,461	4.8	17.3	41.9	35.8	0.2
Occupied Rental Units by Geography	555,367	20.3	29.4	31.5	18.3	0.5
Vacant Units by Geography	75,215	14.8	26.8	31.8	26.1	0.6
Businesses by Geography	338,367	9.2	17.6	33.7	39.1	0.5
Farms by Geography	4,965	6.3	15.2	39.0	39.5	0.1
Family Distribution by Income Level	745,664	25.8	16.4	19.0	38.8	0.0
Household Distribution by Income Level	1,232,828	28.5	14.6	16.1	40.8	0.0
Median Family Income MSA - 14454 Boston, MA		\$90,699	Median Housing Value			\$412,887
Median Family Income MSA - 15764 Cambridge-Newton- Framingham, MA		\$100,380	Median Gross Rent			\$1,300
			Families Below Poverty Level			8.6%
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.						

There are 1,308,043 housing units in the assessment area. Of these 51.8 percent are owner occupied, 42.5 percent are occupied rental units, and 5.8 percent are vacant. The median housing value of \$412,887 reflects a relatively expensive area compared to the other assessment areas in the Massachusetts rated area.

The following table indicates low-, moderate-, middle-, and upper-income categories for this assessment area.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>Boston, MA MD Median Family Income (14454)</b>				
2019 (\$105,500)	<\$52,750	\$52,750 to <\$84,400	\$84,400 to <\$126,600	≥\$126,600
2020 (\$109,800)	<\$54,900	\$54,900 to <\$87,840	\$87,840 to <\$131,760	≥\$131,760
2021 (\$113,700)	<\$56,850	\$56,850 to <\$90,960	\$90,960 to <\$136,440	≥\$136,440
<b>Cambridge-Newton-Framingham, MA MD Median Family Income (15764)</b>				
2019 (\$115,500)	<\$57,750	\$57,750 to <\$92,400	\$92,400 to <\$138,600	≥\$138,600
2020 (\$118,800)	<\$59,400	\$59,400 to <\$95,040	\$95,040 to <\$142,560	≥\$142,560
2021 (\$120,200)	<\$60,100	\$60,100 to <\$96,160	\$96,160 to <\$144,240	≥\$144,240
<i>Source FFIEC</i>				

According to 2021 D&B data, there were 338,367 businesses operating in the area. GARs for these businesses are below.

- 87.1 percent of businesses have GARs less than or equal to \$1.0 million,
- 5.0 percent of businesses have GARs greater than \$1.0 million, and
- 7.9 percent of businesses have unknown revenues.

Service industries represent the largest portion of businesses at 40.0 percent, followed by non-classifiable establishments (19.9 percent); finance, insurance, and real estate (11.6 percent); and retail trade (10.4 percent). In addition, 62.5 percent of area businesses have four or fewer employees, and 91.0 percent operate from a single location.

### **Competition**

Berkshire Bank operates in a highly competitive market for banking services. The presence of large national, regional, and community banks and credit unions creates significant competition in the area. According to 2021 Deposit Market Share data, there were 185 financial institutions operating 1,254 branches in the area. Berkshire Bank ranked 48<sup>th</sup> with a deposit market share of 0.1 percent. The top three institutions were Citizens Bank NA, Bank of America, and State Street Bank and Trust Company, which held approximately 56.9 percent of the market share.

The bank operates in a highly competitive area for mortgage loans. In 2020, 617 lenders reported 187,645 originated or purchased home mortgage loans. Berkshire Bank ranked 161<sup>st</sup> with approximately 0.1 percent market share. The most prominent mortgage lenders (Quicken Loans, Leader Bank NA, and Guaranteed Rate Inc.) account for 13.3 percent of the total market share.

The Boston MSA assessment area is also a highly competitive area for small business loans. Based on 2019 peer small business data, 175 lenders reported 109,417 small business loans. Berkshire Bank ranked 61<sup>st</sup> with 0.1 percent market share. The leading financial institutions (American Express National Bank, Bank of America, and JP Morgan Chase Bank) were large credit card companies. In 2020, 256 financial institutions reported 124,793 small business loans. Berkshire Bank ranked 46<sup>th</sup> with 0.3 percent market share. The three most prominent small business lenders

(American Express National Bank, Bank of America, and Citizens Bank NA) were large financial institutions that offer business credit cards. Those institutions held a combined 39.1 percent market share. The improvement in market share from 2019 to 2020 reflects the institution's responsiveness to the credit needs satisfied by small business PPP lending.

### **Community Contact**

Examiners contacted an entity that provides technical assistance and resources to small business owners in the Boston MSA assessment area. The contact emphasized the difficulty of opening small businesses considering the high cost of doing business in the area. Additionally, the contact explained that the COVID-19 pandemic created continuing challenges for small businesses and for individuals who still struggle to obtain employment in the wake of the pandemic.

### **Credit and Community Development Needs and Opportunities**

Based on demographic and economic information, discussions with bank management, and the community contact interview, the Boston MSA assessment area exhibits credit needs for small business loans, and community development needs for affordable housing due to high home prices, community services assisting low- and moderate-income individuals, and economic development. Opportunities in this area include extending credit to support small businesses during and after the pandemic. Financial literacy programs designed to assist low- and moderate-income individuals achieve homeownership is another need in this area.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN BOSTON MSA**

### **LENDING TEST**

Berkshire Bank demonstrated adequate performance under the Lending Test in this assessment area. The following sections discuss the bank's performance under each criterion.

#### **Lending Activity**

Lending levels reflect adequate responsiveness to the Boston MSA assessment area's credit needs. In 2019, the bank originated or purchased 185 home mortgage loans totaling \$88.3 million. In 2020, Berkshire Bank originated or purchased 163 home mortgage loans totaling \$72.0 million. Lending activity in 2021 declined further by number at 155 home mortgage loans and increased significantly by dollar amount totaling \$195.7 million. This performance declined from the prior evaluation, when the bank originated an average of 1,280 home mortgage loans for \$533.4 million per year. The bank ranked 161<sup>st</sup> out of 617 lenders in 2020, which supports adequate performance.

Berkshire Bank originated 70 small business loans for \$13.5 million in the assessment area in 2019. The bank originated 345 small business loans totaling \$55.3 million in the area in 2020, with the substantial increase attributed to PPP lending. In 2021, the number of small business loans was 46 loans totaling \$15.1 million, the lowest level by number of all three years. The bank ranked 46<sup>th</sup> out of 256 lenders in 2020, which supports adequate performance.

## **Geographic Distribution**

The geographic distribution of home mortgage and small business loans reflects adequate penetration throughout the assessment area.

### ***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects adequate penetration throughout the assessment area. As shown in the following table, the bank's performance in low-income geographies was above comparable demographic data and the aggregate performance for 2019 and 2020. The bank's performance in moderate-income tracts was below demographics and aggregate performance in 2019 but exceeded these comparative factors in 2020.

Performance in 2021 fell below relevant demographics in low-income geographies. Similarly, 2021 performance was below comparable demographics in moderate-income geographies.

Geographic Distribution of Home Mortgage Loans Assessment Area: Boston MSA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	4.8	6.1	12	6.5	3,471	3.9
2020	4.8	5.0	11	6.7	2,200	3.1
2021	4.8	--	5	3.2	47,942	24.5
Moderate						
2019	17.3	18.2	26	14.1	9,865	11.2
2020	17.3	16.6	33	20.2	11,978	16.6
2021	17.3	--	20	12.9	12,393	6.3
Middle						
2019	41.9	40.9	45	24.3	13,470	15.2
2020	41.9	40.9	39	23.9	12,822	17.8
2021	41.9	--	38	24.5	54,975	28.1
Upper						
2019	35.8	34.7	101	54.6	61,415	69.5
2020	35.8	37.3	78	47.9	43,373	60.2
2021	35.8	--	90	58.1	79,885	40.8
Not Available						
2019	0.2	0.2	1	0.5	123	0.1
2020	0.2	0.2	2	1.2	1,634	2.3
2021	0.2	--	2	1.3	469	0.2
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>185</b>	<b>100.0</b>	<b>88,346</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>163</b>	<b>100.0</b>	<b>72,006</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>155</b>	<b>100.0</b>	<b>195,664</b>	<b>100.0</b>
Source 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

### ***Small Business Loans***

The geographic distribution of small business loans reflects good penetration throughout the assessment area, as shown in the following table. In low-income geographies, the bank's performance exceeded aggregate performance in 2019 and 2020, and it exceeded demographic data over all three years. In moderate-income geographies, the bank's performance exceeded aggregate and demographic percentages in 2019 and 2020, but performance fell below demographic percentages in 2021.

Geographic Distribution of Small Business Loans Assessment Area: Boston MSA						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$ (000s)	%
Low						
2019	9.0	8.9	9	12.9	1,406	10.4
2020	9.0	8.7	56	16.2	8,094	14.6
2021	9.2	--	7	15.6	979	6.5
Moderate						
2019	17.1	18.3	27	38.6	4,820	35.7
2020	17.4	17.6	64	18.6	9,846	17.8
2021	17.6	--	6	13.3	1,699	11.2
Middle						
2019	34.0	36.2	22	31.4	3,556	26.3
2020	33.6	35.5	88	25.5	12,244	22.1
2021	33.7	--	14	31.1	4,372	28.9
Upper						
2019	39.5	36.2	12	17.1	3,726	27.6
2020	39.6	37.9	126	36.5	23,762	42.9
2021	39.1	--	18	40.0	8,072	53.4
Not Available						
2019	0.5	0.4	0	0.0	0	0.0
2020	0.5	0.4	11	3.2	1,400	2.5
2021	0.5	--	0	0.0	0	0.0
Total						
2019	100.0	100.0	70	100.0	13,508	100.0
2020	100.0	100.0	345	100.0	55,346	100.0
2021	100.0	--	45	100.0	15,122	100.0
Source 2019, 2020 & 2021 D&B Data; Bank Data, 2019 & 2020 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0						

### **Borrower Profile**

The distribution of borrowers reflects, given the product lines offered by the bank, poor penetration among individuals of different income levels and among businesses of different sizes.

### ***Home Mortgage Loans***

The distribution of borrowers reflects poor penetration among individuals of different income levels. As shown in the following table, the bank's percentage of loans originated to low-income

borrowers was below aggregate performance and demographic percentages in 2019 and 2020. No loans were originated to low-income borrowers in 2021.

Among moderate-income borrowers, bank performance also trailed aggregate performance and demographics in 2019 and 2020 and remained below demographic percentages in 2021. Please see the following table for more details.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Assessment Area: Boston MSA</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2019	25.8	5.2	3	1.6	681	0.8
2020	25.8	4.4	5	3.1	1,059	1.5
2021	25.8	--	0	0.0	0	0.0
<b>Moderate</b>						
2019	16.4	17.5	9	4.9	1,247	1.4
2020	16.4	17.2	18	11.0	4,800	6.7
2021	16.4	--	8	5.2	1,629	0.8
<b>Middle</b>						
2019	19.0	22.6	26	14.1	4,020	4.6
2020	19.0	23.2	32	19.6	9,283	12.9
2021	19.0	--	17	11.0	4,866	2.5
<b>Upper</b>						
2019	38.8	41.9	54	29.2	12,549	14.2
2020	38.8	43.4	59	36.2	26,337	36.6
2021	38.8	--	60	38.7	27,107	13.9
<b>Not Available</b>						
2019	0.0	12.9	93	50.3	69,848	79.1
2020	0.0	11.8	49	30.1	30,527	42.4
2021	0.0	--	70	45.2	162,063	82.8
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>185</b>	<b>100.0</b>	<b>88,346</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>163</b>	<b>100.0</b>	<b>72,006</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>155</b>	<b>100.0</b>	<b>195,664</b>	<b>100.0</b>
<i>Source 2015 ACS; Bank Data, 2019 &amp; 2020 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 adequate penetration among businesses of different sizes. In 2019, lending to businesses with GARs of \$1.0 million or less was above aggregate performance and comparable to demographics. In 2020, lending to businesses with GARs of \$1.0 million or less was comparable to aggregate and below business demographics; however, as stated previously, these figures are impacted by a significant volume of PPP loans, for which banks were not required to collect or report revenue information. The bank's performance in 2021 was more comparable to area demographics.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b> <b>Assessment Area: Boston MSA</b>						
<b>Business Revenue Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>&lt;=\$1,000,000</b>						
2019	85.1	41.3	58	82.9	9,121	67.5
2020	86.2	35.8	111	32.2	6,107	11.0
2021	87.1	--	28	62.2	6,990	46.2
<b>&gt;\$1,000,000</b>						
2019	6.3	--	11	15.7	3,887	28.8
2020	5.6	--	103	29.9	36,367	65.7
2021	5.0	--	16	35.6	7,690	50.9
<b>Revenue Not Available</b>						
2019	8.7	--	1	1.4	500	3.7
2020	8.1	--	131	38.0	12,872	23.3
2021	7.9	--	1	2.2	442	2.9
<b>Total</b>						
2019	100.0	100.0	70	100.0	13,508	100.0
2020	100.0	100.0	345	100.0	55,346	100.0
2021	100.0	--	45	100.0	15,122	100.0
<i>Source 2019, 2020 &amp; 2021 D&amp;B Data; Bank Data, 2019 &amp; 2020 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

### **Community Development Loans**

Berkshire Bank made a relatively high level of community development loans in the assessment area. The bank originated 17 community development loans totaling \$45.6 million that met the needs of affordable housing, community services, economic development, and revitalization and stabilization. The majority of loans benefitted small businesses by financing economic development, a need emphasized by the community contact. The bank's community development lending activity exceeds that of the prior examination, when the bank originated only four community development loans for \$15.0 million in this assessment area. The following table illustrates the bank's community development lending activity by year and purpose.

Community Development Loans Assessment Area: Boston MSA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize and Stabilize		Totals	
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
Partial 2018	3	9,569	0	0	0	0	0	0	3	9,569
2019	1	1,500	0	0	1	1,000	0	0	2	2,500
2020	1	87	2	409	4	5,494	0	0	7	5,990
2021	0	0	3	12,968	1	150	1	14,400	5	27,518
YTD 2022	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>5</b>	<b>11,156</b>	<b>5</b>	<b>13,377</b>	<b>6</b>	<b>6,644</b>	<b>1</b>	<b>14,400</b>	<b>17</b>	<b>45,577</b>
<i>Source Bank Data</i>										

The following are notable examples of community development loans in the assessment area:

- In 2018, the bank originated a \$7.6 million construction loan for a 46-unit housing project. Approximately 13 percent of the units are designated as affordable. The bank's qualified amount for this loan totals \$982,000, and the loan qualifies as affordable housing for low- and moderate-income individuals.
- In 2019, the bank originated a \$1.0 million loan to a local community development loan fund in Middlesex County. The purpose of the loan fund is to provide financing to small and start-up businesses in the area. This loan supports economic development by lending to an intermediary that supports small businesses and start-up companies, thus creating and retaining jobs.
- In 2021, the bank originated a \$35.9 million loan in Boston to provide construction financing for a 245-unit housing complex, with 33 units designated as affordable. The qualified portion of this loan amounts to \$4.7 million, and this loan supports affordable housing for low- and moderate-income individuals.

## INVESTMENT TEST

Berkshire Bank demonstrated good performance under the Investment Test. The following sections discuss the bank's performance under each criterion.

### Investment and Grant Activity

Berkshire Bank has a significant level of qualified community development investments and grants, occasionally in a leadership position, particularly those that are not routinely provided by private investors. Investment and grant activity level is similar to the prior evaluation; however, the bank's performance is slightly below the performance of two similarly situated institutions with comparable asset sizes active in this area.

Qualified investments in this area include 8 prior period investments and 2 current investments totaling \$29.0 million. A majority of qualified investments are mortgage-backed securities serving low- and moderate-income individuals. In addition, Berkshire Bank's qualified investments include

an \$18.0 million revenue bond to support a nursing and rehabilitation center serving low- and moderate-income individuals.

Additionally, Berkshire Bank provided 239 grants totaling \$1.9 million to organizations within the Boston MSA assessment area during the evaluation period. Grants primarily address community service and economic development initiatives.

Below are notable examples of grants that were responsive to the area's needs:

- *Budget Buddies, Inc.* – Budget Buddies, Inc. assists low-income women through instructional workshops and personal coaching. The bank's 2022 grant supported identified financial literacy needs in the assessment area and qualifies as community services for low-income individuals.
- *Bridge Over Troubled Waters* – Bridge Over Troubled Waters provides shelter, basic needs, and services to children and young adults primarily from low- and moderate-income families. In 2018, the bank provided a grant supporting the organization's programs that was responsive to community service needs for low- and moderate-income individuals.

### **Responsiveness to Credit and Community Development Needs**

Berkshire Bank exhibits good responsiveness to credit and community development needs. The bank addressed the affordable housing and community service needs of the area through its qualified investment activity. The bank also used grants to support financial literacy programs and to address community service and economic development needs of the area.

### **Community Development Initiatives**

Berkshire Bank rarely uses innovative and/or complex investments to support community development initiatives in the Boston MSA assessment area.

## **SERVICE TEST**

Berkshire Bank demonstrated adequate performance under the Service Test. The following sections discuss the bank's performance under each criterion.

### **Accessibility of Delivery Systems**

Delivery systems are reasonably accessible to essentially all portions of the Boston MSA assessment area. Berkshire Bank operates one branch and ATM in a low-income census tract and two branches and ATMs in moderate-income census tracts within this assessment area. One of the ATMs located in a moderate-income census tract is an ITM. The bank also operates a standalone ITM in a low-income census tract, offering expanded teller services in that geography. The branch and ATM distribution in the Boston MSA assessment area is consistent with the area's population distribution. Furthermore, the bank operates two loan production offices in middle- and upper-income census tracts.

### **Changes in Branch Locations**

Berkshire Bank did not open or close any branches in the Boston MSA assessment area during the evaluation period.

### **Reasonableness of Business Hours and Services**

Services, including business hours, do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies or individuals. No material differences exist among products or services offered within branches.

Branch hours are generally consistent across branches (9 a.m. to 4 p.m. Monday through Thursday and 9 a.m. to 5 p.m. on Fridays), and two branches in the City of Boston have extended hours to serve low- and moderate-income geographies. The Boston branch in a low-income census tract and one of the Boston branches in a moderate-income census tract have extended hours (9 a.m. to 5 p.m. on Thursday and Saturday hours from 9 a.m. to 12 p.m.).

### **Community Development Services**

Berkshire Bank provides an adequate level of community development services in the assessment area. The following table reflects the hours of community services provided by bank employees during the evaluation period.

<b>Community Development Services Assessment Area: Boston MSA</b>					
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
Partial 2018	7	10	15	0	32
2019	14	46	62	0	122
2020	4	34	35	1	74
2021	1	42	9	0	52
YTD 2022	0	0	3	0	3
<b>Total</b>	<b>26</b>	<b>132</b>	<b>124</b>	<b>1</b>	<b>283</b>
<i>Source Bank Data</i>					

Performance in this area appears lower than the prior evaluation's performance in the Boston assessment area. However, since the prior evaluation included portions of the Worcester, MA-CT MSA in this area, the number of community development service hours cannot be directly compared. Berkshire Bank continues to address the needs of the Boston MSA assessment area through community services. Community development services provided during the evaluation period targeted two primary community development needs of this area, economic development and community services. For example, multiple employees provided technical assistance to small businesses within Roxbury and employees also conducted financial literacy courses in low- and moderate-income geographies within the assessment area. In addition, the bank opened a Reevx Lab location in 2020, providing a community space for small businesses and individuals in a low-income geography in Roxbury.

## NEW YORK

### CRA RATING FOR NEW YORK: SATISFACTORY

The Lending Test is rated: Low Satisfactory

The Investment Test is rated: Outstanding

The Service Test is rated: Low Satisfactory

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN NEW YORK

Berkshire Bank operates 30 of its 106 branches in New York. This performance evaluation presents three assessment areas within this state, as shown in the following table.

Description of Assessment Areas			
Assessment Area	Counties in Assessment Area	Census Tracts (#)	Branches (#)
Albany CSA	Albany, Rensselaer, Saratoga, Schenectady Warren, Washington, Montgomery, Columbia, and Fulton Counties	298	20
Utica-Rome MSA	Herkimer and Oneida Counties	93	8
Syracuse MSA	Onondaga County	140	2
<i>Source Bank Data</i>			

The New York assessment areas have not changed since the prior evaluation. At the prior evaluation, examiners presented the bank's performance in the MSAs and micropolitan statistical areas within the Albany CSA separately. For this evaluation, examiners presented the MSAs and micropolitan statistical areas within the Albany CSA as one assessment area.

### SCOPE OF EVALUATION – NEW YORK

The New York rated area evaluates the bank's performance within the three New York assessment areas. Please refer to the overall Scope of Evaluation for a description of products reviewed and rationale for product weight. All three assessments areas received full-scope reviews.

In arriving at statewide conclusion and ratings, examiners assigned the greatest weight to the Albany CSA assessment area because it accounts for a majority of the branches, loans, and deposits within the New York rated area. The Utica-Rome MSA assessment area received the second greatest weight. Due to limited branch, loan, and deposit volume compared to the other two assessment areas, the Syracuse MSA assessment area received less weight when arriving at statewide conclusions and ratings. Despite limited activities, examiners conducted a full-scope review of the Syracuse MSA assessment area because it received a limited-scope review at the prior evaluation.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN NEW YORK**

### **LENDING TEST**

Berkshire Bank demonstrated Low Satisfactory performance under the Lending Test. Bank performance is consistent across the New York assessment areas. The following sections discuss the bank's performance under each criterion. Refer to individual assessment area sections for a detailed analysis of bank performance under these factors.

#### **Lending Activity**

Lending levels reflect adequate responsiveness to assessment area credit needs within the state. In 2019, the bank originated or purchased 339 home mortgage loans totaling \$45.5 million in the New York assessment areas. In 2020, Berkshire Bank originated or purchased 319 home mortgage loans totaling \$44.3 million. Lending activity in 2021 was consistent by number at 312 home mortgage loans totaling \$102.4 million. Please refer to the individual assessment areas for specific market share information.

The bank originated 174 small business loans for \$17.8 million in the New York assessment areas in 2019. The bank originated 913 small business loans totaling \$62.9 million in the rated area in 2020, with the significant increase due to PPP lending. In 2021, the bank originated 166 small business loans totaling \$17.9 million, more consistent with the bank's 2019 activity in this area. Please refer to the individual assessment areas for specific market share information.

#### **Geographic Distribution**

The geographic distribution of home mortgage and small business loans reflects adequate penetration throughout the assessment area. Performance is consistent throughout the assessment areas.

#### **Borrower Profile**

The distribution of borrowers reflects, given the product lines offered by the bank, good penetration among individuals of different income levels and among businesses of different sizes. Performance varies across the assessment areas, with excellent performance in the Utica-Rome MSA assessment area, good performance in the Syracuse MSA assessment area, and reasonable performance in the Albany CSA assessment area.

#### **Innovative or Flexible Lending Practices**

Berkshire Bank uses innovative and/or flexible lending practices in order to serve assessment area credit needs. The bank does not offer any state-specific innovative or flexible loan programs in New York; however, the bank offered and originated innovative and/or flexible loan products in New York through programs that are available across all assessment areas. Please see the overall section for a summary of the bank's innovative and/or flexible loan programs offered during the evaluation period.

## **Community Development Loans**

Berkshire Bank made an adequate level of community development loans in New York. The bank originated 34 community development loans totaling \$62.4 million that addressed needs for affordable housing, community services, economic development, and revitalization and stabilization.

This level of activity is greater than the number of loans originated during the prior examination period, but lower by dollar amount. Seven of the loans totaling \$11.5 million were originated outside of the assessment areas but within the broader statewide area. Performance in the Albany CSA and Utica-Rome MSA assessment areas is consistent with statewide performance, while performance in the Syracuse MSA assessment area trails statewide performance. The following table illustrates the bank's community development lending activity by year and purpose.

<b>Community Development Loans Rated Area: New York</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize and Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Partial 2018	0	0	0	0	0	0	1	5,750	<b>1</b>	<b>5,750</b>
2019	1	460	1	5,400	1	4,000	1	3,466	<b>4</b>	<b>13,326</b>
2020	1	270	22	24,548	3	5,307	1	2,354	<b>27</b>	<b>32,479</b>
2021	0	0	2	10,828	0	0	0	0	<b>2</b>	<b>10,828</b>
YTD 2022	0	0	0	0	0	0	0	0	<b>0</b>	<b>0</b>
<b>Total</b>	<b>2</b>	<b>730</b>	<b>25</b>	<b>40,776</b>	<b>4</b>	<b>9,307</b>	<b>3</b>	<b>11,570</b>	<b>34</b>	<b>62,383</b>
<i>Source Bank Data</i>										

The following are examples of loans that benefitted geographies outside of the assessment area but in the broader statewide area. Please see individual assessment area sections for additional examples.

- In 2020, the bank extended a \$1.0 million line of credit to a federally qualified healthcare provider network. This healthcare provider provided reduced-cost care for low- and moderate-income residents in western New York State. This loan qualifies as a community service for low- and moderate-income residents.
- In 2019, the bank refinanced a loan to fund the improvements of a 44-unit building in Potsdam, New York. Nine of the 44 units are designated as affordable housing. The qualified value of the loan totals \$460,000, which provided affordable housing for low- and moderate-income residents.

## **INVESTMENT TEST**

Berkshire Bank demonstrated Outstanding performance under the Investment Test. Performance is consistent with the Albany CSA assessment area, which carried the greatest weight in arriving at overall conclusions. Performance in the Utica-Rome MSA and the Syracuse MSA assessment areas was adequate, but below the statewide performance.

## **Investment and Grant Activity**

Berkshire Bank has an excellent level of qualified community development investment and grants, often in a leadership position, particularly those that are not routinely provided by private investors. The following table reflects investment and grant activity in the state by year and community development purpose.

<b>Qualified Investments Rated Area: New York</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Prior Period	10	2,063	1	1,000	0	0	0	0	11	3,063
Partial 2018	0	0	0	0	0	0	1	2,183	1	2,183
2019	0	0	1	7,723	0	0	4	19,438	5	27,161
2020	1	486	0	0	0	0	1	998	2	1,484
2021	0	0	0	0	0	0	1	3,550	1	3,550
YTD 2022	0	0	0	0	0	0	0	0	0	0
<b>Subtotal</b>	<b>11</b>	<b>2,549</b>	<b>2</b>	<b>8,723</b>	<b>0</b>	<b>0</b>	<b>7</b>	<b>26,169</b>	<b>20</b>	<b>37,441</b>
Qualified Grants & Donations	27	82	202	951	30	232	10	111	269	1,376
<b>Total</b>	<b>38</b>	<b>2,631</b>	<b>204</b>	<b>9,674</b>	<b>30</b>	<b>232</b>	<b>17</b>	<b>26,280</b>	<b>289</b>	<b>38,817</b>
<i>Source Bank Data</i>										

The dollar amount of qualified investments in New York represents 33.6 percent of bank-wide investment activity. Performance in this area improved since the prior evaluation when the bank made \$32.5 million in qualified investments and donations.

The bank made one \$1.3 million HTC benefitting a low-income geography in Rochester, New York. Please refer to individual assessment areas for additional qualitative examples of investment and grant activities.

## **Responsiveness to Credit and Community Development Needs**

Berkshire Bank exhibits good responsiveness to credit and community development needs. Performance in the Albany CSA primarily supports this conclusion. Please refer to individual assessment area sections for additional information.

## **Community Development Initiatives**

Berkshire Bank makes significant use of innovative and/or complex investments to support community development initiatives. Please refer to the individual assessment area sections for details and the overall Investment Test for a description of the investments' innovativeness and complexity.

## SERVICE TEST

Berkshire Bank demonstrated Low Satisfactory performance under the Service Test. Performance in the Albany CSA and the Utica-Rome MSA assessment areas is generally consistent with the statewide performance, while performance in the Syracuse MSA assessment area trails statewide performance.

### Accessibility of Delivery Systems

Delivery systems are reasonably accessible to essentially all portions of the New York rated area, consistent with Berkshire Bank's delivery systems overall. The following table presents branch and ATM distribution compared to relevant demographic data in the New York rated area. Please refer to individual assessment area sections for the specific branch and ATM locations distributed among low- and moderate-income geographies.

<b>Branch and ATM Distribution by Geography Income Level</b> <b>Rated Area: New York</b>								
<b>Tract Income Level</b>	<b>Census Tracts</b>		<b>Population</b>		<b>Branches</b>		<b>ATMs</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	61	11.5	167,505	8.8	1	3.3	2	5.7
Moderate	81	15.3	264,424	13.9	4	13.3	5	14.3
Middle	249	46.9	953,559	50.0	15	50.0	18	51.4
Upper	126	23.7	498,464	26.1	10	33.3	10	28.6
NA	14	2.6	22,337	1.2	0	0.0	0	0.0
<b>Totals</b>	<b>531</b>	<b>100.0</b>	<b>1,906,289</b>	<b>100.0</b>	<b>30</b>	<b>100.0</b>	<b>35</b>	<b>100.0</b>
<i>Source 2015 ACS &amp; Bank Data</i> <i>Due to rounding, totals may not equal 100.0%</i>								

Berkshire Bank's alternative delivery systems include mobile banking, internet banking, and ITMs. Four of the ATMs in the New York rated area are ITMs. One ITM is located in a low-income census tract in Albany, with the three remaining ITMs predominantly serving middle- and upper-income geographies in the New York assessment areas.

### Changes in Branch Locations

To the extent changes have been made, the bank's opening and closing of branches has generally not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies or individuals. The bank did not open any branches in the New York assessment areas, but closed ten branches during the review period. Of the closed branches, two branches were in a moderate-income census tract. Please refer to the Utica-Rome MSA assessment area section for additional information.

## **Reasonableness of Business Hours and Services**

Services, including business hours, do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies or individuals. Performance within the New York rated area is consistent with the conclusions in the overall section. Loan and deposit products do not vary by branch. Please refer to the individual assessment areas, which detail minor variations among branch hours.

## **Community Development Services**

Berkshire Bank provides an adequate level of community development services. The following table presents service hours provided in New York by assessment area. Refer to the individual assessment area sections for examples of notable community development services.

<b>Community Development Services by Assessment Area</b>					
<b>Rated Area: New York</b>					
<b>Assessment Area</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
Albany CSA	71	612	10	0	<b>693</b>
Utica-Rome MSA	22	368	47	0	<b>437</b>
Syracuse MSA	0	17	30	0	<b>47</b>
<b>Total</b>	<b>93</b>	<b>997</b>	<b>87</b>	<b>0</b>	<b>1,177</b>
<i>Source Bank Data</i>					

## **Albany CSA – Full-Scope Review**

### **DESCRIPTION OF INSTITUTION’S OPERATIONS IN ALBANY CSA**

Berkshire Bank operates 20 of its 106 branches in the Albany CSA assessment area. The assessment area encompasses the entirety of Albany, Rensselaer, Saratoga, and Schenectady Counties in the Albany-Schenectady-Troy, NY MSA; Warren and Washington Counties in the Glen Falls, NY MSA; and Montgomery, Columbia, and Fulton Counties in the Non-MSA area of the state. These counties are all located within the Albany-Schenectady, NY CSA, and are presented as the Albany CSA assessment area. The bank closed 5 branches in this assessment area since the previous evaluation.

## **Economic and Demographic Data**

The assessment area comprises 298 census tracts with the following income designations:

- 24 low-income census tracts,
- 51 moderate-income census tracts,
- 154 middle-income census tracts,
- 66 upper-income census tracts, and
- 3 tracts with no income designation.

The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area Assessment Area: Albany CSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	298	8.1	17.1	51.7	22.1	1.0
Population by Geography	1,140,393	6.2	15.7	54.2	23.1	0.7
Housing Units by Geography	531,472	7.0	16.4	54.9	21.6	0.1
Owner-Occupied Units by Geography	298,765	2.6	11.5	59.0	26.9	0.0
Occupied Rental Units by Geography	152,894	13.5	24.8	46.4	15.1	0.2
Vacant Units by Geography	79,813	11.3	18.4	55.9	14.0	0.4
Businesses by Geography	102,893	10.9	12.6	50.0	26.2	0.3
Farms by Geography	3,705	1.5	6.8	65.5	26.1	0.0
Family Distribution by Income Level	277,140	20.3	17.3	22.0	40.4	0.0
Household Distribution by Income Level	451,659	23.9	15.5	18.6	41.9	0.0
Median Family Income MSA - 10580 Albany-Schenectady-Troy, NY MSA		\$81,103	Median Housing Value			\$188,273
Median Family Income MSA - 24020 Glens Falls, NY MSA		\$64,495	Median Gross Rent			\$890
Median Family Income Non-MSAs - NY		\$59,570	Families Below Poverty Level			8.1%
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.						

There are 531,472 housing units in the area. Of these 56.2 percent are owner occupied, 28.8 percent are occupied rental units, and 15.0 percent are vacant. The median housing value of \$188,273 reflects a relatively inexpensive area.

The following table presents low-, moderate-, middle-, and upper-income categories for this assessment area.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>Albany-Schenectady-Troy, NY MSA Median Family Income (10580)</b>				
2019 (\$89,900)	<\$44,950	\$44,950 to <\$71,920	\$71,920 to <\$107,880	≥\$107,880
2020 (\$99,200)	<\$49,600	\$49,600 to <\$79,360	\$79,360 to <\$119,040	≥\$119,040
2021 (\$95,600)	<\$47,800	\$47,800 to <\$76,480	\$76,480 to <\$114,720	≥\$114,720
<b>Glens Falls, NY MSA Median Family Income (24020)</b>				
2019 (\$69,700)	<\$34,850	\$34,850 to <\$55,760	\$55,760 to <\$83,640	≥\$83,640
2020 (\$76,600)	<\$38,300	\$38,300 to <\$61,280	\$61,280 to <\$91,920	≥\$91,920
2021 (\$79,100)	<\$39,550	\$39,550 to <\$63,280	\$63,280 to <\$94,920	≥\$94,920
<b>NY NA Median Family Income (99999)</b>				
2019 (\$66,200)	<\$33,100	\$33,100 to <\$52,960	\$52,960 to <\$79,440	≥\$79,440
2020 (\$67,200)	<\$33,600	\$33,600 to <\$53,760	\$53,760 to <\$80,640	≥\$80,640
2021 (\$69,400)	<\$34,700	\$34,700 to <\$55,520	\$55,520 to <\$83,280	≥\$83,280
<i>Source FFIEC</i>				

According to 2021 D&B data, there were 102,893 businesses in the area. GARs for these businesses are below.

- 85.6 percent of businesses have GARs less than or equal to \$1.0 million,
- 4.1 percent of businesses have GARs greater than \$1.0 million, and
- 10.3 percent of businesses have unknown revenues.

Service industries represent the largest portion of businesses at 36.8 percent; followed by non-classifiable establishments (20.6 percent); retail trade (11.9 percent); and finance, insurance, and real estate (8.9 percent). In addition, 61.2 percent of area businesses have four or fewer employees, and 90.2 percent operate from a single location.

### **Competition**

The Albany CSA assessment area is a competitive market for banking services. According to 2021 Deposit Market Share data, there were 52 financial institutions with 470 branches in the area. Berkshire Bank ranked 13<sup>th</sup> with a deposit market share of 2.1 percent. Financial institutions that led market share included KeyBank National Association, State Employees Federal Credit Union (SEFCU), and Trustco Bank.

The Albany CSA assessment area is a highly competitive area for mortgage loans. According to 2020 peer mortgage data, 321 lenders reported 42,066 originated or purchased home mortgage loans in the assessment area. Berkshire Bank ranked 45<sup>th</sup> with a 0.3 percent market share. The three most prominent mortgage lenders (Homestead Funding Corporation, SEFCU services, and Wells Fargo Bank) account for 26.8 percent of the total market share.

The bank also operates in a highly competitive area for small business loans in the Albany CSA assessment area. Based on 2019 peer small business data, 122 lenders reported 22,879 small business loans in the assessment area. Berkshire Bank ranked 27<sup>th</sup> with 0.5 percent market share. The leading financial institutions (American Express National Bank, Bank of America, and JP Morgan Chase Bank) were large credit card companies. According to 2020 peer small business data, 168 lenders reported 24,592 small business loans. Berkshire Bank ranked 17<sup>th</sup> with a 3.2 percent market share. The three most prominent small business lenders (American Express National Bank, KeyBank National Association, and Bank of America) account for 31.2 percent of the total market share. The improvement in market share from 2019 to 2020 reflects the institution's responsiveness to the credit needs satisfied by small business PPP lending.

### **Community Contact**

Examiners contacted an organization active throughout the Albany CSA assessment area. The organization provides training and counseling to start-up and existing businesses. According to the contact, the community requires continued small business support after the pandemic created unprecedented challenges for start-up and small businesses. The contact also described the difficulty faced by many residents to afford a home in the area due to rising home prices. Additionally, community development opportunities exist within the area to revitalize older buildings.

### **Credit and Community Development Needs and Opportunities**

Based on demographic and economic information and the community contact interview, the Albany CSA assessment area exhibits credit needs for small business loans, as well as community development needs for affordable housing and economic development initiatives. Opportunities exist to provide financial education for individuals as well as small business loan programs that include technical assistance. Additionally, revitalization and stabilization initiatives in low- and moderate-income geographies present both a community development need and an opportunity in the area. Lastly, with a third of all families in the low- or moderate-income category, opportunities and needs exist for community services targeted to low- and moderate-income individuals.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN ALBANY CSA**

### **LENDING TEST**

Berkshire Bank demonstrated adequate performance under the Lending Test. The following sections discuss the bank's performance under each criterion.

#### **Lending Activity**

Lending levels reflect adequate responsiveness to the Albany CSA assessment area's credit needs. In 2019, the bank originated or purchased 151 loans totaling \$31.5 million. In 2020, the bank originated or purchased 138 home mortgage loans totaling \$28.0 million. Lending activity in 2021 was consistent by number at 149 home mortgage loans, but the dollar volume of originations increased

significantly to \$86.7 million, reflective of an increase in home prices over the evaluation period. The bank's 2020 market ranking of 45<sup>th</sup> out of 321 lenders reflects adequate performance.

In 2019, Berkshire Bank originated 105 small business loans for \$15.2 million in the assessment area. The bank originated 581 small business loans totaling \$44.8 million in the area in 2020, with the significant increase due to PPP lending. In 2021, the bank originated 113 small business loans totaling \$14.6 million, more consistent with the bank's 2019 activity in this area. The bank's 2020 market ranking of 17<sup>th</sup> out of 168 lenders, considering PPP activity, reflects adequate performance.

### **Geographic Distribution**

The geographic distribution of home mortgage and small business loans reflects adequate penetration throughout the assessment area.

#### ***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects adequate penetration throughout the assessment area. The bank did not originate any loans in low-income census tracts in 2019, but performance improved in 2020 and was slightly above demographic data and aggregate performance. The bank's performance in 2021 was below relevant demographics. Overall, the low percentage of owner-occupied units in low-income census tracts reflects limited opportunities to make home mortgage loans.

The bank's performance in moderate-income tracts was similar to demographics and aggregate performance in 2019 and slightly above aggregate performance in 2020. Performance in 2021 was generally consistent with prior years.

Please see the following table for more details.

Geographic Distribution of Home Mortgage Loans Assessment Area: Albany CSA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	2.6	2.4	0	0.0	0	0.0
2020	2.6	2.0	4	2.9	803	2.9
2021	2.6	--	2	1.3	11,059	12.8
Moderate						
2019	11.5	11.6	18	11.9	3,611	11.5
2020	11.5	9.9	15	10.9	2,937	10.5
2021	11.5	--	15	10.1	3,197	3.7
Middle						
2019	59.0	57.6	80	53.0	8,476	26.9
2020	59.0	57.8	68	49.3	13,218	47.2
2021	59.0	--	80	53.7	60,783	70.1
Upper						
2019	26.9	28.4	53	35.1	19,441	61.7
2020	26.9	30.4	51	37.0	11,076	39.5
2021	26.9	--	52	34.9	11,644	13.4
Totals						
2019	100.0	100.0	151	100.0	31,527	100.0
2020	100.0	100.0	138	100.0	28,033	100.0
2021	100.0	--	149	100.0	86,684	100.0
Source 2015 ACS; 2019 & 2020 HMDA Aggregate Data, "--" data not available.						

### ***Small Business Loans***

The geographic distribution of small business loans reflects good penetration throughout the assessment area. In low-income geographies, the bank's performance was above aggregate performance and demographic data in 2019. The bank's performance exceeded aggregate data and was comparable to demographic data in 2020, but was below demographic data in 2021. Despite a declining trend, the bank's performance in 2019 and 2020 support good performance.

In moderate-income geographies, the bank's performance was above aggregate and demographic percentages in 2019. The bank's 2020 performance was below aggregate and demographic performance, but the bank's 2021 performance increased, reflecting a level more comparable to the demographic of small businesses in moderate-income tracts.

Please see the following table for more details.

Geographic Distribution of Small Business Loans Assessment Area: Albany CSA						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	9.4	7.4	12	11.4	4,102	27.0
2020	9.8	7.8	56	9.6	5,935	13.2
2021	10.9	--	6	5.3	316	2.2
Moderate						
2019	12.5	10.8	17	16.2	661	4.4
2020	12.4	11.6	60	10.3	5,115	11.4
2021	12.6	--	13	11.5	4,369	29.9
Middle						
2019	52.1	53.5	59	56.2	7,442	49.1
2020	51.2	52.6	305	52.5	24,020	53.6
2021	50.0	--	53	46.9	5,656	38.7
Upper						
2019	25.6	28.1	16	15.2	2,733	18.0
2020	26.3	27.7	157	27.0	9,454	21.1
2021	26.2	--	40	35.4	4,233	29.0
Not Available						
2019	0.3	0.2	1	1.0	228	1.5
2020	0.3	0.3	3	0.5	276	0.6
2021	0.3	--	1	0.9	48	0.3
Total						
2019	100.0	100.0	105	100.0	15,166	100.0
2020	100.0	100.0	581	100.0	44,800	100.0
2021	100.0	--	113	100.0	14,622	100.0
Source 2019, 2020 & 2021 D&B Data; Bank Data, 2019 & 2020 CRA Aggregate Data, "--" data not available.						

### **Borrower Profile**

The distribution of borrowers reflects, given the product lines offered by the bank, adequate penetration among individuals of different income levels and among businesses of different sizes.

### ***Home Mortgage Loans***

The distribution of borrowers reflects adequate penetration among individuals of different income levels. The bank's percentage of loans originated to low-income borrowers was above aggregate performance in 2019. The bank's performance was more comparable to aggregate in 2020, and consistent in 2021. The bank's performance was below the percentage of low-income families for

all three years, which is reasonable given the percentage of families in the area below the poverty level (8.1 percent). Low-income individuals, especially those below the poverty level, may face challenges in qualifying for a home mortgage.

Among moderate-income borrowers, performance was below aggregate performance and demographics in 2019 and 2020; however, the bank improved its performance among moderate-income borrowers each year by number, dollar, and percentage. Performance in 2021 was above demographics.

Please see the following table for more details.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Assessment Area: Albany CSA</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2019	20.3	7.8	19	12.6	1,058	3.4
2020	20.3	8.2	13	9.4	635	2.3
2021	20.3	--	14	9.4	1,141	1.3
Moderate						
2019	17.3	21.2	22	14.6	2,438	7.7
2020	17.3	21.1	23	16.7	2,832	10.1
2021	17.3	--	28	18.8	3,172	3.7
Middle						
2019	22.0	24.5	33	21.9	3,912	12.4
2020	22.0	23.6	20	14.5	3,107	11.1
2021	22.0	--	28	18.8	4,105	4.7
Upper						
2019	40.4	34.3	67	44.4	9,791	31.1
2020	40.4	33.8	73	52.9	19,412	69.2
2021	40.4	--	67	45.0	18,551	21.4
Not Available						
2019	0.0	12.2	10	6.6	14,329	45.4
2020	0.0	13.3	9	6.5	2,047	7.3
2021	0.0	--	12	8.1	59,715	68.9
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>151</b>	<b>100.0</b>	<b>31,527</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>138</b>	<b>100.0</b>	<b>28,033</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>149</b>	<b>100.0</b>	<b>86,684</b>	<b>100.0</b>

Source 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available.

### ***Small Business Loans***

The distribution of small business loans reflects good penetration among businesses of different sizes. In 2019, lending to businesses with GARs of \$1.0 million or less was above aggregate performance and generally comparable to demographics. In 2020, lending to businesses with GARs of \$1.0 million or less was comparable to aggregate and below business demographics; however, as stated previously, these figures are impacted by a significant volume of PPP loans, for which banks were not required to collect or report revenue information. The bank's 2021 percentage of lending to businesses with GARs of \$1.0 million or less was more comparable to area demographics and exceeded prior years in terms of the bank's performance among small businesses.

Please see the following table for more details.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b> <b>Assessment Area: Albany CSA</b>						
<b>Business Revenue Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>&lt;=\$1,000,000</b>						
2019	81.6	41.9	75	71.4	5,089	33.6
2020	84.2	33.4	184	31.7	10,950	24.4
2021	85.6	--	94	83.2	8,422	57.6
<b>&gt;\$1,000,000</b>						
2019	5.8	--	29	27.6	9,963	65.7
2020	4.8	--	69	11.9	18,773	41.9
2021	4.1	--	19	16.8	6,200	42.4
<b>Revenue Not Available</b>						
2019	12.6	--	1	1.0	114	0.8
2020	10.9	--	328	56.5	15,077	33.7
2021	10.3	--	0	0.0	0	0.0
<b>Total</b>						
2019	100.0	100.0	105	100.0	15,166	100.0
2020	100.0	100.0	581	100.0	44,800	100.0
2021	100.0	--	113	100.0	14,622	100.0
<i>Source 2019, 2020 &amp; 2021 D&amp;B Data; Bank Data, 2019 &amp; 2020 CRA Aggregate Data, "--" data not available.</i>						

### **Community Development Loans**

Berkshire Bank made an adequate level of community development loans in the assessment area. The bank originated 21 community development loans totaling \$48.5 million. The majority of the loans addressed needs for community services, and others addressed needs for economic development and revitalization and stabilization in the assessment area.

The bank originated fewer loans in this area than during the prior evaluation period by number and dollar amount; however, the bank originated several loans that reflected leadership and responsiveness to area needs. Examples following the table highlight positive qualitative aspects of the bank's community development loans. The following table illustrates the bank's community development lending activity by year and purpose.

<b>Community Development Loans Assessment Area: Albany CSA</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize and Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$ (000s)</b>	<b>#</b>	<b>\$ (000s)</b>	<b>#</b>	<b>\$ (000s)</b>	<b>#</b>	<b>\$ (000s)</b>	<b>#</b>	<b>\$ (000s)</b>
Partial 2018	0	0	0	0	0	0	1	5,750	1	5,750
2019	0	0	0	0	1	4,000	1	3,466	2	7,466
2020	0	0	16	22,656	1	2,000	0	0	17	24,656
2021	0	0	1	10,662	0	0	0	0	1	10,662
YTD 2022	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>17</b>	<b>33,318</b>	<b>2</b>	<b>6,000</b>	<b>2</b>	<b>9,216</b>	<b>21</b>	<b>48,534</b>
<i>Source Bank Data</i>										

The following are notable examples of community development loans in the assessment area:

- In both 2020 and 2021, the bank was the lead participant in two loans to a non-profit organization that provides consulting services for community organizations that deliver critical services to low- and moderate-income individuals. Both loans supported the construction of educational offices in the assessment area. The bank's participations total \$30.1 million and qualify as community services for low- and moderate-income individuals.
- In 2018, the bank originated a \$5.8 million loan to finance a renovation project in a low-income census tract. The project redeveloped an old office space into 41 one-bedroom apartments and 18 commercial spaces. The loan is located in an opportunity zone, which local government targeted as an area in need of new businesses and residents. This loan qualifies as supporting revitalization and stabilization of a low-income area.
- In 2020, the bank originated a \$2.2 million PPP loan that helped continue the operation of a health center located in and serving a low-income community in Albany. This loan qualifies as supporting community services for low- and moderate-income individuals.

## **INVESTMENT TEST**

Berkshire Bank demonstrated excellent performance under the Investment Test in this assessment area. The following sections discuss the bank's performance under each criterion.

### **Investment and Grant Activity**

Berkshire Bank has an excellent level of qualified community development investments and grants, often in a leadership position, particularly those that are not routinely provided by private investors.

Qualified investments for the current period in this area exceed the prior evaluation by \$13.5 million.

Qualified equity investments in this assessment area include 5 prior period investments totaling \$3.4 million and 7 new investments totaling \$30.9 million. The prior-period investments include mortgage-backed securities and an HTC investment to revitalize a low- and moderate-income area. Equity investments made during the current evaluation period primarily include HTC investments and bonds that revitalize and stabilize the area's low- and moderate-income geographies. Remaining investments include a 2020 mortgage-backed security secured by loans to low- and moderate-income borrowers in the area and a 2019 bond that financed construction of an educational facility serving low- and moderate-income individuals.

Berkshire Bank also provided 171 grants totaling \$893,000 to organizations within the Albany CSA assessment area during the evaluation period. Grants primarily supported community service, economic development, and revitalization initiatives.

The following are examples of notable grants:

- *The Outreach Program* – This organization distributes essential medical, educational, and nutritional supplies to low- and moderate-income individuals. The bank made several donations during the evaluation period to support food distribution events in the Albany region. This donation qualifies for community development by providing community services for low- and moderate-income individuals.
- *The Community Loan Fund of the Capital Region* – This organization is a federally certified CDFI focused on economic development in underserved communities. The loan fund supports start-ups and small businesses in the area through both financing and technical assistance. The bank provided several donations to this organization, including a highly impactful donation to support small businesses impacted by the COVID-19 pandemic.

### **Responsiveness to Credit and Community Development Needs**

Berkshire Bank exhibits good responsiveness to credit and community development needs. In particular, the bank's investments are highly responsive to the area's needs for revitalization and stabilization. The bank's mortgage-backed security investments are responsive to affordable housing needs, and, as noted above, the bank made notable grants during the evaluation period to address the economic development needs of small businesses heightened by the COVID-19 pandemic.

### **Community Development Initiatives**

Consistent with statewide performance, Berkshire Bank makes significant use of innovative and/or complex investments to support community development initiatives in this area. HTC investments comprise approximately 30.8 percent of the bank's qualified investments in this area, and present an innovative and complex means to support revitalization efforts.

## **SERVICE TEST**

Berkshire Bank demonstrated adequate performance under the Service Test in this area. The following sections discuss the bank's performance under each criterion.

### **Accessibility of Delivery Systems**

Delivery systems are reasonably accessible to essentially all portions of the area. Berkshire Bank operates one branch and two ATMs in low-income census tracts, and it operates two branches and two ATMs in moderate-income census tracts. One of the ATMs located in a low-income census tract is also an ITM. Although branch and ATM distribution in low- and moderate-income geographies is slightly below the area's demographic distribution, branches in middle- and upper-income areas serve nearby low- and moderate-income census tracts as well. For example, branches in Amsterdam, Latham, Schenectady, and Queensbury provide branch access to nearby low- and moderate-income geographies.

### **Changes in Branch Locations**

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

The bank did not open any branches in the assessment area during the evaluation period, but closed five branches. The bank did not close any branches located in low- or moderate-income census tracts; however, the bank closed one branch located in a middle-income census tract in 2021 that served an adjacent moderate-income census tract. There are no remaining Berkshire Bank branches serving the moderate-income census tract; however, other financial institutions continue to operate in the area.

### **Reasonableness of Business Hours and Services**

Services, including business hours, do not vary in a way that inconveniences portions of the assessment area, particularly low- and moderate-income geographies or individuals. No material differences exist among products or services offered within branches.

Branch hours are generally consistent across branches (9 a.m. to 4 p.m. Monday through Thursday, and 9 a.m. to 5 p.m. on Fridays), and some branches operate with Saturday hours (9 a.m. to 12 p.m.). The branches located in low- and moderate-income census tracts do not have Saturday hours, which is consistent with the majority of Berkshire Bank branches in the City of Albany.

### **Community Development Services**

Berkshire Bank provides an adequate level of community development services in the assessment area. The following table reflects the hours of community services provided by bank employees during the evaluation period.

Community Development Services Assessment Area: Albany CSA					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
Partial 2018	9	175	4	0	<b>188</b>
2019	32	249	0	0	<b>281</b>
2020	12	112	6	0	<b>130</b>
2021	18	76	0	0	<b>94</b>
YTD 2022	0	0	0	0	<b>0</b>
<b>Total</b>	<b>71</b>	<b>612</b>	<b>10</b>	<b>0</b>	<b>693</b>
<i>Source Bank Data</i>					

Performance in this area declined since the prior evaluation, but the number of services supporting affordable housing initiatives in the area increased. The increase in these services reflects responsiveness to this area's affordable housing needs. Additionally, Berkshire Bank's community development services included several financial education presentations targeting low- and moderate-income individuals and geographies, consistent with this area's credit and community development needs.

The following are other notable examples of community development services in the assessment area:

- A senior vice president serves on the Board of a hospital serving low- and moderate-income geographies in downtown Albany.
- A senior vice president provided tax assistance through VITA at a community center in the Albany CSA, which reflects a community service targeted to low- and moderate-income individuals.

## Utica-Rome MSA – Full-Scope Review

### DESCRIPTION OF INSTITUTION’S OPERATIONS IN UTICA-ROME MSA

Berkshire Bank operates 8 of its 106 branches in the Utica-Rome MSA. The Utica-Rome MSA assessment area comprises the entire MSA, including both Herkimer and Oneida Counties. The bank closed five branches in the assessment area since the previous evaluation.

#### **Economic and Demographic Data**

The Utica-Rome MSA assessment area comprises 93 census tracts with the following income designations according to the 2015 ACS:

- 14 low-income census tracts,
- 10 moderate-income census tracts,
- 45 middle-income census tracts,
- 18 upper-income census tracts, and
- 6 tracts with no income designation.

A majority of the low- and moderate-income census tracts in the assessment area are located in Utica. Specifically, 13 low-income census tracts and 4 moderate-income census tracts are in Utica.

The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area Assessment Area: Utica-Rome MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	93	15.1	10.8	48.4	19.4	6.5
Population by Geography	297,592	11.7	10.2	53.0	23.3	1.8
Housing Units by Geography	137,351	11.7	11.3	53.0	23.9	0.0
Owner-Occupied Units by Geography	78,231	5.0	7.2	60.0	27.8	0.0
Occupied Rental Units by Geography	38,743	22.9	20.5	42.7	13.9	0.0
Vacant Units by Geography	20,377	15.9	9.8	45.8	28.3	0.2
Businesses by Geography	18,595	12.7	12.8	46.7	26.3	1.4
Farms by Geography	888	0.9	2.7	71.2	25.2	0.0
Family Distribution by Income Level	73,125	22.0	16.9	21.5	39.6	0.0
Household Distribution by Income Level	116,974	24.7	16.2	17.2	41.9	0.0
Median Family Income MSA - 46540 Utica-Rome, NY MSA		\$61,239	Median Housing Value			\$113,672
			Median Gross Rent			\$694
			Families Below Poverty Level			11.9%
Source 2015 ACS, 2021 D&B Data, and FFIEC Estimated Median Family Income;						

There are 137,351 housing units in this area. Of these 57.0 percent are owner occupied, 28.2 percent are occupied rental units, and 14.8 percent are vacant. The median housing value of \$113,672 reflects a relatively inexpensive area.

The following table presents low-, moderate-, middle-, and upper-income categories for this assessment area.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>Utica-Rome, NY MSA Median Family Income (46540)</b>				
2019 (\$70,400)	<\$35,200	\$35,200 to <\$56,320	\$56,320 to <\$84,480	≥\$84,480
2020 (\$71,700)	<\$35,850	\$35,850 to <\$57,360	\$57,360 to <\$86,040	≥\$86,040
2021 (\$72,400)	<\$36,200	\$36,200 to <\$57,920	\$57,920 to <\$86,880	≥\$86,880
<i>Source FFIEC</i>				

According to 2021 D&B data, there were 18,595 businesses operating in this area. GARs for these businesses are below.

- 83.0 percent of businesses have GARs less than or equal to \$1.0 million,
- 4.9 percent of businesses have GARs greater than \$1.0 million, and
- 12.1 percent of businesses have unknown revenues.

Service industries represent the largest portion of businesses at 37.1 percent; followed by non-classifiable establishments (15.6 percent), retail trade (14.7 percent); and finance, insurance, and real estate (7.8 percent). In addition, 63.5 percent of area businesses have four or fewer employees, and 88.4 percent operate from a single location.

### **Competition**

Berkshire Bank operates in a limited market for banking services in this assessment area. According to 2021 Deposit Market Share data, 24 financial institutions operated 95 branches in the area. Berkshire Bank ranked 8<sup>th</sup> with a deposit market share of 6.9 percent. Financial institutions that led market share included AmeriCU Credit Union, Bank of Utica, and the Manufacturers and Traders Trust Company, which held a combined 45.8 percent deposit market share.

The assessment area is a competitive area for mortgage loans. According to 2020 peer mortgage data, 169 lenders reported 6,897 originated or purchased home mortgage loans. Berkshire Bank ranked 16<sup>th</sup> with a 1.1 percent market share. The most prominent mortgage lenders (AmeriCU Credit Union, Quicken Loans, and First Source) account for 21.6 percent of the total market share.

The assessment area is also a competitive area for small business loans. Based on 2019 peer small business data, 76 lenders reported 4,537 small business loans. Berkshire Bank ranked 17<sup>th</sup> with 1.2 percent market share. The leading financial institutions (American Express National Bank, JP Morgan Chase Bank) were large credit card companies. According to 2020 peer small business data, 93 lenders reported 4,650 small business loans. Berkshire Bank ranked 7<sup>th</sup> with a 5.9 percent

market share. The three most prominent small business lenders (American Express National Bank, NBT Bank, and M&T Bank) account for 34.2 percent of the total market share. The improvement in market share from 2019 to 2020 reflects the institution's responsiveness to the credit needs satisfied by small business PPP lending.

### **Credit and Community Development Needs and Opportunities**

Based on demographic and economic information, the Utica-Rome MSA assessment area exhibits credit needs for small business loans and community development needs for economic development initiatives and community services assisting low- and moderate-income individuals and geographies. Examiners also noted an opportunity to serve Utica through revitalization and stabilization initiatives due to its concentration of a majority of the area's low- and moderate-income geographies.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN UTICA-ROME MSA**

### **LENDING TEST**

Berkshire Bank demonstrated adequate performance under the Lending Test in this assessment area. The following sections discuss the bank's performance under each criterion.

#### **Lending Activity**

Lending levels reflect adequate responsiveness to the Utica-Rome MSA assessment area's credit needs. In 2019, the bank originated or purchased 113 loans totaling \$8.7 million. In 2020, Berkshire Bank originated or purchased 113 home mortgage loans totaling \$10.4 million. Lending activity in 2021 was lower by number at 97 home mortgage loans, but remained relatively consistent by dollar amount at \$9.8 million. Adequate performance is supported by the bank's 2020 market ranking of 16<sup>th</sup> among 169 lenders.

Berkshire Bank originated 54 small business loans for \$1.1 million in the assessment area in 2019. The bank originated 251 small business loans totaling \$12.5 million in 2020, with the significant increase due to PPP lending. In 2021, the number of small business loans was 41 loans totaling \$1.5 million, more consistent with the bank's activity in this area. Adequate performance is supported by the bank's 2020 market ranking of 7<sup>th</sup> among 93 lenders.

#### **Geographic Distribution**

The geographic distribution of home mortgage and small business loans reflects adequate penetration throughout the assessment area.

#### ***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects adequate penetration throughout the assessment area. The bank's performance in low-income geographies was above demographic data and aggregate performance in 2019. Bank performance declined in 2020, and fell below the

percentage of owner-occupied housing in low-income areas, but remained above aggregate performance. The bank's 2021 performance declined further below demographic data.

The bank's performance in moderate-income tracts was below demographics and aggregate performance in 2019, but it exceeded both comparators in 2020. Performance in 2021 remained above the percentage of owner-occupied housing units in moderate-income areas.

Please see the following table for details.

<b>Geographic Distribution of Home Mortgage Loans</b> <b>Assessment Area: Utica-Rome MSA</b>						
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2019	5.0	5.3	13	11.5	819	9.5
2020	5.0	3.6	5	4.4	195	1.9
2021	5.0	--	2	2.1	195	2.0
<b>Moderate</b>						
2019	7.2	7.2	3	2.7	233	2.7
2020	7.2	6.7	11	9.7	916	8.8
2021	7.2	--	8	8.2	744	7.6
<b>Middle</b>						
2019	60.0	56.8	64	56.6	5,134	59.3
2020	60.0	54.7	60	53.1	5,356	51.5
2021	60.0	--	49	50.5	4,599	46.9
<b>Upper</b>						
2019	27.8	30.7	33	29.2	2,464	28.5
2020	27.8	34.9	37	32.7	3,939	37.9
2021	27.8	--	38	39.2	4,273	43.6
<b>Not Available</b>						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	0.1	0	0.0	0	0.0
2021	0.0	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>113</b>	<b>100.0</b>	<b>8,651</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>113</b>	<b>100.0</b>	<b>10,406</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>97</b>	<b>100.0</b>	<b>9,810</b>	<b>100.0</b>
<i>Source 2015 ACS; Bank Data, 2019 &amp; 2020 HMDA Aggregate Data, "--" data not available.</i>						

### ***Small Business Loans***

The geographic distribution of small business loans reflects adequate penetration throughout the assessment area. In low-income geographies, the bank's performance exceeded aggregate performance and demographic data in 2019. The bank's 2020 performance was slightly below aggregate and demographic data; however, the bank's 2021 performance was above demographic data, showing a positive trend.

In moderate-income geographies, the bank's performance was slightly below aggregate performance and below the demographic data in 2019. The bank's performance improved in 2020 to above the aggregate performance and demographic data. The bank's 2021 performance fell below demographic percentages. Please see the following table for details.

<b>Geographic Distribution of Small Business Loans</b> <b>Assessment Area: Utica-Rome MSA</b>						
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2019	11.9	11.4	8	14.8	276	25.9
2020	12.0	12.2	26	10.4	1,665	13.3
2021	12.7	--	6	14.6	278	19.0
Moderate						
2019	13.5	10.6	5	9.3	181	17.0
2020	13.3	12.2	36	14.3	1,463	11.7
2021	12.8	--	4	9.8	121	8.3
Middle						
2019	47.8	45.4	32	59.3	498	46.8
2020	47.2	44.7	127	50.6	6,404	51.2
2021	46.7	--	25	61.0	845	57.9
Upper						
2019	25.4	31.5	9	16.7	109	10.2
2020	26.1	29.2	61	24.3	2,956	23.6
2021	26.3	--	6	14.6	216	14.8
Not Available						
2019	1.5	1.2	0	0.0	0	0.0
2020	1.4	1.7	1	0.4	23	0.2
2021	1.4	--	0	0.0	0	0.0
<b>Total</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>54</b>	<b>100.0</b>	<b>1,064</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>251</b>	<b>100.0</b>	<b>12,511</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>41</b>	<b>100.0</b>	<b>1,460</b>	<b>100.0</b>
<i>Source 2019, 2020 &amp; 2021 D&amp;B Data; Bank Data, 2019 &amp; 2020 CRA Aggregate Data, "--" data not available.</i>						

### **Borrower Profile**

The distribution of borrowers reflects, given the product lines offered by the bank, excellent penetration among individuals of different income levels and businesses of different sizes.

### ***Home Mortgage Loans***

The distribution of borrowers reflects excellent penetration among individuals of different income levels. The bank's 2019 percentage of loans originated to low-income borrowers was above aggregate performance and comparable to the percentage of low-income families. While

performance in 2020 was below the percent of families, performance continued to exceed aggregate. The bank's 2021 performance was consistent with 2020.

The bank's performance among moderate-income borrowers was above aggregate performance and the percent of families in 2019 and 2020. Similarly, the bank's performance remained well above demographics in 2021.

Please see the following table for details.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b> <b>Assessment Area: Utica-Rome MSA</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2019	22.0	11.0	23	20.4	1,249	14.4
2020	22.0	7.4	15	13.3	787	7.6
2021	22.0	--	13	13.4	824	8.4
Moderate						
2019	16.9	22.2	28	24.8	2,088	24.1
2020	16.9	20.1	27	23.9	2,224	21.4
2021	16.9	--	26	26.8	2,662	27.1
Middle						
2019	21.5	24.0	39	34.5	3,198	37.0
2020	21.5	22.8	34	30.1	3,222	31.0
2021	21.5	--	23	23.7	2,187	22.3
Upper						
2019	39.6	32.1	20	17.7	1,895	21.9
2020	39.6	36.2	35	31.0	4,103	39.4
2021	39.6	--	34	35.1	4,002	40.8
Not Available						
2019	0.0	10.7	3	2.7	221	2.6
2020	0.0	13.6	2	1.8	70	0.7
2021	0.0	--	1	1.0	135	1.4
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>113</b>	<b>100.0</b>	<b>8,651</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>113</b>	<b>100.0</b>	<b>10,406</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>97</b>	<b>100.0</b>	<b>9,810</b>	<b>100.0</b>
<i>Source 2015 ACS; Bank Data, 2019 &amp; 2020 HMDA Aggregate Data, "--" data not available.</i>						

### ***Small Business Loans***

The distribution of small business loans reflects good penetration among businesses of different sizes. In 2019, lending to businesses with GARs of \$1.0 million or less was double the aggregate performance and above business demographics. In 2020, lending to businesses with GARs of \$1.0 million or less was comparable to aggregate performance and below business demographics; however, as stated previously, these figures are impacted by a high volume of PPP loans, for which banks were not required to collect or report revenue information. The bank's 2021 lending to businesses with GARs of \$1.0 million or less was comparable to area demographics and more in line with the bank's 2019 performance in lending to small businesses.

Please see the following table for details.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b> <b>Assessment Area: Utica-Rome MSA</b>						
<b>Business Revenue Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000						
2019	79.6	43.2	52	96.3	989	93.0
2020	81.9	32.4	80	31.9	3,388	27.1
2021	83.0	--	33	80.5	915	62.7
>\$1,000,000						
2019	6.3	--	2	3.7	75	7.0
2020	5.5	--	12	4.8	1,999	16.0
2021	4.9	--	7	17.1	535	36.6
Revenue Not Available						
2019	14.1	--	0	0.0	0	0.0
2020	12.6	--	159	63.3	7,124	56.9
2021	12.1	--	1	2.4	10	0.7
<b>Total</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>54</b>	<b>100.0</b>	<b>1,064</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>251</b>	<b>100.0</b>	<b>12,511</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>41</b>	<b>100.0</b>	<b>1,460</b>	<b>100.0</b>
<i>Source 2019, 2020 &amp; 2021 D&amp;B Data; Bank Data, 2019 &amp; 2020 CRA Aggregate Data, "--" data not available.</i>						

### **Community Development Loans**

Berkshire Bank made an adequate level of community development loans in the assessment area. The bank originated five community development loans totaling \$2.1 million that met the needs of community services in the assessment area. The bank originated more loans by number compared to the previous evaluation and a comparable level by dollar amount.

The following summarizes the community development loans in the assessment area:

- In 2019, the bank extended four loans totaling \$759,000 to finance the operations of a social service agency for low-income individuals with developmental disabilities. Programs offered by the agency include housing, workforce training, and education. These loans qualify as supporting community services for low-income individuals.
- In 2020, the bank originated a \$1.4 million PPP loan to a corporation operating in a low-income area. This PPP loan retained employment for individuals in a low-income area, and it qualifies for economic development by financing a small business.

## **INVESTMENT TEST**

Berkshire Bank demonstrated adequate performance under the Investment Test. The following sections discuss the bank's performance under each criterion.

### **Investment and Grant Activity**

Berkshire Bank has an adequate level of qualified community development investments and grants, although rarely in a leadership position, particularly those that are not routinely provided by private investors.

Two prior period investments totaling \$144,000 and 32 grants totaling \$157,000 comprise this area's qualified investments. Other than grants, Berkshire Bank did not make any additional qualified investments during the review period. This performance is consistent with the prior evaluation. The prior period investments consist of mortgage-backed securities to low- and moderate-income individuals. Grants provided during the current evaluation period primarily benefit community service initiatives for low- and moderate-income individuals.

The following are examples of grants responsive to the assessment area's needs:

- *Community Foundation of Herkimer and Oneida Counties, Inc.* – This organization conducted a virtual fundraising event in 2020 focused on the economic and health disparities identified during the pandemic. The bank donated to this event to aid low- and moderate-income families impacted by the pandemic to access health insurance, education, and housing. This donation supported community services for low- and moderate-income individuals.
- *Utica Neighborhood Housing Services* – This organization encourages homeownership in local communities to aid financial stability. Programs include financial coaching, homebuyer education, and down payment assistance. The bank's donation to this organization supports affordable housing for low- and moderate-income individuals.

## **Responsiveness to Credit and Community Development Needs**

Berkshire Bank exhibits adequate responsiveness to credit and community development needs. Grant activity primarily targets the area's need for community services benefitting low- and moderate-income individuals.

## **Community Development Initiatives**

Berkshire Bank rarely uses innovative and/or complex investments to support community development initiatives in this assessment area.

## **SERVICE TEST**

Berkshire Bank demonstrated adequate performance under the Service Test. The following sections discuss the bank's performance under each criterion.

### **Accessibility of Delivery Systems**

Delivery systems are accessible to essentially all portions of this assessment area. Of the eight branches operated in this area, one branch is located in a moderate-income census tract. However, branches located in middle- and upper-income areas serve the area's low- and moderate-income areas as well. In addition, the bank operates two freestanding ATMs, one of which is located in a moderate-income census tract.

### **Changes in Branch Locations**

To the extent changes have been made, the bank's opening and closing of branches has generally not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies or to low- and moderate-income individuals. Berkshire Bank closed five branches in the Utica-Rome MSA: two in moderate-income census tracts, two in middle-income census tracts, and one in a census tract with an unknown income designation.

Despite the branch closures in moderate-income census tracts, Berkshire Bank continues to operate branches located outside the census tracts that continue to serve the area. Given the remaining branching structure, the branch closures caused only limited disruption to banking services in moderate-income areas.

### **Reasonableness of Business Hours and Services**

Services, including business hours, do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies or individuals. No material differences exist among products or services offered within branches.

Branch hours are generally consistent across branches (9 a.m. to 4 p.m. Monday through Thursday, 9 a.m. to 5 p.m. on Fridays, and 9 a.m. to 12 p.m. on Saturdays).

## **Community Development Services**

Berkshire Bank provides an adequate level of community development services in the assessment area. The following table reflects the hours of community development services provided by bank employees during the evaluation period.

<b>Community Development Services Assessment Area: Utica-Rome MSA</b>					
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
Partial 2018	19	44	30	0	<b>93</b>
2019	3	210	0	0	<b>213</b>
2020	0	96	0	0	<b>96</b>
2021	0	18	17	0	<b>35</b>
YTD 2022	0	0	0	0	<b>0</b>
<b>Total</b>	<b>22</b>	<b>368</b>	<b>47</b>	<b>0</b>	<b>437</b>
<i>Source Bank Data</i>					

Performance at the current evaluation is slightly below prior evaluation performance; however, Berkshire Bank continues to provide services that address the area's community development needs of community services and economic development. Community development services in this area primarily include financial literacy presentations and technical assistance to small businesses via seminars.

## **Syracuse MSA – Full-Scope Review**

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN SYRACUSE MSA**

Berkshire Bank operates 2 of its 106 branches in the Syracuse MSA. The Syracuse MSA assessment area includes all of Onondaga County.

### **Economic and Demographic Data**

The assessment area comprises 140 census tracts with the following income designations according to the 2015 ACS:

- 23 low-income census tracts,
- 20 moderate-income census tracts,
- 50 middle-income census tracts,
- 42 upper-income census tracts, and
- 5 tracts with no income designation.

Of the 43 low- and moderate-income census tracts in the assessment area, 39 are located in the city of Syracuse. Specifically, there are 22 low-income census tracts and 17 moderate-income census tracts in Syracuse.

The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area Assessment Area: Syracuse MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	140	16.4	14.3	35.7	30.0	3.6
Population by Geography	468,304	13.2	11.8	37.9	35.3	1.8
Housing Units by Geography	203,956	12.7	13.6	38.9	33.5	1.3
Owner-Occupied Units by Geography	120,529	3.8	8.7	44.8	42.6	0.2
Occupied Rental Units by Geography	64,112	24.8	21.8	30.8	19.0	3.5
Vacant Units by Geography	19,315	28.5	16.5	29.1	24.7	1.1
Businesses by Geography	39,021	10.4	9.8	37.7	39.3	2.8
Farms by Geography	1,026	3.3	5.1	41.7	48.8	1.1
Family Distribution by Income Level	112,623	20.9	16.2	19.9	43.1	0.0
Household Distribution by Income Level	184,641	24.9	14.9	16.8	43.4	0.0
Median Family Income MSA - 45060 Syracuse, NY MSA		\$68,468	Median Housing Value			\$130,362
			Median Gross Rent			\$781
			Families Below Poverty Level			10.5%
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.						

There are 203,956 housing units in the assessment area. Of these, 59.1 percent are owner occupied, 31.4 percent are occupied rental units, and 9.5 percent are vacant. The median housing value of \$130,362 reflects a relatively inexpensive area.

The following table presents low-, moderate-, middle-, and upper-income categories for the assessment area.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>Syracuse, NY MSA Median Family Income (45060)</b>				
2019 (\$79,500)	<\$39,750	\$39,750 to <\$63,600	\$63,600 to <\$95,400	≥\$95,400
2020 (\$75,800)	<\$37,900	\$37,900 to <\$60,640	\$60,640 to <\$90,960	≥\$90,960
2021 (\$80,500)	<\$40,250	\$40,250 to <\$64,400	\$64,400 to <\$96,600	≥\$96,600
<i>Source FFIEC</i>				

According to 2021 D&B data, there were 39,021 businesses operating in the assessment area. GARs for these businesses are below.

- 83.4 percent of businesses have GARs less than or equal to \$1.0 million,
- 5.3 percent of businesses have GARs greater than \$1.0 million, and
- 11.3 percent of businesses have unknown revenues.

Service industries represent the largest portion of businesses at 38.8 percent; followed by non-classifiable establishments (18.6 percent); retail trade (12.6 percent); and finance, insurance, and real estate (9.7 percent). In addition, 60.5 percent of area businesses have four or fewer employees, and 88.4 percent operate from a single location.

### **Competition**

Berkshire Bank operates in a moderately competitive market for banking services. According to 2021 Deposit Market Share data, there were 35 financial institutions operating 158 branches in the assessment area. Berkshire Bank ranked 11<sup>th</sup> with a deposit market share of 1.7 percent. Financial institutions with the highest market shares included Manufacturers and Traders Trust Company, KeyBank National Association, and Empower Federal Credit Union. The three leading institutions account for 55.3 percent of the deposit market share.

The bank operates in a highly competitive area for mortgage loans. According to 2020 peer mortgage data, 205 lenders reported 15,213 originated or purchased home mortgage loans in the assessment area. Berkshire Bank ranked 43<sup>rd</sup> with a 0.5 percent market share. The three most prominent mortgage lenders (Empower Federal Credit Union, Wells Fargo Bank, and Quicken Loans) account for 23.0 percent of the total market share.

The bank also operates in a highly competitive area for small business loans. Based on 2019 peer small business data, 85 lenders reported 8,851 small business loans. Berkshire Bank ranked 40<sup>th</sup> with 0.2 percent market share. The leading financial institutions (American Express National Bank, JP Morgan Chase Bank, Citibank) were large credit card companies. According to 2020 peer small business data, 120 lenders reported 9,909 small business loans in the assessment area. Berkshire Bank ranked 20<sup>th</sup> with a 0.8 percent market share. The three most prominent small business lenders (American Express National Bank, KeyBank National Association, and M&T Bank) account for 41.1 percent of the total market share. The improvement in market share from 2019 to 2020 reflects the institution's responsiveness to the credit needs satisfied by small business PPP lending.

### **Credit and Community Development Needs and Opportunities**

Based on demographic and economic information, the Syracuse MSA assessment area exhibits credit needs for small business loans and community development needs for community services benefitting low- and moderate-income individuals and economic development initiatives. There are community development opportunities in the City of Syracuse, where the vast majority of the area's low- and moderate-income population resides.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN SYRACUSE MSA**

### **LENDING TEST**

Berkshire Bank demonstrated adequate performance under the Lending Test. The following sections discuss the bank's performance under each criterion.

#### **Lending Activity**

Lending levels reflect adequate responsiveness to area's credit needs. In 2019, the bank originated or purchased 75 loans totaling \$5.3 million in the assessment area. In 2020, Berkshire Bank originated or purchased 68 home mortgage loans totaling \$5.9 million. The bank made 66 home mortgage loans totaling \$6.0 million in 2021. The bank's 2020 market ranking of 43<sup>rd</sup> out of 205 lenders supports adequate performance.

Berkshire Bank originated 15 small business loans for \$1.6 million in 2019. Bank originations increased to 81 loans totaling \$5.6 million in 2020 due to PPP lending. The bank made 12 loans totaling \$1.8 million in 2021, more consistent with the bank's 2019 activity in this area. The bank's market ranking of 20<sup>th</sup> out of 120 lenders supports adequate performance.

#### **Geographic Distribution**

The geographic distribution of home mortgage and small business loans reflects adequate penetration throughout the assessment area.

#### ***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects adequate penetration throughout the assessment area. The bank's performance in low-income geographies was comparable to demographic data and the aggregate performance for 2019; however, the bank did not originate any loans in low-income census tracts in 2020. The bank originated one loan in a low-income census tract in 2021 and performance remained below demographics.

The bank's performance in moderate-income tracts was below demographics and aggregate performance in 2019 and 2020; however, performance in 2021 improved and was comparable to relevant demographics. Please see the following table for more details.

Geographic Distribution of Home Mortgage Loans Assessment Area: Syracuse MSA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	3.8	2.4	2	2.7	66	1.3
2020	3.8	2.0	0	0.0	0	0.0
2021	3.8	--	1	1.5	170	2.9
Moderate						
2019	8.7	8.3	5	6.7	303	5.7
2020	8.7	7.1	4	5.9	263	4.5
2021	8.7	--	6	9.1	436	7.3
Middle						
2019	44.8	44.2	36	48.0	2,155	40.8
2020	44.8	41.4	30	44.1	2,137	36.5
2021	44.8	--	30	45.5	2,199	36.9
Upper						
2019	42.6	45.0	32	42.7	2,753	52.2
2020	42.6	49.3	34	50.0	3,462	59.1
2021	42.6	--	29	43.9	3,148	52.9
Not Available						
2019	0.2	0.2	0	0.0	0	0.0
2020	0.2	0.2	0	0.0	0	0.0
2021	0.2	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>75</b>	<b>100.0</b>	<b>5,277</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>68</b>	<b>100.0</b>	<b>5,862</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>66</b>	<b>100.0</b>	<b>5,953</b>	<b>100.0</b>
Source 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

### ***Small Business Loans***

The geographic distribution of small business loans reflects adequate penetration throughout the assessment area. In low-income geographies, the bank's performance was below aggregate performance and demographic data in 2019 and 2020. The bank did not originate any small business loans in low-income census tracts in 2021.

In moderate-income geographies, the bank's performance was above aggregate and demographic percentages in 2019 and 2020. The bank's performance in 2020 was particularly strong and more than double the demographic and aggregate comparators by percentage. The bank's 2021

performance fell by number and percentage, but it remained above the demographic percentage. Please see the following table for more details.

<b>Geographic Distribution of Small Business Loans</b> <b>Assessment Area: Syracuse MSA</b>						
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2019	10.4	8.5	1	6.7	260	16.4
2020	10.3	8.8	2	2.5	46	0.8
2021	10.4	--	0	0.0	0	0.0
Moderate						
2019	9.6	8.6	2	13.3	14	0.9
2020	9.5	8.9	19	23.5	1,045	18.7
2021	9.8	--	2	16.7	41	2.3
Middle						
2019	39.3	38.8	7	46.7	618	38.9
2020	38.4	40.0	33	40.7	3,412	61.2
2021	37.7	--	6	50.0	1,537	86.2
Upper						
2019	37.5	41.4	4	26.7	620	39.1
2020	38.8	39.3	25	30.9	939	16.8
2021	39.3	--	4	33.3	206	11.5
Not Available						
2019	3.1	2.5	1	6.7	75	4.7
2020	3.1	3.0	2	2.5	137	2.5
2021	2.8	--	0	0.0	0	0.0
<b>Total</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>15</b>	<b>100.0</b>	<b>1,587</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>81</b>	<b>100.0</b>	<b>5,579</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>12</b>	<b>100.0</b>	<b>1,784</b>	<b>100.0</b>
Source 2019, 2020 & 2021 D&B Data; Bank Data, 2019 & 2020 CRA Aggregate Data, "--" data not available.						

### **Borrower Profile**

The distribution of borrowers reflects, given the product lines offered by the bank, good penetration among individuals of different income levels and businesses of different sizes.

### Home Mortgage Loans

The distribution of borrowers reflects good penetration among individuals of different income levels. The bank's performance in lending to low-income borrowers was above aggregate performance in 2019 and 2020, but declined in 2021. The bank's performance was below the percentage of low-income families for all three years, which is reasonable given the percentage of families in the area below the poverty level (10.5 percent). In lending to moderate-income borrowers, the bank's performance was comparable to aggregate in 2019 and above aggregate in 2020. The bank's 2021 lending to moderate-income borrowers increased by number, dollar amount, and percentage. The bank's performance was above demographic percentages for all three years, most notably in 2019 and 2021. Please see the following table for more details.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Assessment Area: Syracuse MSA</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2019	20.9	10.3	10	13.3	545	10.3
2020	20.9	5.7	6	8.8	368	6.3
2021	20.9	--	2	3.0	143	2.4
Moderate						
2019	16.2	22.3	17	22.7	902	17.1
2020	16.2	17.3	13	19.1	679	11.6
2021	16.2	--	18	27.3	1,223	20.5
Middle						
2019	19.9	22.2	17	22.7	1,441	27.3
2020	19.9	22.0	14	20.6	1,516	25.9
2021	19.9	--	22	33.3	1,651	27.7
Upper						
2019	43.1	33.2	30	40.0	2,344	44.4
2020	43.1	40.1	35	51.5	3,299	56.3
2021	43.1	--	23	34.8	2,689	45.2
Not Available						
2019	0.0	12.0	1	1.3	45	0.9
2020	0.0	14.8	0	0.0	0	0.0
2021	0.0	--	1	1.5	248	4.2
Totals						
2019	100.0	100.0	75	100.0	5,277	100.0
2020	100.0	100.0	68	100.0	5,862	100.0
2021	100.0	--	66	100.0	5,953	100.0

Source 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available.

### ***Small Business Loans***

The distribution of small business loans reflects excellent penetration among businesses of different sizes. In 2019, lending to businesses with GARs of \$1.0 million or less was above aggregate performance and demographics. In 2020, lending to businesses with GARs of \$1.0 million or less was below the aggregate and business demographics. As stated previously, PPP lending in 2020 skews bank performance due to the high percentage of loans without revenue information. The bank's 2021 percentage of lending to businesses with GARs of \$1.0 million or less was again above area demographics and exceeded prior years' performance.

Please see the following table for more details.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b> <b>Assessment Area: Syracuse MSA</b>						
<b>Business Revenue Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>&lt;=\$1,000,000</b>						
2019	79.2	40.6	13	86.7	1,358	85.6
2020	81.9	34.6	24	29.6	1,338	24.0
2021	83.4	--	11	91.7	1,759	98.6
<b>&gt;\$1,000,000</b>						
2019	7.2	--	2	13.3	229	14.4
2020	6.1	--	11	13.6	2,058	36.9
2021	5.3	--	1	8.3	25	1.4
<b>Revenue Not Available</b>						
2019	13.6	--	0	0.0	0	0.0
2020	12.0	--	46	56.8	2,183	39.1
2021	11.3	--	0	0.0	0	0.0
<b>Total</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>15</b>	<b>100.0</b>	<b>1,587</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>81</b>	<b>100.0</b>	<b>5,579</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>12</b>	<b>100.0</b>	<b>1,784</b>	<b>100.0</b>

*Source 2019, 2020 & 2021 D&B Data; 2019 & 2020 CRA Aggregate Data, "--" data not available.*

### **Community Development Loans**

Berkshire Bank made a low level of community development loans in the assessment area. The bank originated one community development loan totaling \$133,000 in 2020. This PPP loan was extended to a nonprofit health center providing services for low- and moderate-income individuals, which supported community services for low- and moderate-income individuals during the COVID-19 pandemic.

## **INVESTMENT TEST**

Berkshire Bank demonstrated adequate performance under the Investment Test. The following sections discuss the bank's performance under each criterion.

### **Investment and Grant Activity**

Berkshire Bank has an adequate level of qualified community development investments and grants, although rarely in a leadership position, particularly those that are not routinely provided by private investors.

Five prior period equity investments totaling \$1.7 million and 66 grants totaling \$325,000 comprise this area's qualified investments. Berkshire Bank did not make any new qualified equity investments during the review period. Equity investments in the Syracuse MSA assessment area include mortgage-backed securities and one bond totaling \$1.0 million that supports low- and moderate-income individuals in senior housing facilities.

Although the bank provided \$211,000 more in grants during the current evaluation period than it provided during the prior evaluation period, qualified investments as a whole decreased by \$4.3 million.

The following are examples of notable grants:

- *LAUNCH Central New York* – The LAUNCH program was developed to aid students in need. Programs include summer education, counseling, and workforce development. The majority of students served qualify for free or reduced-price school lunch, which correlates to low- and moderate-income populations. The bank made several donations to this organization, and it qualifies as community development by supporting community services for low- and moderate-income individuals.
- *The Reading League Inc.* – This program provides resources and educational tools to schools in low-income communities in Central New York. The bank provided a donation to this organization in 2021 to develop a television series encouraging reading for elementary students. This donation qualifies as community development by supporting community services for low- and moderate-income individuals.

### **Responsiveness to Credit and Community Development Needs**

Berkshire Bank exhibits adequate responsiveness to credit and community development needs. Qualified investments primarily target community services to low- and moderate-income individuals, consistent with one of the area's primary community development needs.

### **Community Development Initiatives**

Berkshire Bank rarely uses innovative and/or complex investments to support community development initiatives in this area.

## SERVICE TEST

Berkshire Bank demonstrated poor performance under the Service Test in the Syracuse MSA assessment area. The limited number of community service hours provided during the evaluation period, which represents a significant decrease since the prior evaluation period, primarily supports the conclusion. The following sections discuss the bank's performance under each criterion.

### Accessibility of Delivery Systems

Delivery systems are reasonably accessible to essentially all portions of the Syracuse MSA assessment area. Of the area's two branches and ATMs and its three freestanding ATMs, one branch is located in a moderate-income census tract, reflecting reasonable accessibility to moderate-income areas.

### Changes in Branch Locations

Berkshire Bank did not open or close any branches in the Syracuse MSA assessment area during the evaluation period.

### Reasonableness of Business Hours and Services

Services, including business hours, do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies and individuals. No material differences exist among products or services offered within branches. Branch hours are consistent with the bank's other branches (9 a.m. to 4 p.m. Monday through Thursday, and 9 a.m. to 5 p.m. on Fridays). Additionally, the branch located in a moderate-income census tract offers Saturday hours (9:00 a.m. to 12:00 p.m.) as an additional convenience to customers in the area.

### Community Development Services

Berkshire Bank provides a limited level of community development services, as shown in the following table.

<b>Community Development Services Assessment Area: Syracuse MSA</b>					
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
Partial 2018	0	0	25	0	25
2019	0	0	0	0	0
2020	0	17	5	0	22
2021	0	0	0	0	0
YTD 2022	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>17</b>	<b>30</b>	<b>0</b>	<b>47</b>
<i>Source Bank Data</i>					

Berkshire Bank provided 199 less community development service hours during the current evaluation period than it provided during the prior evaluation period. Additionally, in multiple years, Berkshire Bank did not provide any community development services to this area.

The services provided in the Syracuse MSA assessment area primarily include financial education presentations benefitting low- and moderate-income individuals and participation in events for an economic development organization active in the area.

## **WORCESTER, MA-CT MSA**

### **CRA RATING FOR WORCESTER, MA-CT MSA: SATISFACTORY**

**The Lending Test is rated: High Satisfactory**

**The Investment Test is rated: Satisfactory**

**The Service Test is rated: Satisfactory**

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN WORCESTER, MA-CT MSA**

Berkshire Bank operates 17 of its 106 branches in the Worcester, MA-CT MSA (multistate MSA) assessment area. The multistate MSA assessment area includes all of Worcester County in Massachusetts and all of Windham County in Connecticut. Berkshire Bank closed two branches in this rated area since the previous evaluation.

#### **Economic and Demographic Data**

The assessment area comprises 197 census tracts with the following income designations according to the 2015 ACS:

- 22 low-income census tracts,
- 38 moderate-income census tracts,
- 82 middle-income census tracts,
- 52 upper-income census tracts, and
- 3 census tracts with no income designation.

Of the 60 low- and moderate-income census tracts in the assessment area, approximately 41.7 percent of them are located in the City of Worcester, Massachusetts. Specifically, 13 low-income census tracts and 12 moderate-income census tracts are in Worcester, making up over half of the city's census tracts.

The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area Assessment Area: Worcester, MA-CT MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	197	11.2	19.3	41.6	26.4	1.5
Population by Geography	928,405	9.4	17.7	41.9	30.5	0.5
Housing Units by Geography	377,803	9.8	19.1	42.5	28.1	0.4
Owner-Occupied Units by Geography	226,141	3.1	13.7	47.1	36.0	0.0
Occupied Rental Units by Geography	119,311	21.6	27.6	34.4	15.4	1.0
Vacant Units by Geography	32,351	13.3	25.0	40.6	20.3	0.8
Businesses by Geography	74,656	7.7	16.4	37.5	36.0	2.4
Farms by Geography	2,468	2.3	9.6	46.4	41.5	0.2
Family Distribution by Income Level	230,544	22.6	16.6	20.3	40.4	0.0
Household Distribution by Income Level	345,452	25.8	14.8	17.2	42.2	0.0
Median Family Income MSA - 49340 Worcester, MA-CT MSA		\$81,137	Median Housing Value			\$243,747
Median Family Income MSA - 49340 Worcester, MA-CT MSA		\$81,137	Median Gross Rent			\$931
			Families Below Poverty Level			8.3%
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.						

There are 377,803 housing units in the area. Of these units, 59.9 percent are owner occupied, 31.6 percent are occupied rental units, and 8.6 percent are vacant. The median housing value of \$243,747 reflects a moderately priced area.

The following table reflects the low-, moderate-, middle-, and upper-income categories for the assessment area.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
<b>Worcester, MA-CT MSA Median Family Income (49340)</b>				
2019 (\$95,300)	<\$47,650	\$47,650 to <\$76,240	\$76,240 to <\$114,360	≥\$114,360
2020 (\$95,300)	<\$47,650	\$47,650 to <\$76,240	\$76,240 to <\$114,360	≥\$114,360
2021 (\$96,700)	<\$48,350	\$48,350 to <\$77,360	\$77,360 to <\$116,040	≥\$116,040
<i>Source FFIEC</i>				

According to 2021 D&B data, there were 74,656 businesses in the Worcester, MA-CT MSA assessment area. GARs for these businesses are below.

- 86.2 percent of businesses have GARs less than or equal to \$1.0 million,
- 4.5 percent of businesses have GARs greater than \$1.0 million, and
- 9.3 percent of businesses have unknown revenues.

Service industries represent the largest portion of businesses at 37.7 percent; followed by non-classifiable establishments (16.3 percent); retail trade (11.7 percent); and finance, insurance, and real estate (9.5 percent). In addition, 65.7 percent of area businesses have four or fewer employees, and 90.3 percent operate from a single location.

### **Competition**

Berkshire Bank operates in a highly competitive market for banking services. According to 2021 Deposit Market Share data, there were 59 financial institutions operating 316 branches in the assessment area. Berkshire Bank ranked 3<sup>rd</sup> with a deposit market share of 8.1 percent. The two institutions ahead of Berkshire Bank were large national retail institutions (Bank of America and TD Bank NA) with a combined deposit market share of 20.5 percent.

The bank operates in a highly competitive area for mortgage loans. In 2020, 541 lenders reported 51,180 originated or purchased home mortgage loans. Berkshire Bank ranked 63<sup>rd</sup> with a 0.4 percent market share. The three most prominent mortgage lenders (Quicken Loans, Fairway Independent Mortgage Company, and Wells Fargo Bank) account for 13.7 percent of the total market share.

The bank also operates in a highly competitive area for small business loans. Based on 2019 peer small business data, 130 lenders reported 19,595 small business loans. Berkshire Bank ranked 22<sup>nd</sup> with 0.5 percent market share. The leading financial institutions (American Express National Bank, JP Morgan Chase Bank, Citibank) were large credit card companies. In 2020, 151 lenders reported 20,840 small business loans in the assessment area. Berkshire Bank ranked 13<sup>th</sup> with a 3.3 percent market share. The leading small business lenders (American Express National Bank, Bank of America, and Synchrony Bank) account for 31.1 percent of the total market share. The improvement in market share from 2019 to 2020 reflects the institution's responsiveness to the credit needs satisfied by small business PPP lending.

### **Community Contact**

Examiners contacted a non-profit organization active in the multistate MSA. The organization provides services to low- and moderate-income individuals in and around Worcester. According to the contact, an increase in unemployment and a decrease in housing affordability during the past few years has created challenges for the area's residents. The contact also stated that down payment assistance, small dollar loan programs, and first-time homebuyer education are needed in the area.

### **Credit and Community Development Needs and Opportunities**

Based on demographic and economic information and the community contact interview, the Worcester, MA-CT MSA assessment area exhibits a credit need for small dollar loan programs, and community development needs for affordable housing, and community services assisting low- and moderate-income individuals. Opportunities in this area include first-time homebuyer seminars and loan programs designed to assist low- and moderate-income individuals achieve homeownership.

Additionally, the City of Worcester presents opportunities to serve low- and moderate-income individuals, as the city accounts for 41.7 percent of the area's low- and moderate-income geographies.

## **SCOPE OF EVALUATION – WORCESTER, MA-CT MSA**

Please refer to the overall Scope of Evaluation for a description of products reviewed and rationale for product weight.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN WORCESTER, MA-CT MSA**

### **LENDING TEST**

Berkshire Bank demonstrated High Satisfactory performance under the Lending Test. The following sections discuss the bank's performance under each criterion.

#### **Lending Activity**

Lending levels reflect adequate responsiveness to the assessment area's credit needs. The bank originated or purchased 143 home mortgage loans totaling \$21.8 million in 2019 and 197 home mortgage loans totaling \$61.1 million in 2020. Lending activity in 2021 increased by number to 206 home mortgage loans, but dollar volume decreased to \$48.9 million. The bank's 2020 market ranking of 63<sup>rd</sup> out of 541 lenders supports adequate performance.

In 2019, Berkshire Bank originated 93 small business loans for \$16.2 million in the multistate MSA assessment area. The bank originated 689 small business loans totaling \$57.8 million in 2020, with the significant increase due to PPP lending. In 2021, the bank originated 59 loans totaling \$18.0 million. The bank's 2020 market ranking of 13<sup>th</sup> out of 151 lenders supports adequate performance.

#### **Geographic Distribution**

The geographic distribution of home mortgage and small business loans reflects good penetration throughout the assessment area.

#### ***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects good penetration throughout the assessment area. The bank's activity in low-income geographies exceeded aggregate performance and demographics in 2019 and 2020. Performance in 2021 was consistent with 2020 and remained above the percentage of owner-occupied housing units.

The bank's performance in moderate-income geographies was comparable to aggregate performance in 2019 and 2020. The bank's performance exceeded demographic data in 2019, but it fell below the percentage of owner-occupied units in 2020. The bank's performance improved in

2021, demonstrating a positive trend, and was above demographics. Please see the following table for more details.

Geographic Distribution of Home Mortgage Loans Assessment Area: Worcester, MA-CT MSA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	3.1	4.2	7	4.9	1,131	5.2
2020	3.1	3.4	11	5.6	1,797	2.9
2021	3.1	--	11	5.3	2,740	5.6
Moderate						
2019	13.7	14.1	20	14.0	2,388	11.0
2020	13.7	11.8	23	11.7	3,546	5.8
2021	13.7	--	30	14.6	5,665	11.6
Middle						
2019	47.1	43.9	80	55.9	10,513	48.3
2020	47.1	42.8	102	51.8	40,461	66.3
2021	47.1	--	111	53.9	21,962	44.9
Upper						
2019	36.0	37.7	36	25.2	7,718	35.5
2020	36.0	42.0	61	31.0	15,264	25.0
2021	36.0	--	54	26.2	18,528	37.9
Not Available						
2019	0.0	0.1	0	0.0	0	0.0
2020	0.0	0.1	0	0.0	0	0.0
2021	0.0	--	0	0.0	0	0.0
Totals						
2019	100.0	100.0	143	100.0	21,750	100.0
2020	100.0	100.0	197	100.0	61,068	100.0
2021	100.0	--	206	100.0	48,895	100.0
Source 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available.						

### ***Small Business Loans***

The geographic distribution of small business loans reflects excellent penetration throughout the assessment area. In low-income geographies, the bank's performance was above aggregate performance in 2019 and 2020. The bank's performance remained above the percentage of small businesses in low-income areas for all three years.

The bank's performance in moderate-income geographies was above aggregate performance in 2019 and 2020. Again, the bank's performance remained above the percentage of small businesses in moderate-income areas for all three years. Please see the following table for more detail.

<b>Geographic Distribution of Small Business Loans</b> <b>Assessment Area: Worcester, MA-CT MSA</b>						
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2019	7.5	6.3	8	8.6	1,256	7.7
2020	7.5	7.3	90	13.1	6,940	12.0
2021	7.7	--	6	10.2	1,135	6.3
Moderate						
2019	16.4	15.8	19	20.4	2,745	16.9
2020	16.4	15.6	132	19.2	11,516	19.9
2021	16.4	--	11	18.6	2,460	13.7
Middle						
2019	37.4	37.5	19	20.4	2,557	15.7
2020	37.5	35.3	249	36.1	19,128	33.1
2021	37.5	--	16	27.1	6,380	35.5
Upper						
2019	36.3	38.7	40	43.0	7,680	47.3
2020	36.2	39.8	186	27.0	18,527	32.0
2021	36.0	--	22	37.3	5,576	31.0
Not Available						
2019	2.4	1.8	7	7.5	2,007	12.4
2020	2.4	2.0	32	4.6	1,719	3.0
2021	2.4	--	4	6.8	2,425	13.5
<b>Total</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>93</b>	<b>100.0</b>	<b>16,245</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>689</b>	<b>100.0</b>	<b>57,830</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>59</b>	<b>100.0</b>	<b>17,976</b>	<b>100.0</b>
<i>Source 2019, 2020 &amp; 2021 D&amp;B Data; Bank Data, 2019 &amp; 2020 CRA Aggregate Data, "--" data not available.</i>						

### **Borrower Profile**

The distribution of borrowers reflects, given the product lines offered by the bank, excellent penetration among individuals of different income levels and businesses of different sizes.

### ***Home Mortgage Loans***

The distribution of borrowers reflects excellent penetration among individuals of different income levels. The bank's percentage of loans originated to low-income borrowers was approximately double the aggregate percentages in 2019 and 2020. The bank's 2021 performance increased by number and percentage compared to 2020. The bank's performance is below the percentage of low-income families for all three years, which is reasonable given the percentage of families in the area below the poverty level (8.3 percent). Low-income individuals, especially those below the poverty level, may face challenges in qualifying for a home mortgage given the median home value in the assessment area.

Among moderate-income borrowers, the bank's performance was above aggregate in 2019 and 2020. The bank's 2021 performance was higher than 2020 by number and percentage. The bank's performance was well above demographics for all three years. Please see the following table for more detail.

Distribution of Home Mortgage Loans by Borrower Income Level Assessment Area: Worcester, MA-CT MSA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	22.6	7.8	22	15.4	1,687	7.8
2020	22.6	5.6	21	10.7	1,696	2.8
2021	22.6	--	25	12.1	2,872	5.9
Moderate						
2019	16.6	22.7	45	31.5	6,690	30.8
2020	16.6	19.9	50	25.4	8,652	14.2
2021	16.6	--	54	26.2	7,256	14.8
Middle						
2019	20.3	23.2	32	22.4	4,963	22.8
2020	20.3	23.4	39	19.8	5,652	9.3
2021	20.3	--	47	22.8	9,572	19.6
Upper						
2019	40.4	31.2	37	25.9	6,227	28.6
2020	40.4	36.6	69	35.0	17,524	28.7
2021	40.4	--	67	32.5	17,230	35.2
Not Available						
2019	0.0	15.0	7	4.9	2,182	10.0
2020	0.0	14.6	18	9.1	27,544	45.1
2021	0.0	--	13	6.3	11,965	24.5
Totals						
2019	100.0	100.0	143	100.0	21,750	100.0
2020	100.0	100.0	197	100.0	61,068	100.0
2021	100.0	--	206	100.0	48,895	100.0
Source 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available.						

### ***Small Business Loans***

The distribution of small business loans reflects adequate penetration among businesses of different sizes. In 2019, lending to businesses with GARs of \$1.0 million or less was above aggregate performance but below demographic data. In 2020, lending to businesses with GARs of \$1.0 million or less was below aggregate and business demographics; however, significant PPP lending skews lending percentages due to the high percentage of loans without revenue information. The bank's 2021 performance in lending to businesses with GARs of \$1.0 million or less was closer to area demographics and more comparable to 2019 performance. Please see the following table for more details.

Distribution of Small Business Loans by Gross Annual Revenue Category Assessment Area: Worcester, MA-CT MSA						
Business Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2019	84.2	42.5	52	55.9	4,406	27.1
2020	85.3	32.0	163	23.7	11,577	20.0
2021	86.2	--	28	47.5	6,046	33.6
>\$1,000,000						
2019	5.5	--	34	36.6	11,045	68.0
2020	5.0	--	87	12.6	25,255	43.7
2021	4.5	--	30	50.8	11,721	65.2
Revenue Not Available						
2019	10.3	--	7	7.5	794	4.9
2020	9.7	--	439	63.7	20,998	36.3
2021	9.3	--	1	1.7	209	1.2
<b>Total</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>93</b>	<b>100.0</b>	<b>16,245</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>689</b>	<b>100.0</b>	<b>57,830</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>59</b>	<b>100.0</b>	<b>17,976</b>	<b>100.0</b>

Source 2019, 2020 & 2021 D&B Data; Bank Data, 2019 & 2020 CRA Aggregate Data, "--" data not available.

### **Innovative or Flexible Lending Practices**

Berkshire Bank uses innovative and/or flexible lending practices in order to serve assessment area credit needs. In addition to the programs that were available across all of the bank's assessment areas, the Massachusetts and Connecticut-specific programs offered by the bank were both available in the Worcester, MA-CT MSA assessment area. Please see the overall section, Massachusetts rated area section, and Connecticut rated area section for summaries of the bank's innovative and/or flexible loan programs offered during the evaluation period.

### **Community Development Loans**

Berkshire Bank made a relatively high level of loans in the Worcester, MA-CT MSA assessment area. The bank originated 17 loans totaling \$51.4 million during the evaluation period. This assessment area was not evaluated separately during the previous evaluation; however, examiners noted that this level of performance is more than triple that of the former Boston-Worcester-Providence, MA-RI-NH-CT CSA assessment area (which included Worcester County) assessed at the prior evaluation. A majority of the bank's community development lending by dollar amount focused on impactful affordable housing projects. Please see the following table for more detail.

Community Development Loans Assessment Area: Worcester, MA-CT MSA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize and Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Partial 2018	1	941	0	0	0	0	0	0	1	941
2019	1	14,900	0	0	0	0	0	0	1	14,900
2020	1	256	5	5,028	8	15,389	0	0	14	20,673
2021	1	14,900	0	0	0	0	0	0	1	14,900
YTD 2022	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>4</b>	<b>30,997</b>	<b>5</b>	<b>5,028</b>	<b>8</b>	<b>15,389</b>	<b>0</b>	<b>0</b>	<b>17</b>	<b>51,414</b>
<i>Source Bank Data</i>										

The following are notable examples of community development loans:

- The bank participated in a construction loan in 2019 for a Worcester housing renovation project. The bank's participation totaled \$14.9 million, and the project will develop 118 units of housing, with 67 of the units reserved for households earning less than 80.0 percent of the area's median income. The construction credit was re-extended in 2021 for the full \$14.9 million. This project's primary purpose is to support affordable housing for low- and moderate-income individuals.
- In 2018, the bank refinanced a \$941,000 loan to a local community development nonprofit focused on affordable housing. The loan financed the construction of a 34-unit project in Worcester, with all units designated as affordable. This project's primary purpose is to support affordable housing for low- and moderate-income individuals.
- In 2020, the bank extended a \$3.0 million PPP loan to a health center that provides essential services in a low-income area in Willimantic, Connecticut. The loan qualifies for community development by supporting community services for low- and moderate-income individuals.

## INVESTMENT TEST

Berkshire Bank demonstrated Satisfactory performance under the Investment Test. The following sections discuss the bank's performance under each criterion.

### Investment and Grant Activity

Berkshire Bank has an adequate level of qualified community development investments and grants, although rarely in a leadership position, particularly those that are not routinely provided by private investors. The following table reflects investment and grant activity in the assessment area by year and community development purpose.

<b>Qualified Investments</b> <b>Assessment Area: Worcester, MA-CT MSA</b>										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
Prior Period	5	5,381	0	0	0	0	0	0	5	5,381
Partial 2018	0	0	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0	0	0
2021	0	0	0	0	0	0	0	0	0	0
YTD 2022	0	0	0	0	0	0	0	0	0	0
<b>Subtotal</b>	<b>5</b>	<b>5,381</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>5,381</b>
Qualified Grants & Donations	12	33	137	520	11	147	16	181	176	881
<b>Total</b>	<b>17</b>	<b>5,414</b>	<b>137</b>	<b>520</b>	<b>11</b>	<b>147</b>	<b>16</b>	<b>181</b>	<b>181</b>	<b>6,262</b>
<i>Source Bank Data</i>										

The dollar amount of qualified investments in the Worcester, MA-CT MSA assessment area represents 5.5 percent of bank-wide investment activity. Prior period investments include mortgage-backed securities serving low- and moderate-income individuals. The bank did not make any new equity investments during the evaluation period; however, the bank made 176 grants and donations that primarily benefitted community services to low- and moderate-income individuals within the area.

The following are examples of notable grants:

- *Literacy Volunteers of Greater Worcester* – This organization provides English-language education to low- and moderate-income individuals to assist with obtaining employment and achieving financial stability. The bank made several donations to this organization during the evaluation period. This organization qualifies as community services for low- and moderate-income individuals.
- *Girls Incorporated of Worcester* – This organization helps girls in a predominantly low-income area obtain access to science, technology, engineering, and math resources. The majority of individuals served received free or reduced-priced lunch. The bank's donation qualifies as community services for low- and moderate-income individuals.

### **Responsiveness to Credit and Community Development Needs**

Berkshire Bank exhibits good responsiveness to credit and community development needs. A significant majority of the bank's qualified investments address the area's affordable housing needs, and grants primarily address the area's need for community services benefitting low- and moderate-income individuals. The bank's activity addresses two primary community development needs in the Worcester, MA-CT MSA assessment area.

## **Community Development Initiatives**

Berkshire Bank rarely uses innovative and/or complex investments to support community development initiatives; mortgage-backed securities comprise the bank's investment activity in this area.

## **SERVICE TEST**

Berkshire Bank demonstrated Satisfactory performance under the Service Test. The following sections discuss the bank's performance under each criterion.

## **Accessibility of Delivery Systems**

Delivery systems are reasonably accessible to essentially all portions of the Worcester, MA-CT MSA assessment area, consistent with Berkshire Bank's delivery systems overall. The following table presents this area's branch and ATM distribution compared to relevant demographic data.

<b>Branch and ATM Distribution by Geography Income Level</b> <b>Assessment Area: Worcester, MA-CT MSA</b>								
<b>Tract Income Level</b>	<b>Census Tracts</b>		<b>Population</b>		<b>Branches</b>		<b>ATMs</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	22	11.2	87,063	9.4	1	5.9	3	13.6
Moderate	38	19.3	164,379	17.7	3	17.6	6	27.3
Middle	82	41.6	389,142	41.9	8	47.1	8	36.4
Upper	52	26.4	283,030	30.5	4	23.5	4	18.2
NA	3	1.5	4,791	0.5	1	5.9	1	4.5
<b>Totals</b>	<b>197</b>	<b>100.0</b>	<b>928,405</b>	<b>100.0</b>	<b>17</b>	<b>100.0</b>	<b>22</b>	<b>100.0</b>
<i>Source 2015 ACS &amp; Bank Data</i> <i>Due to rounding, totals may not equal 100.0%</i>								

The bank's branch distribution in moderate-income census tracts is comparable to area demographics. Although the distribution of branches in low-income census tracts is below the area's demographics, the standalone ATMs available in low-income areas provide additional accessibility to low-income geographies. Not all of the assessment area's low- and moderate-income geographies are served by a branch or ATM; however, Berkshire Bank's delivery systems serve Worcester's low- and moderate-income census tracts.

In addition, Berkshire Bank operates a limited service branch located in the "NA" census tract in downtown Worcester, which is accessible to the low- and moderate-income geographies of the city. Berkshire Bank also operates an ITM in this area; however, the ITM primarily serves middle- and upper-income census tracts.

### **Changes in Branch Locations**

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

Berkshire Bank acquired six branches in this area during the review period. Of the six branches, one branch was in a low-income census tract, one branch was in a moderate-income census tract and four branches were in middle-income census tracts. Berkshire Bank closed the branch in a moderate-income census tract in North Windham, Connecticut two years following its acquisition; however, there is another Berkshire Bank branch located in an adjacent census tract and a nearby branch of another institution that serves the census tract. Additionally, the bank closed a Worcester branch in a middle-income census tract, which did not affect the accessibility of delivery systems in low- or moderate-income geographies or to low- and moderate-income individuals.

### **Reasonableness of Business Hours and Services**

Services, including business hours, do not vary in a way that inconveniences portions of the assessment area, particularly low- and moderate-income geographies or individuals. No material differences exist among products or services offered within branches.

Branch hours are generally consistent across branches (9 a.m. to 4 p.m. Monday through Thursday, and 9 a.m. to 5 p.m. on Fridays), but some branches serving the low- and moderate-income areas of Worcester operate with slightly extended Thursday hours (9 a.m. to 5 p.m.), providing additional branch access in the area.

Some branches also operate with Saturday hours (9 a.m. to 12 p.m.). Although not all branches located in a low- or moderate-income census tract operate with Saturday hours, most of these areas are served by a nearby branch with Saturday hours.

### **Community Development Services**

Berkshire Bank provides an adequate level of community development services. The following table presents service hours by year and community development purpose within the assessment area.

Community Development Services Assessment Area: Worcester, MA-CT MSA					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
Partial 2018	5	22	15	0	42
2019	26	71	15	20	132
2020	8	81	11	0	100
2021	5	31	39	0	75
YTD 2022	0	0	16	0	16
<b>Total</b>	<b>44</b>	<b>205</b>	<b>96</b>	<b>20</b>	<b>365</b>
<i>Source Bank Data</i>					

Community development services primarily target the area's need for community services benefitting low- and moderate-income individuals. Additionally, several employees provided first-time homebuyer seminars, consistent with identified opportunities for institutions to engage in community development initiatives.

The following are examples of notable community development services:

- A manager assisted a nonprofit organization with fundraising activities to provide food for low- and moderate-income individuals.
- A vice president served on the Board of a community development corporation and assisted with an affordable housing project.

## CONNECTICUT

### CRA RATING FOR CONNECTICUT: SATISFACTORY

The Lending Test is rated: High Satisfactory

The Investment Test is rated: High Satisfactory

The Service Test is rated: Low Satisfactory

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN CONNECTICUT

Berkshire Bank operates 17 of its 106 branches in Connecticut. Berkshire Bank closed four branches in Connecticut since the previous evaluation. The bank designated two assessment areas in Connecticut: one assessment area includes all of Tolland County and portions of both Hartford and Middlesex Counties under the Hartford-East Hartford- Middletown, CT MSA, and the other assessment area includes all of New London County in the Norwich-New London, CT MSA. Berkshire Bank added the New London County assessment area after it acquired branches in the area through the Savings Institute Bank and Trust acquisition.

Both MSAs comprise the Hartford-East Hartford, CT CSA. Examiners combined the two assessment areas under the Hartford CSA for presentation purposes after observing consistent

performance within the individual areas. These subsequent sections refer to the combined assessment areas as the Hartford CSA assessment area.

### **Economic and Demographic Data**

The Hartford CSA assessment area comprises 323 census tracts with the following income designations according to the 2015 ACS:

- 52 low-income census tracts,
- 52 moderate-income census tracts,
- 116 middle-income census tracts,
- 96 upper-income census tracts, and
- 7 census tracts with no income designation.

A majority of the low-income census tracts (29 of 52) in the assessment area are located in Hartford. The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area Assessment Area: Hartford CSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	323	16.1	16.1	35.9	29.7	2.2
Population by Geography	1,331,058	13.5	15.8	37.9	31.4	1.4
Housing Units by Geography	560,821	14.1	16.6	38.9	30.4	0.0
Owner-Occupied Units by Geography	332,191	4.4	12.2	43.3	40.1	0.0
Occupied Rental Units by Geography	180,058	29.4	24.1	32.7	13.7	0.1
Vacant Units by Geography	48,572	23.6	19.0	32.0	25.3	0.1
Businesses by Geography	148,090	11.9	14.3	38.6	34.9	0.3
Farms by Geography	4,340	4.5	9.6	42.9	43.0	0.0
Family Distribution by Income Level	332,181	23.2	17.0	20.8	39.1	0.0
Household Distribution by Income Level	512,249	26.2	15.3	17.6	40.9	0.0
Median Family Income MSA - 25540 Hartford-East Hartford- Middletown, CT MSA		\$88,016	Median Housing Value			\$232,238
Median Family Income MSA - 35980 Norwich-New London, CT MSA		\$82,349	Median Gross Rent			\$1,011
			Families Below Poverty Level			8.3%
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.						

There are 560,821 housing units in the Hartford CSA assessment area. Of these units, 59.2 percent are owner occupied, 32.1 percent are occupied rental units, and 8.7 percent are vacant. The median housing value of \$232,238 reflects a moderately priced area.

The following table presents the low-, moderate-, middle-, and upper-income categories for the assessment area.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>Hartford-East Hartford-Middletown, CT MSA Median Family Income (25540)</b>				
2019 (\$98,400)	<\$49,200	\$49,200 to <\$78,720	\$78,720 to <\$118,080	≥\$118,080
2020 (\$97,800)	<\$48,900	\$48,900 to <\$78,240	\$78,240 to <\$117,360	≥\$117,360
2021 (\$105,100)	<\$52,550	\$52,550 to <\$84,080	\$84,080 to <\$126,120	≥\$126,120
<b>Norwich-New London, CT MSA Median Family Income (35980)</b>				
2019 (\$96,200)	<\$48,100	\$48,100 to <\$76,960	\$76,960 to <\$115,440	≥\$115,440
2020 (\$93,000)	<\$46,500	\$46,500 to <\$74,400	\$74,400 to <\$111,600	≥\$111,600
2021 (\$92,000)	<\$46,000	\$46,000 to <\$73,600	\$73,600 to <\$110,400	≥\$110,400
<i>Source FFIEC</i>				

According to 2021 D&B data, there were 148,090 businesses in the area. GARs for these businesses are below.

- 87.5 percent of businesses have GARs less than or equal to \$1.0 million,
- 3.8 percent of businesses have GARs greater than \$1.0 million, and
- 8.7 percent of businesses have unknown revenues.

Service industries represent the largest portion of businesses at 38.4 percent; followed by non-classifiable establishments (20.1 percent); retail trade (10.8 percent); and finance, insurance, and real estate (10.2 percent). In addition, 64.9 percent of area businesses have four or fewer employees, and 92.1 percent operate from a single location.

## **Competition**

Berkshire Bank operates in a highly competitive market for banking services. According to 2021 Deposit Market Share data, there were 73 financial institutions operating 465 branches in the assessment area. Berkshire Bank ranked 13<sup>th</sup> with a deposit market share of 1.5 percent. The leading institution (Bank of America) had a significant deposit market share of 40.7 percent.

The bank operates in a highly competitive area for mortgage loans. According to 2020 peer mortgage data, 491 lenders reported 55,006 originated or purchased home mortgage loans. Berkshire Bank ranked 55<sup>th</sup> with 0.5 percent market share. The three most prominent mortgage lenders (Quicken Loans, Wells Fargo Bank, and Citizens Bank NA) account for 14.2 percent of the total market share.

The bank also operates in a highly competitive area for small business loans. Based on 2019 peer small business data, 131 lenders reported 36,631 small business loans. Berkshire Bank ranked 55<sup>th</sup> with 0.1 percent market share. The leading financial institutions (American Express National Bank, Bank of America, and JP Morgan Chase Bank) were large credit card companies. According to 2020 peer small business data, 190 lenders reported 42,432 small business loans. Berkshire Bank ranked 17<sup>th</sup> with 1.4 percent market share. The leading small business lenders (American Express National Bank, Bank of America, and Webster Bank) account for 33.3 percent of the total market share. The improvement in market share from 2019 to 2020 reflects the institution's responsiveness to the credit needs satisfied by small business PPP lending.

### **Credit and Community Development Needs and Opportunities**

Based on demographic and economic information, the Hartford CSA assessment area exhibits credit needs for small business loans and community development needs for community services benefitting low- and moderate-income individuals and economic development initiatives. Opportunities to address credit and community development initiatives exist throughout the low- and moderate-income census geographies within the area, especially in Hartford because it contains a majority of the area's low-income census tracts.

## **SCOPE OF EVALUATION – CONNECTICUT**

Please refer to the overall Scope of Evaluation for a description of products reviewed and rationale for product weight.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN CONNECTICUT**

### **LENDING TEST**

Berkshire Bank demonstrated High Satisfactory performance under the Lending Test. The following sections discuss the bank's performance under each criterion.

#### **Lending Activity**

Lending levels reflect adequate responsiveness to the assessment area's credit needs. In 2019, the bank originated or purchased 160 loans totaling \$29.2 million. In 2020, Berkshire Bank originated or purchased 257 home mortgage loans totaling \$50.2 million. Lending activity in 2021 grew by number at 258 home mortgage loans totaling \$53.9 million. The bank's 2020 market ranking of 55<sup>th</sup> out of 491 lenders supports adequate performance given the level of competition in the area.

Berkshire Bank originated 31 small business loans for \$4.3 million in the assessment area in 2019. The bank originated 575 small business loans totaling \$61.8 million in the rated area in 2020, an increase due to PPP lending. In 2021, the bank originated 58 small business loans totaling \$8.0 million. The bank's 2020 market ranking of 17<sup>th</sup> out of 190 lenders supports adequate performance.

## **Geographic Distribution**

The geographic distribution of home mortgage and small business loans reflects poor penetration throughout the assessment area.

### ***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects poor penetration throughout the assessment area. The bank's activity in low-income geographies was below the aggregate and demographic comparators in 2019 and 2020. Performance in 2021 was consistent with 2020 and remained below the percentage of owner-occupied housing units in the assessment area.

The bank's performance in moderate-income geographies was also below the aggregate and demographic comparators in 2019 and 2020. Performance in 2021 declined and remained below the percentage of owner-occupied housing units in the assessment area. Please see the following table for more details.

<b>Geographic Distribution of Home Mortgage Loans</b> <b>Assessment Area: Hartford CSA</b>						
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2019	4.4	4.7	3	1.9	437	1.5
2020	4.4	4.1	3	1.2	471	0.9
2021	4.4	--	4	1.6	676	1.3
Moderate						
2019	12.2	11.1	7	4.4	835	2.9
2020	12.2	10.2	14	5.4	2,146	4.3
2021	12.2	--	10	3.9	1,309	2.4
Middle						
2019	43.3	42.2	68	42.5	11,279	38.7
2020	43.3	40.5	104	40.5	19,033	37.9
2021	43.3	--	113	43.8	23,414	43.4
Upper						
2019	40.1	42.0	82	51.3	16,624	57.0
2020	40.1	45.1	136	52.9	28,510	56.8
2021	40.1	--	131	50.8	28,551	52.9
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>160</b>	<b>100.0</b>	<b>29,175</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>257</b>	<b>100.0</b>	<b>50,159</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>258</b>	<b>100.0</b>	<b>53,950</b>	<b>100.0</b>

*Source 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available.*

### ***Small Business Loans***

The geographic distribution of small business loans reflects adequate penetration throughout the assessment area. In low-income geographies, the bank's performance was comparable to aggregate performance and demographics in 2019. The bank's 2020 performance in low-income geographies fell below the aggregate and demographic comparators; however, performance in 2021 rebounded to a level comparable to demographics. The bank's activity in moderate-income geographies was comparable to aggregate performance and demographics in 2019. The bank's 2020 performance in moderate-income geographies fell below the aggregate and demographic comparators. Similar to the bank's performance in low-income geographies, the bank's performance in 2021 improved and was above demographics. Please see the following table for more details.

<b>Geographic Distribution of Small Business Loans Assessment Area: Hartford CSA</b>						
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$ (000s)</b>	<b>%</b>
<b>Low</b>						
2019	10.8	9.8	3	9.7	151	3.5
2020	11.3	10.4	39	6.8	6,280	10.2
2021	11.9	--	6	10.3	1,518	19.1
<b>Moderate</b>						
2019	13.4	13.6	4	12.9	911	21.0
2020	13.8	13.6	43	7.5	6,597	10.7
2021	14.3	--	10	17.2	1,515	19.0
<b>Middle</b>						
2019	39.5	39.1	15	48.4	1,950	45.1
2020	39.1	39.2	249	43.3	26,834	43.4
2021	38.6	--	24	41.4	2,514	31.6
<b>Upper</b>						
2019	35.9	37.3	9	29.0	1,316	30.4
2020	35.4	36.6	242	42.1	21,584	34.9
2021	34.9	--	18	31.0	2,413	30.3
<b>Not Available</b>						
2019	0.4	0.2	0	0.0	0	0.0
2020	0.4	0.2	2	0.3	483	0.8
2021	0.3	--	0	0.0	0	0.0
<b>Total</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>31</b>	<b>100.0</b>	<b>4,328</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>575</b>	<b>100.0</b>	<b>61,778</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>58</b>	<b>100.0</b>	<b>7,960</b>	<b>100.0</b>

Source 2019, 2020 & 2021 D&B Data; Bank Data, 2019 & 2020 CRA Aggregate Data, "--" data not available.

## **Borrower Profile**

The distribution of borrowers reflects, given the product lines offered by the bank, good penetration among individuals of different income levels and among businesses of different sizes.

### ***Home Mortgage Loans***

The distribution of borrowers reflects good penetration among individuals of different income levels. The bank's performance in lending to low-income borrowers was slightly below the aggregate performance in 2019. The bank's 2020 performance declined slightly by percentage, but increased by number of loans and exceeded aggregate performance. The bank's 2021 performance was comparable to 2020 by number and percentage. The bank's performance is below the percentage of low-income families for all three years, which is reasonable given the percentage of families in the area below the poverty level (8.3 percent). Low-income individuals, especially those below the poverty level, may face challenges in qualifying for a home mortgage given the median home value in the assessment area.

Among moderate-income borrowers, performance was comparable to aggregate in 2019 and 2020. The bank increased the number of loans to moderate-income borrowers each year, and performance was above demographic data for all three years.

Please see the following table for more details.

Distribution of Home Mortgage Loans by Borrower Income Level Assessment Area: Hartford CSA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	23.2	11.2	16	10.0	1,589	5.4
2020	23.2	7.2	23	8.9	2,275	4.5
2021	23.2	--	24	9.3	2,917	5.4
Moderate						
2019	17.0	24.5	40	25.0	5,360	18.4
2020	17.0	20.6	53	20.6	8,336	16.6
2021	17.0	--	59	22.9	8,499	15.8
Middle						
2019	20.8	22.1	38	23.8	6,183	21.2
2020	20.8	21.8	69	26.8	11,854	23.6
2021	20.8	--	62	24.0	10,508	19.5
Upper						
2019	39.1	28.4	59	36.9	13,538	46.4
2020	39.1	33.4	102	39.7	26,314	52.5
2021	39.1	--	105	40.7	22,848	42.4
Not Available						
2019	0.0	13.9	7	4.4	2,506	8.6
2020	0.0	17.1	10	3.9	1,380	2.8
2021	0.0	--	8	3.1	9,178	17.0
Totals						
2019	100.0	100.0	160	100.0	29,175	100.0
2020	100.0	100.0	257	100.0	50,159	100.0
2021	100.0	--	258	100.0	53,950	100.0

Source 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available.

### ***Small Business Loans***

The distribution of small business loans reflects good penetration among businesses of different sizes. In 2019, the bank's percentage of lending to businesses with GARs of \$1.0 million or less was above aggregate performance and generally comparable to demographics. In 2020, lending to businesses with GARs of \$1.0 million or less was below aggregate and business demographics; however, as stated, a significant volume of PPP lending in 2020 skews these percentages due to the high percentage of loans without revenue information. The bank's 2021 percentage of lending to businesses with GARs of \$1.0 million or less was closer to demographic data and more comparable to prior years' performance. Please see the following table for more details.

Distribution of Small Business Loans by Gross Annual Revenue Category Assessment Area: Hartford CSA						
Business Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2019	85.6	44.4	24	77.4	3,019	69.8
2020	87.3	37.7	117	20.3	7,114	11.5
2021	87.5	--	43	74.1	4,383	55.1
>\$1,000,000						
2019	5.3	--	6	19.4	1,149	26.5
2020	4.4	--	87	15.1	27,558	44.6
2021	3.8	--	13	22.4	3,353	42.1
Revenue Not Available						
2019	9.2	--	1	3.2	160	3.7
2020	8.3	--	371	64.5	27,106	43.9
2021	8.7	--	2	3.4	224	2.8
<b>Total</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>31</b>	<b>100.0</b>	<b>4,328</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>575</b>	<b>100.0</b>	<b>61,778</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>58</b>	<b>100.0</b>	<b>7,960</b>	<b>100.0</b>
Source 2019, 2020 & 2021 D&B Data; Bank Data, 2019 & 2020 CRA Aggregate Data, "--" data not available.						

### **Innovative or Flexible Lending Practices**

Berkshire Bank uses innovative and flexible lending practices in order to serve assessment area credit needs. In addition to innovative and flexible lending programs that are available throughout all of the assessment areas, Berkshire Bank operates several programs specific to Connecticut, exhibiting responsiveness to the state. During the evaluation period, the bank originated 108 loans through Connecticut-specific innovative or flexible programs totaling \$10.8 million.

The following summarizes the bank's Connecticut innovative and flexible loan programs offered during the evaluation period.

#### ***Residential Loan Programs***

- *Connecticut Housing Finance Authority (CHFA) Homebuyer Mortgage Program* – Through approved lenders, the CHFA provides loan options to low- and moderate-income borrowers to purchase a primary residence. The bank offers five products through this program including conventional loans, Down Payment Assistance loans, and FHA, USDA Rural Housing, and VA loans. These products offer borrowers with below-market terms and eligibility for a low-interest supplementary second mortgage (minimum \$3,000) to cover down payments and closing costs.

### ***Consumer Loan Programs***

- *Connecticut Tech Act Project Assistive Technology Loan Program* – Berkshire Bank provides this program in conjunction with the State of Connecticut. Berkshire Bank is the only collaborating institution. The Assistive Technology Loan Program is a low-interest loan program to help individuals with disabilities, or their families, purchase assistive technology devices and services to enhance independence and employment. Consumers can also use loan funds to purchase modified automobiles. This loan product primarily aids individuals that social security income, which correlates to low- or moderate-income populations.

### **Community Development Loans**

Berkshire Bank made a relatively high level of loans in the assessment area. The bank originated nine community development loans totaling \$17.6 million during the evaluation period. This level of activity is comparable to the bank's performance in the assessment area during the prior evaluation period (six loans totaling \$16.6 million). The bank's community development lending by number and dollar amount primarily benefitted economic development and community services, both of which were identified community development needs in the assessment area.

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

<b>Community Development Loans Assessment Area: Hartford CSA</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize and Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Partial 2018	0	0	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0	0	0
2020	0	0	1	4,594	4	8,261	1	1,192	6	14,047
2021	1	1,850	1	1,500	1	250	0	0	2	3,600
YTD 2022	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>1</b>	<b>1,850</b>	<b>2</b>	<b>6,094</b>	<b>5</b>	<b>8,511</b>	<b>1</b>	<b>1,192</b>	<b>9</b>	<b>17,647</b>
<i>Source Bank Data</i>										

The following are notable examples of community development loans.

- In 2020 and 2021, the bank originated two working capital loans totaling \$6.1 million to a nonprofit in Bloomfield. The organization provides social services to youth and adults involved in the criminal justice system, primarily benefitting low- and moderate-income individuals. Programs include work release and employment training, residential programs, and counseling. The primary purpose of these loans is to support community services for low- and moderate-income individuals.
- In 2021, the bank originated a \$1.9 loan to complete construction on a 37-unit housing facility in Tolland. Low- and moderate-income residents occupy all units. This project's primary purpose is to support affordable housing for low- and moderate-income individuals.

- In 2020, the bank extended a \$4.4 million PPP loan to a medical office in Hartford, retaining employment in the moderate-income area. The loan qualifies for community development by financing a small business and retaining jobs in a moderate-income census tract, thus supporting economic development.

## INVESTMENT TEST

Berkshire Bank demonstrated High Satisfactory performance under the Investment Test. The following sections discuss the bank's performance under each criterion.

### Investment and Grant Activity

Berkshire Bank has a relatively high level of qualified community development investments and grants, occasionally in a leadership position, particularly those that are not routinely provided by private investors. Berkshire Bank more than doubled its investment and grant activity since the prior evaluation.

As reflected in the following table, qualified equity investments in this area include both current and prior period mortgage-backed securities, prior period investments in an SBIC, and a 2019 investment in an economic development fund. Grant activity primarily benefitted community service organizations benefitting low- and moderate-income individuals.

Qualified Investments Assessment Area: Hartford CSA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
Prior Period	7	1,757	0	0	2	1,087	0	0	9	2,844
Partial 2018	0	0	0	0	0	0	0	0	0	0
2019	0	0	0	0	1	308	0	0	1	308
2020	6	4,340	0	0	0	0	0	0	6	4,340
2021	0	0	0	0	0	0	0	0	0	0
YTD 2022	0	0	0	0	0	0	0	0	0	0
<b>Subtotal</b>	<b>13</b>	<b>6,097</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>1,395</b>	<b>0</b>	<b>0</b>	<b>16</b>	<b>7,492</b>
Qualified Grants & Donations	9	41	134	444	19	74	5	16	167	575
<b>Total</b>	<b>22</b>	<b>6,138</b>	<b>134</b>	<b>444</b>	<b>22</b>	<b>1,469</b>	<b>5</b>	<b>16</b>	<b>183</b>	<b>8,067</b>
<i>Source Bank Data</i>										

The dollar amount of qualified investments in Connecticut represents 7.1 percent of bank-wide investment activity.

The following are examples of notable grants:

- *Mercy Housing and Shelter Corporation* – This organization aids families at risk of or experiencing homelessness. The bank's 2020 donation supported the "Jumpstart to Jobs" initiative to help clients develop job application and interview skills and help with career placement. This organization qualifies for community development by supporting community services for low- and moderate-income individuals.

- *Tunxis Community College Foundation* – This school provides educational and career services to individuals through counseling, certificates, and associate degrees. The majority of individuals served are low-income and fall under 120 percent of the federal poverty level. The bank’s sponsorship qualifies for community development by supporting community services for low- and moderate-income individuals.

### **Responsiveness to Credit and Community Development Needs**

Berkshire Bank exhibits adequate responsiveness to credit and community development needs. Investment activity primarily supports affordable housing, and the bank’s investment in mortgage-backed securities reflect attention on low- and moderate-income individuals residing in Hartford, consistent with the area’s opportunities. The bank’s other investment and grant activity reflects responsiveness to the area’s community development needs of community services and economic development.

### **Community Development Initiatives**

Berkshire Bank rarely uses innovative and/or complex investments to support community development initiatives. A majority of the bank’s investments are mortgage-backed securities or SBIC investments.

### **SERVICE TEST**

Berkshire Bank demonstrated Low Satisfactory performance under the Service Test. The following sections discuss the bank’s performance under each criterion.

### **Accessibility of Delivery Systems**

Delivery systems are reasonably accessible to essentially all portions of the Hartford CSA. Performance in this area is consistent with the bank’s overall performance.

As shown in the following table, branch distribution in low- and moderate-income geographies fall below the demographic distribution of low- and moderate-income individuals and census tracts in the Hartford CSA assessment area. The ATM located in a moderate-income census tract is an ITM offering expanded teller services. In addition to the branch and ATM located in a moderate-income census tract, the bank also operates two standalone ATMs that serve low- and moderate-income areas. These standalone ATMs provide greater accessibility to low- and moderate-income areas.

Branch and ATM Distribution by Geography Income Level Assessment Area: Hartford CSA								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	52	16.1	179,507	13.5	0	0.0	1	4.3
Moderate	52	16.1	209,870	15.8	1	5.9	2	8.7
Middle	116	35.9	504,415	37.9	8	47.1	11	47.8
Upper	96	29.7	418,376	31.4	8	47.1	9	39.1
NA	7	2.2	18,890	1.4	0	0.0	0	0.0
<b>Totals</b>	<b>323</b>	<b>100.0</b>	<b>1,331,058</b>	<b>100.0</b>	<b>17</b>	<b>100.0</b>	<b>23</b>	<b>100.0</b>
Source: 2015 ACS & Bank Data Due to rounding, totals may not equal 100.0%								

### **Changes in Branch Locations**

To the extent changes have been made, Berkshire Bank's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies or to low- and moderate-income individuals. During the evaluation period, Berkshire Bank acquired 12 branches in middle- and upper-income areas, and it closed 4 branches in middle-income census tracts.

### **Reasonableness of Business Hours and Services**

Services, including business hours, do not vary in a way that inconveniences portions of the Hartford CSA assessment area, particularly low- and moderate-income geographies or individuals. No material differences exist among products or services offered within branches.

Branch hours are generally consistent across branches (9 a.m. to 4 p.m. Monday through Thursday, and 9 a.m. to 5 p.m. on Fridays), and some branches operate with Saturday hours (9 a.m. to 12 p.m.) as well. The branch in a moderate-income census tract does not operate on Saturday; however, an ITM on the premises of the branch provides extended hours throughout the week and on Saturdays.

### **Community Development Services**

Berkshire Bank provides an adequate level of community development services. The following table reflects the hours of community services provided by bank employees during the evaluation period.

Community Development Services Assessment Area: Hartford CSA					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
Partial 2018	20	102	43	0	165
2019	4	52	27	0	83
2020	23	69	13	0	105
2021	0	56	30	0	86
YTD 2022	0	4	12	0	16
<b>Total</b>	<b>47</b>	<b>283</b>	<b>125</b>	<b>0</b>	<b>455</b>
<i>Source Bank Data</i>					

Performance in this area slightly trails the bank's performance at the prior evaluation. However, community development services are primarily responsive to noted assessment area needs for community services and economic development initiatives.

The following are notable examples of community development services:

- A first vice president serves on the Board and the Loan Committee of an organization dedicated to economic development in Connecticut.
- An assistant branch manager gave several financial literacy presentations that benefitted low- and moderate-income individuals in downtown Hartford.

## RHODE ISLAND

### CRA RATING FOR RHODE ISLAND: SATISFACTORY

The Lending Test is rated: Low Satisfactory

The Investment Test is rated: Low Satisfactory

The Service Test is rated: Low Satisfactory

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN RHODE ISLAND

Berkshire Bank operates 4 of its 106 branches in Rhode Island. The bank delineated one assessment area in Rhode Island in the Providence MSA. The Providence MSA assessment area is new since the prior evaluation and it includes the entirety of Newport, Washington, Kent, and Providence Counties. The bank delineated the Providence MSA assessment area when it acquired its Rhode Island branches through the acquisition of Savings Institute Bank and Trust, and further expanded the assessment area when they opened an additional deposit-taking ATM in Providence in June 2021. Berkshire Bank closed one branch in this area during the evaluation period.

#### Economic and Demographic Data

The assessment area comprises 233 census tracts with the following income designations according to the 2015 ACS:

- 32 low-income census tracts,
- 35 moderate-income census tracts,
- 94 middle-income census tracts,
- 66 upper-income census tracts, and
- 6 census tracts with no income designation.

All but one of the area's low-income census tracts and all but four of the area's moderate-income tracts are located in Providence County. The City of Providence itself, in Providence County, contains half of the assessment area's low-income census tracts and over a third of its moderate-income census tracts. Consequently, bank lending in the City of Providence and Providence County in general has a significant effect on the bank's Geographic Distribution performance. The bank does not have any branches in Providence County, and only recently opened a loan production office in Providence in June 2021. The lack of physical presence in Providence County affected the bank's ability to penetrate low- and moderate-income tracts.

The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area Assessment Area: Providence MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	233	13.7	15.0	40.3	28.3	2.6
Population by Geography	1,004,485	12.7	15.5	40.7	30.1	1.0
Housing Units by Geography	442,099	12.0	15.1	41.2	31.2	0.6
Owner-Occupied Units by Geography	233,227	4.8	9.9	47.3	37.7	0.3
Occupied Rental Units by Geography	158,085	21.5	23.1	35.8	18.5	1.1
Vacant Units by Geography	50,787	15.2	13.8	29.8	40.6	0.6
Businesses by Geography	93,027	9.7	15.9	38.3	35.2	0.9
Farms by Geography	2,445	4.4	8.1	37.5	49.8	0.1
Family Distribution by Income Level	244,795	24.1	16.2	19.6	40.1	0.0
Household Distribution by Income Level	391,312	26.7	14.9	16.0	42.4	0.0
Median Family Income MSA - 39300 Providence-Warwick, RI-MA MSA	\$73,950	Median Housing Value				\$250,968
		Median Gross Rent				\$923
		Families Below Poverty Level				10.4%
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.						

There are 442,099 housing units in the area. Of these units, 52.8 percent are owner occupied, 35.8 percent are occupied rental units, and 11.5 percent are vacant (a relatively high percentage). The median housing value of \$250,968 reflects a moderately priced area.

The following table presents the low-, moderate-, middle-, and upper-income categories for the assessment area.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>Providence-Warwick, RI-MA MSA Median Family Income (39300)</b>				
2019 (\$85,100)	<\$42,550	\$42,550 to <\$68,080	\$68,080 to <\$102,120	≥\$102,120
2020 (\$89,000)	<\$44,500	\$44,500 to <\$71,200	\$71,200 to <\$106,800	≥\$106,800
2021 (\$87,500)	<\$43,750	\$43,750 to <\$70,000	\$70,000 to <\$105,000	≥\$105,000
<i>Source FFIEC</i>				

According to 2021 D&B data, there were 93,027 businesses in the assessment area. GARs for these businesses are below.

- 87.4 percent of businesses have GARs less than or equal to \$1.0 million,
- 4.8 percent of businesses have GARs greater than \$1.0 million, and
- 7.8 percent of businesses have unknown revenues.

Service industries represent the largest portion of businesses at 37.6 percent; followed by non-classifiable establishments (17.3 percent); retail trade (12.4 percent); and finance, insurance and real estate (11.0 percent). In addition, 64.2 percent of area businesses have four or fewer employees, and 91.6 percent operate from a single location.

### **Competition**

Berkshire Bank operates in a competitive market for banking services. According to 2021 Deposit Market Share data, there were 40 financial institutions operating 290 branches in the assessment area. Berkshire Bank ranked 17<sup>th</sup> with a deposit market share of 0.7 percent. The leading institution (Citizen's Bank NA) had a deposit market share of 31.3 percent.

The Providence MSA assessment area is a highly competitive area for home mortgage loans. According to 2020 peer mortgage data, 430 lenders reported 55,005 originated or purchased home mortgage loans. Berkshire Bank ranked 82<sup>nd</sup> with a 0.2 percent market share. The three most prominent mortgage lenders (Quicken Loans, Navigant Credit Union, and Citizens Bank NA) account for 16.9 percent of the total market share.

The Providence MSA assessment area is also a highly competitive area for small business loans. Based on 2019 peer small business data, 118 lenders reported 24,018 small business loans. Berkshire Bank ranked 56<sup>th</sup> with a nominal market share. The leading financial institutions (American Express National Bank, Bank of America, and JP Morgan Chase Bank) were large credit card companies. According to 2020 peer small business data, 190 lenders reported 42,432 small business loans. Berkshire Bank ranked 25<sup>th</sup> with a 0.8 percent market share. The leading small business lenders (American Express National Bank, Bank of America, and Citizens Bank NA) account for 40.0 percent of the total market share. The improvement in market share from 2019 to 2020 reflects the institution's responsiveness to the credit needs satisfied by small business PPP lending.

## **Community Contact**

Examiners contacted a non-profit CDFI that supports homeowners and small businesses in the Providence MSA assessment area through grants and loans. According to the contact, the area contains deteriorating housing stock. Low- and moderate-income individuals in this area struggle to afford a home, and opportunities exist for first-time homebuyer education and down payment assistance. Additionally, the contact noted that some small businesses face challenges in obtaining loans due to a lack of knowledge about the application process.

## **Credit and Community Development Needs and Opportunities**

Based on demographic and economic information and the community contact interview, the Providence MSA assessment area exhibits a need for affordable housing and economic development. There is also a need and opportunity to provide affordable home improvement loans to maintain and improve homes in the area. Other opportunities in this area include first-time homebuyer seminars for low- and moderate-income individuals and technical assistance programs for small businesses.

## **SCOPE OF EVALUATION – RHODE ISLAND**

Please refer to the overall Scope of Evaluation for a description of products reviewed and rationale for product weight.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN RHODE ISLAND**

### **LENDING TEST**

Berkshire Bank demonstrated Low Satisfactory performance under the Lending Test. The following sections discuss the bank's performance under each criterion.

#### **Lending Activity**

Lending levels reflect adequate responsiveness to the assessment area's credit needs. In 2019, the bank originated or purchased 82 home mortgage loans totaling \$35.8 million in the Providence MSA assessment area. In 2020, Berkshire Bank originated or purchased 99 home mortgage loans totaling \$27.6 million. Lending activity in 2021 declined, as the bank originated 73 home mortgage loans totaling \$15.6 million. The bank's 2020 market ranking of 82<sup>nd</sup> out of 430 lenders supports adequate performance.

Berkshire Bank originated 9 small business loans for \$2.0 million in the area in 2019. The bank originated 221 small business loans totaling \$16.7 million in the area in 2020, with the significant increase attributed to PPP lending. In 2021, bank originated 9 loans totaling \$1.6 million. The bank's 2020 market share rank of 25<sup>th</sup> out of 145 lenders aligns with adequate performance, considering the impact of PPP lending.

## **Geographic Distribution**

The geographic distribution of home mortgage and small business loans reflects poor penetration throughout the assessment area. This criterion did not carry significant weight in determining the Lending Test rating for Rhode Island because the vast majority of low- and moderate-income census tracts are located in Providence County, where the bank does not have any branches.

### ***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects poor penetration throughout the assessment area. The bank's activity in low-income geographies was below the aggregate and demographic comparators in 2019 and 2020. Performance in 2021 was consistent with 2020 and remained below the percentage of owner-occupied housing units in low-income geographies.

The bank's performance in moderate-income geographies was below the aggregate and demographic comparators in 2019 and 2020. The bank's performance improved by number and percentage in 2021, but remained below demographics.

Please see the following table for more detail.

Geographic Distribution of Home Mortgage Loans Assessment Area: Providence MSA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	4.8	5.7	2	2.4	383	1.1
2020	4.8	4.5	1	1.0	174	0.6
2021	4.8	--	2	2.7	447	2.9
Moderate						
2019	9.9	10.3	2	2.4	597	1.7
2020	9.9	9.1	3	3.0	164	0.6
2021	9.9	--	6	8.2	403	2.6
Middle						
2019	47.3	45.0	37	45.1	7,737	21.6
2020	47.3	44.1	27	27.3	7,358	26.7
2021	47.3	--	25	34.2	4,825	30.9
Upper						
2019	37.7	38.7	41	50.0	27,118	75.7
2020	37.7	42.0	68	68.7	19,897	72.1
2021	37.7	--	40	54.8	9,917	63.6
Not Available						
2019	0.3	0.3	0	0.0	0	0.0
2020	0.3	0.3	0	0.0	0	0.0
2021	0.3	--	0	0.0	0	0.0
Totals						
2019	100.0	100.0	82	100.0	35,834	100.0
2020	100.0	100.0	99	100.0	27,593	100.0
2021	100.0	--	73	100.0	15,591	100.0

Source 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available.

### ***Small Business Loans***

The geographic distribution of small business loans reflects adequate penetration throughout the assessment area. Although based on just one loan, the bank's 2019 performance in low-income geographies exceeded aggregate performance and the percentage of businesses. The bank's overall small business lending activity was significantly higher in 2020. While the bank originated more loans in low-income geographies than in 2019, the bank's performance declined by percentage, falling below aggregate and demographic comparators.

Similarly, the bank's performance in moderate-income geographies was above aggregate and demographics in 2019. While based on small volume of lending, the bank originated almost half of

all 2019 small business loans in moderate-income geographies. In 2020, the bank's percentage of small business lending in moderate-income geographies was below the aggregate performance and percentage of businesses. In 2021, the bank originated one loan in a moderate-income geography and no loans in low-income geographies.

Please see the following table for more detail.

<b>Geographic Distribution of Small Business Loans</b> <b>Assessment Area: Providence MSA</b>						
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2019	9.1	8.5	1	11.1	348	17.7
2020	9.1	8.6	3	1.4	82	0.5
2021	9.7	--	0	0.0	0	0.0
<b>Moderate</b>						
2019	15.5	15.1	4	44.4	1,329	67.7
2020	15.7	15.6	18	8.1	1,475	8.8
2021	15.9	--	1	11.1	116	7.1
<b>Middle</b>						
2019	38.7	38.0	1	11.1	85	4.3
2020	38.5	38.0	70	31.7	5,661	33.8
2021	38.3	--	2	22.2	742	45.6
<b>Upper</b>						
2019	35.7	37.9	3	33.3	200	10.2
2020	35.7	37.2	129	58.4	9,437	56.4
2021	35.2	--	6	66.7	770	47.3
<b>Not Available</b>						
2019	1.0	0.6	0	0.0	0	0.0
2020	1.0	0.7	1	0.5	84	0.5
2021	0.9	--	0	0.0	0	0.0
<b>Total</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>9</b>	<b>100.0</b>	<b>1,962</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>221</b>	<b>100.0</b>	<b>16,739</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>9</b>	<b>100.0</b>	<b>1,628</b>	<b>100.0</b>
<i>Source 2019, 2020 &amp; 2021 D&amp;B Data; Bank Data, 2019 &amp; 2020 CRA Aggregate Data, "--" data not available.</i>						

## **Borrower Profile**

The distribution of borrowers reflects, given the product lines offered by the bank, adequate penetration among individuals of different income levels and businesses of different sizes.

### ***Home Mortgage Loans***

The distribution of borrowers reflects adequate penetration among individuals of different income levels. The bank's performance in lending to low-income borrowers nearly doubled aggregate performance in 2019. The bank's 2020 performance declined slightly, but continued to exceed the aggregate percentage. The bank's 2021 performance declined by number and percentage. The bank's performance is below the percentage of low-income families for all three years, which is reasonable given the percentage of families in the area below the poverty level (10.4 percent). Low-income individuals, especially those below the poverty level, may face challenges in qualifying for a home mortgage given the median home value in the assessment area.

Among moderate-income borrowers, performance was below aggregate lending in 2019 and 2020. Performance was consistent in 2021 remaining below demographic percentages for all three years.

Please see the following table for more detail.

Distribution of Home Mortgage Loans by Borrower Income Level Assessment Area: Providence MSA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	24.1	6.4	10	12.2	1,151	3.2
2020	24.1	5.4	8	8.1	710	2.6
2021	24.1	--	2	2.7	258	1.7
Moderate						
2019	16.2	21.7	9	11.0	1,451	4.0
2020	16.2	20.1	11	11.1	1,467	5.3
2021	16.2	--	8	11.0	1,218	7.8
Middle						
2019	19.6	23.8	9	11.0	1,219	3.4
2020	19.6	23.4	17	17.2	3,680	13.3
2021	19.6	--	21	28.8	2,180	14.0
Upper						
2019	40.1	34.4	27	32.9	8,284	23.1
2020	40.1	37.3	39	39.4	12,794	46.4
2021	40.1	--	24	32.9	7,441	47.7
Not Available						
2019	0.0	13.7	27	32.9	23,730	66.2
2020	0.0	13.8	24	24.2	8,941	32.4
2021	0.0	--	18	24.7	4,495	28.8
Totals						
2019	100.0	100.0	82	100.0	35,834	100.0
2020	100.0	100.0	99	100.0	27,593	100.0
2021	100.0	--	73	100.0	15,591	100.0

Source 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available.

### ***Small Business Loans***

The distribution of small business loans reflects good penetration among businesses of different sizes. In 2019, lending to businesses with GARs of \$1.0 million or less was comparable to aggregate performance and below the demographic data. In 2020, the bank's performance in lending to businesses with GARs of \$1.0 million or less declined and was below aggregate and business demographics. However, aggregate performance shows a similar decline from 2019 to 2020, as PPP loans comprised a significant portion of 2020 small business loans, creating a high percentage of loans reported without revenue information. The bank originated all of its small business loans in 2021 to businesses with GARs of \$1.0 million or less. This level of performance

was above area demographics and greater by number and dollar amount compared to 2019. Please see the following table for more detail.

Distribution of Small Business Loans by Gross Annual Revenue Category Assessment Area: Providence MSA						
Business Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2019	85.5	41.0	4	44.4	173	8.8
2020	86.3	34.1	56	25.3	6,592	39.4
2021	87.4	--	9	100.0	1,628	100.0
>\$1,000,000						
2019	5.6	--	5	55.6	1,789	91.2
2020	5.3	--	28	12.7	4,702	28.1
2021	4.8	--	0	0.0	0	0.0
Revenue Not Available						
2019	8.9	--	0	0.0	0	0.0
2020	8.4	--	137	62.0	5,445	32.5
2021	7.8	--	0	0.0	0	0.0
<b>Total</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>9</b>	<b>100.0</b>	<b>1,962</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>221</b>	<b>100.0</b>	<b>16,739</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>9</b>	<b>100.0</b>	<b>1,628</b>	<b>100.0</b>
<i>Source 2019, 2020 &amp; 2021 D&amp;B Data; Bank Data, 2019 &amp; 2020 CRA Aggregate Data, "--" data not available.</i>						

### **Innovative or Flexible Lending Practices**

Berkshire Bank uses innovative and flexible lending practices in order to assist meeting the needs of the area's low- and moderate-income residents and small businesses.

The bank does not offer any state-specific innovative or flexible loan programs in Rhode Island; however, the bank offered and made innovative and/or flexible loans in Rhode Island through programs that are available across all of the assessment areas. Please see the overall section for a summary of the bank's innovative and/or flexible loan programs offered during the evaluation period.

### **Community Development Loans**

Berkshire Bank made a low level of loans in the assessment area. The bank originated one loan in the assessment area totaling \$40,000 during the evaluation period. The community development loan was a PPP loan to a nonprofit organization that focuses on providing school scholarships to

individuals with documented financial need, and the bank's loan supports community services for low- and moderate-income individuals.

## INVESTMENT TEST

Berkshire Bank demonstrated Low Satisfactory performance under the Investment Test, trailing overall performance. The following sections discuss the bank's performance under each criterion.

### Investment and Grant Activity

Berkshire Bank has an adequate level of qualified community development investments and grants, although rarely in a leadership position, particularly those that are not routinely provided by private investors. The following table reflects investment and grant activity in this area by year and community development purpose.

Qualified Investments Assessment Area: Providence MSA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
Prior Period	0	0	0	0	0	0	0	0	0	0
Partial 2018	0	0	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0	0	0
2020	6	2,574	0	0	0	0	0	0	6	2,574
2021	0	0	0	0	0	0	1	2,926	1	2,926
YTD 2022	0	0	0	0	0	0	0	0	0	0
<b>Subtotal</b>	<b>6</b>	<b>2,574</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>2,926</b>	<b>7</b>	<b>5,500</b>
Qualified Grants & Donations	1	5	21	93	3	15	0	0	25	113
<b>Total</b>	<b>7</b>	<b>2,579</b>	<b>21</b>	<b>93</b>	<b>3</b>	<b>15</b>	<b>1</b>	<b>2,926</b>	<b>32</b>	<b>5,613</b>
<i>Source Bank Data</i>										

During the evaluation period, the bank made six investments in mortgage-backed securities benefitting low- and moderate-income individuals in the assessment area and one HTC investment targeting the revitalization of a moderate-income census tract in Westerly. Grant activity during the evaluation period primarily supported community services for low- and moderate-income individuals.

The following are examples of notable grants:

- *United Way of Rhode Island* – This organization provides workforce development, housing, tax assistance, and childcare programs to individuals in need. The bank's donation supported the increased needs in the area caused the COVID-19 pandemic. Grants made to this organization qualify for community development by supporting community services for low- and moderate-income individuals.
- *New Urban Arts* – Through this program, Providence public high school students receive educational and career counseling. The majority of students supported receive free or

reduced-price lunch. The bank's sponsorship qualifies for community development by supporting community services for low- and moderate-income individuals.

### **Responsiveness to Credit and Community Development Needs**

Berkshire Bank exhibits adequate responsiveness to credit and community development needs. A fair portion of the investment and grant activity targets affordable housing initiatives, one of the area's primary community development needs.

### **Community Development Initiatives**

Berkshire Bank occasionally uses innovative and/or complex investments to support community development initiatives. One of the bank's qualified investments is an HTC investment.

## **SERVICE TEST**

Berkshire Bank demonstrated Low Satisfactory performance under the Service Test. The following sections discuss the bank's performance under each criterion.

### **Accessibility of Delivery Systems**

Delivery systems are accessible to limited portions of the Providence MSA assessment area, inconsistent with overall performance and the accessibility of Berkshire Bank's delivery systems overall. The following table presents this area's branch and ATM distribution compared to relevant demographic data in the Providence MSA assessment area.

<b>Branch and ATM Distribution by Geography Income Level Assessment Area: Providence MSA</b>								
<b>Tract Income Level</b>	<b>Census Tracts</b>		<b>Population</b>		<b>Branches</b>		<b>ATMs</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	32	13.7	127,788	12.7	0	0.0	0	0.0
Moderate	35	15.0	155,888	15.5	0	0.0	1	20.0
Middle	94	40.3	408,394	40.7	3	75.0	3	60.0
Upper	66	28.3	302,533	30.1	1	25.0	1	20.0
NA	6	2.6	9,882	1.0	0	0.0	0	0.0
<b>Totals</b>	<b>233</b>	<b>100.0</b>	<b>1,004,485</b>	<b>100.0</b>	<b>4</b>	<b>100.0</b>	<b>5</b>	<b>100.0</b>
<i>Source 2015 ACS &amp; Bank Data Due to rounding, totals may not equal 100.0%</i>								

The distribution of branches and ATMs in low- and moderate-income geographies is generally below the area's demographics. While the Berkshire Bank does not operate any branches in low- or moderate-income geographies in the assessment area, the bank does operate three branches that are reasonably accessible to nearby low- and moderate-income geographies in southern Rhode Island.

These branches are not, however, accessible to the majority of low- and moderate-income areas in and around the City of Providence.

In 2021, Berkshire Bank increased its presence in the City of Providence when they opened a loan production office and an ATM located in a moderate-income census tract. The ATM is also an ITM, offering access to teller services. With these delivery systems, Berkshire Bank provides limited access to low- and moderate-income areas in and around Providence.

### **Changes in Branch Locations**

To the extent changes have been made, Berkshire Bank's opening and closing of branches has generally not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies or to low- and moderate-income individuals. Of the five branches acquired in the Providence MSA, none are located in low- or moderate-income areas. Berkshire Bank closed one branch during the review period that did not impact low- or moderate-income geographies.

### **Reasonableness of Business Hours and Services**

Services, including business hours, do not vary in a way that inconveniences certain portions of the Providence MSA assessment area, particularly low- and moderate-income geographies or individuals. Performance in this area is consistent with the overall performance.

Branch hours are generally consistent across branches (9 a.m. to 4 p.m. Monday through Thursday, and 9 a.m. to 5 p.m. on Fridays). Additionally, all three branches that are accessible to low- and moderate-income geographies operate with Saturday hours (9 a.m. to 12 p.m.), providing additional branch access in the area. Finally, the ITM in Providence operates with extended hours (7 a.m. to 7 p.m. Monday through Friday, and 8:30 a.m. to 12 p.m. on Saturdays).

### **Community Development Services**

Berkshire Bank provided an adequate level of community development services in the Providence MSA assessment area. The following table represents service hours by year and community development purpose.

<b>Community Development Services Assessment Area: Providence MSA</b>					
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	#	#	#	#	#
Partial 2018	0	0	0	0	<b>0</b>
2019	0	2	0	0	<b>2</b>
2020	0	1	0	0	<b>1</b>
2021	0	2	196	0	<b>198</b>
YTD 2022	0	0	0	0	<b>0</b>
<b>Total</b>	<b>0</b>	<b>5</b>	<b>196</b>	<b>0</b>	<b>201</b>
<i>Source Bank Data</i>					

Community development services primarily support economic development initiatives, consistent with one of the area’s primary community development needs. For example, multiple employees participated in an event designed to support entrepreneurial activity and growth through an organization that aims to develop and support small businesses in Rhode Island.

## VERMONT

### CRA RATING FOR VERMONT: SATISFACTORY

The Lending Test is rated: Low Satisfactory

The Investment Test is rated: Low Satisfactory

The Service Test is rated: Low Satisfactory

### DESCRIPTION OF INSTITUTION’S OPERATIONS IN VERMONT

Berkshire Bank operates 5 of its 106 branches in Vermont. The bank designated three assessment areas within this state, as shown in the following table. All three assessment areas are part of the statewide nonmetropolitan area.

Description of Assessment Areas			
Assessment Area	Counties in Assessment Area	Census Tracts (#)	Branches (#)
Bennington	Bennington County	12	3
Rutland	Rutland County	20	1
Lebanon	Windsor County	18	1
<i>Source Bank Data</i>			

The following table presents the low-, moderate-, middle-, and upper-income categories for the non-MSA assessment areas. These income ranges apply to all three Vermont assessment areas.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
VT NA Median Family Income (99999)				
2019 (\$73,600)	<\$36,800	\$36,800 to <\$58,880	\$58,880 to <\$88,320	≥\$88,320
2020 (\$74,600)	<\$37,300	\$37,300 to <\$59,680	\$59,680 to <\$89,520	≥\$89,520
2021 (\$78,800)	<\$39,400	\$39,400 to <\$63,040	\$63,040 to <\$94,560	≥\$94,560
<i>Source FFIEC</i>				

### SCOPE OF EVALUATION – VERMONT

The Vermont rated area evaluates the bank’s performance within the three Vermont assessment areas. Please refer to the overall Scope of Evaluation for a description of products reviewed and rationale for product weight.

The Bennington and Rutland assessment areas both received full-scope reviews, and the Bennington assessment area received slightly more weight when arriving at overall conclusions because it contains the majority of the state's branches, loans, and deposits. The Lebanon assessment area received a limited-scope review and less weight; it only accounts for one branch in the state, 13.5 percent of the state's loans, and 15.0 percent of the state's deposits.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN VERMONT**

### **LENDING TEST**

Berkshire Bank demonstrated Low Satisfactory performance under the Lending Test. Performance was consistent across the Bennington and Rutland assessment areas. Performance in the Lebanon assessment area was below statewide performance. The following sections discuss the bank's performance under each criterion.

#### **Lending Activity**

Lending levels reflect adequate responsiveness to assessment area credit needs within the state. In 2019, the bank originated or purchased 43 home mortgage loans totaling \$5.3 million in the assessment areas. In 2020, Berkshire Bank originated or purchased 36 home mortgage loans totaling \$6.6 million. Lending activity in 2021 increased by number and dollar amount, as the bank originated 50 home mortgage loans totaling \$8.1 million. Please refer to the individual assessment area sections for market share information.

Berkshire Bank originated 20 small business loans for \$1.6 million in the assessment areas in 2019. The bank originated 243 small business loans totaling \$11.1 million in the assessment areas in 2020, with the significant volume increase due to PPP lending. In 2021, the bank originated 22 small business loans totaling \$2.1 million, more consistent with the bank's activity in 2019. Please refer to the individual assessment area sections for market share information.

#### **Geographic Distribution**

The geographic distribution of home mortgage and small business loans reflects poor penetration throughout the assessment areas. Poor geographic distribution of loans in the Bennington assessment area primarily contributed to this conclusion. The bank demonstrated adequate geographic distribution in the Rutland assessment area and Lebanon assessment area.

#### **Borrower Profile**

The distribution of borrowers reflects, given the product lines offered by the bank, good penetration among individuals of different income levels and businesses of different sizes. The bank demonstrated good performance in the Bennington and Rutland assessment areas, and adequate performance in the Lebanon assessment area.

### **Innovative or Flexible Lending Practices**

Berkshire Bank uses innovative and/or flexible lending practices in order to serve assessment area credit needs. The bank does not offer any state-specific innovative or flexible loan programs in Vermont; however, the bank offers and originates innovative and/or flexible loan products in Vermont through programs that are available across all assessment areas. Please see the overall assessment area section for a summary of the bank's innovative and flexible loan programs offered during the evaluation period.

### **Community Development Loans**

Berkshire Bank made an adequate level of community development loans in the Vermont rated area. The bank originated two community development loans totaling \$3.4 million that supported affordable housing and economic development in the Rutland assessment area. This level of activity is greater than the number of loans originated during the prior examination period, when the bank did not originate any community development loans in Vermont. Refer to the Rutland assessment area section for details.

## **INVESTMENT TEST**

Berkshire Bank demonstrated Low Satisfactory performance under the Investment Test. Performance is inconsistent across the assessment areas. Performance in the Bennington assessment area exceeded statewide performance, while performance in the Rutland assessment area and the Lebanon assessment area was below statewide performance. The following sections discuss the bank's performance under each criterion.

### **Investment and Grant Activity**

Berkshire Bank has a significant level of qualified community development investments and grants, occasionally in a leadership position, particularly those that are not routinely provided by private investors. The following table reflects investment and grant activity in the state by community development purpose. The table includes two grants totaling \$3,000 that benefitted the statewide area.

<b>Qualified Investments Rated Area: Vermont</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$ (000s)</b>	<b>#</b>	<b>\$ (000s)</b>	<b>#</b>	<b>\$ (000s)</b>	<b>#</b>	<b>\$ (000s)</b>	<b>#</b>	<b>\$ (000s)</b>
Prior Period	1	104	1	2,000	0	0	0	0	2	2,104
Partial 2018	0	0	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0	0	0
2020	1	250	0	0	0	0	0	0	1	250
2021	1	1,673	0	0	0	0	0	0	1	1,673
YTD 2022	0	0	0	0	0	0	0	0	0	0
<b>Subtotal</b>	<b>3</b>	<b>2,027</b>	<b>1</b>	<b>2,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>4,027</b>
Qualified Grants & Donations	11	27	32	85	0	0	1	1	44	113
<b>Total</b>	<b>14</b>	<b>2,054</b>	<b>33</b>	<b>2,085</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>48</b>	<b>4,140</b>
<i>Source Bank Data</i>										

The dollar amount of qualified investments in Vermont represent 3.6 percent of bank-wide investment activity.

Performance in this area exceeds the prior evaluation's performance by \$2.0 million primarily due to a more significant level of activity in the Bennington assessment area. Please refer to individual assessment areas for qualitative examples of investment and grant activities.

### **Responsiveness to Credit and Community Development Needs**

Berkshire Bank exhibits adequate responsiveness to credit and community development needs in the Vermont rated area. Please refer to assessment areas for additional information on individual needs and opportunities.

### **Community Development Initiatives**

Berkshire Bank rarely uses innovative and/or complex investments to support community development initiatives in the Vermont rated area.

### **SERVICE TEST**

Berkshire Bank demonstrated Low Satisfactory performance under the Service Test. Performance is inconsistent across the assessment areas. Performance in the Rutland and Lebanon assessment areas is consistent with statewide performance, while performance in the Bennington assessment area is below statewide performance. The following sections discuss the bank's performance under each criterion.

### **Accessibility of Delivery Systems**

Delivery systems are reasonably accessible to essentially all portions of the assessment areas, consistent with Berkshire Bank's delivery systems overall. The following table presents this area's

branch and ATM distribution compared to relevant demographic data.

Branch and ATM Distribution by Geography Income Level Rated Area: Vermont								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	5	10.0	17,399	11.4	1	20.0	1	12.5
Middle	39	78.0	114,853	74.9	3	60.0	6	75.0
Upper	6	12.0	21,017	13.7	1	20.0	1	12.5
NA	0	0.0	0	0.0	0	0.0	0	0.0
<b>Totals</b>	<b>50</b>	<b>100.0</b>	<b>153,269</b>	<b>100.0</b>	<b>5</b>	<b>100.0</b>	<b>8</b>	<b>100.0</b>
<i>Source 2015 ACS &amp; Bank Data</i> <i>Due to rounding, totals may not equal 100.0%</i>								

Overall, branch and ATM distribution is above demographics for the rated area; however, differences in accessibility exist among the assessment areas. Please refer to the individual assessment areas for additional information on the bank's performance under this criterion.

### **Changes in Branch Locations**

To the extent changes have been made, Berkshire Bank's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies or to low- and moderate-income individuals. The bank closed one branch but has not opened any branches in Vermont during the review period. Please refer to the Bennington assessment area section for additional information.

### **Reasonableness of Business Hours and Services**

Services, including business hours, do not vary in a way that inconveniences certain portions of the state, particularly low- and moderate-income geographies or individuals. Performance within this area is consistent with the overall bank level. Loan and deposit products do not vary by branch. Please refer to the individual assessment areas regarding minor variations among branch hours.

### **Community Development Services**

Berkshire Bank provides a limited level of community development services. The following table presents service hours provided in Vermont by assessment area.

<b>Community Development Services by Assessment Area</b>					
<b>Assessment Area</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
Bennington	4	60	0	0	<b>64</b>
Rutland	0	2	0	0	<b>2</b>
Lebanon	0	3	0	0	<b>3</b>
<b>Total</b>	<b>4</b>	<b>65</b>	<b>0</b>	<b>0</b>	<b>69</b>
<i>Source Bank Data</i>					

Statewide performance is lower than the prior evaluation performance, when bank employees provided 162 hours of community development services. The community development needs targeted by the bank continue to include affordable housing and community services, similar to the prior evaluation.

## **Bennington – Full-Scope Review**

### **DESCRIPTION OF INSTITUTION’S OPERATIONS IN BENNINGTON**

Berkshire Bank operates 3 of its 106 branches in the Bennington assessment area. Berkshire Bank closed one branch in the assessment area since the previous evaluation. The Bennington assessment area includes all of Bennington County.

#### **Economic and Demographic Data**

The assessment area comprises 12 census tracts with the following income designations according to the 2015 ACS:

- 1 moderate-income census tract and
- 11 middle-income census tracts.

The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area Assessment Area: Bennington						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	12	0.0	8.3	91.7	0.0	0.0
Population by Geography	36,589	0.0	13.4	86.6	0.0	0.0
Housing Units by Geography	20,919	0.0	11.0	89.0	0.0	0.0
Owner-Occupied Units by Geography	11,243	0.0	7.9	92.1	0.0	0.0
Occupied Rental Units by Geography	4,393	0.0	28.8	71.2	0.0	0.0
Vacant Units by Geography	5,283	0.0	2.7	97.3	0.0	0.0
Businesses by Geography	4,198	0.0	18.1	81.9	0.0	0.0
Farms by Geography	228	0.0	5.7	94.3	0.0	0.0
Family Distribution by Income Level	10,054	23.9	18.1	22.7	35.3	0.0
Household Distribution by Income Level	15,636	23.9	17.8	18.8	39.6	0.0
Median Family Income Non-MSAs - VT		\$64,849	Median Housing Value			\$236,007
			Median Gross Rent			\$871
			Families Below Poverty Level			9.6%
Source 2015 ACS, 2021 D&B Data, and FFIEC Estimated Median Family Income;						

There are 20,919 housing units in the area. Of these 53.7 percent are owner occupied, 21.0 percent are occupied rental units, and 25.3 percent are vacant. The vacancy rate in this assessment area is high relative to other assessment areas. The median housing value of \$236,007 reflects a moderately priced area. The low-, moderate-, middle-, and upper-income categories of the statewide nonmetropolitan area are detailed in the Vermont rated area section.

According to 2021 D&B data, there were 4,198 businesses operating in the assessment area. GARs for these businesses are below.

- 86.5 percent of businesses have GARs less than or equal to \$1.0 million,
- 4.4 percent of businesses have GARs greater than \$1.0 million, and
- 9.1 percent of businesses have unknown revenues.

Service industries represent the largest portion of businesses at 37.0 percent; followed by non-classifiable establishments (16.0 percent); retail trade (13.8 percent); and finance, insurance, and real estate (8.6 percent). In addition, 65.0 percent of area businesses have four or fewer employees, and 91.1 percent operate from a single location.

### **Competition**

Berkshire Bank operates in a limited market for banking services. According to 2021 FDIC Deposit Market Share data, 10 financial institutions operated 21 branches in the assessment area. Berkshire Bank ranked 2<sup>nd</sup> with a deposit market share of 19.8 percent. The one institution that ranked ahead of Berkshire Bank was The Bank of Bennington, which had a deposit market share of 36.4 percent.

The bank operates in a moderately competitive area for mortgage loans. According to 2020 peer mortgage data, 122 lenders reported 996 originated or purchased home mortgage loans in the assessment area. Berkshire Bank ranked 17<sup>th</sup> with a 1.2 percent market share. The three most prominent mortgage lenders (Quicken Loans, Citizens Bank NA, and Wells Fargo Bank) account for 21.5 percent of the total market share.

The bank also operates in a moderately competitive area for small business loans. Based on 2019 peer small business data, 50 lenders reported 894 small business loans. Berkshire Bank ranked 18<sup>th</sup> with 0.9 percent market share. The leading financial institutions (American Express National Bank, JP Morgan Chase Bank, Citibank) were large credit card companies. According to 2020 peer small business data, 60 lenders reported 885 small business loans in the assessment area. Berkshire Bank ranked 1<sup>st</sup> with a 14.9 percent market share. The next closest small business lenders (American Express National Bank and People's United Bank NA) account for a combined 24.7 percent of the total market share. The improvement in market share from 2019 to 2020 reflects the institution's responsiveness to the credit needs satisfied by small business PPP lending.

### **Credit and Community Development Needs and Opportunities**

Based on demographic and economic information, the Bennington assessment area exhibits needs for community services assisting low- and moderate-income individuals and small business loan programs designed to assist businesses challenged by the COVID-19 pandemic. Overall, limited opportunities exist for the bank to engage in community development activities given the lack of low-income geographies and relatively low number of small businesses.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN BENNINGTON**

### **LENDING TEST**

Berkshire Bank demonstrated adequate performance under the Lending Test in the assessment area. The following sections discuss the bank's performance under each criterion.

#### **Lending Activity**

Lending levels reflect adequate responsiveness to the assessment area's credit needs. In 2019, the bank originated or purchased 20 home mortgage loans totaling \$2.0 million in the assessment area. In 2020, Berkshire Bank originated or purchased 18 home mortgage loans totaling \$3.2 million. Lending activity in 2021 increased to 24 home mortgage loans totaling \$4.9 million. The bank's 2020 market ranking of 17<sup>th</sup> out of 122 lenders supports adequate performance.

Berkshire Bank originated 8 small business loans for \$237,000 in the assessment area in 2019, and ranked 18th out of 50 lenders, reflecting adequate performance. The bank originated 132 small business loans totaling \$6.0 million in the rated area in 2020, with the significant increase due to PPP lending. In 2021, the number of small business loans was more similar to 2019 performance, as the bank originated 10 loans totaling \$1.5 million. The bank's top ranking in 2020 bolsters performance for this product; however, considering lending activity over the entire evaluation period, the bank's lending levels demonstrate adequate responsiveness to the area's credit needs.

## **Geographic Distribution**

The geographic distribution of home mortgage and small business loans reflects poor penetration throughout the assessment area.

### ***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects poor penetration throughout the assessment area. The bank did not originate any loans in the moderate-income geography in 2019 or 2020. In 2021, performance improved to two loans and was comparable to the percentage of owner-occupied units in the moderate-income geography.

Please see the following table for more details.

<b>Geographic Distribution of Home Mortgage Loans</b> <b>Assessment Area: Bennington</b>						
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Moderate						
2019	7.9	7.3	0	0.0	0	0.0
2020	7.9	6.1	0	0.0	0	0.0
2021	7.9	--	2	8.3	139	2.9
Middle						
2019	92.1	92.7	20	100.0	1,998	100.0
2020	92.1	93.9	18	100.0	3,218	100.0
2021	92.1	--	22	91.7	4,735	97.1
Totals						
2019	100.0	100.0	20	100.0	1,998	100.0
2020	100.0	100.0	18	100.0	3,218	100.0
2021	100.0	--	24	100.0	4,874	100.0
<i>Source 2015 ACS; Bank Data, 2019 &amp; 2020 HMDA Aggregate Data, "--" data not available.</i>						

### ***Small Business Loans***

The geographic distribution of small business loans reflects poor penetration throughout the assessment area. In 2019, the bank originated one loan in the moderate-income geography, and performance was comparable to aggregate and demographic percentages. Bank performance declined by percentage in 2020 falling below aggregate and demographic comparators. The bank originated no loans in the moderate-income geography in 2021.

Please see the following table for more details.

Geographic Distribution of Small Business Loans Assessment Area: Bennington						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$ (000s)	%
Moderate						
2019	18.5	13.4	1	12.5	1	0.4
2020	18.5	14.2	2	1.5	45	0.7
2021	18.1	--	0	0.0	0	0.0
Middle						
2019	81.5	86.6	7	87.5	236	99.6
2020	81.5	85.8	130	98.5	5,987	99.3
2021	81.9	--	10	100.0	1,524	100.0
Total						
2019	100.0	100.0	8	100.0	237	100.0
2020	100.0	100.0	132	100.0	6,032	100.0
2021	100.0	--	10	100.0	1,524	100.0

Source 2019, 2020 & 2021 D&B Data; Bank Data, 2019 & 2020 CRA Aggregate Data, "--" data not available.

### **Borrower Profile**

The distribution of borrowers reflects, given the product lines offered by the bank, good penetration among individuals of different income levels and businesses of different sizes.

#### ***Home Mortgage Loans***

The distribution of borrowers reflects good penetration among individuals of different income levels. The bank's percentage of loans to low-income borrowers was far above the aggregate percentages in 2019 and 2020. The bank's 2021 performance was consistent by number but decreased by percentage. The bank's performance was below the percentage of low-income families for all three years, which is reasonable given the percentage of families in the area below the poverty level (9.6 percent). Low-income individuals, especially those below the poverty level, may face challenges in qualifying for a home mortgage given the median home value in the assessment area.

Among moderate-income borrowers, performance was above aggregate and demographic in 2019 and 2020; however, the bank did not originate any loans to moderate-income borrowers in 2021.

Please see the following table for details.

Distribution of Home Mortgage Loans by Borrower Income Level Assessment Area: Bennington						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	23.9	5.5	3	15.0	67	3.4
2020	23.9	4.4	3	16.7	163	5.1
2021	23.9	--	2	8.3	75	1.5
Moderate						
2019	18.1	17.1	4	20.0	298	14.9
2020	18.1	11.6	4	22.2	480	14.9
2021	18.1	--	0	0.0	0	0.0
Middle						
2019	22.7	15.3	2	10.0	43	2.1
2020	22.7	16.4	3	16.7	330	10.3
2021	22.7	--	4	16.7	511	10.5
Upper						
2019	35.3	51.5	11	55.0	1,591	79.6
2020	35.3	54.7	8	44.4	2,246	69.8
2021	35.3	--	16	66.7	4,084	83.8
Not Available						
2019	0.0	10.7	0	0.0	0	0.0
2020	0.0	12.9	0	0.0	0	0.0
2021	0.0	--	2	8.3	203	4.2
Totals						
2019	100.0	100.0	20	100.0	1,998	100.0
2020	100.0	100.0	18	100.0	3,218	100.0
2021	100.0	--	24	100.0	4,874	100.0

Source 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available.

### ***Small Business Loans***

The distribution of small business loans reflects adequate penetration among businesses of different sizes. In 2019, lending to businesses with GARs of \$1.0 million or less was above aggregate performance but below demographics. In 2020, lending to businesses with GARs of \$1.0 million or less was below aggregate and business demographics. However, aggregate performance experiences a similar decline, and PPP loans comprised a significant portion of 2020 small business loans, resulting in a high percentage of loans without revenue information. The bank's 2021 percentage of lending to businesses with GARs of \$1.0 million or less was closer to area demographics and more comparable to 2019 in terms of the bank's performance among small businesses. Please see the following table for more details.

Distribution of Small Business Loans by Gross Annual Revenue Category Assessment Area: Bennington						
Business Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2019	84.1	54.0	5	62.5	137	57.8
2020	85.5	39.7	38	28.8	1,152	19.1
2021	86.4	--	6	60.0	949	62.3
>\$1,000,000						
2019	5.4	--	3	37.5	100	42.2
2020	4.7	--	12	9.1	2,540	42.1
2021	4.4	--	4	40.0	575	37.7
Revenue Not Available						
2019	10.5	--	0	0.0	0	0.0
2020	9.7	--	82	62.1	2,340	38.8
2021	9.1	--	0	0.0	0	0.0
<b>Total</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>8</b>	<b>100.0</b>	<b>237</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>132</b>	<b>100.0</b>	<b>6,032</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>10</b>	<b>100.0</b>	<b>1,524</b>	<b>100.0</b>

Source 2019, 2020 & 2021 D&B Data; Bank Data, 2019 & 2020 CRA Aggregate Data, "--" data not available.

### **Community Development Loans**

Berkshire Bank has made few, if any, community development loans in the assessment area. During the evaluation period, the bank did not originate any community development loans in the assessment area. Given limited community development opportunities in the assessment area, this criterion carried less weight in arriving at overall conclusions.

### **INVESTMENT TEST**

Berkshire Bank demonstrated good performance under the Investment Test in the assessment area. The following sections discuss the bank's performance under each criterion.

### **Investment and Grant Activity**

Berkshire Bank has a significant level of qualified community development investments and grants, occasionally in a leadership position, particularly those that are not routinely provided by private investors.

The bank made \$4.0 million in qualified investments in this area. Two prior period investments totaling \$2.1 million, two current investments totaling \$1.9 million, and 25 grants totaling \$75,000 comprise the area's investment and grant activity.

Equity investments include mortgage-backed securities targeting low- and moderate-income individuals, a bond to assist a housing facility for low- and moderate-income individuals, and an LIHTC investment targeting affordable housing initiatives in the area.

The following are examples of notable grants:

- *Bennington Area Habitat for Humanity* – This organization develops affordable housing opportunities for individuals earning less than 70 percent of the area's median family income. Interest-free mortgages are available to eligible borrowers. The bank made several donations to this organization during the evaluation period. These donations qualify as community development by promoting affordable housing for low- and moderate-income individuals.
- *Martha Canfield Memorial Library* – The bank supported this library's Universe of Readers program for 2019. The project focused on at-risk students, and the majority of individuals served received free or reduced priced lunch. This donation qualifies as community development by supporting community service for low- and moderate-income individuals.

### **Responsiveness to Credit and Community Development Needs**

Berkshire Bank exhibits adequate responsiveness to credit and community development needs. A majority of investment and grant activity targets a primary need in the assessment area for community services for low- and moderate-income individuals.

### **Community Development Initiatives**

Berkshire Bank occasionally uses innovative and/or complex investments to support community development initiatives. One of the current period investments is an LIHTC investment.

## **SERVICE TEST**

Berkshire Bank demonstrated poor performance under the Service Test in this assessment area. The following sections discuss the bank's performance under each criterion.

### **Accessibility of Delivery Systems**

Delivery systems are accessible to limited portions of the assessment area. Berkshire Bank does not operate any branches or ATMs that serve the moderate-income geography in the assessment area. As noted in the overall section, mobile and internet banking are also available as alternative delivery systems.

### **Changes in Branch Locations**

To the extent changes have been made, Berkshire Bank's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies or to low- and moderate-income individuals. Berkshire Bank did not open any branches in the area, and it closed one branch in a middle-income census tract. The branch closure did not adversely affect accessibility in the moderate-income geography.

### **Reasonableness of Business Hours and Services**

Services, including business hours, do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies or individuals. No material differences exist among products or services offered within branches.

Branch hours are generally consistent across branches (9 a.m. to 4 p.m. Monday through Thursday, and 9 a.m. to 5 p.m. on Fridays), and one branch operates with Saturday hours (9 a.m. to 12 p.m.).

### **Community Development Services**

Berkshire Bank provides a limited level of community development services. The following table reflects the hours of community services provided by bank employees during the evaluation period.

<b>Community Development Services</b>					
<b>Assessment Area: Bennington</b>					
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
Partial 2018	4	11	0	0	15
2019	0	35	0	0	35
2020	0	14	0	0	14
2021	0	0	0	0	0
YTD 2022	0	0	0	0	0
<b>Total</b>	<b>4</b>	<b>60</b>	<b>0</b>	<b>0</b>	<b>64</b>
<i>Source Bank Data</i>					

Community development services primarily assist organizations that provide community services to low- and moderate-income individuals in the area.

## Rutland – Full-Scope Review

### DESCRIPTION OF INSTITUTION’S OPERATIONS IN RUTLAND

Berkshire Bank operates 1 of its 106 branches in the Rutland assessment area. The Rutland assessment area includes all of Rutland County.

#### **Economic and Demographic Data**

The assessment area comprises 20 census tracts with the following income designations according to the 2015 ACS:

- 3 moderate-income census tracts,
- 15 middle-income census tracts, and
- 2 upper-income census tracts.

The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Assessment Area: Rutland						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	20	0.0	15.0	75.0	10.0	0.0
Population by Geography	60,530	0.0	20.2	65.5	14.3	0.0
Housing Units by Geography	33,742	0.0	17.1	71.1	11.8	0.0
Owner-Occupied Units by Geography	17,838	0.0	13.3	73.6	13.1	0.0
Occupied Rental Units by Geography	7,621	0.0	38.6	48.4	12.9	0.0
Vacant Units by Geography	8,283	0.0	5.5	86.6	7.9	0.0
Businesses by Geography	6,853	0.0	24.4	64.0	11.6	0.0
Farms by Geography	418	0.0	3.8	86.4	9.8	0.0
Family Distribution by Income Level	15,567	20.2	18.8	23.1	37.9	0.0
Household Distribution by Income Level	25,459	25.9	16.1	18.6	39.4	0.0
Median Family Income Non-MSAs - VT		\$64,849	Median Housing Value			\$184,424
			Median Gross Rent			\$790
			Families Below Poverty Level			7.9%
Source 2015 ACS, 2021 D&B Data, and FFIEC Estimated Median Family Income;						

There are 33,742 housing units in the assessment area. Of these 52.9 percent are owner occupied, 32.6 percent are occupied rental units, and 24.5 percent are vacant (a relatively high proportion compared to other assessment areas). The median housing value of \$184,424 reflects a relatively inexpensive area.

The low-, moderate-, middle-, and upper-income categories of the statewide nonmetropolitan area are detailed in the Vermont rated area section.

According to 2021 D&B data, there were 6,853 businesses operating in the assessment area. GARs for these businesses are below.

- 86.5 percent of businesses have GARs less than or equal to \$1.0 million,
- 4.3 percent of businesses have GARs greater than \$1.0 million, and
- 9.3 percent of businesses have unknown revenues.

Service industries represent the largest portion of businesses at 36.4 percent; followed by non-classifiable establishments (16.0 percent); retail trade (13.1 percent); and finance, insurance, and real estate (7.7 percent). In addition, 65.5 percent of area businesses have four or fewer employees, and 90.8 percent operate from a single location.

### **Competition**

Berkshire Bank operates in a limited market for banking services. According to 2021 Deposit Market Share data, there were 13 financial institutions operating 24 branches in the assessment area. Berkshire Bank ranked 7<sup>th</sup> with a deposit market share of 6.4 percent. Financial institutions that led market share included Heritage Family Credit Union, TD Bank NA, and People's United Bank NA. The three leading institutions account for 61.4 percent of the deposit market share.

The Rutland assessment area is a moderately competitive area for mortgage loans. According to 2020 peer mortgage data, 124 lenders reported 1,507 originated or purchased home mortgage loans in the assessment area. Berkshire Bank ranked 25<sup>th</sup> with a 0.7 percent market share. The three most prominent mortgage lenders (Quicken Loans, PrimeLending, and Vermont State Employees Credit Union) account for 24.2 percent of the total market share.

The bank operates in a moderately competitive area for small business loans. Based on 2019 peer small business data, 55 lenders reported 1,210 small business loans. Berkshire Bank ranked 25<sup>th</sup> with 0.7 percent market share. The leading financial institutions (American Express National Bank, JP Morgan Chase Bank, Citibank) were large credit card companies. According to 2020 peer small business data, 66 lenders reported 1,368 small business loans. Berkshire Bank ranked 6<sup>th</sup> with a 5.5 percent market share. The three most prominent small business lenders (American Express National Bank, People's United Bank NA, and Bar Harbor Bank and Trust) account for 30.2 percent of the total market share. The improvement in market share from 2019 to 2020 reflects the institution's responsiveness to the credit needs satisfied by small business PPP lending.

### **Credit and Community Development Needs and Opportunities**

Based on demographic and economic information, the Rutland assessment area exhibits a need for community services assisting low- and moderate-income individuals and small business loan programs designed to assist businesses challenged by the COVID-19 pandemic. Overall, limited opportunities exist for the bank to engage in community development activities given the lack of low-income geographies and relatively low number of small businesses.

## CONCLUSIONS ON PERFORMANCE CRITERIA IN RUTLAND

### LENDING TEST

Berkshire Bank demonstrated adequate performance under the Lending Test in this assessment area. The following sections discuss the bank's performance under each criterion.

#### **Lending Activity**

Lending levels reflect adequate responsiveness to this assessment area's credit needs. In 2019, the bank originated or purchased 22 home mortgage loans totaling \$2.8 million in the assessment area. In 2020, Berkshire Bank originated or purchased 14 home mortgage loans totaling \$1.9 million. In 2021, the bank originated or purchased 21 home mortgage loans totaling \$2.6 million. The bank's market ranking of 25<sup>th</sup> out of 124 lenders supports adequate performance.

Berkshire Bank originated 8 small business loans for \$1.3 million in the assessment area in 2019 and ranked 25<sup>th</sup> out of 55 small business lenders. The bank originated 75 small business loans totaling \$4.1 million in the rated area in 2020, with the increase due to the bank's PPP lending. In 2021, the bank originated 6 small business loans totaling \$267,000, which is more consistent with the bank's 2019 activity in this area by number, but lower by dollar amount. The bank's 2020 market ranking of 6<sup>th</sup> out of 66 lenders bolsters performance for this product; however, considering lending activity over the entire evaluation period, the bank's lending levels demonstrate adequate responsiveness to the area's credit needs.

#### **Geographic Distribution**

The geographic distribution of home mortgage and small business loans reflects adequate penetration throughout the assessment area.

#### ***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects good penetration throughout the assessment area. The bank's performance in moderate-income tracts was above demographics and aggregate performance in 2019. The bank made one loan in a moderate-income census tract in 2020 and performance fell below aggregate and demographic comparators; however, performance in 2021 improved and was above demographics.

Please see the following table for more details.

Geographic Distribution of Home Mortgage Loans Assessment Area: Rutland						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate						
2019	13.3	12.6	4	18.2	1,146	41.0
2020	13.3	11.8	1	7.1	63	3.4
2021	13.3	--	3	14.3	174	6.8
Middle						
2019	73.6	73.6	15	68.2	1,357	48.5
2020	73.6	72.5	11	78.6	1,516	80.9
2021	73.6	--	15	71.4	2,162	84.2
Upper						
2019	13.1	13.8	3	13.6	294	10.5
2020	13.1	15.6	2	14.3	295	15.7
2021	13.1	--	3	14.3	232	9.0
Totals						
2019	100.0	100.0	22	100.0	2,797	100.0
2020	100.0	100.0	14	100.0	1,874	100.0
2021	100.0	--	21	100.0	2,568	100.0

Source 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available.

### ***Small Business Loans***

The geographic distribution of small business loans reflects poor penetration throughout the assessment area. In moderate-income geographies, the bank's performance was below aggregate and demographic percentages in 2019. The bank's performance in 2020 was particularly strong and above the demographic and aggregate comparators; however, the bank did not originate any loans in moderate-income geographies in 2021.

Please see the following table for more details.

Geographic Distribution of Small Business Loans Assessment Area: Rutland						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$ (000s)	%
Moderate						
2019	26.0	19.4	1	12.5	5	0.4
2020	25.6	23.1	22	29.3	859	20.9
2021	24.4	--	0	0.0	0	0.0
Middle						
2019	61.8	66.7	6	75.0	486	36.6
2020	62.0	63.6	42	56.0	2,673	65.0
2021	64.0	--	3	50.0	136	50.9
Upper						
2019	12.2	13.9	1	12.5	838	63.1
2020	12.4	13.3	11	14.7	581	14.1
2021	11.6	--	3	50.0	131	49.1
Total						
2019	100.0	100.0	8	100.0	1,329	100.0
2020	100.0	100.0	75	100.0	4,113	100.0
2021	100.0	--	6	100.0	267	100.0

Source 2019, 2020 & 2021 D&B Data; Bank Data, 2019 & 2020 CRA Aggregate Data, "--" data not available.

### **Borrower Profile**

The distribution of borrowers reflects, given the product lines offered by the bank, good penetration among individuals of different income levels and among businesses of different sizes.

### ***Home Mortgage Loans***

The distribution of borrowers reflects good penetration among individuals of different income levels. The bank's performance in lending to low-income borrowers was above the aggregate percentages in 2019. Performance declined in 2020, but continued to exceed aggregate. The bank's performance in 2019 was particularly good, not only due to significantly outpacing aggregate lending, but also by exceeding area demographics. The bank's performance in 2020 and 2021 was below the percentage of low-income families in the assessment area, which is reasonable given the percentage of families in the area below the poverty level (7.9 percent). Low-income individuals, especially those below the poverty level, may face challenges in qualifying for a home mortgage.

Among moderate-income borrowers, performance was above aggregate and demographics in 2019. Performance declined in 2020, when the bank originated one loan to a moderate-income borrower, and was below aggregate and demographics. However, the bank's performance rebounded in 2021 and exceeded prior years by number, dollar, and percentage. The bank's 2021 performance exceeded demographics by a large margin. Please see the following table for more details.

Distribution of Home Mortgage Loans by Borrower Income Level Assessment Area: Rutland						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	20.2	7.3	5	22.7	272	9.7
2020	20.2	6.3	1	7.1	50	2.7
2021	20.2	--	3	14.3	218	8.5
Moderate						
2019	18.8	21.7	6	27.3	583	20.8
2020	18.8	15.3	1	7.1	150	8.0
2021	18.8	--	7	33.3	750	29.2
Middle						
2019	23.1	23.5	8	36.4	813	29.1
2020	23.1	20.7	7	50.0	874	46.7
2021	23.1	--	6	28.6	517	20.1
Upper						
2019	37.9	34.2	2	9.1	79	2.8
2020	37.9	42.5	5	35.7	800	42.7
2021	37.9	--	4	19.0	916	35.7
Not Available						
2019	0.0	13.3	1	4.5	1,050	37.5
2020	0.0	15.2	0	0.0	0	0.0
2021	0.0	--	1	4.8	167	6.5
Totals						
2019	100.0	100.0	22	100.0	2,797	100.0
2020	100.0	100.0	14	100.0	1,874	100.0
2021	100.0	--	21	100.0	2,568	100.0
Source 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available.						

### ***Small Business Loans***

The distribution of small business loans reflects good penetration among businesses of different sizes. In 2019, the bank originated 100.0 percent of their small business loans to businesses with GARs of \$1.0 million or less. While the bank's percentage of lending to businesses with GARs of \$1.0 million or less was below both aggregate performance and business demographics in 2020, a relatively significant volume of PPP loans, for which banks were not required to collect or report revenue information, impacted these percentages. The bank's 2021 performance was still below, but more similar to area demographics. Given the low volume of lending in the assessment area overall, just one or two more loans would have resulted in performance comparable to demographics. Please see the following table for more details.

Distribution of Small Business Loans by Gross Annual Revenue Category Assessment Area: Rutland						
Business Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2019	83.7	42.6	8	100.0	1,329	100.0
2020	85.2	34.5	19	25.3	862	21.0
2021	86.5	--	4	66.7	122	45.7
>\$1,000,000						
2019	5.3	--	0	0.0	0	0.0
2020	4.8	--	7	9.3	1,341	32.6
2021	4.2	--	2	33.3	145	54.3
Revenue Not Available						
2019	11.0	--	0	0.0	0	0.0
2020	10.0	--	49	65.3	1,910	46.4
2021	9.3	--	0	0.0	0	0.0
<b>Total</b>						
2019	100.0	100.0	8	100.0	1,329	100.0
2020	100.0	100.0	75	100.0	4,113	100.0
2021	100.0	--	6	100.0	267	100.0
Source 2019, 2020 & 2021 D&B Data; Bank Data, 2019 & 2020 CRA Aggregate Data, "--" data not available.						

### **Community Development Loans**

Berkshire Bank made an adequate level of community development loans in the assessment area. The bank originated two community development loans totaling \$3.4 million that supported affordable housing and economic development.

The following is a summary of community development loans in the assessment area:

- In 2020, the bank originated a PPP loan totaling \$2.3 million to a small business providing medical services in the assessment area. The business is located in a moderate-income census tract. This loan supports economic development by financing a small business and retaining jobs in a moderate-income geography.
- In 2019, the bank originated a \$1.1 million loan to purchase a 22-unit residence. All 22 of the units are designated as affordable housing. This loan qualifies as community development by supporting affordable housing for low- and moderate-income individuals.

## **INVESTMENT TEST**

Berkshire Bank demonstrated poor performance under the Investment Test in this assessment area. Limited investment and grant activity primarily contributed to this conclusion. The following sections discuss the bank's performance under each criterion.

### **Investment and Grant Activity**

Berkshire Bank has a poor level of qualified community development investments and grants, but not in a leadership position, particularly those that are not routinely provided by private investors.

This area's total qualified investments includes 16 grants totaling \$33,000. Grants primarily target affordable housing and community service initiatives.

The following are examples of notable grants:

- *LAUNCH Central Vermont* – The LAUNCH program provides summer education, counseling, and workforce development programs to students in need. The majority of students served qualify for free or reduced-price school lunch, and correlate to low- and moderate-income populations. The bank made several donations to this organization. This donation qualifies as community development by supporting community services for low- and moderate-income individuals.
- *The Reading League Inc.* – This program supports moderate-income communities in Central Vermont by providing resources and educational tools to schools. The bank donated to this organization in 2021 to develop a television series encouraging reading for elementary students. This donation qualifies as community development by supporting community services for low- and moderate-income individuals.

### **Responsiveness to Credit and Community Development Needs**

Berkshire Bank exhibits adequate responsiveness to credit and community development needs. Although limited opportunity exists in this assessment area, the bank targeted the area's community service needs.

### **Community Development Initiatives**

Berkshire Bank does not use innovative and/or complex investments to support community development initiatives. Given the relatively limited opportunities for community development initiatives, this factor carried limited weight in arriving at overall conclusions for this assessment area.

## **SERVICE TEST**

Berkshire Bank demonstrated adequate performance under the Service Test in this assessment area. Despite the bank's low number of community development services, its branch accessibility benefitted the area's moderate-income geographies, supporting the overall conclusion.

### **Accessibility of Delivery Systems**

Delivery systems are accessible to essentially all portions of the assessment area. Berkshire Bank operates one branch in this area, which is located in one of the area's three moderate-income geographies. The branch location provides good accessibility to the surrounding moderate-income census tracts. Berkshire Bank also operates an additional freestanding ATM located in a middle-income census tract in this area.

### **Changes in Branch Locations**

Berkshire Bank did not open or close any branches in this area during the evaluation period.

### **Reasonableness of Business Hours and Services**

Services, including business hours, do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies and/or individuals. The area's only branch operates with hours consistent with the overall assessment areas' branches (9 a.m. to 4 p.m. Monday through Thursday and 9 a.m. to 5 p.m. on Fridays), and also offers Saturday hours (9:00 a.m. to 12:00 p.m.) as an additional convenience to customers in the area.

### **Community Development Services**

Berkshire Bank provides few, if any, community development services. Bank employees provided only two hours of community development services in this area. Specifically, bank employees provided one hour of service in 2019 and one hour of service in 2020 that benefitted community services targeted to low- and moderate-income individuals.

## Lebanon – Limited-Scope Review

### DESCRIPTION OF INSTITUTION’S OPERATIONS IN LEBANON

The assessment area comprises all of Windsor County, and it contains 1 of the bank’s 106 branch offices. The following table shows demographic information for the assessment area:

Demographic Information of the Assessment Area Assessment Area: Lebanon						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	18	0.0	5.6	72.2	22.2	0.0
Population by Geography	56,150	0.0	0.5	77.5	22.0	0.0
Housing Units by Geography	34,132	0.0	0.5	77.3	22.2	0.0
Owner-Occupied Units by Geography	17,149	0.0	0.4	76.7	22.9	0.0
Occupied Rental Units by Geography	7,358	0.0	1.0	78.1	20.9	0.0
Vacant Units by Geography	9,625	0.0	0.3	77.7	21.9	0.0
Businesses by Geography	6,609	0.0	0.9	72.9	26.2	0.0
Farms by Geography	406	0.0	0.2	79.1	20.7	0.0
Family Distribution by Income Level	15,146	17.7	16.0	21.9	44.4	0.0
Household Distribution by Income Level	24,507	23.6	16.0	17.2	43.2	0.0
Median Family Income Non-MSAs - VT		\$64,849	Median Housing Value			\$233,223
			Median Gross Rent			\$900
			Families Below Poverty Level			6.7%
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.						

The assessment area’s median housing value is \$233,223 and the median family income is \$64,849, which could pose housing affordability challenges in this assessment area.

### CONCLUSIONS ON PERFORMANCE CRITERIA IN LEBANON

#### **LENDING TEST**

Berkshire Bank’s Lending Test performance in this assessment area is generally below performance in the assessment areas receiving full-scope reviews. The low volume of lending limited examiners’ ability to perform effective analysis; therefore, although examiners considered performance in this area, it did not change statewide conclusions or ratings. In 2019, 2020, and 2021, Berkshire Bank originated 15 home mortgage loans for \$3.8 million and 53 small business loans for \$1.9 million. The bank did not originate any community development loans in the assessment area.

The following tables illustrate the bank's geographic distribution and borrower profile performance for the assessment area.

<b>Geographic Distribution of Home Mortgage Loans Assessment Area: Lebanon</b>						
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Moderate						
2019	0.4	0.3	0	0.0	0	0.0
2020	0.4	0.1	0	0.0	0	0.0
2021	0.4	--	0	0.0	0	0.0
Middle						
2019	76.7	78.2	2	100.0	584	100.0
2020	76.7	71.9	5	100.0	1,529	100.0
2021	76.7	--	6	75.0	769	47.1
Upper						
2019	22.9	21.5	0	0.0	0	0.0
2020	22.9	28.0	0	0.0	0	0.0
2021	22.9	--	2	25.0	864	52.9
Not Available						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	0.0	0	0.0	0	0.0
2021	0.0	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>2</b>	<b>100.0</b>	<b>584</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>5</b>	<b>100.0</b>	<b>1,529</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>8</b>	<b>100.0</b>	<b>1,632</b>	<b>100.0</b>

*Source 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available.*

Geographic Distribution of Small Business Loans Assessment Area: Lebanon						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$ (000s)	%
Moderate						
2019	1.1	0.4	0	0.0	0	0.0
2020	0.9	0.3	0	0.0	0	0.0
2021	0.9	--	0	0.0	0	0.0
Middle						
2019	73.4	73.1	7	100.0	427	100.0
2020	73.0	70.8	40	100.0	1,157	100.0
2021	72.9	--	6	100.0	352	100.0
Upper						
2019	25.6	26.5	0	0.0	0	0.0
2020	26.1	28.9	0	0.0	0	0.0
2021	26.2	--	0	0.0	0	0.0
Total						
2019	100.0	100.0	7	100.0	427	100.0
2020	100.0	100.0	40	100.0	1,157	100.0
2021	100.0	--	6	100.0	352	100.0
Source 2019, 2020 & 2021 D&B Data; Bank Data, 2019 & 2020 CRA Aggregate Data, "--" data not available.						

Distribution of Home Mortgage Loans by Borrower Income Level Assessment Area: Lebanon						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	17.7	4.9	0	0.0	0	0.0
2020	17.7	3.4	1	20.0	100	6.5
2021	17.7	--	1	12.5	30	1.8
Moderate						
2019	16.0	14.6	0	0.0	0	0.0
2020	16.0	11.1	1	20.0	40	2.6
2021	16.0	--	1	12.5	100	6.1
Middle						
2019	21.9	19.6	0	0.0	0	0.0
2020	21.9	18.7	0	0.0	0	0.0
2021	21.9	--	2	25.0	212	13.0
Upper						
2019	44.4	49.5	2	100.0	584	100.0
2020	44.4	57.0	3	60.0	1,389	90.8
2021	44.4	--	2	25.0	201	12.3
Not Available						
2019	0.0	11.4	0	0.0	0	0.0
2020	0.0	9.9	0	0.0	0	0.0
2021	0.0	--	2	25.0	1,090	66.8
Totals						
2019	100.0	100.0	2	100.0	584	100.0
2020	100.0	100.0	5	100.0	1,529	100.0
2021	100.0	--	8	100.0	1,632	100.0
Source 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available.						

Distribution of Small Business Loans by Gross Annual Revenue Category Assessment Area: Lebanon						
Business Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2019	84.8	49.9	6	85.7	55	12.9
2020	86.2	24.2	9	22.5	301	26.0
2021	87.4	--	5	83.3	327	92.9
>\$1,000,000						
2019	5.0	--	1	14.3	372	87.1
2020	4.4	--	1	2.5	15	1.3
2021	4.0	--	1	16.7	25	7.1
Revenue Not Available						
2019	10.2	--	0	0.0	0	0.0
2020	9.4	--	30	75.0	841	72.7
2021	8.6	--	0	0.0	0	0.0
<b>Total</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>7</b>	<b>100.0</b>	<b>427</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>40</b>	<b>100.0</b>	<b>1,157</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>6</b>	<b>100.0</b>	<b>352</b>	<b>100.0</b>
<i>Source 2019, 2020 &amp; 2021 D&amp;B Data; Bank Data, 2019 &amp; 2020 CRA Aggregate Data, "--" data not available.</i>						

## **INVESTMENT TEST**

Berkshire Bank's Investment Test performance in this assessment area is below the bank's performance in the full-scope assessment areas. The bank's qualified investments include only one grant totaling \$1,500 to a community service organization benefitting low- and moderate-income individuals. Please refer to the statewide performance for trend analysis since the prior evaluation. Examiners considered Investment Test performance in this area; however, it did not change statewide conclusions.

## **SERVICE TEST**

Berkshire Bank's Service Test performance in this assessment area is consistent with its performance in the full-scope assessment areas. The bank operates one branch and two freestanding ATMs in middle-income geographies. No branch openings or closings occurred in this area since the prior evaluation. Products, services, and business hours are similar to those offered within the full scope assessment areas.

Bank employees provided three hours of community development services to entities serving low- and moderate-income individuals in the area.

## **APPENDICES**

### **DIVISION OF BANKS FAIR LENDING POLICIES AND PROCEDURES**

A review of the bank's public comment file indicated the bank did not receive any complaints pertaining to its CRA performance since the previous evaluation. Examiners conducted the fair lending review in accordance with the FFIEC Interagency Fair Lending Examination Procedures. Based on these procedures, examiners did not identify evidence of disparate treatment. The bank has a good record relative to fair lending policies and practices.

#### **MINORITY APPLICATION FLOW**

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

According to 2015 ACS data, the bank's Massachusetts assessment areas contain a population of 5,309,414 individuals, of which 28.0 percent are minorities. The assessment area's minority population is 6.8 percent Black/African American, 7.1 percent Asian/Pacific Islander, 0.1 percent American Indian, 12.1 percent Hispanic or Latino, and 1.9 percent Other.

Examiners compared the bank's level of applications to 2020 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 following table for information on the bank's minority application flow as well as the aggregate lenders in the bank's assessment area.

MINORITY APPLICATION FLOW					
RACE	Bank 2020 HMDA		2020 Aggregate Data	Bank 2021 HMDA	
	#	%	%	#	%
American Indian/ Alaska Native	2	0.2	0.2	2	0.2
Asian	52	4.4	8.2	38	3.4
Black/ African American	29	2.4	3.3	15	1.3
Hawaiian/Pacific Islander	2	0.1	0.1	0	0.0
2 or more Minority	1	0.1	0.1	0	0.0
Joint Race (White/Minority)	9	0.8	1.7	13	1.2
<b>Total Racial Minority</b>	<b>95</b>	<b>8.0</b>	<b>13.6</b>	<b>68</b>	<b>6.1</b>
White	819	69.8	63.3	796	71.2
Race Not Available	259	22.2	23.1	254	22.7
<b>Total</b>	<b>1,173</b>	<b>100.0</b>	<b>100.0</b>	<b>1,118</b>	<b>100.0</b>
<b>ETHNICITY</b>					
Hispanic or Latino	63	5.4	5.8	44	3.9
Joint (Hisp/Lat /Not Hisp/Lat)	14	1.2	1.2	5	0.4
<b>Total Ethnic Minority</b>	<b>77</b>	<b>6.7</b>	<b>7.0</b>	<b>49</b>	<b>4.3</b>
Not Hispanic or Latino	823	70.0	69.2	810	72.4
Ethnicity Not Available	273	23.3	23.8	259	23.3
<b>Total</b>	<b>1,173</b>	<b>100.0</b>	<b>100.0</b>	<b>1,118</b>	<b>100.0</b>
<i>Source ACS Census 2015, HMDA Aggregate Data 2020, HMDA LAR Data 2020 and 2021</i>					

In 2020, the bank received 1,173 HMDA reportable loan applications within its Massachusetts assessment areas. Of these applications, 95 or 8.0 percent were received from minority applicants, 48 or 50.0 percent of which resulted in originations. The aggregate received 13.6 percent of its applications from minority consumers, of which 60.0 percent were originated. For the same period, the bank received 77 or 6.7 percent of all applications from ethnic groups of Hispanic origin within its assessment area, of which 12 or 75.0 percent were originated, compared to an aggregate ethnic minority application rate of 7.0 percent with a 58.6 percent origination rate.

In 2021, the bank received 1,118 HMDA reportable loan applications within its assessment area. Of these applications, 68 or 6.1 percent were received from minority applicants, 34 or 50.0 percent of which resulted in originations. For the same time period, the bank received 49 or 4.3 percent of all applications from ethnic groups of Hispanic origin within its assessment area, of which 20 or 40.8 percent were originated.

The 2021 data represents a downward trend from the previous year's minority application flow. Between 2019 and 2020, the bank engaged in various marketing campaigns using direct mail and social media to reach all portions of the market area and included minority areas of the assessment area. These campaigns demonstrated an increase in application activity in 2020. In 2021, the bank continued with the same marketing efforts; however, there was a noticeable decline in application activity. Additional efforts include a Limited English Proficiency program. The program's mission is to ensure that all products and services are offered equally regardless of the consumer's English proficiency. This program is responsive given the diversity within the assessment areas. Additionally, the bank deployed a number of loan products and services and various outreach initiatives to the highest minority geographies in the assessment areas. The bank also employs

regular monitoring to control potential application flow or underwriting risks. While the bank's application activity shows a downward trend, this performance is still reasonable given the bank's adequate fair lending controls to reduce discrimination.

## **APPENDIX B**

### **Loss of Affordable Housing – Massachusetts Division of Banks**

The Division of Banks' regulation 209 CMR 46.22(2)(g) requires that the evaluation of the lending performance of a large institution include a review of its efforts to forestall the loss of affordable housing. The Division of Banks reviews the institution's loans to ensure that there is no undue concentration and a systematic pattern of lending resulting in the loss of affordable housing units.

The bank's extensive community development lending to affordable housing initiatives is the primary indicator of its efforts to forestall the loss of affordable housing. In addition, the bank's involvement with and development of flexible lending programs to low- and moderate-income borrowers has assisted low- and moderate-income individuals to remain in their neighborhoods.

## **LARGE BANK PERFORMANCE CRITERIA**

### **Lending Test**

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

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

### **Investment Test**

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

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

## **Service Test**

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

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

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

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

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

## SCOPE OF EVALUATION

<b>Berkshire Bank</b>	
<p><b>Scope of Examination:</b></p> <p>Full scope reviews were performed on the following assessment areas within the noted rated areas:</p> <ul style="list-style-type: none"> <li>Massachusetts <ul style="list-style-type: none"> <li>Pittsfield MSA</li> <li>Springfield MSA</li> <li>Boston MSA</li> </ul> </li> <li>New York <ul style="list-style-type: none"> <li>Albany CSA</li> <li>Utica-Rome MSA</li> <li>Syracuse NY MSA</li> </ul> </li> <li>Worcester, MA-CT MSA</li> <li>Rhode Island <ul style="list-style-type: none"> <li>Providence MSA</li> </ul> </li> <li>Connecticut <ul style="list-style-type: none"> <li>Hartford CSA</li> </ul> </li> <li>Vermont <ul style="list-style-type: none"> <li>Bennington County – (VT Non-MSA)</li> <li>Rutland County – (VT Non-MSA)</li> </ul> </li> </ul> <p>Limited scope reviews were performed on the following assessment areas within the noted rated areas:</p> <ul style="list-style-type: none"> <li>Vermont <ul style="list-style-type: none"> <li>Lebanon County – (VT Non-MSA)</li> </ul> </li> </ul>	
<b>Time Period Reviewed:</b>	07/11/18 to 04/12/22
<p><b>Products Reviewed:</b></p> <p>Community Development Activities: [time period reviewed (07/11/18 – 04/12/22)]</p> <p>Home Mortgage Loans: [time period reviewed (01/01/18 – 12/31/21)]</p> <p>Small Business Loans: [time period reviewed (01/01/18 – 12/31/21)]</p>	

## SUMMARY OF RATINGS FOR RATED AREAS

<b>Rated Area</b>	<b>Lending Test</b>	<b>Investment Test</b>	<b>Service Test</b>	<b>Rating</b>
Massachusetts	Satisfactory	High Satisfactory	Satisfactory	Satisfactory
New York	Low Satisfactory	Outstanding	Low Satisfactory	Satisfactory
Worcester, MA-CT MSA	High Satisfactory	Satisfactory	Satisfactory	Satisfactory
Connecticut	High Satisfactory	High Satisfactory	Low Satisfactory	Satisfactory
Rhode Island	Low Satisfactory	Low Satisfactory	Low Satisfactory	Satisfactory
Vermont	Low Satisfactory	Low Satisfactory	Low Satisfactory	Satisfactory

## GLOSSARY

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

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

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

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

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

**Combined Statistical Area (CSA):** A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

**Community Development:** For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

**Community Development Corporation (CDC):** A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

**Community Development Financial Institutions (CDFIs):** CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

**Community Development Loan:** A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose bank:
  - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
  - (ii) Benefits the bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

**Community Development Service:** A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the bank's retail banking services under § 345.24(d).

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Core Based Statistical Area (CBSA):** The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

**Distressed Middle-Income Nonmetropolitan Geographies:** A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

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

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

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

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

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

**Home Mortgage 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 (for example, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

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

**Low Income Housing Tax Credit:** The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

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

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

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

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

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

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

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

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

**Nonmetropolitan Area (also known as non-MSA):** All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

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

**Qualified Investment:** A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

**Rural Area:** Territories, populations, and housing units that are not classified as urban.

**Small Business Investment Company (SBIC):** SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

**Small Business Loan:** A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small Farm Loan:** A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

**Underserved Middle-Income Nonmetropolitan Geographies:** A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area’s population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

**Upper-Income:** Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.