

PUBLIC DISCLOSURE

May 17, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Cape Ann Savings Bank
Certificate Number: 90203

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Gloucester, Massachusetts 01930

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.

The Lending Test is rated Outstanding.

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

The Community Development Test is rated Satisfactory.

Cape Ann Savings Bank demonstrated adequate responsiveness to the assessment area's community development needs through community development loans, qualified investments, and community development services. Examiners also considered the institution's capacity and the need and availability of such opportunities.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the previous evaluation dated September 4, 2018, to the current evaluation dated May 17, 2021. Examiners used the Interagency Intermediate Small Institution (ISI) Examination Procedures to evaluate the bank's Community Reinvestment Act (CRA) performance. These procedures include two tests: the CRA Small Bank Lending Test and the Community Development Test.

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

- LTD ratio
- Assessment area concentration
- Geographic distribution
- Borrower profile
- Response to CRA-related complaints

The Community Development Test considered the following factors.

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

Banks must achieve at least a Satisfactory rating under each test to obtain an overall Satisfactory rating.

Loan Products Reviewed

Examiners determined that the bank's major product lines are home mortgage and commercial loans. This conclusion considered the bank's business strategy and the number and dollar volume of loans originated during the evaluation period.

Cape Ann Savings Bank's (CASB) record of originating home mortgage loans contributed more weight to overall conclusions due to the larger number and dollar volume when compared to commercial loans. No other loan types, such as small farm or consumer loans, represent a major product line; therefore, they are not presented, as they provide no material support for conclusions or ratings.

This evaluation considered all home mortgage loans reported on the bank's 2018, 2019, and 2020 Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs). The bank reported 233 home mortgage loans totaling \$78.3 million in 2018, 181 home mortgage loans totaling \$64.8 million in 2019, and 339 home mortgage loans totaling \$118.2 million in 2020. The bank's 2018 HMDA performance is consistent with the bank's 2019 and 2020 performance. As such, examiners only presented 2019 and 2020 data under the Borrower Profile and Geographic Distribution criteria.

Examiners compared the bank's performance to 2019 aggregate data and the 2015 American Community Survey (ACS) demographic data.

The bank was not required to collect or report small business loan data during the evaluation period, and did not elect to do so. As such, examiners collected data for all commercial loans originated in 2020 for analysis. In 2020, the bank originated 21 commercial loans totaling \$2.9 million. Examiners compared the bank's performance to 2020 D&B business demographic data. Additionally, the bank originated a limited number of SBA Paycheck Protection Program (PPP) loans in 2020. The PPP loans are included in the 2020 commercial loan analysis, except for one loan identified as a Community Development loan that is included under the Community Development Test.

For the Lending Test, examiners reviewed the number and dollar volume of 2019 and 2020 home mortgage loans and 2020 commercial loans. Although examiners presented the number and dollar volume of loans, examiners emphasized performance by number of loans as it is a superior indicator of the number of individuals and businesses served.

For the Community Development Test, bank management provided data on community development loans, qualified investments and donations, and community development services since the previous CRA evaluation dated September 4, 2018.

DESCRIPTION OF INSTITUTION

Background

CASB is a state-chartered, mutual savings bank headquartered in Gloucester, Massachusetts operating in Cape Ann, which includes Gloucester, and the towns of Rockport, Manchester-by-the-Sea, and Essex. The institution received a "Satisfactory" rating from the Division of Banks and the FDIC at its previous Performance Evaluation, dated September 4, 2018, based on Interagency ISI Examination Procedures.

Operations

The bank operates three full-service branches, one limited-service branch (Gloucester High School), one customer experience center, and five Automated Teller Machines (ATMs). The main office is located at 109 Main Street in Gloucester, Massachusetts in a low-income census tract. The other full-service branches are located in Manchester-by-the-Sea and Rockport, MA, both in middle-income census tracts. All three full-service branches are open Monday through Friday, 8:30am to 4:00pm, and Saturday 8:30am to 12:00pm. The limited-service Gloucester High School branch is located in a moderate-income census tract and is open when school is in session. The customer experience center is open by appointment only, and is located in a low-income census tract. Each full-service branch contains an ATM, and standalone ATMs are located in the towns of Gloucester (2) and Rockport (2).

The institution offers a variety of personal and business deposit and lending products. Deposit products include checking, savings, money market accounts, and individual retirement accounts. The institution offers loan products including home mortgages, personal loans, home equity loans, auto loans, and commercial loans. The bank provides alternative delivery systems such as online and mobile banking, electronic bill pay, and mobile check deposits.

Ability and Capacity

Assets totaled approximately \$805.7 million as of March 31, 2021, and included total loans of \$478.0 million and total securities of \$218.6 million. Loans secured by residential real estate represent the majority of the portfolio, followed by loans for commercial purposes. The following table illustrates the loan portfolio.

Loan Portfolio Distribution as of 03/31/2021		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	17,872	3.7
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	334,572	70.0
Secured by Multifamily (5 or more) Residential Properties	32,960	6.9
Secured by Nonfarm Nonresidential Properties	66,876	14.0
Total Real Estate Loans	452,280	94.6
Commercial and Industrial Loans	23,144	4.8
Agricultural Production and Other Loans to Farmers	1,525	0.4
Consumer Loans	1,013	0.2
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	8	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	477,970	100.0
<i>Source: Reports of Condition and Income</i>		

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

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas in which examiners evaluate the institution’s CRA performance. CASB designated a single assessment area in the Cambridge-Newton-Framingham, MA Metropolitan Statistical Area (MSA) (15764). The area is known as Cape Ann located in Essex County Massachusetts, and includes the city of Gloucester, and the towns of Essex, Manchester-by-the-Sea, and Rockport. The bank did not change the assessment area since the previous examination. The following sections discuss demographic and economic information relevant to the assessment area.

Economic and Demographic Data

The assessment area includes 13 census tracts with the following income designations according to the 2015 ACS data.

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

The City of Gloucester includes nine census tracts, of which there is one low-, three moderate- and five middle-income census tracts. In addition, the City of Gloucester has two census tracts designated as Qualified Opportunity Zones. The Opportunity Zone Program is a federally established program used to encourage growth in low- and moderate-income areas by providing investment incentives such as favorable tax treatment on capital gains.

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

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	13	7.7	23.1	69.2	0.0	0.0
Population by Geography	45,404	6.3	18.0	75.7	0.0	0.0
Housing Units by Geography	22,277	7.2	17.1	75.7	0.0	0.0
Owner-Occupied Units by Geography	12,299	2.8	14.6	82.6	0.0	0.0
Occupied Rental Units by Geography	6,774	15.1	23.9	61.0	0.0	0.0
Vacant Units by Geography	3,204	7.5	12.4	80.2	0.0	0.0
Businesses by Geography	4,661	12.8	10.9	76.4	0.0	0.0
Farms by Geography	162	6.8	17.9	75.3	0.0	0.0
Family Distribution by Income Level	12,320	25.4	18.8	21.0	34.8	0.0
Household Distribution by Income Level	19,073	30.8	16.8	16.2	36.2	0.0
Median Family Income MSA - 15764 Cambridge-Newton-Framingham, MA		\$100,380	Median Housing Value			\$432,816
			Median Gross Rent			\$1,023
			Families Below Poverty Level			4.8%
<i>Source: 2015 ACS and 2020 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Examiners used the 2019 and 2020 Federal Financial Institutions Examination Council (FFIEC) updated median family income levels to analyze home mortgage loans under the Borrower Profile criterion. The median family income in the Cambridge-Newton-Framingham, MA Metropolitan Division (MD) increased from \$115,500 in 2019 to \$118,800 in 2020. The following table presents the low-, moderate-, middle-, and upper-income categories.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Cambridge-Newton-Framingham, MA Median Family Income (15764)				
2019 (\$115,500)	<\$57,750	\$57,750 to <\$92,400	\$92,400 to <\$138,600	≥\$138,600
2020 (\$118,800)	<\$59,400	\$59,400 to <\$95,040	\$95,040 to <\$142,560	≥\$142,560
<i>Source: FFIEC</i>				

According to 2020 D&B data, there were 4,661 non-farm businesses in the assessment area. Gross annual revenues (GARs) for these businesses are listed below.

- 89.2 percent have \$1 million or less
- 4.2 percent have more than \$1 million
- 6.6 percent have unknown revenues

The analysis of commercial loans under the Borrower Profile criterion compares the distribution of businesses by GAR level. The majority of non-farm businesses are considered small with service industries representing the largest portion of businesses with 1,875, or 38.9 percent; followed by non-classifiable businesses of 900, or 18.7 percent; retail trade of 563 or 11.7 percent; finance, insurance, and real estate of 400, or 8.3 percent; and construction of 392, or 8.1 percent. The majority (92.1 percent) of businesses in the assessment area operate with nine or less employees. In addition, 85.7 percent of businesses have GARs of less than \$0.5 million, and 92.6 percent of businesses operate from a single location.

Data obtained from the U.S. Bureau of Labor and Statistics indicates that in 2019, 2020, and in the first quarter of 2021, the Massachusetts statewide unemployment rate was 3.0 percent, 9.0 percent, and 7.2 percent, respectively. In 2020 and 2021, the COVID-19 pandemic affected the labor market. For instance, in April 2020, the unemployment rate in Essex County was 18.1 percent; however, in April 2021, the rate has decreased to 6.7 percent (not seasonally adjusted) as the economy rebounded from the pandemic and unemployment rates improved.

According to the Boston Business Journal, Cape Ann has a wide range of business types, including commercial fishing, tourism, retail and restaurants, insurance, medical and laboratory services. The largest employers with more than 1,000 employees is Applied Materials, Gorton's, and Addison Gilbert Hospital. However, small businesses account for the largest number of businesses within Cape Ann.

Competition

The bank operates in a moderately competitive market for financial services. According to FDIC Deposit Market Share data as of June 30, 2020, 8 financial institutions operated 21 offices in the assessment area. Of these institutions, CASB ranked 1st with 31.2 percent deposit market share. The next 3 banks were Institution for Savings in Newburyport and Its Vicinity (18.7 percent), Bank Gloucester (16.1 percent), and Brookline Bank (9.3 percent). Collectively, these four banks held 75.3 percent of deposit market share.

There is a high level of competition for home mortgage loans among several banks, credit unions, and non-depository mortgage lenders in the bank's assessment area. In 2018, according to aggregate data, the bank ranked 1st out of 214 lenders with a 7.2 percent market share. In 2019, the bank ranked 1st out of 190 lenders that reported 1,909 residential mortgage loans originated or purchased, with a market share of 7.2 percent. The next three home mortgage lenders were Crosscountry Mortgage, Inc., CBNA, and Institution for Savings in Newburyport and Its Vicinity, all larger financial institutions or mortgage companies.

Community Contact

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

Examiners contacted a representative of a community organization that provides various services to low-income individuals in the assessment area. The contact discussed affordable housing challenges in the area, and noted a decreasing supply of affordable housing, the high cost of housing compared to area wages, competition for properties and funding, and an increasing homeless population. The COVID-19 pandemic has further complicated housing and economic issues for low- and moderate-income residents. Furthermore, the contact stated that there is a significant need for housing stabilization funds and funding for affordable housing development. Finally, the contact indicated that local financial institutions are responsive to the area's needs; however, opportunities still exist for financial institutions to increase involvement with community service organizations.

Credit and Community Development Needs and Opportunities

Examiners determined the primary credit needs of the community to be affordable housing and economic development for local small business, especially those related to the fishing industry. This is based on analysis of the assessment area demographic and economic information, competition, discussions with management, and the community contact.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

CASB demonstrated an excellent 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 under the Assessment Area Concentration, Geographic Distribution, and Borrower Profile criteria support this conclusion.

Loan-to-Deposit Ratio

The LTD ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. CASB's LTD ratio averaged 84.5 percent over 11 calendar quarters from September 30, 2018 to March 31, 2021. The ratio ranged from a low of 77.8 percent as of March 31, 2021, to a high of 89.3 percent as of September 30, 2018. The ratio has been gradually declining, although at a slower rate than similarly situated institutions. Examiners selected similarly situated institutions based on asset size, and lending focus. See table below for comparisons between institutions.

Loan-to-Deposit (LTD) Ratio Comparison		
Bank	Total Assets as of 03/31/2021 (\$000s)	Average Net LTD Ratio (%)
Cape Ann Savings Bank	805,680	84.5%
The Savings Bank	682,508	91.2%
Winchester Savings Bank	611,097	88.0%
Haverhill Bank	533,303	83.9%
Pentucket Bank	947,635	95.2%
<i>Source: Reports of Condition and Income 09/30/18-03/31/21</i>		

Assessment Area Concentration

The bank made a substantial majority of home mortgage and commercial loans, by number and dollar volume, inside the assessment area. Based on aggregate lending data, CASB ranked first for the origination of home mortgage loans within the assessment area in 2018 and 2019. Please see the following table for further information.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollars Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2018	187	80.3	46	19.7	233	57,305	73.2	21,010	26.8	78,315
2019	156	86.2	25	13.8	181	51,966	80.2	12,804	19.8	64,770
2021	288	85.0	51	15.0	339	98,435	83.3	19,767	16.7	118,203
Subtotal	631	83.8	122	16.2	753	207,706	78.9	53,582	21.1	261,288
Commercial Loans										
2020	18	85.7	3	14.3	21	2,172	75.9	688	24.1	2,860
Total	649	84.8	125	15.2	774	209,878	77.4	54,270	22.6	24,148
<i>Source: HMDA Reported Data; CRA Reported Data</i>										

Geographic Distribution

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

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects excellent dispersion throughout the assessment area. The following table shows that in 2019, the bank's performance exceeded aggregate performance and the percentage of owner-occupied housing units in the low-income census tracts. Lending in low-income tracts increased by number in 2020. CASB ranked 1st in low-income census tracts with 19.0 percent market share. In moderate-income census tracts, the bank's performance exceeded aggregate and demographics in 2019. Performance was similar in 2020. Furthermore, the bank ranked 3rd in moderate-income tracts in 2019, surpassed only by large national financial institutions.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	2.8	4.4	16	10.3	4,523	8.7
2020	2.8	--	22	7.6	5,965	6.1
Moderate						
2019	14.6	13.6	24	15.4	6,480	12.5
2020	14.6	--	44	15.3	11,190	11.4
Middle						
2019	82.6	82.0	116	74.4	40,963	78.8
2020	82.6	--	222	77.1	81,281	82.6
Upper						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	--	0	0.0	0	0.0
Not Available						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	--	0	0.0	0	0.0
Totals						
2019	100.0	100.0	156	100.0	51,966	100.0
2020	100.0	--	288	100.0	98,435	100.0

*Source: 2015 ACS; Bank Data, 2019 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%*

Commercial Loans

The geographic distribution of 2020 commercial loans reflects excellent dispersion. Examiners compared the bank's lending activity to business demographic data. In 2020, the bank's percentage

of loans exceeded the percent of businesses in both low- and moderate-income census tracts. Please see the following table for further information.

Geographic Distribution of Commercial Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	12.8	4	22.2	633	29.1
Moderate	10.9	3	16.7	132	6.1
Middle	76.4	11	61.1	1,407	64.8
Upper	0.0	0	0.0	0	0.0
Not Available	0.0	0	0.0	0	0.0
Total	100.0	18	100.0	2,172	100.0

Source: 2020 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%

Borrower Profile

The distribution of borrowers reflects excellent penetration among individuals of different income levels and businesses of different sizes, especially to the most economically disadvantaged and the smallest businesses. The bank’s excellent performance in home mortgage lending and excellent performance in commercial lending supports this conclusion. Examiners focused on the percentage, by number, of home mortgage loans to low- and moderate-income borrowers and commercial loans to businesses with GARs of \$1.0 million or less.

Home Mortgage Loans

The distribution of borrowers reflects excellent penetration among individuals of different income levels, including low- and moderate-income borrowers. As shown in the following table, the bank’s performance in lending to low-income borrowers exceeded aggregate performance in 2019. While the percentage of lending to low-income borrowers declined in 2020, the number of loans originated to low-income borrowers increased. The percentage of low-income families is typically higher than the aggregate lending to these families, as low-income families in the assessment area, earning less than \$57,750, may have difficulty qualifying for a mortgage under conventional underwriting standards. Considering the high median housing value of \$432,816 in the assessment area, the difference between the bank’s performance and the percent of low-income families is reasonable.

In 2019, the bank’s performance in lending to moderate-income borrowers was slightly below aggregate performance and the percentage of moderate-income families. In 2020, performance improved and exceeded the percentage of moderate-income families in the area.

Market share data supports this conclusion. In lending to low-income borrowers, the bank ranked 2nd in 2019, with only a large mortgage company ranking higher. For moderate-income borrowers, the bank ranked 3rd out of 98 lenders with a 6.9 percent market share in lending to moderate-income borrowers. Only two large mortgage companies ranked higher.

Distribution of Home Mortgage Loans by Borrower Income Level							
Borrower Income Level	% of Families	Aggregate Performance % of #	Market Share % of #	#	%	\$(000s)	%
Low							
2019	25.4	7.3	12.1	17	10.9	2,324	4.5
2020	25.4	--	--	27	9.4	4,606	4.7
Moderate							
2019	18.8	19.6	7.2	27	17.3	5,246	10.1
2020	18.8	--	--	62	21.5	15,241	15.5
Middle							
2019	21.0	21.8	7.7	32	20.5	7,526	14.5
2020	21.0	--	--	82	28.5	23,419	23.8
Upper							
2019	34.8	39.4	7.2	54	34.6	24,612	47.4
2020	34.8	--	--	87	30.2	40,021	40.7
Not Available							
2019	0.0	11.8	11.6	26	16.7	12,257	23.6
2020	0.0	--	--	30	10.4	15,148	15.4
Totals							
2019	100.0	100.0	8.2	156	100.0	51,966	100.0
2020	100.0	--	--	288	100.0	98,435	100.0

Source: 2015 ACS; Bank Data, 2019 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%

Commercial Loans

The distribution of 2020 commercial loans reflects reasonable penetration to businesses with GARs of \$1 million or less. As shown in the following table, the bank's lending was below the percentage of small businesses operating in the assessment area. However, a more detailed analysis of originations shows that the bank originated the majority of those loans to businesses with GARs of under \$500,000, demonstrating the banks willingness to lend to very small businesses. This is similar to the bank's performance at the previous evaluation.

Distribution of Commercial Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
≤ \$1,000,000	89.2	14	77.8	1,365	62.8
> \$1,000,000	4.2	4	22.2	807	37.2
Revenue Not Available	6.5	0	0.0	0	0.0
Total	100.0	18	100.0	2,172	100.0

Source: 2020 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

The institution’s community development performance demonstrates adequate responsiveness to community development needs in its assessment area through community development loans, qualified investments, and community development services, as appropriate, considering the institution’s capacity and the need and availability of such opportunities for community development in the institution’s assessment area

Community Development Loans

CASB originated 20 community development loans totaling approximately \$5.6 million during the evaluation period. The number of loans is similar to the number of loans the bank made during the previous evaluation period, but the dollar amount increased by approximately 41.0 percent. This level of activity is comparable to that of similarly situated institutions.

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

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
9/4/18-12/31/18	0	0	0	0	0	0	0	0	0	0
2019	0	0	1	545	0	0	0	0	1	545
2020	0	0	1	1,948	7	2,319	1	75	9	4,342
YTD 2021	0	0	0	0	10	680	0	0	10	680
Total	0	0	2	2,493	17	2,999	1	75	20	5,567
<i>Source: Bank Data</i>										

Below are notable examples of community development loans:

- In 2019, the bank made a \$545,000 loan to a food pantry to purchase a commercial property in Gloucester Massachusetts. The food pantry provides community services to low- and moderate-income households.
- The bank originated a \$1.9 million PPP loan to a non-profit organization in 2020 to support working capital and wage needs for a non-profit in Tewksbury MA. The non-profit organization supports workforce development and residential services for individuals with developmental disabilities, the majority of whom are low- or moderate-income individuals. This loan supports a community service for low- and moderate-income individuals.
- The bank participated in a \$150,000 loan to improve a non-profit visitor center in 2020. The mission of the non-profit is to support the development of small businesses in the area. The loan revitalizes and stabilizes the low-income census tract by attracting and retaining existing businesses. The bank’s participation totaled \$75,000.

- During the evaluation period, the bank made several loans to small fishing companies in coordination with the state’s Executive Office of Energy and Environmental Affairs. Although these loans were relatively small by dollar amount (<\$250,000) they represent an impactful community development activity that supported economic development.

Qualified Investments

CASB made 34 qualified investments including five equity investments, one of which is prior period investment, and 29 donations. Total investments were \$363,777, which reflects a significant increase over the previous evaluation period when the bank made investments totaling \$133,000. This level of activity represents less than 0.1 percent of average total assets and average total securities over the evaluation period.

The following table details qualified investments by year and purpose.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	0	0	1	8	0	0	1	8
9/4/18-12/31/18	0	0	0	0	1	11	0	0	1	11
2019	0	0	0	0	2	12	0	0	2	12
2020	0	0	0	0	0	0	0	0	0	0
YTD 2021	0	0	0	0	1	5	0	0	1	5
Subtotal	0	0	0	0	5	36	0	0	5	36
Qualified Grants & Donations	1	1	27	324	1	3	0	0	29	328
Total	1	1	27	324	6	39	0	0	34	364

Source: Bank Data

Equity Investments

All of the bank’s equity investments included in the previous table were to the Massachusetts Business Development Corporation. This organization is an economic development company that provides financing and investment capital for growing companies in Massachusetts. The bank provides investments to this organization, which uses those funds to make loans to small businesses where the potential for economic expansion and job creation is high.

Qualified Donations

Below are notable examples of the bank’s qualified donations:

- *The Open Door* – The bank donated to this organization in 2019 and 2020. This organization provides a number of social service programs to assist low- and moderate-income individuals, including a food pantry, a thrift store, job training, and summer meal

assistance. The bank provided support through traditional donations as well as the donation of stock. This investment supports community services for low- and moderate-income individuals.

- *Cape Ann YMCA* – This non-profit organization provides essential community services in Gloucester Massachusetts. The YMCA operates in a moderate-income area and the majority of those served are low- and moderate-income individuals and families. Programs include youth activities, childcare, and health and fitness services. The organization also provided additional shelter locations for homeless individuals during the COVID-19 crisis. The bank provided support through traditional donations as well as the donation of stock. This donation promotes community services for low- moderate-income individuals.
- *Cape Ann Emergency Relief Fund* – This fund is a collaborative effort between the City of Gloucester, the Chamber of Commerce, and a local non-profit organization. The goal of the fund is to assist low- and moderate-income workers impacted by the COVID-19 crisis. The industries receiving particular focus include childcare, retail, and hospitality. The bank donated to this fund to provide essential community services to low- and moderate-income individuals.
- *Wellspring House* – This Gloucester-based organization helps needy families and adults on the North Shore achieve financial stability. Programs include housing support, job training, and adult education. The bank provided donations to this organization in 2019 and 2020. These donations helped provide essential community services to low- and moderate-income families.

Community Development Services

During the evaluation period, the bank provided 74 instances of financial expertise or technical assistance to 15 different community development-related organizations in the assessment area, which is an increase over the 34 instances provided during the previous evaluation period.

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

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
09/4/2018-12/31/2018	1	13	3	1	18
2019	2	15	4	1	22
2020	1	14	2	1	18
YTD 2021	1	12	2	1	16
Total	5	54	11	4	74
<i>Source: Bank Data</i>					

During the evaluation period, the bank provided technical assistance through employee expertise, financial education, and other programs designed to expand services to low- and moderate-income individuals and communities. The following are notable examples.

Employee Involvement

- *Action Inc.* – The bank works closely with this community action agency located in Cape Ann. The organization’s goal is to eliminate poverty by increasing access to economic opportunity through workforce development, housing advocacy, and other support services. These programs primarily provide community services to low- and moderate-income individuals. The bank’s vice president of marketing sits on the Board of Directors, and assists in mock interviews with individuals looking for employment. In addition to providing qualified community services, the bank is involved with this organization in other ways such as providing donations and actually hiring clients of Action Inc. as permanent bank staff.
- *Gloucester Fishing Community Preservation Fund* – This organization aims to preserve and develop the fishing industry in Gloucester. The fund coordinates access and permitting processes, and encourages workforce development in the fishing industry. This organization promotes economic development by financing small businesses. The bank’s president sits on the Board of Directors.
- *Gilbert Home for Aged and Indigent Persons* – The mission of this organization is to aid individuals in need by providing community services. The majority of individuals served by this organization are low- or moderate-income. The president and four bank trustees are on the Board of Directors.
- *Gloucester Affordable Housing Trust* – This initiative is supported by the City of Gloucester, and assists in the development of affordable housing opportunities in the city. A commercial loan officer sits on the Board.

Financial Education

- *Savings Makes Cents* – The bank offered basic banking classes to elementary school students in Gloucester in 2018 and 2019. Topics included jobs, budgeting, and buying decisions. The majority of students attending Beeman Memorial and Veterans Memorial Elementary School receive free or reduced-price lunch, and primarily serve individuals from low- and moderate-income households.
- *SCORE Business Development* – The bank hosts weekly in-branch counseling sessions with this economic development organization. The purpose is to promote economic development by assisting small businesses and start-ups with basic questions.

Other Services

- *Gloucester Branch* – The bank maintains a branch in a low-income census tract in Gloucester MA. This branch provides essential retail services for the low- and moderate-

income community.

- *Massachusetts Community & Banking Council (MCBC): Basic Banking – CASB* participates in the Basic Banking program, an initiative to expand access to retail banking services for low- and moderate-income individuals in Massachusetts. The bank provides low-cost deposit products as an alternative to more expensive options, such as overdrafts or check cashing.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

APPENDIX

FAIR LENDING POLICIES AND PROCEDURES

The Division of Banks provides comments regarding the institution’s fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106. A review of the bank’s public comment file indicated the bank received no complaints pertaining to the institution’s CRA performance since the previous examination. Examiners conducted the fair lending review in accordance with the Federal Financial Institutions Examination Council (FFIEC) Interagency Fair Lending Examination Procedures. Based on these procedures, examiners did not note any evidence of disparate treatment.

MINORITY APPLICATION FLOW

Examiners reviewed the bank’s 2019 and 2020 HMDA LARs to determine if the bank’s application flow from different racial and ethnic groups reflected the assessment area’s demographics.

According to 2015 ACS Census data, the bank’s assessment area contains a population of 865,769 individuals, of which 36.6 percent are minorities. The assessment area’s minority population is 7.2 percent Black/African American, 11.3 percent Asian, 0.1 percent American Indian, 14.8 percent Hispanic or Latino, and 3.2 percent Other.

The following table details the bank’s minority application flow and aggregate data in its assessment area.

MINORITY APPLICATION FLOW						
RACE	Bank 2019		2019 Aggregate Data	Bank 2020		2020 Aggregate Data
	#	%	%	#	%	%
American Indian/ Alaska Native	0	0.0	0.1	0	0.0	0.2
Asian	2	1.1	1.4	0	0.0	0.9
Black/ African American	1	0.5	0.3	1	0.3	0.3
Hawaiian/Pacific Islander	0	0.0	0.0	0	0.0	0.0
2 or more Minority	0	0.0	0.0	0	0.0	0.1
Joint Race (White/Minority)	2	1.1	0.9	3	0.9	0.7
Total Racial Minority	5	2.7	2.7	4	1.2	2.2
White	169	88.4	79.3	276	83.9	79.2
Race Not Available	17	8.9	18.0	49	14.9	18.6
Total	191	100.0	100.0	329	100.0	100.0
ETHNICITY						
Hispanic or Latino	0	0.0	1.3	0	0.0	1.2
Joint (Hisp/Lat /Not Hisp/Lat)	1	0.5	0.7	3	0.9	0.8
Total Ethnic Minority	1	0.5	2.0	3	0.9	2.0
Not Hispanic or Latino	170	89.0	78.4	262	79.6	76.7
Ethnicity Not Available	20	10.5	19.6	64	19.5	21.3
Total	191	100.0	100.0	329	100.0	100.0

In 2019, the bank received 191 HMDA-reportable loan applications from within its assessment area. Of these applications, the bank received five, or 2.7 percent, from racial minorities. This was comparable to aggregate data, which indicates 2.7 percent of applications were received from racial minorities. For the same period, the bank received one application from an applicant delineated as an ethnic minority. The bank's performance was comparable to aggregate data, which indicates 2.0 percent of applications were received from the same demographic.

The bank's 2020 loan data exhibited an increase in minority application flow by number and slight decrease by percentage. The bank received 329 HMDA-reportable loan applications from within its assessment area. The bank received four applications, or 1.2 percent, from racial minorities. This was comparable to the aggregate performance trend of 2.2 percent for applications from the same demographic. The bank received three applications from ethnic minority applicants in 2020, or 0.9 percent. The bank's performance among ethnic minority applicants was comparable to aggregate performance at 2.0 percent.

The bank's minority application flow is comparable aggregate lending trends. Considering the demographic composition of the assessment area, comparisons to aggregate data in 2019 and 2020, and the number of applications received, the bank's minority application flow is reasonable.

GLOSSARY

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

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

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

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

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

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Institution CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Institution CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. In addition, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose institution:
 - (i) Has not been reported or collected by the institution or an affiliate for consideration in the institution's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
 - (ii) Benefits the institution's assessment area(s) or a broader statewide or regional area including the institution's assessment area(s).

Community Development Service: A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the institution's retail banking services under § 345.24(d).

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

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

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

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

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

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

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

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

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.

Performance under applicable tests is often analyzed using only quantitative factors (e.g., geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

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

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

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

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

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

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

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

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

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

Nonmetropolitan Area (also known as **non-MSA**): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

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

Qualified Investment: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBICs are privately owned investment companies, which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

Upper-Income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

"Urban" excludes the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.