

PUBLIC DISCLOSURE

JUNE 2, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

CAPE COD COOPERATIVE BANK

26517

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<p>NOTE: This document is an evaluation of the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations 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.</p>

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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Massachusetts Division of Banks (Division) and the Federal Deposit Insurance Corporation (FDIC) to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **Cape Cod Cooperative Bank (the Bank)**, prepared by the Division and the FDIC, the institution's supervisory agencies as of **June 2, 2014**. The agencies evaluate performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in Massachusetts Regulation 209 CMR 46.00. The FDIC rates the CRA performance institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345 of the FDIC's Rules and Regulations.

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 assigned rating is based on the results of two performance tests: the Lending Test and the Community Development Test. The Bank's performance under each of these two tests is summarized below:

Lending Test: "Satisfactory"

- Cape Cod Cooperative Bank's loan-to-deposit ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs.
- A majority of the Bank's residential loans and small business loans are inside the assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.
- The geographic distribution of the Bank's loans reflects reasonable dispersion throughout the assessment area.
- The Bank has not received any CRA-related complaints.

Community Development Test: "Satisfactory"

The institution demonstrates reasonable responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and

community development services, considering its capacity and the need and availability of such opportunities for community development in the assessment area.

SCOPE OF EVALUATION

This evaluation was conducted jointly between the Division and the FDIC. Intermediate Small Bank CRA procedures were utilized for the evaluation. These procedures have two performance tests: the Lending Test and the Community Development Test. This evaluation considered the Bank's lending and community development activities for the period of May 16, 2011 through June 2, 2014. The data and applicable timeframes for the Lending Test and the Community Development Test are discussed below.

The Bank is primarily a residential lender. This is reflected in its most recent Consolidated Report of Condition and Income (Call Report) as of March 31, 2014, which shows that 71.0 percent of the Bank's loan portfolio is secured by residential real estate. For purposes of this evaluation, greater emphasis is placed on the Bank's residential lending performance as it was the Bank's primary lending focus throughout the evaluation period. Small farm loans were not considered in this analysis since the Bank did not make any small farm loans during the evaluation period. Consumer lending is not included in this analysis since it accounts for a minor portion of the Bank's overall lending activity and the Bank does not collect information regarding such activity.

The Lending Test includes home mortgage loans from January 1, 2012 through December 31, 2013. Home mortgage lending data was derived from the Bank's Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs). The LARs contain data about home purchase and home improvement loans, including refinances, of one-to-four family and multifamily properties (five or more units). The evaluation emphasized home mortgage lending performance in 2012, as this is the most recent year for which aggregate lending data is available. The Bank's home mortgage lending performance was compared with HMDA aggregate data, which is a measure of home mortgage loan demand. Aggregate lending data reflects loan originations and purchases within the Bank's assessment area from all HMDA-reporting lenders. The Bank's performance was also compared to demographic data. Lending performance from 2013 was analyzed to determine trends.

The Lending Test also includes small business loans from 2012 and 2013. The CRA defines small business loans as commercial real estate or commercial and industrial loans with original balances of \$1 million or less. While the Bank is not required to report small business loan data, it collected this data during the review period. Small business loan data was derived from the Bank's Small Business Loan Registers. The Bank's small business lending activity was not compared to aggregate data since the Bank did not start reporting this data until 2013. Aggregate data for small business loans is only available for 2012. Small business lending performance was compared to 2012 and 2013 business demographic data.

The Community Development Test includes an analysis of the Bank's qualified community development loans, investments, and services from May 16, 2011 through June 2, 2014. Qualified equity investments currently held by the Bank were considered regardless of investment date. These investments received credit for the March 31, 2014 book value.

PERFORMANCE CONTEXT

Description of Institution

Cape Cod Co-operative Bank, doing business as The Cooperative Bank of Cape Cod since September 2011, was founded in 1921 as a Massachusetts-chartered mutual cooperative bank servicing the residents of Cape Cod. On September 14, 2006, the Bank reorganized from a mutual cooperative bank into a no-stock mutual holding company, Coastal Affiliates, MHC, a single-bank holding company. In addition to its main office, the Bank operates eight full-service branch offices located in East Dennis, East Harwich, Falmouth, Hyannis, Marston Mills, North Falmouth, Sandwich, and West Barnstable. The Hyannis branch is located in a low-income census tract, the Sandwich branch is located in an upper-income census tract, and the remaining seven branches are located in middle-income census tracts.

In addition to these branches, the Bank operates three limited-service branches that are located in retirement communities (King's Way, Thirwood, and Heatherwood). These are located in middle-income census tracts in Yarmouth Port, with limited hours of operation that are only open to the residents and employees of these communities. The Bank also operates an operations center in a low-income tract in Hyannis and a loan production office in a middle-income tract Osterville. The loan production office is open by appointment only.

All branches are equipped with 24-hour automated teller machines (ATMs) and all branch ATMs are deposit-taking. As part of the SUM ATM program, the Bank's customers have fee-free access to thousands of ATMs nationwide. Eight of the nine branches have drive-up facilities. The Falmouth branch does not have a drive-up facility nor is it open on Saturday.

The Bank is a full-service financial institution that offers a wide variety of products and services. The Bank offers a variety of mortgage services including fixed- and adjustable- rate mortgages, first-time homebuyer mortgages, MassHousing loans, municipal and healthcare workers programs, land, jumbo, and construction loans. The Bank also offers commercial real estate loans, commercial construction loans, business lines of credit, term financing, Small Business Administration (SBA) loans, home equity lines of credit, home equity loans, personal loans, and auto loans.

The Bank also offers deposit products and services, including checking accounts, savings accounts, money market accounts, certificates of deposit, Christmas club, ATM and debit cards. Services for businesses include free online banking, free mobile banking, online cash management, payroll services, wire transfers, automated clearing house, merchant credit card services, business credit cards, overdraft protection, and night deposit services. Other services include no annual fee VISA credit card, no annual fee MasterMoney debit/ATM card, free incoming wire transfers, consolidated statement, auto-pay, notary services, telephone banking, mobile banking, online banking with bill pay, and eStatements.

As of March 31, 2014, the Bank had total assets of \$709 million and total deposits of \$552 million. Total loans were \$606 million and represented 85.5 percent of total assets. Since the last CRA evaluation, the Bank's assets grew by 18.4 percent, net loans increased by 26.3 percent, and deposits grew by 20.1 percent.

Table 1 illustrates the current distribution of the Bank's loan portfolio.

Table 1		
Loan Distribution as of March 31, 2014		
Loan Type	Dollar Amount \$(000s)	Percent of Total Loans (%)
1-4 Family Construction Loans	17,655	2.9
Other Construction Loans	10,352	1.7
Secured by Farmland	0	0.0
1-4 Family Residential Loans	422,514	69.7
Multifamily (5 or more) Residential Loans	7,992	1.3
Commercial Real Estate Loans	114,444	18.9
Total Real Estate Loans	572,957	94.5
Commercial and Industrial	32,094	5.3
Other Revolving Credit Plans	430	0.1
Automobile Loans	31	0.0
Other Consumer Loans	851	0.1
Total Loans	606,363	100.0

Source: Call Report as of March 31, 2014

The Bank is primarily a residential lender, with a majority of the loan portfolio secured by residential properties. As noted in Table 1, approximately 69.7 percent of total loans are secured by residential one-to-four family properties. Loans secured by commercial real estate accounted for 18.9 percent of the loan portfolio, while commercial and industrial loans represent 5.3 percent of loans. Bank management indicated it increased focus on small business lending during the review period through product and staffing expansion. Nonetheless, conclusions were primarily based on the Bank's residential lending performance based on the higher level of activity for this product during the review period.

The Division and the FDIC last evaluated the Bank's CRA performance as of May 16, 2011, resulting in a rating of "Satisfactory." There are no apparent financial or legal impediments that would limit the Bank's ability to help meet the credit needs of its assessment area.

Description of Assessment Area

The CRA requires financial institutions to define an assessment area within which its CRA performance will be evaluated. The Bank's assessment area as currently defined meets the technical requirements of the CRA regulation since it: (1) consists of one or more political subdivisions, (2) includes the geographies where the Bank has its main office, branches, and deposit-taking ATMs, as well as the surrounding geographies in which the institution originated a substantial portion of its loans, (3) consists of whole census tracts, (4) does not extend substantially beyond state boundaries, (5) does not reflect illegal discrimination, and (6) does not arbitrarily exclude low- and moderate-income areas.

Refer to Table 2 for pertinent demographic information about the assessment area.

Table 2 Demographic Information					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	41	2.4	14.6	73.2	9.8
Population by Geography	162,767	1.9	11.8	73.4	12.9
Owner-Occupied Housing by Geography	59,103	0.4	9.5	78.0	12.1
Business by Geography (2012)	20,720	9.7	10.5	67.1	12.7
Business by Geography (2013)	19,945	9.7	10.4	67.2	12.7
Family Distribution by Income Level	47,079	19.0	18.6	24.0	38.4
Distribution of Low and Moderate Income Families throughout AA Geographies	17,653	2.8	17.6	72.6	7.0
Median Family Income (MFI)		\$74,614	Median Housing Value		\$400,653
FFIEC Adjusted Median Family Income for 2012		\$80,000			
FFIEC Adjusted Median Family Income for 2013		\$74,900	Unemployment Rate		6.1%
Families Below Poverty Level		5.1%			
Households Below Poverty Level		7.5%			

Source: 2010 United States (U.S.) Census Data, 2012 and 2013 Federal Financial Institutions Examination Council (FFIEC) MFI, D&B Data

Geographies

The Bank's assessment area contains the following towns in Barnstable County: Barnstable, Dennis, Falmouth, Harwich, Mashpee, Sandwich, and Yarmouth. The town of Barnstable consists of seven villages: Barnstable Village, Centerville, Cotuit, Hyannis, Marston Mills, Osterville and West Barnstable. All of these towns are located in the Barnstable, Massachusetts Metropolitan Statistical Area (MSA), known as Cape Cod.

As shown in Table 2, the Bank's assessment area consists of 41 census tracts, the majority of which are middle-income (73.2 percent). The one low-income census tract is located in Hyannis, while the six moderate-income census tracts are located in Dennis, Hyannis (2), Sandwich, and Yarmouth (2).

Population

The assessment area has a total population of 162,767, with 47,079 family households. Of all family households in the area, 19.0 percent are low-income, 18.6 percent are moderate-income, 24.0 percent are middle-income, and 38.4 percent are upper-income; 5.1 percent of families are below the poverty level. Although Cape Cod has a year round population of about 220,000, it is much higher during the summer tourist season from Memorial Day through Labor Day.

Housing

The assessment area consists of 111,222 total housing units, of which 59,103 or 53.1 percent are owner-occupied, 14,419 or 13.0 percent are rental units, and 37,700 or 33.9 percent are vacant units. The large percentage of vacant units is partly due to the fact that many properties are second homes owned for seasonal purposes. Of the 59,103 owner-occupied housing units, 244 (0.4 percent) are in the low-income census tract, while 5,618 (9.5 percent) are in moderate-income census tracts. The median housing value in 2010 for the assessment area was \$400,653, and the median age of the housing stock was 36 years. Recent figures from the Warren Group show that the assessment area's median home prices in 2013 ranged from a low of \$216,000 in Hyannis to \$487,500 in Osterville.

Business Demographic Data

There were 19,945 businesses in the assessment area in 2013, of which 74.1 percent have gross annual revenues of \$1 million or less, 3.5 percent have gross annual revenues greater than \$1 million, and the remaining 22.4 percent have unknown revenues. Of total businesses in the assessment area, 9.7 percent are in low-income census tracts, 10.4 percent are in moderate-income census tracts, 67.2 percent are in middle-income tracts, and 12.7 percent are in upper-income tracts. Businesses in the services industry represent 44.1 percent of total businesses. Businesses involved in retail trade (13.2 percent), non-classifiable establishments (12.9 percent), and construction (10.5 percent) also make up a significant share of total businesses.

In terms of employees, approximately 67.8 percent of the area's businesses employ four or fewer people. Included among the largest employers in the assessment area are Cape Cod Healthcare, Nantucket Airlines Administration, Barnstable High School and New Seabury Properties LLC. Many businesses target summer visitors.

Unemployment

The December 2013 unemployment rate for Massachusetts was 7.1 percent according to the Bureau of Labor Statistics. This represents an increase from 6.8 percent in 2012. The unemployment rate for Barnstable County as of December 2013 was higher at 7.6 percent. December 2013 unemployment rates for the towns in the assessment area were as follows: Barnstable 6.8 percent, Dennis 8.0 percent, Falmouth 6.8 percent, Harwich 8.0 percent, Mashpee 7.2 percent, Sandwich 6.6 percent, and Yarmouth 8.1 percent.

Competition

The Bank faces strong competition from other financial institutions that originated loans within the assessment area. These institutions range in size from small credit unions and mortgage companies with single office locations to the largest banks in New England. Among the more prominent lenders competing with the Bank are Cape Cod Five Cents Savings Bank, First Citizens Federal Credit Union, Eastern Bank, Rockland Trust, and Bank of Cape Cod. Aggregate lending data from 2012 shows that 399 lenders originated or purchased 14,070 residential mortgage loans in the Bank's assessment area. The Bank ranked third with a 5.6 percent market share. The top two lenders in the assessment area were The Cape Cod Five Cents Savings Bank with a 12.9 percent market share and Wells Fargo Bank with an 8.9 percent market share.

Community Contact

As part of the evaluation process, third parties active in the assessment area are contacted to assist in assessing the credit and community development needs of the community. The information obtained helps to determine whether local financial institutions are responsive to the credit and community development needs of its communities, as well as what community development opportunities are available in the assessment area.

A community contact was conducted with a local affordable housing specialist that promotes fair, affordable housing to low- and moderate-income individuals living on Cape Cod. The contact stated that the primary need is rental housing for single households, as there is a limited supply of housing. The contact also stated that 25 percent of the population is over 65 and many are "cash poor" but "house rich." Overall, the contact was pleased with the responsiveness of local community banks to the area's credit needs, but noted the need for more small business lending. The contact also stated that Cape Cod is a tourist-based economy, and there is a gap between wages and housing. There is a need for more affordable housing.

Credit and Community Development Needs and Opportunities

Assessment area credit needs include a variety of retail loan products to meet personal financial needs. Additionally, there is a need for home financing programs with flexible terms. Business credit needs include working capital and real estate-secured loans to maintain or expand business operations. Based on demographic data and information obtained from a community contact, there is opportunity for affordable housing and economic development in the assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LENDING TEST

The Lending Test considers the institution's performance pursuant to the following criteria: loan-to-deposit (LTD) ratio, assessment area concentration, borrower profile, geographic distribution, and response to CRA complaints.

The Bank's overall performance with respect to the Lending Test is Satisfactory. The following sections discuss the analysis and conclusions regarding the Bank's performance under each criterion.

1. LOAN-TO-DEPOSIT ANALYSIS

This performance criterion determines what percentage of the Bank's deposit base is reinvested in the form of loans and evaluates its appropriateness. The Bank's net LTD ratio is more than reasonable given the institution's size, financial condition and the assessment area's credit needs.

The Bank's net LTD ratio is 108.7 percent as of March 31, 2014. The review considered the Bank's net LTD ratio for the last 13 quarters since the prior CRA evaluation. The Bank's average net LTD ratio was 106.1 percent during the review period. The ratio reached a low of 99.2 percent as of March 31, 2013, and a high of 112.7 percent as of June 30, 2012. Net loans increased by 26.3 percent, deposits increased by 20.1 percent, and assets increased 18.4 percent.

Bank management explained that the Bank sold loans in bulk for liquidity purposes. During the evaluation period the Bank sold 1,330 loans totaling \$293 million to Federal Home Loan Mortgage Corp. (FHLMC), MassHousing, Branch Banking & Trust Company, Chelsea Groton Bank, and Mutual Bank. The Bank is a member of the Federal Home Loan Bank system and borrows funds to support additional loan commitments.

The Bank's average net LTD ratio was compared to the ratios of four similarly situated institutions for the same time period. These four institutions are similar in terms of asset size and loan portfolio composition.

Table 3 Peer Group Loan-to-Deposit Comparison		
Bank Name	Total Assets \$(‘000s) as of 3/31/14	Average Net LTD Ratio 3/31/11 – 3/31/14
The Village Bank	781,524	80.4
BankFive	759,202	77.8
Hampden Bank	714,485	95.0
Cape Cod Co-operative Bank	709,152	106.1
Newburyport Five Cents Savings Bank	677,321	109.9

Source: FFIEC Call Reports

As shown in Table 3, the four other institutions had ratios ranging between 77.8 percent and 109.9 percent. At 106.1 percent, the Bank's ratio is second highest.

2. ASSESSMENT AREA CONCENTRATION

This performance criterion evaluates whether the Bank is meeting the credit needs within its assessment area. The analysis includes both residential lending and small business lending.

A majority (81.1 percent) of the Bank's lending activity occurred within the assessment area. Table 4 illustrates the Bank's record of extending residential mortgage loans and small business loans inside and outside the assessment area by number and dollar amount.

Table 4 Distribution of Loans Inside and Outside of Assessment Area										
Loan Category or Type	Number Loans					Dollar Volume (\$'000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
2012										
Home Purchase	234	80.4	57	19.6	291	57,611	78.8	15,480	21.2	73,091
Refinance	498	82.7	104	17.3	602	111,178	77.9	31,541	22.1	142,719
Home Improvement	52	91.2	5	8.8	57	7,202	92.3	600	7.7	7,802
Total	784	82.5	166	17.5	950	175,991	78.7	47,621	21.3	223,612
2013										
Home Purchase	226	80.7	54	19.3	280	59,296	75.4	19,384	24.6	78,680
Refinance	259	79.7	66	20.3	325	65,420	74.9	21,921	25.1	87,341
Home Improvement	64	84.2	12	15.8	76	8,919	73.4	3,230	26.6	12,149
Total	549	80.6	132	19.4	681	133,635	75.0	44,535	25.0	178,170
Total Home Loan	1,333	81.7	298	18.3	1,631	309,626	77.1	92,156	22.9	401,782
Small Business 2012	90	76.9	27	23.1	117	15,273	71.3	6,158	28.7	21,431
Small Business 2013	86	76.1	27	23.9	113	16,991	68.9	7,683	31.1	24,674
Total Small Business	176	76.5	54	23.5	230	32,264	70.0	13,841	30.0	46,105
Grand Total	1,509	81.1	352	18.9	1,861	341,890	76.3	105,997	23.7	447,887

Source: 2012 and 2013 HMDA LARs, 2012 and 2013 Small Business Loan Registers

Residential Lending

As shown in Table 4, the Bank originated 1,333 home loans totaling \$309.6 million in the assessment area during the evaluation period. This represents 81.7 percent of the total number of home loans originated by the Bank and 77.1 percent by dollar volume. While the percentage of loans was similar for both years, overall volume declined in 2013 based on reduced demand for refinance loans. The distribution of loans by number bears more weight on the Bank's rating than the distribution by dollar amount. Conclusions based on dollar amount may be skewed by loans with particularly high or low amounts.

Small Business Lending

Table 4 shows that the Bank originated 176 small business loans totaling \$32.3 million in the assessment area during the review period. This represents 76.5 percent of the total number of small business loans originated by the Bank. The proportion of small business lending in the assessment area was consistent throughout the review period.

3. BORROWER PROFILE

This performance criterion evaluates the distribution of the Bank's residential and small business loans based on borrower characteristics. Analyses were conducted of the Bank's residential mortgage loans inside the assessment area based on borrower income and the Bank's small business loans inside the assessment area based on business revenues. For residential lending, emphasis is placed on loans to low- and moderate-income borrowers; for small business lending, emphasis is placed on loans to businesses with gross annual revenues (GAR) of \$1 million or less.

Overall, the distribution of loans reflects reasonable penetration among individuals of different income levels and businesses of different sizes.

Residential Lending

Residential lending data was reviewed to assess how well the Bank addressed the housing credit needs of the area's low-, moderate-, middle-, and upper-income residents. Special consideration is placed on the Bank's record of lending to low- and moderate-income borrowers in the assessment area. The distribution of home mortgage loans reflects reasonable penetration among individuals of different income levels. See Table 5 for information concerning the distribution of loans by borrower income within the Bank's assessment area.

Table 5						
Distribution of HMDA Loans by Borrower Income						
Income Level	% of Families	Aggregate Lending Data 2012	Bank 2012		Bank 2013	
		%	#	%	#	%
Low	19.0	4.2	41	5.2	21	3.8
Moderate	18.6	13.2	156	19.9	74	13.5
Middle	24.0	18.9	187	23.9	138	25.1
Upper	38.4	51.6	399	50.9	307	56.0
N/A	0.0	12.1	1	0.1	9	1.6
Total	100.0	100.0	784	100.0	549	100.0

Source: 2012 and 2013 HMDA LARs, 2012 Aggregate Data, and 2010 U.S. Census Data

Upper-income borrowers accounted for the majority of the Bank's loans in both years. The percentage of loans to upper-income borrowers was significantly higher than the percentage of upper-income families in the area, but was consistent with aggregate lending in 2012. Middle-income borrowers accounted for the next highest share, with the Bank's percentage of loans similar to the percentage of middle-income families. Moderate-income borrowers accounted for 19.9 percent of the Bank's 2012 loans, which was above the percentage of moderate-income families and aggregate lending. The proportion of 2012 loans to low-income borrowers (5.2 percent) was far below the percentage of low-income families (19.0 percent) in the assessment area, but it exceeded aggregate lending. However, the area's high housing costs limits the number of borrowers in this income category that can realistically qualify for home financing, particularly home purchase loans.

The Bank's performance in lending to low- and moderate-income borrowers in the assessment area is further highlighted by 2012 market share reports. The Bank ranked third with a market share of 6.8 percent for all assessment area loans originated to low-income borrowers. Cape Cod Five Cents Savings Bank ranked first with a 17.8 percent share, followed by JP Morgan Chase

Bank at 10.0 percent. The Bank ranked second with 156 loans to moderate-income borrowers in the assessment area with a market share of 8.2 percent. Cape Cod Five Cents Savings Bank was first with a 17.3 percent market share.

The distribution of home loans in 2013 was comparable to 2012, with middle- and upper-income borrowers accounting for the majority of home loans. The Bank's performance for low- and moderate-income borrowers decreased in 2013, but remained at a reasonable level.

The Bank offers products that meet the credit needs of low- and moderate-income borrowers, including first-time homebuyer mortgages, municipal employee/health care mortgages, and a lottery/affordable mortgage program. The Bank also offers a needs-based program to borrowers who generally would not qualify for conventional financing products. Other products include MassHousing, Freddie Mac, and Fannie Mae loan programs. These programs are geared toward low- and moderate-income borrowers, featuring competitive interest rates and flexible underwriting standards.

Small Business Lending

The Bank's small business lending was reviewed to assess how well the Bank is addressing the credit needs of the area's small businesses. The distribution of loans reflects reasonable penetration among businesses of different sizes. Table 6 illustrates the distribution of the Bank's 2012 and 2013 small business loans within the assessment area by business revenues. For comparison purposes, the table includes the percentage of businesses in the assessment area by GAR category.

Table 6						
Distribution of Small Business Loans by Gross Annual Revenues						
GAR \$(000s)	2012 % of Total Businesses	2012 Bank		2013 % of Total Businesses	2013 Bank	
		#	%		#	%
≤ \$1,000	74.1	57	63.3	74.1	60	69.8
> \$1,000	3.4	29	32.2	3.5	25	29.1
GAR Not Reported	22.5	4	4.5	22.4	1	1.1
Total	100.0	90	100.0	100.0	86	100.0

Source: 2012 and 2013 Small Business Loan Registers, D&B Data

In 2012, the Bank made 63.3 percent of its loans to businesses with GAR of \$1 million or less, which is lower than the percentage of businesses in that size category (74.1 percent). The Bank increased its ratio of loans to businesses with GAR of \$1 million or less in 2013, although it was still slightly lower than the percentage of total businesses. Of the 60 loans, 28 (46.7 percent) were in amounts of less than \$100,000, while 20 (33.3 percent) were between \$100,000 and \$249,999.

The Bank offers loan programs through the SBA, including the SBA 504 and SBA 7A. These programs offer financing for qualified businesses that may not be eligible for traditional bank financing. During the evaluation period the Bank originated six SBA loans totaling \$3.0 million.

As indicated previously, management increased its focus on small business lending during the review period. The Bank expanded its marketing efforts to businesses in order to meet the credit needs of the assessment area.

4. GEOGRAPHIC DISTRIBUTION

This criterion evaluates the distribution of the Bank's loans within the assessment area by census tract income level, with emphasis on lending in low- and moderate-income census tracts. As mentioned previously, the Bank's assessment area comprises 41 census tracts: 1 (2.4 percent) is low-income, 6 (14.6 percent) are moderate-income, 30 (73.2 percent) are middle-income and 4 (9.8 percent) are upper-income. The overall distribution of loans reflects reasonable dispersion throughout the assessment area, particularly to low- and moderate-income census tracts.

Residential Lending

The distribution of residential loans reflects reasonable dispersion throughout the assessment area. Table 7 presents the Bank's 2012 and 2013 loans by census tract income category. Table 7 also includes aggregate data from 2012 and the distribution of owner-occupied housing units for comparison purposes.

Table 7 Distribution of HMDA Loans by Census Tract Income Level						
Census Tract Income Level	% Owner-Occupied Housing Units	Aggregate Lending Data 2012	Bank 2012		Bank 2013	
		%	#	%	#	%
Low	0.4	0.4	4	0.5	9	1.6
Moderate	9.5	8.6	75	9.6	59	10.8
Middle	78.0	78.1	617	78.7	436	79.4
Upper	12.1	12.9	88	11.2	45	8.2
Total	100.0	100.0	784	100.0	549	100.0

Source: 2012 and 2013 HMDA LARs, 2012 Aggregate Data and 2010 U.S. Census Data

Table 7 indicates that the majority of 2012 loans were originated in middle-income census tracts. The Bank's performance was similar to the distribution of owner-occupied housing units and the performance of aggregate lenders in middle-income tracts.

As shown in Table 7, 0.5 percent of the Bank's HMDA loans in 2012 were originated within the low-income tract. This is similar to the percentage of owner-occupied housing units and the performance of aggregate lenders within this tract. Market share reports for 2012 show that there were 56 originations in the low-income tract. The Bank ranked third with a 7.1 percent market share. The top two originators were TD Bank (17.9 percent market share) and Cape Cod Five Cents Savings Banks (12.9 percent market share). In 2013, the Bank's lending performance increased to 1.6 percent in the low-income tract.

The Bank originated 9.6 percent of its HMDA-reportable loans within moderate-income tracts in 2012, exceeding both the performance of aggregate lenders (8.6 percent) and the percentage of owner-occupied units within these tracts (9.5 percent). Market rank reports again showed that the Bank ranked third, with a market share of 6.2 percent in moderate-income census tracts. Cape Cod Five Cents Savings Bank (12.5 percent market share) and Wells Fargo (7.2 percent market share) ranked ahead of the bank. Although the percentage of loans in moderate-income tracts increased in 2013, the volume of loans decreased.

In 2013, the pattern of residential lending was similar to 2012 in that the middle-income census tracts had the highest proportion of loans. The percentage of loans increased in each tract income category, with the exception of upper-income tracts.

Small Business Lending

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. Table 8 illustrates the geographic distribution of the Bank's small business loans within the assessment area, as well as the distribution of businesses by tract income level for 2012 and 2013.

Table 8						
Distribution of Small Business Loans by Census Tract Income Level						
Census Tract Income Level	2012 % of Total Businesses	2012 Bank		2013 % of Total Businesses	2013 Bank	
		#	%		#	%
Low	9.7	6	6.7	9.7	12	14.0
Moderate	10.5	14	15.5	10.4	11	12.8
Middle	67.1	63	70.0	67.2	53	61.6
Upper	12.7	7	7.8	12.7	10	11.6
Total	100.0	90	100.0	100.0	86	100.0

Source: 2012 and 2013 Small Business Loan Registers, D&B Data

As shown in Table 8, the Bank originated 6.7 percent of its 2012 loans in the low-income census tract, which was below the percentage of businesses located in this tract at 9.7 percent. In 2013, the Bank's performance improved, exceeding the percentage of businesses.

In 2012, the Bank originated 15.5 percent of small business loans in the moderate-income census tracts. This was significantly higher than the distribution of businesses at 10.5 percent. The Bank's performance decreased slightly in 2013, but remained above the distribution of businesses in moderate-income census tracts. The concentration of small business loans in middle and upper income census tracts is expected given that 67.2 percent of businesses are located in these areas.

5. RESPONSE TO CRA COMPLAINTS

The Bank did not receive any CRA-related complaints during the evaluation period. As a result, this performance criterion is not applicable.

COMMUNITY DEVELOPMENT TEST

The Community Development Test evaluates the Bank's responsiveness to the community development needs of its assessment area through the provision of 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. The Bank's community development performance demonstrates reasonable responsiveness to the community development needs of its assessment area.

Community Development Loans

A community development loan is a loan that: (1) has community development as its primary purpose, (2) has not already been reported or collected by the Bank for consideration under small business or home mortgage lending (unless it is a multifamily dwelling loan), and (3) benefits the Bank's assessment area or a broader statewide or regional area that includes the Bank's assessment area.

During the evaluation period, the Bank originated 14 community development loans totaling \$6.4 million, which represents 1.1 percent of net loans. During the previous evaluation period, the Bank extended 5 community development loans totaling \$1.6 million in its assessment area. Table 9 provides a summary of the bank's community development lending by year and category.

Table 9 Community Development Loans								
Activity Year	Qualifying Category						Totals	
	Affordable Housing		Community Services		Economic Development/ Revitalization or Stabilization			
	#	\$	#	\$	#	\$	#	\$
5/19/11-2/31/11	4	676,250	0	0	2	4,600,000	6	5,276,250
2012	0	0	0	0	3	490,000	3	490,000
2013	1	14,000	1	150,000	1	260,000	3	424,000
1/1/14- 6/2/14	1	5,000	0	0	1	159,500	2	164,500
Total	6	695,250	1	150,000	7	5,509,500	14	6,354,750

Source: Internal Bank Records

The following descriptions are a sample of the Bank's community development loans during the review period.

In 2011, the Bank originated a loan totaling \$4.5 million to renovate a motel located in a moderate-income census tract. The motel will provide permanent full-time jobs, as well as housing for employees who are unable to afford the high cost of living in a resort area. The long-range plan is to make an affordable residential, hotel and retail complex.

In 2011, the Bank originated a loan totaling \$56,250 for an organization to purchase a commercial condominium for storage purposes. The organization provides services and programs to secure affordable, safe, and stable housing for low- and moderate-income individuals.

In 2011, the Bank originated a line of credit totaling \$600,000 for the purchase and renovation of distressed homes. The borrower sells these homes to income-qualified borrowers through an affordable housing lottery. This charitable organization focuses specifically on housing development, construction, and management programs for low- and moderate-income individuals. It receives a substantial portion of its funding from the government and general public.

In 2012, the Bank originated a \$5,000 loan to a local fisherman for start-up costs associated with a new lobster business. The loan helped create jobs for low- and moderate-income individuals.

In 2012, the Bank originated a \$10,000 loan to a local restaurant to replenish working capital lost due to Tropical Storm Irene. The loan helped retain jobs for low- and moderate-income individuals.

In 2012, the Bank originated a \$475,000 loan to a local fisherman to purchase scallop permits. The loan helped create and retain jobs for low- and moderate-income individuals.

In 2013, the Bank originated a \$150,000 loan to a non-profit organization that assists low- and moderate-income individuals by offering employment and job training services, advocacy, housing, and social services.

In 2013, the Bank originated a \$14,000 loan for a non-profit organization to purchase a vehicle. The organization's mission is to advocate and provide opportunities for the homeless community to improve their quality of life.

In 2014, the Bank originated a \$159,500 loan to a start-up business located in a moderate-income census tract that will provide permanent jobs to year-round residents.

Qualified Investments

A qualified investment is a lawful investment, deposit, or grant that has community development as its primary purpose. Cape Cod Co-operative Bank made qualified investments totaling \$611,410, which represents 0.1 percent of total assets (\$709 million) and 1.2 percent of the Bank's total investments (\$50.8 million) as of March 31, 2014. Qualified investments primarily responded to the area's affordable housing and community service needs.

Equity Investments

Federal National Mortgage Association (FNMA) Mortgage Backed Securities

In March 2014, the Bank invested in two pools of mortgage backed securities totaling \$500,000. Both securities are backed by mortgages located within the Bank's assessment area to low- and moderate-income borrowers.

Charitable Contributions

Total qualified investments for this evaluation period include grants and donations made by the Bank. Qualified grants and donations supported initiatives and organizations that seek to provide affordable housing, support for the homeless, health care services, family counseling, and other community services to the area's low- and moderate-income individuals.

Qualified CRA contributions from May 19, 2011 through June 2, 2014, totaled \$111,410, representing 32.4 percent of the Bank's total donations of \$344,285. Qualified donations decreased since the prior evaluation period when the total was \$120,513.

Refer to Table 10 for a listing of the grants and donations by community development category and year:

Table 10 Qualified Community Development Grants and Donations								
Activity Year	Qualifying Category						Totals	
	Affordable Housing		Community Services		Economic Development/ Revitalization or Stabilization			
	#	\$	#	\$	#	\$	#	\$
5/19/11-5/31/11	1	900	7	11,670	1	10,000	9	22,570
2012	4	1,850	12	25,670	5	12,400	21	39,920
2013	3	1,750	16	31,830	4	2,550	23	36,130
1/1/14-6/2/14	2	1,000	7	8,990	5	2,800	14	12,790
Total	10	5,500	42	78,160	15	27,750	67	111,410

Source: Internal Bank Records

Some of the organizations that the Bank made qualified grants or donations to are listed below:

Duffy Health Center – Founded in 1988, the Center provides free care for homeless men and women on Cape Cod. In 1997, the Center was incorporated as Barnstable County’s primary healthcare provider for homeless adults. For over 14 years, Duffy has provided services at its center in Hyannis and through their mobile health clinic.

Elder Services of Cape Cod (ESCCI) – ESCCI is a private, not-for-profit community-based organization dedicated to serving older adults in the Cape Cod and Island areas. It is a federally-designated Area Agency on Aging and the state-designated Aging Services Access Point. Since 1972, ESCCI has been a central source of information and services enabling elders to enhance their quality of life and maintain their independence. ESCCI clients are primarily low- or moderate-income.

Cape Cod Center for Women, Inc. (CCCW) – CCCW is a 24-hour, 7-days a week confidential domestic violence shelter. The center is committed to assisting and supporting battered individuals and families in leaving a violent environment and transitioning to independent living. CCCW ensures clients are fully connected to a network of community support with a life-long safety plan. Clients are primarily low- or moderate-income.

CHAMP Homes – Founded in 1991, CHAMP Homes provides a safe, therapeutic and nurturing family-type environment for homeless youth and adults. Over the past 23 years, CHAMP Homes has grown from one to six homes, helped over 2,000 individuals, and currently provides housing to over 65 residents between the ages of 18 and 80.

Homeless Not Helpless – This organization’s mission is to educate and advocate for the needs of the homeless community. It helps homeless men and women by providing cooking facilities and shelters. The organization trains clients to deal with medical, psychological, spiritual and addiction issues, as well as helping them to connect with available resources. The organization also helps clients find employment, obtain financial assistance, and learn occupational and life skills that will lead to independent living.

Cape Cod Times Needy Fund – The mission of this organization is to help local low- and moderate-income families and individuals pay for food, rent, mortgage payments, utility and heating bills, medical costs, and other basic expenses.

Independence House, Inc. – This non-profit organization is a comprehensive community-based resource on Cape Cod, providing free and confidential services for survivors of domestic violence. Children of survivors also receive services. These services primarily benefit low- and moderate-income individuals.

Housing Assistance Corporation (HAC) – HAC provides emergency shelter and homelessness prevention assistance for individuals and families. It also provides housing services such as foreclosure prevention and first-time homebuyer seminars, as well as employment services that help individuals secure homes that are safe, stable, and healthy.

Qualified Community Development Services

A community development service has community development as its primary purpose and is generally related to the provision of financial services or technical assistance. Bank employees provided financial expertise to community development organizations and presented educational seminars related to financial services to the area's low- and moderate-income residents. Qualified services responded to affordable housing, community service, and economic development needs in the assessment area.

Bank Employee Involvement

Officers and employees of the Bank are involved in a number of local community development and non-profit organizations in various capacities. Bank personnel provide these organizations with financial and management expertise while serving as directors, officers, loan committee members, and volunteers. The following is a sample of the organizations that the Bank was involved with during the evaluation period. These organizations provide affordable housing, economic development, and community services to the area's low- and moderate-income geographies and residents:

A Baby Center (ABC) – ABC provides critical, basic items at no charge to families who meet income guidelines set by the federal Women, Infants & Children program. Typical items include diapers and clothing for infants and toddlers up to the age of three. A branch manager is a member of the fundraising committee.

Coastal Capital Community – Since 1995, this certified community development lender has served businesses with its commercial lending expertise. The organization promotes economic development through small business growth and management of the region's small business loan fund. It also provides entrepreneurial support through free business counseling and an annual workshop series. A vice president is a member of the loan committee.

Consumer Assistance Council – This organization offers free assistance for consumers with legal or financial challenges. Its primary objective is to assist and educate consumers and to ensure they are treated in a fair and equitable manner. Services are targeted to low- and moderate-income individuals. A senior vice president is the President of this organization.

Cape Cod Needy Fund – The mission of this organization is to help local families and individuals pay for food, rent, mortgage payments, utility and heating bills, medical costs, and other basic expenses. The Bank President is the Director of this organization.

Housing Assistance Corporation (HAC) – HAC provides emergency shelter and homelessness prevention assistance for individuals and families. Other services include family self-sufficiency and employment services; affordable housing development for seniors, families and individuals; and a full-service nonprofit real estate office. An assistant branch manager is a member of the fundraising committee.

Habitat for Humanity – A Senior Vice President is a credit analyst for this organization that provides affordable housing to low- and moderate-income individuals.

Kelley Foundation, Inc. – The Foundation’s mission is to promote the health and welfare of the inhabitants of Barnstable County by providing grants that are diversified, innovative, and reach most aspects of life on Cape Cod. The Foundation provided grants for food, shelter, medical assistance, and extra-curricular programs for under-served children. Grants have also been used as seed money by young organizations serving the Cape Cod area. The Bank’s President is the President and a Board member.

SEED Corporation – This non-profit economic organization was established in 1982 to improve the economy of the region by helping small businesses get started, grow and create jobs. Its primary role is to assist and support small businesses during their start-up phase to help secure traditional financing. The organization also promotes business expansion by working with lenders and the SBA to provide the best possible financing package. A Bank vice president is a loan committee member.

Educational Services and Seminars

Bank officers have participated in seminars and other events sponsored by the Bank during the evaluation period. These events provide opportunities for Bank representatives to inform those in attendance about the products and services offered by the Bank and to gain information about unmet credit needs in the assessment area. The following is a sample of seminars and events performed by the Bank:

The Bank offers a “Meet the Banker and Learn about Savings” program for children ages 6 to 14. Groups are invited to visit any of the Bank’s branches for a tour. Children learn about the importance of starting a savings account and leave with a savings passbook with a \$20 starter coupon. The series is open to school groups, Boys and Girls Clubs, Girl Scouts, Boy Scouts or any group of children interested in learning more about banking. During the examination period the Bank conducted four tours.

In 2011 and 2012, the Bank presented a seminar to Coastal Community Capital, (a non-profit community development lender). Topic discussions were on profit, cash flow, sales, and expenses.

In 2012, the Bank sponsored five “Spring Seminar Series” courses that targeted young professionals, families, retiring professionals and businesses. The purpose of the seminar was to educate consumers on “hot” financial topics, the variety of financial products and services, and to strengthen partnership with community organizations.

In 2012, the Bank presented a workshop geared toward small business owners and entrepreneurs to look at the power of branding. The presentation addressed how to build a brand that attracts customers, developing and delivering differentiated value proposition, and creating marketing communications that consistently support the brand.

In 2013, in partnership with Community Development Partnership, the Bank sponsored four First Time Home Buyer workshops. The course provided information on credit; budgeting; looking for, selecting and purchasing a home; home inspection; home energy audits; insurance protection; and local resources available to buyers.

In 2014, the Bank sponsored four “Plan Your Financial Future” seminars to help individuals retire when, where, and how they want to. The seminar focused on planning to meet income needs, portfolio performance, and health issues.

Other Community Development Services

The Bank participates in the following public and private programs that have special features that are of particular benefit to lower-income individuals.

IOLTA Accounts

Cape Cod Co-operative Bank participates in the Interest on Lawyers’ Trust Accounts (IOLTA). Interest earned on the account is utilized to help fund improvements in the administration of justice and delivery of legal services to low-income clients.

Basic Banking for Massachusetts

The Bank continues to be involved in the Basic Banking for Massachusetts. The Bank’s checking and savings accounts meet the Massachusetts Community and Banking Council guidelines. This voluntary program expands access to Bank products and services and encourages those with modest incomes to establish banking relationships.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet credit needs was identified.

APPENDIX A

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.

The Bank has a written Fair Lending Policy. The Bank proactively and affirmatively supports the fair lending process through fair, but flexible lending policies.

All employees are provided with training appropriate to their job description and responsibilities in fair lending issues. The Bank makes exceptions to the loan policy. The Bank employs a second review process.

Based upon the review of the Bank's public comment file and its performance relative to fair lending policies and practices, no violations of the anti-discrimination laws and regulations were identified.

MINORITY APPLICATION FLOW

The Bank's LARs for 2012 and 2013 were reviewed to determine if the application flow from the different racial groups within the Bank's assessment area was reflective of the assessment area's demographics.

According to the 2010 U.S. Census Data, the Bank's assessment area contained a total population of 162,767 individuals of which 9.5 percent are minorities. The assessment areas minority and ethnic population is 2.0 percent Black/African American, 1.1 percent Asian, 0.6 percent American Indian, 0.1 percent Hawaiian/Pacific Islander, 2.3 percent Hispanic or Latino and 3.4 percent other.

For 2012, the Bank received 916 HMDA reportable loan applications from within its assessment area. Of these applications, 9 or 1.0 percent were received from minority applicants, of which 7 or 77.7 percent resulted in originations as compared to the aggregate that received 392 applications or 2.2 percent of which 253 or 64.5 percent were originated. For the same time period, the Bank also received 7 or 0.8 percent applications from ethnic groups of Hispanic origin within its assessment area of which 5 or 71.4 percent were originated versus the aggregate that received 248 applications or 1.4 percent of which 142 applications or 57.3 percent were originated.

For 2013, the Bank received 652 HMDA reportable loan applications from within its assessment area. Of these applications, 16 or 2.4 percent were received from minority applicants, of which 12 or 75.0 percent resulted in originations. For the same time period, the Bank also received 8 or 1.2 percent of applications from ethnic groups of Hispanic origin within its assessment area of which 5 or 62.5 percent were originated.

The Bank's level of lending was compared with that of the aggregate's lending performance levels for the most recent year that data was available, the year 2012. The comparison of this data assists in deriving reasonable expectations for the rate of applications the Bank received from minority residential loan applicants. Refer to Table 11 for information on the Bank's minority application flow as well as the aggregate lenders (excluding the Bank) in the Bank's assessment area.

Table 11 MINORITY APPLICATION FLOW					
RACE	Bank 2012		2012 Aggregate Data	Bank 2013	
	#	%	%	#	%
<i>American Indian/ Alaska Native</i>	0	0.0	0.2	1	0.1
<i>Asian</i>	2	0.2	0.6	7	1.1
<i>Black/ African American</i>	4	0.5	0.6	1	0.1
<i>Hawaiian/Pac Isl.</i>	0	0.0	0.0	0	0.0
<i>2 or more Minority</i>	0	0.0	0.0	0	0.0
<i>Joint Race (White/Minority)</i>	3	0.3	0.7	7	1.1
Total Minority	9	1.0	2.2	16	2.4
<i>White</i>	837	91.4	76.1	560	85.9
<i>Race Not Available</i>	70	7.6	21.7	76	11.7
Total	916	100.0	100.0	652	100.0
ETHNICITY					
<i>Hispanic or Latino</i>	5	0.6	0.8	4	0.6
<i>Not Hispanic or Latino</i>	833	90.9	76.8	562	86.2
<i>Joint (Hisp/Lat /Not Hisp/Lat)</i>	2	0.2	0.6	4	0.6
<i>Ethnicity Not Available</i>	76	8.3	21.8	82	12.6
Total	916	100.0	100.0	652	100.0

Source: 2012 and 2013 HMDA LAR, 2102 HMDA Aggregate Data, 2010 U.S. Census Data

The Bank's performance was below the 2012 aggregate's performance level for both minority and ethnic applicants. The Bank received 1.0 percent for minorities while the aggregate was 2.2 percent. The Bank received 0.8 percent while the aggregate received 1.4 percent for ethnic minorities. In 2013, the number of loans increased for both minority (2.4 percent) and ethnic (1.2 percent) applicants bringing it on par with the performance of the aggregate.

The Bank's minority application flow, when compared to the aggregate's lending performance levels and the assessment area demographics, is adequate for the aggregate lending and the demographics of the assessment area.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

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

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

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks and the Federal Deposit Insurance Corporation, at 121 Main Street, Yarmouth Port, MA 02675."

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

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