

# **PUBLIC DISCLOSURE**

August 6, 2018

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Dedham Institution for Savings  
Certificate Number: 23620

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Dedham, Massachusetts 02026

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

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## INSTITUTION RATING

**INSTITUTION'S CRA RATING:** This institution is rated **Satisfactory**. An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

PERFORMANCE LEVELS	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory		X	X
Satisfactory**	X		
Needs to Improve			
Substantial Noncompliance			

\* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.

\*\* FDIC rules and regulations stipulate use of a "high satisfactory" and "low satisfactory" rating for the three tests. This jointly issued public evaluation uses the term "satisfactory" in lieu of "low satisfactory" for the Lending, Investment, and Service Test ratings, as the Division does not have a "low Satisfactory" rating.

### The Lending Test is rated Satisfactory.

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

**The Investment Test is rated High Satisfactory.**

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

**The Service Test is rated High Satisfactory.**

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

## **SCOPE OF EVALUATION**

### **General Information**

This evaluation covers the period from the prior evaluation dated January 21, 2015, to the current evaluation dated August 6, 2018. Examiners used the Interagency Large Institution Examination Procedures to evaluate Dedham Institution for Savings' (Dedham Savings) performance. These procedures include three tests: the Lending Test, Investment Test, and Service Test.

The evaluation references demographic and economic information from the 2010 United States (U.S.) Census, 2015 American Community Survey (ACS), D&B, Moody's Analytics Regional Workstation (Moody's), and U.S. Bureau of Labor Statistics (BLS). Bank financial data reflects the June 30, 2018, Consolidated Reports of Condition and Income (Call Report).

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

- Lending activity
- Assessment area concentration
- Geographic distribution
- Borrower profile
- Innovative or flexible lending practices
- Community development lending

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

- The dollar amount of qualified investments
- The innovativeness or complexity of qualified investments
- The responsiveness of qualified investments to credit and community development needs
- The degree to which the qualified investments are not routinely provided by private investors

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

- Accessibility of delivery systems
- Changes in branch locations
- Reasonableness of business hours and services
- The extent to which the bank provides community development services
- The innovativeness and responsiveness of community development services

An institution must achieve at least a Satisfactory rating on the Lending Test to obtain an overall Satisfactory rating. This evaluation does not include any lending activity performed by affiliates.

### **Loan Products Reviewed**

Examiners determined that the bank's major product lines are home mortgage and small business loans. This conclusion considered the bank's business strategy and the number and dollar volume of loans originated during the evaluation period. The bank originated significantly more home mortgage loans by both number and dollar amount than small business loans during the

evaluation period. Therefore, home mortgage lending contributed more weight in assigning the overall Lending Test rating. In addition, no other loan types, such as small farm or consumer loans, represent a major product line. As a result, the evaluation does not include an analysis of these products.

Examiners reviewed all originated and purchased home mortgage loans reported on the bank's Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs) for 2016 and 2017. The LARs contain data about home purchase and home improvement loans, including refinances of one-to-four family and multi-family properties. The bank reported 507 originated loans totaling approximately \$277.6 million in 2016 and 407 loans totaling approximately \$243.4 million in 2017. Examiners compared the bank's home mortgage lending performance against 2016 and 2017 aggregate lending data. Additionally, the bank's 2016 performance was compared to 2010 U.S. Census data and the bank's 2017 performance was compared to 2015 ACS data. As the 2015 ACS data changed some census tract and income designations, unless otherwise noted, all references to census tracts and income designations in this performance evaluation refer to 2015 ACS data.

Examiners also reviewed all small business loans reported on the bank's 2016, 2017, and the first six months of 2018 (YTD 2018) CRA Loan Registers. The registers contain information on originated commercial real estate and commercial and industrial loans with original balances of \$1.0 million or less. The bank reported 54 small business loans totaling approximately \$15.1 million in 2016, 63 loans totaling approximately \$19.0 million in 2017, and 26 loans totaling \$9.7 million through June 30, 2018. Examiners compared the bank's 2016 small business lending performance to aggregate data and D&B demographic data. For 2017 and YTD 2018, examiners compared the bank's lending to D&B demographic data.

For the Lending Test, examiners reviewed the number and dollar volume of home mortgage and small business loans. Although this evaluation includes both the number and dollar volume of loans, examiners emphasized performance by number of loans, because the number of loans better indicates the number of individuals and businesses served.

Under the Lending Test, examiners also considered the bank's community development lending and innovative and flexible lending practices since the previous evaluation. Under the Investment and Service Tests, examiners considered the number and dollar amount of qualified investments and community development services since the previous evaluation. Examiners also considered the book value of qualified equity investments purchased prior to the evaluation period.

## DESCRIPTION OF INSTITUTION

### **Background**

Dedham Savings is a state-chartered savings bank founded in 1891 and headquartered in Dedham, Massachusetts (MA). The bank operates under a two-tier holding company, with the top-tier parent company operating as a mutual holding company under the name 1831 Bancorp Mutual Holding Company. The bank has two active wholly-owned subsidiaries and a charitable foundation, none of which offer any products or services to the general public.

The institution received a Satisfactory rating from the FDIC and the Division during its prior joint evaluation using Intermediate Small Institution procedures.

### **Operations**

In addition to the main office, the bank operates 11 full-service branches and 1 limited-service branch throughout southeastern MA. There are 11 branches in Norfolk County, 1 limited-service branch in Middlesex County, and 1 branch in Suffolk County. Since the last examination, the bank opened a branch in a middle-income census tract in South Boston. In addition, the bank operates 16 automated teller machines (ATMs) throughout its assessment area.

Dedham Savings offers various financial products and services to consumers and business customers. The bank offers loan products including commercial, home mortgage, and consumer loans, with a primary focus on residential lending. The bank also provides various deposit services including checking, savings, money market, and certificates of deposit. Lastly, the bank offers personal wealth management services through a relationship with Sorrento Pacific Financial, LLC. Products and services include, but are not limited to, individual retirement accounts, 401(k) plans, 529 plans, estate planning, and life insurance. Alternative banking services include online banking, mobile banking, electronic bill pay, mobile deposits, and ATMs. No merger or acquisition activities occurred since the previous evaluation.

### **Ability and Capacity**

The bank's assets totaled approximately \$1.5 billion as of June 30, 2018, and included total loans of \$1.1 billion and total securities of \$299.0 million. Total assets increased by 15.2 percent since the previous evaluation, primarily due to loan growth. Residential loans, including multi-family loans, account for the largest portion of the loan portfolio at 71.0 percent. Collectively, loans secured by commercial real estate and commercial and industrial loans represent 15.2 percent of the loan portfolio. The loan portfolio distribution has remained relatively stable since the last evaluation. The following table illustrates the loan portfolio.

<b>Loan Portfolio Distribution as of 6/30/2018</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction and Land Development	141,224	12.7
Secured by Farmland	0	0.0
1-4 Family Residential	705,689	63.4
Multi-family (5 or more) Residential	84,892	7.6
Commercial Real Estate	146,060	13.1
<b>Total Real Estate Loans</b>	<b>1,077,865</b>	<b>96.9</b>
Commercial and Industrial	23,666	2.1
Agricultural	0	0.0
Consumer	1,227	0.1
Obligations of States and Political Subdivisions in the United States	9,776	0.9
Other	365	0.0
Less: Unearned Income	0	0.0
<b>Total Loans</b>	<b>1,112,899</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income. Due to rounding, totals may not equal 100.0</i>		

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



## DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which examiners will evaluate its CRA performance. Dedham Savings delineated one contiguous assessment area within the Boston-Cambridge-Newton, MA-New Hampshire (NH) Metropolitan Statistical Area (MSA) and the Providence-Warwick, Rhode Island (RI)-MA MSA. The bank does not have branches outside of the Boston-Cambridge-Newton, MA-NH MSA, and both MSAs are within the Boston-Worcester-Providence, MA-RI-NH-CT Combined Statistical Area (CSA). Therefore, separate assessment area analyses are not required for this evaluation. The following sections discuss demographic and economic information for the assessment area.

### **Economic and Demographic Data**

The assessment area includes 367 census tracts in Norfolk, Plymouth, Suffolk, Middlesex, and Bristol Counties. Since the last evaluation, the bank added Boston neighborhoods of Chinatown, Mission Hill, South Boston, South Boston Waterfront, and the South End. The following table details the cities and towns in the assessment area.

Assessment Area Cities and Towns		
<b>Boston-Cambridge-Newton, MA-NH MSA (14460)</b>		
<b>Norfolk County, MA</b>		
Avon	Holbrook	Randolph
Bellingham	Medfield	Sharon
Braintree	Medway	Stoughton
Brookline	Millis	Walpole
Canton	Milton	Wellesley
Cohasset	Needham	Westwood
Dedham	Norfolk	Weymouth
Dover	Norwood	Wrentham
Foxboro	Plainville	
Franklin	Quincy	
<b>Middlesex County, MA</b>		
Ashland	Lexington	Sudbury
Bedford	Lincoln	Waltham
Concord	Natick	Wayland
Framingham	Newton	Weston
Holliston	Sherborn	
<b>Plymouth County, MA</b>		
Brockton	Hingham	
<b>Suffolk County, MA</b>		
Boston*		
<b>Providence-Warwick, RI-MA MSA (39300)</b>		
<b>Bristol County, MA</b>		
Attleboro	Mansfield	North Attleboro
*The assessment area contains the Dorchester, Chinatown, Hyde Park, Jamaica Plain, Mattapan, Mission Hill, Roslindale, Roxbury, South Boston, South Boston Waterfront, South End, and West Roxbury neighborhoods in the city of Boston.		

The cities and towns in Norfolk, Plymouth, and Suffolk Counties are within the Boston, MA Metropolitan Division (MD) (14454). The cities and towns within Middlesex County are part of the Cambridge-Newton-Framingham, MA MD (15764). Both MDs are included within the greater Boston-Cambridge-Newton, MA-NH MSA. Bristol County is part of the Providence-Warwick, RI-MA MSA (39300).

The 367 census tracts reflect the following income designation according to the 2015 ACS data:

- 46 low-income tracts,
- 59 moderate-income tracts,
- 109 middle-income tracts,
- 146 upper income tracts, and
- 7 census tracts with no income designation.

The low- and moderate-income census tracts are primarily concentrated in Boston, followed by Brockton and Framingham. Specifically within Boston, the neighborhoods of Dorchester, Mattapan, and Roxbury contain clusters of low- and moderate-income census tracts. The census tracts with no income designation include the George Wright golf course, the Arnold Arboretum of Harvard University, Franklin Park, the Boston Medical Center, one census tract in the South End, Castle Island, and the Seaport Waterfront.

The 2015 ACS Census adjusted some census tract income designations within the assessment area when compared to 2010 U.S. Census data. These changes are reflected below.

- The number of low-income census tracts increased from 41 to 46,
- The number of moderate-income census tracts decreased from 63 to 59,
- The number of middle-income census tracts increased from 109 to 114,
- The number of upper-income census tracts decreased from 146 to 142, and
- The percentage of low-income families increased by 1.2 percentage points.

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)	367	12.5	16.1	29.7	39.8	1.9
Population by Geography	1,743,662	9.7	15.4	30.0	44.4	0.4
Housing Units by Geography	692,885	9.4	15.9	31.3	42.8	0.6
Owner-Occupied Units by Geography	395,840	2.9	11.0	32.0	53.9	0.3
Occupied Rental Units by Geography	258,215	18.6	22.7	30.7	27.0	1.0
Vacant Units by Geography	38,830	13.8	21.6	27.7	35.8	1.1
Businesses by Geography	134,250	5.5	11.3	27.2	55.2	0.8
Farms by Geography	2,185	2.2	9.1	26.6	62.1	0.1
Family Distribution by Income Level	418,712	22.2	14.3	17.5	45.9	0.0
Household Distribution by Income Level	654,055	25.4	13.0	14.9	46.7	0.0
Median Family Income MSA - 14454 Boston, MA MD		\$90,699	Median Housing Value			\$442,324
Median Family Income MSA - 15764 Cambridge-Newton- Framingham, MA MD		\$100,380	Median Gross Rent			\$1,252
Median Family Income MSA - 39300 Providence-Warwick, RI- MA MSA		\$73,950	Families Below Poverty Level			7.9%
Source: 2010 U.S. Census, 2015 ACS, and 2017 D&B Data Due to rounding, totals may not equal 100.0 (*) The NA category consists of geographies that have not been assigned an income classification.						

The Federal Financial Institutions Examination Council (FFIEC) updated median family income level is used to analyze home mortgage loans under the Borrower Profile criterion. These categories are based on the 2016 and 2017 FFIEC-updated median family income for both MDs in the Boston-Cambridge-Newton, MA-NH MSA and the Providence-Warwick, RI-MSA. The low-, moderate-, middle-, and upper-income categories are presented in the following table.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>Boston, MA MD Median Family Income (14454)</b>				
2016 (\$90,800)	<\$45,400	\$45,400 to <\$72,640	\$72,640 to <\$108,960	≥\$108,960
2017 (\$94,300)	<\$47,150	\$47,150 to <\$75,440	\$75,440 to <\$113,160	≥\$113,160
<b>Cambridge-Newton-Framingham, MA MD Median Family Income (15764)</b>				
2016 (\$98,600)	<\$49,300	\$49,300 to <\$78,880	\$78,880 to <\$118,320	≥\$118,320
2017 (\$104,800)	<\$52,400	\$52,400 to <\$83,840	\$83,840 to <\$125,760	≥\$125,760
<b>Providence-Warwick, RI-MA MSA Median Family Income (39300)</b>				
2016 (\$73,100)	<\$36,550	\$36,550 to <\$58,480	\$58,480 to <\$87,720	≥\$87,720
2017 (\$72,100)	<\$36,050	\$36,050 to <\$57,680	\$57,680 to <\$86,520	≥\$86,520
<i>Source: FFIEC</i>				

The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. Of the 692,885 housing units in the assessment area, 57.1 percent are owner-occupied, 37.3 percent are occupied rental units, and 5.6 percent are vacant. Further, only 2.9 percent of owner-occupied housing units are located in low-income census tracts, and 11.0 percent are located in moderate-income census tracts. Lower owner-occupancy rates in these tracts compared to those in middle- and upper-income tracts reduce opportunities for lenders to make owner-occupied home mortgage loans in low- and moderate-income tracts.

The assessment area has high housing costs, with a median home sales price of \$442,324. According to Warren Group Housing, assessment area counties had an average median home sales price of \$415,715 from 2015-2018. Bristol County was the least expensive area with a median average sales price of 258,500, while Suffolk County had the most expensive sales price of \$552,750. Median home sales prices demonstrated a rising trend over the evaluation period, rising to an average median price of \$458,180 in 2018. These factors suggest an expensive housing area, which may present challenges for low- and moderate-income borrowers to obtain home purchase loans, especially with 7.9 percent of families below the poverty level.

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by gross annual revenue (GAR) level. According to 2017 D&B data, there were 134,250 businesses in the assessment area. The GARs for these businesses are below:

- 83.3 percent have \$1 million or less.
- 7.5 percent have more than \$1 million.
- 9.2 percent have unknown revenues.

Service industries represent the largest portion of businesses at 49.0 percent; followed by retail trade (12.0 percent) and finance, insurance, and real estate (10.7 percent). In addition, 69.6 percent of area businesses have four or fewer employees, and 88.4 percent operate from a single location.

According to data obtained from Moody's Analytics as of September 2017, the top employers in the Boston, MA MD included Partners Healthcare, University of Massachusetts, and Steward Health Care System. In the Cambridge-Newton-Framingham, MA MD, top employers included Harvard University, Massachusetts Institute of Technology, and Biogen IDEC. In the Providence-Warwick, RI-MA MSA, the top employers included Lifespan, Care New England, and CVS Healthcare Corporation.

Unemployment rates in Middlesex, Norfolk, and Suffolk Counties were slightly below state and national averages throughout the review period. Unemployment rates generally decreased over the evaluation period. The table below illustrates unemployment rates for the counties in the assessment area and state and national averages.

Unemployment Rates				
Area	2015	2016	2017	July 2018
	%	%	%	%
Bristol County	6.1	4.9	4.7	4.8
Middlesex County	3.9	3.2	3.0	3.3
Norfolk County	4.2	3.4	3.3	3.6
Plymouth County	5.1	4.1	3.9	4.1
Suffolk County	4.4	3.6	3.4	3.8
Massachusetts	4.8	3.9	3.7	3.9
National Average	5.3	4.9	4.4	4.2

*Source: Bureau of Labor Statistics*

### **Competition**

The assessment area is a highly competitive market for financial services. According to FDIC Deposit Market Share data as of June 30, 2017, 64 financial institutions operated 524 full-service branches within the assessment area. Of these institutions, Dedham Savings ranked 13<sup>th</sup> with a deposit market share of 2.1 percent.

There is a high level of competition for home mortgage loans among many banks, credit unions, and non-depository mortgage lenders in the assessment area. In 2016, 556 lenders reported 68,054 originated or purchased residential mortgage loans. Dedham Savings ranked 39<sup>th</sup> out of this group with a 0.6 percent market share. The competition level within the assessment area remained steady in 2017, with 523 lenders originating or purchasing 52,062 residential mortgage loans. Dedham Savings ranked 41<sup>st</sup> with a 0.6 percent market share in 2017.

There is also a high level of completion for small business loans. In 2016, 174 small business loan reporters originated 100,363 loans totaling \$3.5 billion in the counties that comprise the assessment area. Dedham Savings ranked 71<sup>st</sup> with a 0.4 percent market share.

### **Community Contact**

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

Examiners contacted an organization that assists low- and moderate-income individuals in the South Shore area of MA. The contact identified affordable housing as the primary need within the area. The contact noted a significant increase in housing expenses and a shortfall of affordable housing stock contribute to this need. Further, the contact discussed recent studies on housing costs in the area, which found that many low- and moderate-income individuals pay a disproportionately high percentage of their income on housing-related expenses.

In addition to affordable housing needs, the contact also noted a need for affordable financing for non-profit organizations that provide community services within the assessment area. Such financing enables these organizations to serve the needs of low- and moderate-income individuals. Overall, the contact indicated that many local financial institutions have been responsive to assessment area credit and community development needs.

Examiners also met with a South Boston organization focused on developing and maintaining affordable housing units in the area. This contact also emphasized that affordable housing was the primary need within the assessment area. The South Boston neighborhood has experienced a rapid increase in housing costs and a lack of affordable housing. The contact mentioned that there is a rising gap between low-income individuals and the general population. This income gap has contributed to some long-term residents, especially the elderly, being priced out of the market. The contact stated that these individuals would benefit from increased education, such as first-time homebuyer and financial literacy classes.

The contact further noted that rising rent costs and high startup costs put small businesses at risk. The contact stated that institutions could help small businesses by providing financial expertise and offering programs to assist with startup costs. According to the contact, local financial institutions are responsive to community needs, and Dedham Savings is a community leader.

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

Considering information from the community contacts, demographic data, and economic data, examiners determined that affordable housing represents the primary community development need for the assessment area. Additionally, economic development projects happening throughout the Greater Boston region present opportunities for community development lending within the assessment area. The lack of affordable housing inventory is an obstacle and may prevent low- and moderate-income families from utilizing the various flexible lending programs offered by local financial institutions.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

The bank is rated Satisfactory in the Lending Test. The sections below discuss the bank's performance under each criterion.

#### **Lending Activity**

The bank's lending levels reflect adequate responsiveness to the credit needs of the assessment area. In 2016 and 2017, Dedham Savings originated and purchased 700 home mortgages for approximately \$387.2 million in its assessment area. From 2016 through YTD 2018, the bank originated 126 small business loans for approximately \$37.1 million in its assessment area. From 2016 to 2017, the bank's home mortgage originations declined by 100 loans, primarily in refinance originations. Bank management explained this difference as a result of several factors, including the rising interest rate environment, a housing inventory decline, and increased demand for non-HMDA home equity products. 2017 HMDA aggregate data also reflects a decline in home mortgage lending throughout the assessment area.

In 2016, Dedham Savings ranked 39<sup>th</sup> out of 556 lenders that originated or purchased at least one home mortgage loan in the assessment area. The bank's market share was 0.6 percent by number of loans and 0.8 percent by dollar volume. In 2017, Dedham Savings ranked 41<sup>st</sup> out of 523 lenders, with a market share of 0.6 by number of loans and 0.8 by dollar volume. The highest-ranked lenders included larger financial institutions and mortgage companies that operate regionally and nationally such as Wells Fargo Bank, NA; J.P. Morgan Chase Bank, NA; and Guaranteed Rate, Inc. The majority of state-chartered institutions ranking above Dedham Savings were much larger in asset size and have a larger geographical presence.

With regard to small business lending in 2016, the bank ranked 71<sup>st</sup> out of 174 lenders that reported small business loans in the assessment area counties. The bank's market share was 0.1 percent by number of loans and 0.4 by dollar volume. Credit card companies such as American Express, FSB; Bank of America, NA; and CitiBank, NA were the highest-ranked small business lenders. The top three lenders accounted for 50.6 percent of the total number of loans.

Considering the institution's size, loan portfolio composition, and area competition, lending activity reflects adequate responsiveness to assessment area credit needs.

#### **Assessment Area Concentration**

The bank made a high percentage of home mortgage and small business loans, by number and dollar volume, within its assessment area. The following table illustrates the bank's lending inside and outside of the assessment area.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total  #	Dollar Amount of Loans \$(000s)				Total  \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2016	398	78.5	109	21.5	507	210,533	75.8	67,083	24.2	277,616
2017	302	74.2	105	25.8	407	176,652	72.6	66,728	27.4	243,380
Subtotal	700	76.6	214	23.4	914	387,185	74.3	133,811	25.7	520,996
Small Business										
2016	45	83.3	9	16.7	54	11,699	77.2	3,450	22.8	15,149
2017	57	90.5	6	9.5	63	16,920	88.9	2,110	11.1	19,030
YTD 2018	24	92.3	2	7.7	26	8,476	87.1	1,250	12.9	9,726
Subtotal	126	88.1	17	11.9	143	37,095	84.5	6,810	15.5	43,905
Total	826	78.1	231	21.9	1,057	424,280	75.1	140,621	24.9	564,901
Source: Evaluation Period: 1/1/2016 - 6/30/2018 Bank Data										

## **Geographic Distribution**

The geographic distribution of loans reflects poor penetration throughout the assessment area. The bank's performance in both home mortgage and small business lending supports this conclusion. Examiners focused on the number and percentage of loans in low- and moderate-income census tracts.

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

The geographic distribution of home mortgage loans reflects poor penetration throughout the assessment area. In 2016, lending in low-income census tracts was comparable to aggregate performance and area demographics. In moderate-income tracts, the bank's performance fell significantly below aggregate performance and the percentage of owner-occupied units. Dedham Savings lagged aggregate performance by 7.0 percentage points and trailed the demographic comparator by 6.5 percentage points.

In 2017, lending in low-income census tracts at 2.3 percent again fell slightly below aggregate lending and the percentage of owner-occupied units at 4.2 percent and 2.9 percent, respectively. In moderate-income tracts, lending increased 0.7 percentage points, but remained 9.0 percentage points below aggregate and 6.0 percentage points below the demographic comparator.

Market share data correlates with the bank's performance compared to aggregate. In 2016, the bank ranked 55<sup>th</sup> out of 248 lenders in originating loans in low-income census tracts, with a 0.5 percent market share. In moderate-income tracts, the bank ranked 94<sup>th</sup> out of 347 lenders, with a market share of 0.2 percent. In 2017, the bank ranked 69<sup>th</sup> out of 244 lenders in originating loans in low-income census tracts, with a 0.3 percent market share. In moderate-income tracts the bank ranked 95<sup>th</sup> out of 345 lenders with a market share of 0.2 percent. These rankings fall below the bank's overall market share in 2016 and 2017.



Additional performance context sheds light on the bank's performance. Boston neighborhood census tracts comprise a large portion of owner-occupied housing in low- and moderate-income census tracts. While owner-occupied units in the Boston segment account for 16.9 percent of all assessment area owner-occupied units, Boston owner-occupied units in low- and moderate-income census tracts account for 42.6 percent of all low- and moderate-income census tracts in the assessment area. Not only is the Boston area a relatively new location for the bank, it also is a highly competitive area, occupied by national lenders and mortgage companies.

In response to these challenges, the bank has made strategic efforts to reach out in the Boston area to increase its lending performance. However, a limited physical presence affected the bank's ability to penetrate the area's low- and moderate-income tracts. These factors help explain the difference between bank lending and aggregate lending in the low- and moderate-income tracts. Given this performance context, the bank's poor geographic distribution performance did not result in poor overall performance under the Lending Test. The following table details the distribution of originations by geography income level.

<b>Geographic Distribution of Home Mortgage Loans</b>						
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2016	2.9	3.3	10	2.5	7,859	3.7
2017	2.9	4.2	7	2.3	4,849	2.7
Moderate						
2016	10.8	11.3	17	4.3	7,971	3.8
2017	11.0	14.0	15	5.0	7,911	4.5
Middle						
2016	35.0	34.4	122	30.7	47,210	22.4
2017	32.0	32.5	69	22.8	28,684	16.2
Upper						
2016	51.3	50.9	249	62.6	147,493	70.1
2017	53.9	48.8	211	69.9	135,208	76.5
Not Available						
2016	0.0	0.0	0	0.0	0	0.0
2017	0.3	0.4	0	0.0	0	0.0
<b>Totals</b>						
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>398</b>	<b>100.0</b>	<b>210,533</b>	<b>100.0</b>
<b>2017</b>	<b>100.0</b>	<b>100.0</b>	<b>302</b>	<b>100.0</b>	<b>176,652</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census &amp; 2015 ACS; 1/1/2016 - 12/31/2017 Bank Data, 2016 &amp; 2017 HMDA Aggregate Data, "--" data not available.</i>						

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

The geographic distribution of small business loans reflects poor penetration throughout the assessment area. In 2016, lending in low- and moderate-income census tracts was below aggregate performance. Similarly, in moderate-income census tracts, the bank trailed aggregate and the percentage of businesses by 6.0 percentage points and 6.2 percentage points, respectively.

In 2017, the number of loans in low-income census tracts remained consistent and the percentage dropped slightly to 1.8 percent, trailing the demographic comparator. In moderate-income tracts, the bank doubled the number of loans, increasing its percentage to 7.0 percent. However, lending remained below the percentage of businesses in moderate-income tracts.

For YTD 2018, the bank did not originate any small business loans in low-income tracts and originated one loan in a moderate-income tract. The bank remains significantly below the percentage of businesses, trailing the demographics by 7.1 percentage points.

Market share data provides additional context for the bank's performance. In 2016, the bank ranked 83<sup>rd</sup> out of 174 lenders who originated at least one small business loan in a low-income census tract in the counties of the assessment area. Similarly, the bank ranked 84<sup>th</sup> out of 174 lenders who originated at least one small business loans in moderate-income areas in the counties of the assessment area. In both cases, the percentage market share was nominal.

Similar to owner-occupied housing units, approximately 44.9 percent of businesses in low- and moderate-income census tracts in the assessment area are located in Boston. In contrast, only 22.4 percent of all businesses are located in Boston. Such a large percentage of businesses located in a competitive area where the bank has a limited presence helps explain why the bank has difficulty reaching the aggregate performance levels. The following table illustrates the distribution of small business loans by geography income level.

Geographic Distribution of Small Business Loans						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2016	5.0	4.2	1	2.2	100	0.9
2017	5.5	--	1	1.8	248	1.5
YTD 2018	5.5	--	0	0.0	0	0.0
Moderate						
2016	10.6	10.4	2	4.4	860	7.4
2017	11.3	--	4	7.0	753	4.4
YTD 2018	11.3	--	1	4.2	370	4.4
Middle						
2016	29.8	31.6	18	40.0	2,822	24.1
2017	27.2	--	14	24.6	3,633	21.5
YTD 2018	27.2	--	8	33.3	1,994	23.5
Upper						
2016	54.1	53.4	24	53.3	7,917	67.7
2017	55.2	--	37	64.9	12,036	71.1
YTD 2018	55.1	--	14	58.3	5,862	69.2
Not Available						
2016	0.4	0.4	0	0.0	0	0.0
2017	0.8	--	1	1.8	250	1.5
YTD 2018	0.9	--	1	4.2	250	3.0
Totals						
2016	100.0	100.0	45	100.0	11,699	100.0
2017	100.0	--	57	100.0	16,920	100.0
YTD 2018	100.0	--	24	100.0	8,476	100.0
Source: 2016 & 2017 D&B Data; 1/1/2016 - 6/30/2018 Bank Data; 2016 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0						

## **Borrower Profile**

The distribution of borrowers reflects, given the product lines offered by the institution, adequate penetration among retail customers of different income levels and business customers of different sizes in the assessment area. The bank's adequate performance of home mortgage lending and good performance in small business lending support this conclusion. Examiners focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers. Examiners also focused on the percentage by number of small business loans to businesses with GARs of \$1 million or less.

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

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, reflects adequate penetration. In 2016, lending to low-income borrowers was comparable to aggregate data, falling just 1.0 percentage point below. Both bank and aggregate lending to low-income borrowers fell significantly below the 21.0 percent of families at this income level. In 2017, lending to low-income borrowers declined to 1.3 percent, remaining below aggregate (3.7 percent) and demographic (22.2 percent) measures.

As mentioned under the Description of Assessment Area, obstacles exist to lending to low-income borrowers. First, approximately 7.9 percent of families have income below the poverty level, a sub-set of the low-income category. Further, a low-income family, with an annual income of \$52,400 at most, would not likely qualify for a mortgage under conventional underwriting standards considering the median housing value of \$442,324. Last, approximately 37.3 percent of housing units in the assessment area are occupied rental units. The bank meets the rental needs of low- and moderate-income families through multi-family lending and other community development loans, as described in the Community Development Loan section below. These factors help explain the difference between bank lending to low-income borrowers and the percentage of low-income families.

The bank originated 9.8 percent of its loans to moderate-income borrowers in 2016, falling slightly below the aggregate level and below the demographic comparator. Lending to moderate-income borrowers declined slightly to 8.3 percent, while aggregate performance increased to 14.1 percent, nearly matching the demographic comparator at 14.3 percent.

Market share data provides further context for the bank's performance. In 2016, the bank shared a rank of 64<sup>th</sup> in loans to low-income borrowers, with a market share of 0.4 percent. The bank shared a rank of 51<sup>st</sup> in loans to moderate-income borrowers in the same year, with a share of 0.5 percent. In 2017, the bank shared a rank of 88<sup>th</sup> in loans to low-income borrowers with a market share of 0.2 percent. The bank had a rank of 57<sup>th</sup> in loans to moderate-income borrowers with a market share of 0.3 percent.

Dedham Savings' limited branch presence in the Boston area has a significant impact on its ability to extend loans to low- and moderate-income borrowers. While 22.5 percent of families are located in the Boston portion of the assessment area, 54.0 percent of low- and moderate income families are located in the same area. This disproportionate amount of low- and moderate-income families concentrated in such a competitive lending environment further illuminates challenges to penetrating families of all income levels. The bank has made concerted efforts to meet these challenges, resulting in an adequate level of lending to low- and moderate-income borrowers considering performance context. The following table shows bank lending by borrower income level.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2016	21.0	2.8	7	1.8	968	0.5
2017	22.2	3.7	4	1.3	514	0.3
Moderate						
2016	14.9	11.5	39	9.8	7,629	3.6
2017	14.3	14.1	25	8.3	4,328	2.5
Middle						
2016	18.7	20.6	63	15.8	16,783	8.0
2017	17.5	21.6	55	18.2	14,237	8.1
Upper						
2016	45.4	52.2	208	52.3	95,171	45.2
2017	45.9	48.2	151	50.0	70,471	39.9
Not Available						
2016	0.0	12.9	81	20.4	89,982	42.7
2017	0.0	12.3	67	22.2	87,102	49.3
Totals						
2016	100.0	100.0	398	100.0	210,533	100.0
2017	100.0	100.0	302	100.0	176,652	100.0
Source: 2010 U.S. Census & 2015 ACS Census ; 1/1/2016 - 12/31/2017 Bank Data, 2016 & 2017 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0						

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

The distribution of small business loans reflects good penetration to businesses with GARs of \$1 million or less. In 2016, Dedham Savings originated 51.1 percent of its loans to small businesses. The bank exceeded the aggregate lending of 44.7 percent, and trailed the demographics at 82.9 percent. In 2017, lending to small businesses increased to 64.9 percent, which trailed demographics at 83.3 percent. The first six months of 2018 exhibited similar performance to prior years.

Market share data supports the bank's good performance. The bank ranked 40<sup>th</sup> out of 174 lenders in lending to businesses with GARs of \$1 million or less. This rank compares favorably to the bank's overall small business loan market rank of 71<sup>st</sup>. The following table indicates bank lending by business GAR level.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2016	82.9	44.7	23	51.1	6,698	57.3
2017	83.3	--	37	64.9	11,765	69.5
YTD 2018	83.3	--	10	41.7	3,826	45.1
>1,000,000						
2016	7.7	--	22	48.9	5,001	42.7
2017	7.5	--	20	35.1	5,155	30.5
YTD 2018	7.3	--	14	58.3	4,650	54.9
Revenue Not Available						
2016	9.4	--	0	0.0	0	0.0
2017	9.2	--	0	0.0	0	0.0
YTD 2018	9.4	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>45</b>	<b>100.0</b>	<b>11,699</b>	<b>100.0</b>
<b>2017</b>	<b>100.0</b>	<b>--</b>	<b>57</b>	<b>100.0</b>	<b>16,920</b>	<b>100.0</b>
<b>YTD 2018</b>	<b>100.0</b>	<b>--</b>	<b>24</b>	<b>100.0</b>	<b>8,476</b>	<b>100.0</b>
Source: 2016 & 2017 D&B Data; 1/1/2016 - 6/30/2018 Bank Data; 2016 CRA Aggregate Data; "--" data not available.						

### **Community Development Lending**

Dedham Savings made a relatively high level of community development loans. The bank originated 30 community development loans totaling \$23.5 million during the evaluation period. As the bank has been responsive to community development needs and opportunities inside the assessment area, examiners considered five loans totaling \$10.1 million originated outside the assessment area.

The number and dollar amount of community development loans represents a significant increase from the previous evaluation, where the bank originated 13 loans for \$6.8 million. The current activity represents 1.7 percent of average total assets and 2.3 percent of average total loans since the prior evaluation.

The majority of community development loans funded the construction of affordable housing for low- and moderate-income individuals. Affordable housing was identified as the primary community development need by both community contacts. The following table details the bank's community development loans.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2015	12	7,832	1	1,150	0	0	0	0	13	8,982
2016	2	600	2	300	0	0	0	0	4	900
2017	8	4,313	1	50	1	8,000	0	0	10	12,363
YTD 2018	3	1,295	0	0	0	0	0	0	3	1,295
<b>Total</b>	<b>25</b>	<b>14,040</b>	<b>4</b>	<b>1,500</b>	<b>1</b>	<b>8,000</b>	<b>0</b>	<b>0</b>	<b>30</b>	<b>23,540</b>
<i>Source: Bank Records</i>										

The following represents a sample of community development loans that benefit towns and cities inside the assessment area.

- In 2015, the bank originated a \$14.3 million dollar loan for the construction of a 51-unit condominium complex located in Lexington, MA. Six units were designated as affordable housing units. The bank received credit for approximately \$1.7 million of this loan, as this represents the proportion of the loan that provided affordable housing for low- and moderate-income individuals.
- In 2015, the bank originated a \$2.5 million loan to purchase a 17-unit apartment building. The building is located in Quincy, MA, and three units were set aside as Section 8 housing. The bank received credit for \$436,000 of the loan.
- The bank participated in a \$24.0 million loan to convert an apartment building in Cambridge, MA into a hotel. The loan was originated in 2017, and the bank's portion of participation was \$8.0 million. The building is located in a moderate-income census tract and will create new employment opportunities for low- and moderate-income individuals. Secondly, the project will also promote revitalization in a moderate-income geography.
- In 2017, the bank originated a \$4.3 million loan for the purchase and rehabilitation of a 26-unit apartment building located in Roslindale, MA. Seven of the units are designated as affordable housing under the Section 8 voucher program. The bank received credit for approximately \$1.1 million of this loan.

### **Innovative and Flexible Lending**

The bank makes limited use of innovative and/or flexible lending practices. The bank originated 84 innovative and/or flexible loans, totaling approximately \$20.7 million to individuals and businesses during the evaluation period. While the bank's introduction of two new programs since the last evaluation had a positive effect on conclusions, these programs have not yet resulted in significant activity. The following table shows the bank's innovative and/or flexible lending activity by year.

Innovative or Flexible Lending Programs										
Type of Program	2015		2016		2017		YTD 2018		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Neighborhood Plus	15	3,237	2	580	0	0	0	0	17	3,817
MassHousing	2	641	6	1,610	12	3,488	0	0	20	5,739
One Mortgage	4	767	4	857	6	1,359	3	645	17	3,628
Closing Cost Assistance	3	819	2	380	0	0	0	0	5	1199
Municipal Loan Program	2	478	8	1,912	9	2,505	1	296	20	5,191
SBA	2	850	2	65	0	0	0	0	4	915
Jobs New England	0	0	0	0	1	200	0	0	1	200
<b>Totals</b>	<b>28</b>	<b>6,792</b>	<b>24</b>	<b>5,404</b>	<b>28</b>	<b>7,552</b>	<b>4</b>	<b>941</b>	<b>84</b>	<b>20,689</b>
<i>Source: Bank Records</i> <i>*One borrower in 2015 and one in 2016 received grants from both the FHLB Equity Builder and the Closing Cost Assistance Programs</i>										

The following descriptions detail the bank's innovative and flexible loan programs.

### Home Mortgage Lending Programs

- Massachusetts Housing Finance Agency (MassHousing) Loan Products:** Loan programs through MassHousing include features such as low down payments, competitive interest rates, reduced mortgage insurance premiums, special programs for veterans such as Operation Welcome Home, and higher debt-to-income ratios allowed for home mortgages in economically challenged cities such as Attleboro, Brockton, and Quincy. MassHousing's products primarily benefit low- and moderate-income borrowers.
- One Mortgage:** The bank is a Massachusetts Housing Partnership Program (MHP) approved lender. The program assists first-time homebuyers. A majority of individuals served are low- and moderate-income. The One Mortgage offered through MHP includes interest rate discounts, reduced monthly payments, no limits on home appreciation, and no cost for private mortgage insurance. Borrowers must meet income guidelines to qualify for this reduced-rate financing.
- Dedham Savings Community Reinvestment Act Neighborhood Plus:** This internally created program offers low down payments, lower closing costs, flexible qualifying requirements, and down payment and closing cost assistance for eligible low- and moderate-income borrowers or for properties in low- and moderate-income areas. Although the bank suspended this program during the evaluation period, it also originated 17 loans totaling \$3.8 million.
- Dedham Savings Down Payment/Closing Cost Assistance Program:** This program is for borrowers struggling to save for a down payment or to cover closing costs. Eligibility is determined based on financial need. Borrowers may receive closing costs up to \$7,500 in conjunction with the Municipal Loan program, One Mortgage program, Home of the Brave loan program, and may receive up to \$5,000 in conjunction with a Federal Home Loan Bank (FHLB) Equity Builder grant.



- *Municipal Loan Program:* The bank participates in the MassHousing Municipal Mortgage Program, which is designed for individuals who live or work within its lending area. The program benefits municipal, county, and state employees and offers features such as low down payments, reduced interest rates, and reduced mortgage insurance premiums. Income restrictions are based on MassHousing income limits.
- *FHLB Equity Builder Program:* The FHLB's Equity Builder Program offers members grants to provide down payment, closing costs, homebuyer counseling, and rehabilitation assistance to low- and moderate-income households. The bank originated one loan through this program in 2015 and one loan in 2016. These borrowers received grants from both the FHLB Equity Builder Program and the Dedham Savings Down Payment/Closing Cost Assistance Program. These loans are included in the Closing Cost Assistance column in the above table.
- *Neighborhood Lift Program:* The Neighborhood Lift Program provides down payment assistance. The program provides eligible homebuyers up to \$22,500 in down payment grants. The program is limited to loans within Suffolk, Norfolk, Middlesex, Essex, and Plymouth Counties. Borrowers' income in conjunction with household size must be at or below income limits. The bank launched the program on June 29, 2018, but had not originated any loans as of the evaluation date.

#### Small Business Lending Programs

- *Small Business Administration (SBA):* The SBA works with lenders to provide loans to small businesses by providing guarantees to reduce risk. SBA loans offer benefits such as flexible underwriting criteria, lower down payment requirements, longer terms, and promote business growth and job creation.
- *Federal Home Loan Bank – Jobs New England Program:* This program offers zero-percent financing for small business loans that create or preserve jobs, expand woman-, minority, or veteran-owned businesses, or otherwise stimulate the local economy. The bank's participation in the program began in 2017.

### **INVESTMENT TEST**

Dedham Savings is rated High Satisfactory under the Investment Test. The bank has a significant level of qualified investments. The bank exhibits excellent responsiveness to credit and community economic development needs. The bank occasionally uses innovative and/or complex investments to support community development initiatives.

#### **Investment Activity**

The bank has a significant level of qualified community development investments and grants. During the evaluation period, the bank made 375 qualified investments totaling approximately \$17.1 million. Of these, 14 totaling \$16.4 million are equity investments. This represents 5.7 percent of average total securities and 1.2 percent of average total assets since the last evaluation.

Of total investments by dollar amount, approximately 94.3 percent promote affordable housing. These investments demonstrate the bank's commitment to meeting the assessment area's primary community development need. The following table illustrates the bank's community development investments by year and purpose.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	11	9,550	0	0	0	0	0	0	11	9,550
2015	0	0	0	0	1	465	0	0	1	465
2016	0	0	0	0	0	0	0	0	0	0
2017	0	0	0	0	0	0	0	0	0	0
YTD 2018	2	6,379	0	0	0	0	0	0	2	6,379
<b>Subtotal</b>	13	15,929	0	0	1	465	0	0	14	16,394
Qualified Grants & Donations	53	201	302	491	6	27	0	0	361	719
<b>Total</b>	<b>66</b>	<b>16,130</b>	<b>302</b>	<b>491</b>	<b>7</b>	<b>492</b>	<b>0</b>	<b>0</b>	<b>375</b>	<b>17,113</b>
Source: Bank Records										

### Equity Investments

The bank currently has 14 equity investments totaling \$16.4 million, including 3 new investments totaling \$6.8 million and 11 prior period investments with a book value totaling \$9.6 million as of the evaluation date. The bank's qualified equity investments increased slightly from the prior evaluation. The following are examples of the bank's current and prior period equity investments.

### ***Prior Period Investments***

- *The CRA-Qualified Investment Fund and the Access Capital Community Investment Fund:* Since 2005, the bank has invested \$5.5 million in these two mutual funds. The funds primarily support affordable housing and economic development. The book value of these prior period investments is \$5.5 million as of June 30, 2018.
- *Mortgage-backed Securities:* The bank currently holds over \$3.0 million in prior period mortgage backed securities, which are primarily backed by loans to low- and moderate-income borrowers within the assessment area or the broader regional area. The vast majority of mortgage-backed securities were issued by MassHousing. MassHousing is an independent, quasi-public agency charged with providing financing for affordable housing in MA. MassHousing raises capital by selling bonds and lending the proceeds to low- and moderate-income homebuyers and homeowners, and to developers who build or preserve affordable and/or mixed-income rental housing.
- *Boston Community Loan Fund:* The Boston Community Loan Fund provides financing to organizations that create affordable housing and provide community services for low-income individuals and communities. Specifically, the financing helps support the

renovation and creation of affordable rental and owner-occupied units for low- and moderate-income individuals and families. Additionally, the financing supports schools, housing, and commercial real estate in distressed communities. As of June 30, 2018, the book value of this investment was \$1.0 million.

### ***Current Period Investments***

- *Federal National Mortgage Association (FNMA) and MassHousing Mortgage-backed Securities:* In 2018, the bank purchased \$6.4 million in FNMA and MassHousing mortgage-backed securities consisting primarily of loans to low- and moderate-income borrowers within the bank's assessment area and the surrounding statewide area.
- *MB Capital Fund IV:* MB Capital Fund is a limited partnership managed by the Massachusetts Business Development Corporation (MBDC). The MBDC provides supplemental financing and financial services to growing companies throughout the regional area. This partnership provides capital to established small businesses in need of capital growth. In 2015, the bank invested \$465,000 in this fund supporting economic development in the broader statewide including the assessment area.

### **Donations**

Total qualified investments also include donations to organizations that provide affordable housing, community services to low- and moderate-income individuals, and promote economic development. During the evaluation period, qualified donations totaled \$719,000. Of this total, \$322,000 originated from the bank and \$397,000 originated from the bank's DIFS Charitable Foundation (Foundation). The bank established the Foundation in 1999 to provide additional financial support to the local community. Qualified donations increased 56.1 percent since the prior evaluation, when the bank made qualified donations totaling \$460,695.

Over 96.0 percent of the bank's CRA qualified donations supported affordable housing and community service organizations serving low- and moderate-income individuals. The following are notable examples of the bank's qualified donations during the evaluation period.

- Since opening a branch in South Boston in 2016, the bank has donated over \$62,000 to various organizations that provide affordable housing and community services to low- and moderate-income individuals in South Boston.
- The bank provided over \$50,000 to five public housing agencies within its assessment area. These housing agencies develop new and retain existing affordable housing opportunities for low-income families, the elderly, and disabled individuals.
- During the evaluation period, the bank provided over \$60,000 to a non-profit organization that provides affordable housing. This organization works in partnership with low-income families. It uses volunteer labor and donated materials to renovate old houses or build new, affordable housing. The organization sells to families at cost, with no profit and no interest. The organization also provides low-income families with homeowner education and financial management classes.

- During the evaluation period, the bank provided a non-profit organization with over \$49,000 in donations. The organization's mission is to provide safe and affordable housing for low- and moderate-income individuals. The organization develops and manages affordable housing, provides education, and assists homeowners and first-time homebuyers with the repair and maintenance of their properties.
- The bank provided over \$87,000 in donations to a community service organization that provides educational and recreational opportunities to children from low- and moderate-income children in the assessment area.
- The bank provided over \$25,000 in donations to various food pantries throughout the assessment area. These food pantries provide basic necessities to low-income families.

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

The institution exhibits excellent responsiveness to credit and community economic development needs. As noted previously, the community contacts identified affordable housing and community development services as the primary needs for low- and moderate-income individuals in the assessment area. The bank made a significant majority of its investments and donations to organizations that provide affordable housing and community services to these individuals. Furthermore, one of the community contacts identified Dedham Savings as an integral partner in meeting the community development needs of the neighborhood it serves.

### **Community Development Initiatives**

The bank makes occasional use of innovative or complex investments to support community development initiatives. The majority of the bank's investments are in mortgage-backed securities or CRA targeted mutual funds. Although mortgage-backed securities are a common equity investment throughout the industry, the investment supports affordable housing for low- and moderate-, the primary need in the assessment area. A portion of the bank's investments also support economic development funds to provide capital to small businesses. This was another credit need identified by one of the community contacts. Additionally, the bank is proactive in seeking out opportunities for community development. According to one of the community contacts, the bank's representative sought out the organization prior to them opening a branch in the neighborhood.

### **SERVICE TEST**

Dedham Savings is rated High Satisfactory under the Service Test. The bank's delivery systems are reasonably accessible to essentially all portions of the assessment area. To the extent changes have been made, the institution's opening of branches has improved the accessibility of its delivery systems, particularly in low- and moderate-income geographies. Services, including business hours, do not vary in such a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies and individuals. Finally, Dedham Savings is a leader in providing community development services.

## **Accessibility of Delivery Systems**

### ***Distribution of Branches***

Dedham Savings' delivery systems are reasonably accessible to essentially all portions of the assessment area. Including the main office, the bank maintains 12 full-service branches and 1 limited-service branch. The one limited-service branch is located in the Carleton Willard Village, a retirement community located in Bedford, MA. Since the previous evaluation, the bank opened a branch in South Boston on August 15, 2016. Three of the bank's branches are located in middle-income areas, and ten are located in upper-income areas. Lastly, the bank maintains and operates 16 ATMs throughout its branch network.

<b>Branch and ATM Distribution by Census Tract Income Level</b>								
<b>Overall Assessment Area</b>								
<b>Tract Income Level</b>	<b>Census Tracts</b>		<b>Population</b>		<b>Branches</b>		<b>ATMs</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	46	12.5	168,705	9.7	0	0.0	0	0.0
Moderate	59	16.1	269,226	15.4	0	0.0	0	0.0
Middle	109	29.7	523,794	30.0	3	23.1	4	25.0
Upper	146	39.8	774,165	44.4	10	76.9	12	75.0
NA	7	1.9	7,772	0.5	0	0.0	0	0.0
<b>Total</b>	<b>367</b>	<b>100.0</b>	<b>1,743,662</b>	<b>100.0</b>	<b>13</b>	<b>100.0</b>	<b>16</b>	<b>100.0</b>
<i>Source: 2015 ACS Data &amp; Bank Records</i>								

Although the bank does not have any branches in low- or moderate-income tracts, the bank's new branch and ATM in South Boston are located in a census tract contiguous to a moderate-income tract. Additionally, the bank's East Dedham branch and two ATMs are located contiguous to a moderate-income census tract.

### ***Alternative Delivery Systems***

In addition to the branch network, Dedham Savings provides various alternative delivery systems. The following delivery systems provide consumers with alternative access to the bank's various retail services.

- *Online Banking:* This service allows consumers and businesses to view account balances, transfer funds, and perform online bill payments, among other services, through the bank's website at no charge.
- *Mobile Banking:* Similar to online banking, mobile banking allows customers to view account balances, deposit checks, monitor bills, view scheduled payments, make transfers, and receive statements. The bank also offers business customers mobile banking which allows businesses to view balances, transfer funds, and receive statements.
- *Telephone Banking:* Through telephone banking, customers can check account balances, review recent transactions, transfer funds between accounts, make loan payments, and activate debit or ATM cards.

- *ATMs:* The bank is a member of the SUM network, an alliance of many community banks that have agreed not to assess ATM surcharge fees to any of the other member banks' customers. The bank is also a member of the Allpoint network that also offers free ATM use.
- *Internet Café:* Dedham Savings offers Internet Cafés within its Needham, Westwood, Dedham Square, and Walpole branches. The Internet Café allows customers to use a computer on-site at the branch to access their accounts rather than standing in line.

### **Changes in Branch Locations**

To the extent changes have been made, the institution's opening and closing of branches has improved the accessibility of its delivery systems, particularly in low- and moderate-income geographies. The bank opened a new branch location in South Boston in August 2016. The branch is located in a middle-income census tract and is contiguous to a moderate-income tract. Additionally the South Boston branch is conveniently located on the Massachusetts Bay Transportation Authority bus lines. The bus lines directly connect the branch to low- and moderate-income tracts in South Boston. The bank has not closed any branches since the previous evaluation.

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

Services, including business hours, do not vary in such a way that inconveniences certain portion of the assessment area, particularly low- and moderate-income geographies and individuals. Branch hours are generally consistent at each location. Branch hours are convenient and comparable to other institutions, and bank services are more than sufficient to meet the needs of the assessment area. Most branches offer extended business hours at least once a week, and the majority of the bank's branches are also open on Saturdays.

### **Community Development Services**

Dedham Savings is a leader in providing community development services. During the evaluation period, bank employees provided 142 instances of services to organizations that primarily serve low- and moderate-income individuals. The bank's qualified services varied from board involvement to providing financial education and technical assistance to community development organizations. Since the last evaluation the bank has increased the number of services provided to community development organizations. Additionally, the bank provided notable services to Boston neighborhoods.

Of the 142 instances of community service, 93.7 percent of services were to organizations supporting affordable housing and community services to low- and moderate-income individuals. These two areas were identified as essential needs in the community according to both contacts. The table below represents a summary of the services provided by employees of the bank.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2015	6	28	2	0	36
2016	9	23	3	0	35
2017	8	32	1	0	41
YTD 2018	7	20	3	0	30
<b>Total</b>	<b>30</b>	<b>103</b>	<b>9</b>	<b>0</b>	<b>142</b>
<i>Source: Bank Records</i>					

The following are notable examples of services provided by the bank's employees:

- The bank sponsored nine First-time Homebuyer Seminars throughout its assessment area. The bank sponsored these seminars in partnership with Massachusetts Affordable Housing Alliance and NeighborWorks of Southern Massachusetts, affordable housing agencies that primarily serve low- and moderate-income individuals and areas. Over 160 people attended these seminars during the review period.
- The bank sponsored and delivered numerous financial literacy courses to early elementary students in South Boston and Brockton. These sessions occurred in schools with a majority of students from low- and moderate-income families. In conjunction with Self Help of Brockton, the bank held six sessions in 2015, three in 2016, three in 2017, and three in 2018.
- A branch manager sits on the fundraising committee of a non-profit human service agency in Needham, MA that provides employment and job training, housing, therapeutic day programs, and recreational programs for children and adults with intellectual and other developmental disabilities. The majority of the individuals benefitting from the organization's services are low- and moderate-income.
- A branch manager serves as a board member of a non-profit organization that primarily assists and serves low-income elders and individuals with disabilities throughout the bank's assessment area. The organization provides home care aid, nutrition, and money management services.
- A Trustee of the bank serves as a Chairman of a local housing authority. The agency provides affordable housing to low-income families in the town of Westwood, MA.
- A senior vice president serves as a board member of a foundation that awards financial assistance through grants to charitable organizations that provide care, treatment, and services to blind, visually impaired, or otherwise disabled children in need.
- An assistant vice president serves as a board member of an organization that is committed to enhancing the quality of life for low- and moderate-income individuals by providing safe and affordable housing, while helping families move forward toward economic and

social independence. The organization also sponsors a yearly Credit for Life Fair and the bank participates each year.

- Dedham Savings sponsored several small business workshops in partnership with local small business development agencies. The workshops were held at the bank's main office, as well as at a local chamber of commerce organization.

#### Other Services

- The bank participates in the Interest on Lawyers Trust Account program. Interest paid on these accounts is used to provide legal assistance to indigent, low- and moderate-income individuals in need of legal services.
- Dedham Savings has 51 employees who are bilingual. In total, members of the bank speak fourteen languages including Italian, Lebanese/Arabic, Spanish, Urdu/Gujrati, Polish, Latvian, French, Creole, Sign Language, German, Haitian, Hebrew, Portuguese and Chinese.

### **DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

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



## APPENDIX

### SCOPE OF EVALUATION

SCOPE OF EVALUATION		
<b>TIME PERIOD REVIEWED</b>	January 21, 2015 – August 6, 2018	
<b>FINANCIAL INSTITUTION</b>	Dedham Institution for Savings	
<b>PRODUCTS REVIEWED:</b>	Small Business Loans 2016, 2017, YTD 2018	Home Mortgage Loans 2016, 2017

List of AAs and Type of Evaluation			
Rated Area/ AA	Type of Evaluation	Branches Visited	Other Information
Assessment Area	Full-scope	None	367 Census Tracts

Rated Areas' Ratings	
Rated Area's Name	Overall Rated Area's Rating
Assessment Area	Satisfactory

## MASSACHUSETTS DIVISION OF BANKS

### FAIR LENDING POLICIES AND PROCEDURES

The Division of Banks provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106. A review of the bank's public comment file indicated the bank received no complaints pertaining to the institution's CRA performance since the previous examination. The fair lending review was conducted in accordance with the Federal Financial Institutions Examination Council (FFIEC) Interagency Fair Lending Examination Procedures. Based on these procedures, no evidence of disparate treatment was noted.

#### Minority Application Flow

The bank's HMDA LARs for 2016 and 2017 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 2015 ACS Data, the bank's assessment area contained a total population of 1,743,662 individuals of which 34.0 percent are minorities. The assessment area's minority and ethnic population is 13.3 percent Black/African American, 8.9 percent Asian/Pacific Islander, 0.1 percent American Indian, 8.6 percent Hispanic or Latino and 3.0 percent Other.

The bank's level of lending was compared with that of the aggregate's lending performance level for the years that data was available, 2016 and 2017. 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 the table below for information on the bank's minority application flow as well as the aggregate lenders in the bank's assessment area.

MINORITY APPLICATION FLOW						
RACE	Bank 2016		2016 Aggregate Data	Bank 2017		2017 Aggregate Data
	#	%	%	#	%	%
American Indian/ Alaska Native	0	0.0	0.2	0	0.0	0.2
Asian	8	1.6	8.5	10	2.7	8.7
Black/ African American	12	2.4	6.9	14	3.7	8.5
Hawaiian/Pacific Islander	0	0.0	0.1	0	0.0	0.1
2 or more Minority	0	0.0	0.1	0	0	0.1
Joint Race (White/Minority)	4	0.8	1.7	5	1.3	1.8
<b>Total Minority</b>	<b>24</b>	<b>4.8</b>	<b>17.5</b>	<b>29</b>	<b>7.7</b>	<b>19.4</b>
White	361	71.3	61.5	237	63.2	58.3
Race Not Available	121	23.9	21.0	109	29.1	22.3
<b>Total</b>	<b>506</b>	<b>100.0</b>	<b>100.0</b>	<b>375</b>	<b>100.0</b>	<b>100.0</b>
ETHNICITY						
Hispanic or Latino	<b>7</b>	<b>1.4</b>	<b>3.1</b>	<b>8</b>	<b>2.1</b>	<b>3.9</b>
Not Hispanic or Latino	353	69.8	75.2	235	62.7	73.0
Joint (Hisp/Lat /Not Hisp/Lat)	<b>3</b>	<b>0.6</b>	<b>1.1</b>	<b>4</b>	<b>1.1</b>	<b>1.2</b>
Ethnicity Not Available	143	28.2	20.6	128	34.1	21.9
<b>Total</b>	<b>506</b>	<b>100.0</b>	<b>100.0</b>	<b>375</b>	<b>100.0</b>	<b>100.0</b>

In 2016, the bank received 506 HMDA reportable loan applications from within its assessment area. Of these applications, 24 or 4.8 percent were received from minority applicants, of which 20 or 62.5 percent resulted in originations (the majority of unoriginated applications were withdrawn prior to a credit decision). Approximately 17.5 percent of aggregate lender applications were received from racial minority applicants, 65.4 percent of which were originated. For the same time period, the bank also received 10 or 2.0 percent of applications from ethnic groups of Hispanic origin within its assessment area of which 8 or 80.0 percent were originated versus the aggregate ethnic minority application rate of 4.2 percent and a corresponding origination rate of 61.9 percent.

In 2017, the bank received 375 HMDA reportable loan applications from within its assessment area. Of these applications, 29 or 7.7 percent were received from minority applicants, of which 20 or 68.9 percent resulted in originations. The aggregate racial minority application rate was 19.4 percent and 67.0 percent of these applications were originated. For the same time period, the bank received 12 or 3.2 percent of applications from ethnic groups of Hispanic origin within its assessment area of which 6 or 50.0 percent were originated compared to the aggregate ethnic minority application flow of 5.1 percent of which 65 percent were originated.

The differences between the bank's racial minority application flow rates and the aggregate are understandable given the structure of the bank's assessment area. The Boston neighborhoods with a large minority presence also represent a highly competitive market for financial institutions. Currently, the bank has no branch presence. However, the bank's strategy highlights concerted efforts to increase its lending presence in Boston. The bank's strategy, coupled with the bank's current fair lending controls, mitigate the bank's minority application flow performance.

## **LOSS OF AFFORDABLE HOUSING**

The Division of Banks' regulation 209 CMR 46.22(2)(g) requires that the evaluation of the lending performance of a large institution include a review of its efforts to forestall the loss of affordable housing. The Division reviews the institution's loans to ensure that there is no undue concentration and a systematic pattern of lending resulting in the loss of affordable housing units.

The bank's development of credit products with flexible lending criteria, participation in flexible lending programs, community development lending, and other community development activities has assisted low- and moderate-income individuals to remain in their neighborhoods.

## 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.

**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. Census tract boundaries normally follow visible features, but they may follow governmental unit boundaries and other non-visible features in some instances. They always nest within counties. Census tracts average about 4,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogenous for population characteristics, economic status, and living conditions to allow for statistical comparisons.

**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; or
- (5) Enable or facilitate projects or activities that address needs regarding foreclosed or abandoned residential properties in designated target areas.

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

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

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

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

**Community Development Loan:** A loan that

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

**Community Development Service:** A service that

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

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

**Core Based Statistical Areas (CBSAs):** 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).

**Family Income:** Includes the income of all members of a family that are age 15 and older.

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

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

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

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

**Home Mortgage Disclosure Loan Application Register (HMDA LAR):** The HMDA LARs record all applications received for residential purchase, refinance, home improvement, and temporary-to-permanent construction loans.

**Home Mortgage Loans:** Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans to purchase manufactured homes, and refinancings of home improvement and home purchase loans.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Household Income:** Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households are only one person, median household income is usually less than median family income.

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

**Limited-Scope Review:** A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (for example, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

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

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

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

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

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

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

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

**Micropolitan Statistical Area:** CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

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

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

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

**Nonmetropolitan Area:** 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 more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

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

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

## PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, 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, at (Address at main office)."

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Federal Deposit Insurance Corporation, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

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

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