**PUBLIC DISCLOSURE**

December 7, 2020

**COMMUNITY REINVESTMENT ACT**

**PERFORMANCE EVALUATION**

East Boston Savings Bank

Certificate Number: 33510

10 Meridian Street

Boston, Massachusetts 02128

|  |  |
| --- | --- |
| Division of Banks | Federal Deposit Insurance Corporation |
| 1000 Washington Street, 10th Floor | 350 Fifth Avenue, Suite 1200 |
| Boston, Massachusetts 02118 | New York, New York 10118 |

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

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**INSTITUTION RATING**

**INSTITUTION’S CRA RATING:** This institution is rated **Satisfactory** by the Division and the FDIC. An institution in this group has a satisfactory record of helping 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 High Satisfactory.**

* Lending levels reflect adequate responsiveness to assessment area credit needs.
* The institution originated an adequate percentage of loans within its assessment area.
* The geographic distribution of loans reflects excellent 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 size.
* The institution makes limited use of innovative and/or flexible lending practices in order to serve assessment area credit needs.
* The institution is a leader in making community development loans.

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

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

**The Service Test is rated Satisfactory.**

* The bank’s delivery systems are reasonably accessible to essentially all portions of the institutions assessment area.
* To the extent changes have been made, the institution’s opening and closing of branches has generally not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-geographies and/or low- and moderate-income individuals.
* Services, including business hours, do not vary in a way that inconveniences portions of the assessment area, particularly low- and moderate-income geographies and/or individuals.
* The institution provides a relatively high level of community development services.

**SCOPE OF EVALUATION**

**General Information**

This evaluation covers the period from the prior evaluation dated June 19, 2017, to the current evaluation dated December 7, 2020. Examiners used the Interagency Large Institution Examination Procedures to evaluate East Boston Savings Bank’s (EBSB) performance.

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

* Lending activity
* Assessment area concentration
* Geographic distribution
* Borrower profile
* Innovative and/or flexible lending practices
* Community development loans

The Investment Test considered the following criteria.

* Number and dollar amount of qualified investments
* Responsiveness to credit and community development needs
* Innovativeness or complexity of qualified investments

The Service Test considered the following criteria.

* Accessibility of delivery systems
* Changes in branch locations
* Reasonableness of business hours and services
* 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 the bank’s two major product lines are home mortgage and small business loans. This conclusion considered the bank’s business strategy and the number and dollar volume of originations during the evaluation period.

The bank’s record of originating home mortgage loans contributed more weight to overall conclusions due to the larger volume of originations compared to small business lending during the evaluation period. No other loan types, such as small farm or consumer loans, represent a major product line. They provided no material support for conclusions or ratings; therefore, examiners did not present them.

Examiners considered all home mortgage loans reported on the bank’s 2017, 2018, and 2019 Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs). The bank reported 504 loans totaling $514.2 million in 2017, 408 loans totaling $521.2 million in 2018, and 390 loans totaling $398.7 million in 2019. Examiners compared the bank’s 2018 and 2019 performance under the Geographic Distribution and Borrower Profile criteria to aggregate data. Examiners also compared the bank’s 2018 and 2019 home mortgage performance to the 2015 American Community Survey (ACS) demographic data.

Examiners also considered all small business loans reported on the bank’s 2017, 2018, and 2019 Community Reinvestment Act (CRA) Loan Registers. The bank reported 103 loans totaling $38.5 million in 2017, 111 loans totaling $43.0 million in 2018, and 75 loans totaling $27.8 million in 2019. Examiners compared the bank’s 2018 small business lending performance under the Geographic Distribution and Borrower Profile criteria to aggregate data. Aggregate data is not yet available for 2019. Examiners also compared 2018 and 2019 small business lending performance to D&B business demographic data.

Although examiners analyzed 2017 home mortgage and small business lending, 2017 lending was similar to 2018 and 2019 performance; therefore, examiners did not present 2017 performance under the Geographic Distribution and Borrower Profile criteria.

For the Lending Test, examiners reviewed the number and dollar volume of loans. Although number and dollar volume are presented, examiners emphasized performance by number of loans as it is a better indicator of the number of businesses and individuals served.

Examiners also reviewed community development loans, investments, and services, as well as innovative and/or flexible lending practices since the prior evaluation date of June 19, 2017.

DESCRIPTION OF INSTITUTION

**Background**

EBSB is a state chartered bank that operates in Suffolk, Middlesex, Essex, and Norfolk counties in Massachusetts (MA). The bank’s main office is located in East Boston, MA while its corporate offices are located in Peabody, MA.

EBSB is a wholly owned subsidiary of Meridian Bancorp, Inc. The bank’s subsidiaries include Prospect, Inc., which engages in securities transactions on its own behalf and EBOSCO, LLC, which holds foreclosed real estate. East Boston Investment Services, Inc., used for authorized third-party investment sales and Investment in Affordable Home Ownership, LLC, authorized to form partnerships with agencies to develop affordable housing projects, are currently inactive.

The institution received a “Satisfactory” rating from the Division and FDIC during its prior joint evaluation dated June 19, 2017, based on Interagency Large Institution Examination Procedures.

Operations

EBSB operates 42 full-service branches throughout eastern MA. In December 2017, EBSB acquired two branches through the acquisition of Meetinghouse Bank in Dorchester, MA. EBSB opened nine additional branches since the prior evaluation. All new branches are in MA, in the cities of Brookline, Woburn, Salem, Brighton (2), Cambridge, Lynnfield, Burlington, and Boston. The bank also operates a full-service mobile branch that operates throughout its assessment area. The mobile branch serves the elderly and other populations that have limited mobility or means to visit the branches. EBSB offers five stand-alone automated teller machines (ATMs) in Dorchester, Malden, Medford, Saugus, and Winthrop. The bank did not close any branches during the evaluation period.

EBSB emphasizes commercial banking, but offers various products and services that serve businesses as well as consumers. Business lending includes commercial real estate loans, construction loans, commercial term loans, commercial lines of credit, and institutional banking. Consumer lending products include home mortgage loans, home equity lines of credit, automobile loans, and credit builder installment loans. Consumer deposit services include various checking, savings, money market deposit accounts, certificates of deposit, and individual retirement account savings. The bank also offers insurance sales through a partnership with Starkweather & Shepley Insurance Brokerage Inc. Alternative banking services include personal online and mobile banking, mobile banking deposit, peer-to-peer payment service, and business online and mobile banking.

Ability and Capacity

As of September 30, 2020, the bank had total assets of $6.6 billion, which included total loans of $5.7 billion and total securities of $12.2 million. Due to the Meetinghouse Bank acquisition, assets increased 39.8 percent from $4.6 billion at the last evaluation to their current level. The following table illustrates the loan portfolio.

| **Loan Portfolio Distribution as of 09/30/2020** | | |
| --- | --- | --- |
| **Loan Category** | **$(000s)** | **%** |
| Construction, Land Development, and Other Land Loans | 758,439 | 13.2 |
| Secured by Farmland | 0 | 0.0 |
| Secured by 1-4 Family Residential Properties | 714,749 | 12.5 |
| Secured by Multifamily (5 or more) Residential Properties | 941,922 | 16.5 |
| Secured by Nonfarm Nonresidential Properties | 2,733,212 | 47.8 |
| **Total Real Estate Loans** | **5,148,322** | **90.0** |
| Commercial and Industrial Loans | 200,648 | 3.5 |
| Agricultural Production and Other Loans to Farmers | 0 | 0.0 |
| Consumer Loans | 11,867 | 0.2 |
| Obligations of State and Political Subdivisions in the U.S. | 357,702 | 6.3 |
| Other Loans | 147 | 0.0 |
| Lease Financing Receivable (net of unearned income) | 0 | 0.0 |
| Less: Unearned Income | 0 | 0.0 |
| **Total Loans** | **5,718,686** | **100.0** |
| *Source: Reports of Condition and Income* | | |

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

**DESCRIPTION OF ASSESSMENT AREA**

The CRA requires each financial institution to define one or more assessment areas in which examiners will evaluate the institution’s CRA performance. EBSB designated a single assessment area in the Boston-Cambridge-Newton, MA-New Hampshire (NH) Metropolitan Statistical Area (Boston MSA). The following sections discuss demographic and economic information relevant to the assessment area.

**Economic and Demographic Data**

The assessment area includes 412 census tracts located in Essex, Middlesex, Norfolk, and Suffolk Counties in MA. The following table details the cities and towns in the bank’s assessment area.

|  |  |
| --- | --- |
| **Assessment Area Cities and Towns** | |
| **Essex County, MA** | |
| Danvers | Peabody |
| Lynn | Saugus |
| Lynnfield | Salem\* |
| **Middlesex County, MA** | |
| Belmont | Somerville |
| Burlington\* | Stoneham\* |
| Cambridge | Wakefield |
| Everett | Wilmington\* |
| Malden | Winchester\* |
| Medford | Woburn\* |
| Melrose |  |
| **Norfolk County, MA** | |
| Brookline | Quincy\* |
| **Suffolk County, MA** | |
| Boston | Chelsea |
| Revere | Winthrop |

\* Added since the previous evaluation

The cities and towns in Essex and Middlesex Counties are located in the Cambridge-Newton-Framingham, MA Metropolitan District (MD). The cities and towns in Norfolk and Suffolk Counties are located in the Boston, MA MD. Both MDs are part of the greater Boston-Cambridge-Newton, MA-NH MSA. The bank does not have any branches outside of the Boston-Cambridge-Newton, MA-NH MSA.

The 412 census tracts reflect the following income designations according to the 2015 American Community Survey (ACS) US Census:

* 70 low-income tracts,
* 117 moderate-income tracts,
* 134 middle-income tracts,
* 78 upper-income tracts, and
* 13 census tracts with no income designation.

The following areas have concentrated numbers of low-and moderate-income census tracts: Allston, Brighton, Boston, Cambridge, Chelsea, Dorchester, Everett, Fenway, Jamaica Plain, Lynn, Malden, Peabody, Quincy, Revere, Roxbury, Salem, and Somerville. The census tracts with no income designation are Harbor Islands, Franklin Park Zoo, Stony Brook Reservation, Arnold Arboretum, Castle Island, Conley Terminal, South End (2), Charles River, Suffolk Downs, Belle Isle Marsh Reservation, Boston Common, and Boston Harbor.

There are no underserved or distressed nonmetropolitan middle-income geographies within the assessment area. There were two Federal Emergency Management Agency designated Major Disaster declarations (DR -4372 -MA and DR -4379 -MA) in 2018 that impacted Essex, Middlesex, Norfolk, and Suffolk counties. Examiners consider bank activities related to disaster recovery that revitalize or stabilize a designated disaster area for 36 months following the date of designation. Furthermore, there are 14 cities and towns throughout Essex, Middlesex, Norfolk, and Suffolk counties that contain designated opportunity zones within the assessment area. The Opportunity Zone Program provides incentives for investing in certain census tracts to encourage growth in low-income areas.

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) | 412 | 17.0 | 28.4 | 32.5 | 18.9 | 3.2 |
| Population by Geography | 1,723,566 | 15.6 | 31.1 | 36.1 | 16.7 | 0.5 |
| Housing Units by Geography | 722,403 | 14.3 | 30.3 | 36.3 | 18.6 | 0.6 |
| Owner-Occupied Units by Geography | 303,016 | 6.9 | 25.3 | 45.3 | 22.2 | 0.4 |
| Occupied Rental Units by Geography | 371,242 | 20.1 | 34.3 | 29.6 | 15.3 | 0.7 |
| Vacant Units by Geography | 48,145 | 15.7 | 31.3 | 31.0 | 21.1 | 0.9 |
| Businesses by Geography | 147,116 | 11.2 | 21.9 | 34.2 | 31.7 | 1.0 |
| Farms by Geography | 1,477 | 8.9 | 22.1 | 47.2 | 21.7 | 0.2 |
| Family Distribution by Income Level | 368,505 | 31.1 | 17.7 | 18.7 | 32.5 | 0.0 |
| Household Distribution by Income Level | 674,258 | 31.7 | 15.4 | 16.3 | 36.6 | 0.0 |
| Median Family Income MSA - 14454 Boston, MA |  | $90,699 | Median Housing Value | | | $418,385 |
| Median Family Income MSA - 15764 Cambridge-Newton-Framingham, MA |  | $100,380 | Median Gross Rent | | | $1,347 |
|  |  |  | Families Below Poverty Level | | | 11.2% |
| *Source: 2015 ACS and 2019 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.* | | | | | | |

According to 2019 D&B data, there were 147,116 businesses in the assessment area. Gross annual revenues (GARs) for these businesses follow.

* 84.3 percent have $1 million or less
* 6.5 percent have more than $1 million
* 9.2 percent have unknown revenues

The small business loan analysis under the Borrower Profile criterion compares the distribution of businesses by GAR level. D&B demographic data indicates that as of 2019, 80.3 percent of businesses in the assessment area have GARs of less than $0.5 million, 62.8 percent of businesses have four or fewer employees, and 89.0 percent of businesses operate from a single location. These factors indicate that the majority of businesses in the assessment area are very small. Service industries represent the largest portion of businesses at 43.4 percent; followed by non-classifiable establishments (16.1 percent); retail trade (12.1 percent); and finance, insurance, and real estate (11.6 percent).

Examiners use the Federal Financial Institutions Examination Council (FFIEC)-updated median family income levels to analyze home mortgage loans under the Borrower Profile criterion. The following table presents the low-, moderate-, middle-, and upper-income categories, which are based on the 2018 and 2019 FFIEC-updated median family income categories.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Median Family Income Ranges** | | | | |
| **Median Family Incomes** | **Low  <50%** | **Moderate 50% to <80%** | **Middle 80% to <120%** | **Upper ≥120%** |
| **Boston, MA MD Median Family Income (14454)** | | | | |
| 2018 ($99,300) | <$49,650 | $49,650 to <$79,440 | $79,440 to <$119,160 | ≥$119,160 |
| 2019 ($105,500) | <$52,750 | $52,750 to <$84,400 | $84,400 to <$126,600 | ≥$126,600 |
| **Cambridge-Newton-Framingham, MA MD Median Family Income (15764)** | | | | |
| 2018 ($110,300) | <$55,150 | $55,150 to <$88,240 | $88,240 to <$132,360 | ≥$132,360 |
| 2019 ($115,500) | <$57,750 | $57,750 to <$92,400 | $92,400 to <$138,600 | ≥$138,600 |
| *Source: FFIEC* | | | | |

According to the mass.gov website, major employers in the assessment area include Brigham & Women’s Hospital, Dana Farber Cancer Institute, and Massachusetts General Hospital, all located in Boston, MA.

According to the United States Bureau of Labor Statistics, the average unemployment rate in 2019 was 3.0 percent in Essex County, MA; 2.3 percent in Middlesex County, MA; 2.5 percent in Norfolk County, MA, and 2.6 percent in Suffolk County, MA. These levels were comparable to the MA state average of 2.9 percent and lower that the national rate of 3.7 percent. The unemployment rates in the assessment area increased during the COVID-19 pandemic in 2020. In August 2020, unemployment rates rose to 12.5 percent in Essex County, MA; 9.4 percent in Middlesex County, MA; 10.7 percent in Norfolk County, MA, and 13.5 percent in Suffolk County, MA. These rates were higher than the national unemployment level of 8.4 percent in August 2020.

**Competition**

The bank operates in a competitive market for financial services. According to FDIC Deposit Market Share data as of June 30, 2020, 66 financial institutions operated 569 offices in the assessment area. Of these, EBSB ranked 8th with 1.5 percent deposit market share. The top three banks were State Street Bank and Trust Company, Bank of America, National Association (N.A.), and Citizens Bank, N.A. with a collective market share of 75.1 percent.

The bank also operates in a competitive market for loans. In 2019, 528 lenders originated or purchased 58,902 home mortgage loans in the bank’s assessment area. The top five lenders, Citizens Bank, N.A.; Wells Fargo Bank, N.A.; Guaranteed Rate Inc.; JPMorgan Chase Bank, N.A.; and Leader Bank, N.A., captured 23.6 percent of the market share. EBSB ranked 46th with 0.5 percent of the market share. In 2018, 498 lenders originated or purchased 46,584 home mortgage loans in the bank’s assessment area. The top five lenders, Citizens Bank, (N.A.); Wells Fargo Bank, N.A.; Bank of America, N.A.; Guaranteed Rate Inc.; and Eastern Bank captured 23.3 percent of the market share. EBSB ranked 45th with 0.6 percent of the market share.

Small business aggregate data reflects lending information for whole counties; therefore, the aggregate small business data considers all lenders in Essex, Middlesex, Norfolk, and Suffolk counties. Based on 2018 small business aggregate data (the most recent year available), 175 lenders made 100,169 small business loans. EBSB ranked 54th out of this group of lenders, with a 0.1 percent market share. The five most prominent small business lenders accounted for 62.7 percent of total market share including American Express, N.A.; Bank of America, N.A.; Chase Bank USA, N.A.; Citibank, N.A.; and Capital One Bank (USA), N.A..

**Community Contact**

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

Examiners relied on a recently completed community contact with a non-profit housing organization serving neighborhoods within Boston. The organization provides homebuyer education programs to prospective low- and moderate-income consumers and advocates support for affordable housing. Education focuses on affordable housing financing options and various government support programs. The contact noted that the high cost of housing in Boston and limited number of affordable housing options are discouraging homeownership, particularly low- and moderate-income individuals. Increasing volume of student debt is an additional factor in restricting home purchase options for potential borrowers. Many renters are either leaving the area or remaining as renters. The contact identified opportunities for institutions to participate in affordable housing programs and provide financial education to potential buyers. Finally, the contact indicated that local financial institutions are active in the area served by the organization.

**Credit and Community Development Needs and Opportunities**

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that financing affordable housing construction projects, participating in affordable housing lending programs, and providing financial literacy education represent primary needs in the assessment area.

**CONCLUSIONS ON PERFORMANCE CRITERIA**

**LENDING TEST**

The bank’s Lending Test performance is rated High Satisfactory. The following sections discuss the bank’s performance under each criterion. This bank’s outstanding performance in both geographic distribution and community development lending primarily supports the bank’s rating.

**Lending Activity**

The bank’s lending levels reflect adequate responsiveness to assessment area credit needs. In 2017, 2018, and 2019, EBSB originated and purchased 1,302 home mortgage loans totaling approximately $1.4 billion and 289 small business loans totaling approximately $109.3 million. Of this total, 891 home mortgage loans, totaling approximately $958.0 million and 184 small business loans, totaling approximately $67.7 million, were inside the assessment area.

EBSB’s level of home mortgage originations inside assessment area declined from high of 347 in 2017 to 281 and 263 in 2018 and 2019, respectively. This decline coincided with a decrease in assessment area market share rankings of 45th and 46th, respectively, as compared to 30th in 2017 and 24th in 2015 during the prior evaluation. Small business lending stayed generally consistent with the prior evaluation. As described in the prior section, there is significant competition within EBSB’s assessment area for both home mortgage and small business lending; therefore, the bank’s overall lending activity is adequate.

**Assessment Area Concentration**

The bank made an adequate percentage of home mortgage and small business loans, by number and dollar volume, within its assessment area. See the following table.

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Lending Inside and Outside of the Assessment Area** | | | | | | | | | | |
|  | **Number of Loans** | | | |  | **Dollar Amount of Loans $(000s)** | | | |  |
| **Loan Category** | **Inside** | | **Outside** | | **Total** | **Inside** | | **Outside** | | **Total** |
|  | **#** | **%** | **#** | **%** | **#** | **$** | **%** | **$** | **%** | **$(000s)** |
| Home Mortgage |  | | | | | | | | | |
| 2017 | 347 | 68.8 | 157 | 31.2 | 504 | 389,685 | 75.8 | 124,516 | 24.2 | 514,201 |
| 2018 | 281 | 68.9 | 127 | 31.1 | 408 | 290,635 | 55.8 | 230,535 | 44.2 | 521,169 |
| 2019 | 263 | 67.4 | 127 | 32.6 | 390 | 277,641 | 69.6 | 121,053 | 30.4 | 398,695 |
| **Subtotal** | **891** | **68.4** | **411** | **31.6** | **1,302** | **957,961** | **66.8** | **476,104** | **33.2** | **1,434,065** |
| Small Business |  | | | | | | | | | |
| 2017 | 65 | 63.1 | 38 | 36.9 | 103 | 24,056 | 62.5 | 14,406 | 37.5 | 38,462 |
| 2018 | 68 | 61.3 | 43 | 38.7 | 111 | 24,873 | 57.8 | 18,172 | 42.2 | 43,045 |
| 2019 | 51 | 68.0 | 24 | 32.0 | 75 | 18,818 | 67.8 | 8,940 | 32.2 | 27,758 |
| **Subtotal** | **184** | **63.7** | **105** | **36.3** | **289** | **67,747** | **62.0** | **41,518** | **38.0** | **109,265** |
| **Total** | **1,075** | **67.6** | **516** | **32.4** | **1,591** | **1,025,708** | **66.5** | **517,622** | **33.5** | **1,543,330** |
| *Source: Bank Data*  *Due to rounding, totals may not equal 100.0%* | | | | | | | | | | |

**Geographic Distribution**

The geographic distribution of loans reflects excellent penetration throughout the assessment area. The bank’s excellent performance of home mortgage lending and good performance of small business lending support this conclusion, as examiners placed greater weight on home mortgage. Examiners focused on the percentage of loans in low- and moderate-income census tracts by number.

***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects excellent penetration throughout the assessment area. In each year analyzed, EBSB’s lending performance significantly exceeded aggregate and demographic data in low- and moderate-income census tracts. The bank’s overall performance in this area improved from the previous evaluation.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Geographic Distribution of Home Mortgage Loans** | | | | | | |
| **Tract Income Level** | **% of Owner-Occupied Housing Units** | **Aggregate Performance % of #** | **#** | **%** | **$(000s)** | **%** |
| Low |  | | | | | |
| 2018 | 6.9 | 8.5 | 38 | 13.5 | 41,744 | 14.4 |
| 2019 | 6.9 | 7.9 | 31 | 11.8 | 33,838 | 12.2 |
| Moderate |  | | | | | |
| 2018 | 25.3 | 27.9 | 99 | 35.2 | 93,681 | 32.2 |
| 2019 | 25.3 | 26.7 | 90 | 34.2 | 58,871 | 21.2 |
| Middle |  | | | | | |
| 2018 | 45.3 | 42.8 | 106 | 37.7 | 123,608 | 42.5 |
| 2019 | 45.3 | 44.0 | 97 | 36.9 | 55,113 | 19.9 |
| Upper |  | | | | | |
| 2018 | 22.2 | 20.3 | 38 | 13.5 | 31,602 | 10.9 |
| 2019 | 22.2 | 20.9 | 45 | 17.1 | 129,820 | 46.8 |
| Not Available |  | | | | | |
| 2018 | 0.4 | 0.5 | 0 | 0.0 | 0 | 0.0 |
| 2019 | 0.4 | 0.5 | 0 | 0.0 | 0 | 0.0 |
| **Totals** |  | | | | | |
| **2018** | **100.0** | **100.0** | **281** | **100.0** | **290,635** | **100.0** |
| **2019** | **100.0** | **100.0** | **263** | **100.0** | **277,641** | **100.0** |
| *Source: 2015 ACS; Bank Data, 2019 HMDA Aggregate Data, "--" data not available.*  *Due to rounding, totals may not equal 100.0%* | | | | | | |

***Small Business Loans***

The geographic distribution of small business loans reflects good penetration throughout the assessment area. EBSB’s lending performance consistently exceeded aggregate and demographic data in moderate-income census tracts for all years analyzed. In low-income tracts, lending performance exceeded aggregate and the demographics in 2018, but declined to 3.4 percent below demographic data in 2019 (aggregate data is not available for comparison). Performance in this area generally aligns with that of the previous evaluation except for the decline in low-income census tracts observed in 2019.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Geographic Distribution of Small Business Loans** | | | | | | |
| **Tract Income Level** | **% of Businesses** | **Aggregate Performance % of #** | **#** | **%** | **$(000s)** | **%** |
| Low |  | | | | | |
| 2018 | 11.3 | 10.5 | 12 | 17.6 | 4,892 | 19.7 |
| 2019 | 11.2 | -- | 4 | 7.8 | 1,580 | 8.4 |
| Moderate |  | | | | | |
| 2018 | 21.5 | 23.2 | 22 | 32.4 | 9,456 | 38.0 |
| 2019 | 21.9 | -- | 17 | 33.3 | 6,298 | 33.5 |
| Middle |  | | | | | |
| 2018 | 34.5 | 36.7 | 25 | 36.8 | 7,482 | 30.1 |
| 2019 | 34.2 | -- | 22 | 43.1 | 8,294 | 44.1 |
| Upper |  | | | | | |
| 2018 | 31.8 | 28.7 | 9 | 13.2 | 3,043 | 12.2 |
| 2019 | 31.7 | -- | 8 | 15.7 | 2,646 | 14.1 |
| Not Available |  | | | | | |
| 2018 | 1.0 | 0.9 | 0 | 0.0 | 0 | 0.0 |
| 2019 | 1.0 | -- | 0 | 0.0 | 0 | 0.0 |
| **Totals** |  | | | | | |
| **2018** | **100.0** | **100.0** | **68** | **100.0** | **24,873** | **100.0** |
| **2019** | **100.0** | **--** | **51** | **100.0** | **18,818** | **100.0** |
| *Source: 2018 & 2019 D&B Data; Bank Data; 2018 CRA Aggregate Data, "--" data not available.*  *Due to rounding, totals may not equal 100.0%* | | | | | | |

**Borrower Profile**

The distribution of borrowers reflects adequate penetration among individuals of different income levels and businesses of different sizes. The bank’s adequate performance of home mortgage and small business lending support this conclusion. Examiners focused on home mortgage loans to low- and moderate-income borrowers and the percentage of small business loans by number to businesses with GARs of $1.0 million or less.

***Home Mortgage Loans***

The distribution of home mortgage loans reflects adequate penetration among individuals of different income levels, including low- and moderate-income borrowers. The bank’s lending to low-income borrowers was consistent with aggregate performance in all years analyzed. Although the bank’s lending was below the percentage of low-income families in 2018 and 2019, a low-income family in the assessment area, earning less than $49,650, may have difficulty qualifying for a mortgage under conventional underwriting standards, considering the median housing value of $418,385. Additionally, 11.2 percent of families in this assessment area are below the poverty level. These factors help explain the disparity between lending to low-income families and the percentage of low-income families.

The bank’s lending percentage to moderate-income borrowers was below aggregate and demographics in 2018 and 2019. The previously described high level of competition within the assessment area partially explains this discrepancy. EBSB’s commercial focus also influences the lower lending percentage to moderate-income borrowers. Specifically, the large number of commercial borrowers purchasing a residential dwelling whose income is reported as “not available” reduces the percentage of lending to all income levels as compared to the aggregate data. Comparison against 2018 and 2019 aggregate shows that EBSB reported more than double the percentage of originations in the “income not available” category. Analysis of EBSB’s residential originations with HMDA reportable income levels indicates that the bank’s performance generally aligns with the aggregate, thus supporting overall adequate performance.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Distribution of Home Mortgage Loans by Borrower Income Level** | | | | | | |
| **Borrower Income Level** | **% of Families** | **Aggregate Performance % of #** | **#** | **%** | **$(000s)** | **%** |
| Low |  | | | | | |
| 2018 | 31.1 | 5.3 | 14 | 5.0 | 2,842 | 1.0 |
| 2019 | 31.1 | 4.5 | 12 | 4.6 | 2,371 | 0.9 |
| Moderate |  | | | | | |
| 2018 | 17.7 | 16.2 | 30 | 10.7 | 8,271 | 2.8 |
| 2019 | 17.7 | 16.9 | 31 | 11.8 | 7,727 | 2.8 |
| Middle |  | | | | | |
| 2018 | 18.7 | 23.4 | 38 | 13.5 | 14,377 | 4.9 |
| 2019 | 18.7 | 23.2 | 39 | 14.8 | 12,709 | 4.6 |
| Upper |  | | | | | |
| 2018 | 32.5 | 41.4 | 113 | 40.2 | 65,565 | 22.6 |
| 2019 | 32.5 | 42.2 | 93 | 35.4 | 61,815 | 22.3 |
| Not Available |  | | | | | |
| 2018 | 0.0 | 13.7 | 86 | 30.6 | 199,580 | 68.7 |
| 2019 | 0.0 | 13.3 | 88 | 33.5 | 193,020 | 69.5 |
| **Totals** |  | | | | | |
| **2018** | **100.0** | **100.0** | **281** | **100.0** | **290,635** | **100.0** |
| **2019** | **100.0** | **100.0** | **263** | **100.0** | **277,641** | **100.0** |
| *Source: 2015 ACS; Bank Data, 2019 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 adequate penetration of loans to businesses with GARs of $1.0 million or less. EBSB’s performance exceeded 2018 aggregate data. Although 2019 aggregate data is not available, lending increased slightly over 2018, indicating a consistent performance. Although lending was below demographics in both years, examiners place greater weight on comparison against the aggregate, which is a better measure of performance in this area.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Distribution of Small Business Loans by Gross Annual Revenue Category** | | | | | | |
| **Gross Revenue Level** | **% of Businesses** | **Aggregate Performance % of #** | **#** | **%** | **$(000s)** | **%** |
| <=$1,000,000 |  | | | | | |
| 2018 | 82.3 | 38.8 | 28 | 41.2 | 10,725 | 43.1 |
| 2019 | 84.3 | -- | 22 | 43.1 | 9,174 | 48.8 |
| >$1,000,000 |  | | | | | |
| 2018 | 7.5 | -- | 40 | 58.8 | 14,148 | 56.9 |
| 2019 | 6.5 | -- | 29 | 56.9 | 9,644 | 51.2 |
| Revenue Not Available |  | | | | | |
| 2018 | 10.2 | -- | 0 | 0.0 | 0 | 0.0 |
| 2019 | 9.2 | -- | 0 | 0.0 | 0 | 0.0 |
| **Totals** |  | | | | | |
| **2018** | **100.0** | **100.0** | **68** | **100.0** | **24,873** | **100.0** |
| **2019** | **100.0** | **--** | **51** | **100.0** | **18,818** | **100.0** |
| *Source: 2018 & 2019 D&B Data; Bank Data; 2018 CRA Aggregate Data; "--" data not available.*  *Due to rounding, totals may not equal 100.0%* | | | | | | |

**Innovative and Flexible Lending**

The bank makes limited use of innovative and/or flexible lending programs to serve assessment area credit needs. Programs involve government-related subsidies and guarantees. The bank originated 451 innovative and flexible loans, totaling $147.1 million, to individuals and businesses during the evaluation period. Of these innovative and flexible loans, the bank made 28 loans for $6.7 million through affordable housing programs, 22 loans for $16.8 million through small business lending programs, and 401 loans for $123.6 million through the Small Business Administration (SBA) Paycheck Protection Program (PPP).

Total loan volume during this evaluation significantly increased since the previous evaluation due to SBA PPP loans in 2020. However, aside from PPP lending, the bank originated 50 innovative and flexible loans, totaling $23.5 million, to individuals and businesses. This volume represents a decrease from the previous evaluation, when the bank made 131 innovative and flexible loans, totaling $36.3 million, to individuals and businesses.

The following highlights the various innovative and flexible loan programs offered by the bank.

Home Mortgage Lending Programs

* **MassHousing First Time Home Buyer Programs -** The bank offers several first-time homebuyer programs through MassHousing. These loans are fixed-rate portfolio loans to borrowers of modest incomes. During the review period, the bank originated 23 loans under these programs for $4.4 million. This includes seven MassHousing down payment assistance loans.
* **MassHousing Federal Housing Administration (FHA) Loans -**These loans feature a reduced mortgage insurance premium for low- and moderate-income borrowers. During the review period, the bank originated five loans for $2.3 million.

Small Business Lending Programs

* **SBA 7a Loan Programs -**The maximum loan amount is $5 million and the SBA guarantees 75.0 percent of the value of most loans; 85 percent guaranty for loans up to $150,000. During the review period, the bank originated 10 loans for $6.4 million.
* **SBA Express Loan Program -**This program offers borrowers an accelerated approval turnaround time on loan amounts up to $350,000. The SBA provides a maximum guaranty of 50.0 percent. During the review period, the bank originated two loans for $400,000.
* **SBA 504 Certified Development Company (CDC) Program -** The SBA 504 CDC Program is an economic development program offering small business financing while creating jobs and promoting job growth. The program provides approved small businesses with long-term, fixed-rate financing for major fixed assets. During the review period, the bank originated 10 SBA 504 loans totaling $10.0 million.

In addition to the previously mentioned SBA-guaranteed program, EBSB responded to the COVID-19 pandemic by offering the SBA PPP in early 2020. ThePPP incentivized small businesses to keep workers employed during the pandemic related shutdown. The bank originated approximately 401 loans totaling approximately $123.6 million through the PPP.

**Community Development Lending**

EBSB is a leader in making community development loans.  The bank originated 108 community development loans, totaling approximately $271.1 million during the evaluation period.  This is a significant increase from the previous evaluation, when the bank originated 81 loans totaling $169.0 million. Current activity level represents 4.6 percent of average total assets and 5.1 percent of average total loans.

Examiners determined that the bank met the overall needs of the assessment area. Therefore, examiners counted community development loan made outside the assessment area. Of the 108 community development loans, the bank made 81 loans, totaling $226.4 million inside the assessment area and 27 community development loans, totaling $44.7 million outside the assessment area. The overall total also includes 12 PPP loans for $26.1 million.

The majority of community development loans, 85 totaling approximately $199.3 million, supported affordable housing, which specifically addressed the assessment area’s primary credit need as identified by the community contact.

| **Community Development Lending** | | | | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Activity Year** | **Affordable Housing** | | **Community Services** | | **Economic Development** | | **Revitalize or Stabilize** | | **Totals** | |
| **#** | **$(000s)** | **#** | **$(000s)** | **#** | **$(000s)** | **#** | **$(000s)** | **#** | **$(000s)** |
| 2017 | 17 | 36,383 | 2 | 932 | 0 | 0 | 1 | 28,000 | **20** | **65,315** |
| 2018 | 25 | 45,441 | 1 | 2,500 | 1 | 50 | 2 | 1,800 | **29** | **49,791** |
| 2019 | 20 | 39,010 | 2 | 10,452 | 0 | 0 | 0 | 0 | **22** | **49,462** |
| YTD 2020 | 23 | 78,493 | 7 | 15,798 | 7 | 12,256 | 0 | 0 | **37** | **106,547** |
| **Total** | **85** | **199,327** | **12** | **29,682** | **8** | **12,306** | **3** | **29,800** | **108** | **271,115** |
| *Source: Bank Data* | | | | | | | | | | |

The following are notable examples of qualified community development loans.

* In 2017, 2018, and 2019, the bank made 10 loans totaling approximately $25.9 million to an organization in Somerville, MA that provides community services for low- and moderate-income residents. One of the primary missions is advocacy for and provision of affordable housing within the city. EBSB’s funding financed the purchase of numerous multifamily residential dwellings that the organization maintains and leases as affordable to qualified city residents.
* In 2017, the bank originated a $1.6 million construction loan to build eight residences in Roxbury, MA, of which the majority were set aside as affordable. The City of Boston backed the project with subsidized funds and marketed the units, which the city then sold as affordable by deed restriction.
* In 2018, the bank originated a $10.2 million loan to an affordable housing organization to construct 40 total rental units on two non-adjoining sites in Dorchester, MA. All units are reserved for renters earning less than 60 percent of area median income.
* In 2020, the bank made one loan for $3.5 million under the SBA PPP to a community service organization to cover payroll during the shutdown caused by COVID-19. The organization provides support services needed to help people with disabilities achieve their career goals, the majority of which are low- and moderate-income.

**INVESTMENT TEST**

The bank’s Investment Test performance is rated High Satisfactory. The following sections discuss the bank's performance under each criterion.

**Investment Activity**

The institution has a significant level of qualified investments during the evaluation period, occasionally in a leadership position, particularly those that are not routinely provided by private investors. The bank made 624 qualified investments totaling approximately $14.7 million. This total includes 10 qualified equity investments of $13.6 million and 614 donations of approximately $1.1 million. Equity investment activity has significantly increased since the previous evaluation when the bank had five equity investments for approximately $5.2 million. The increase in investments at 163.4 percent is significantly higher than the bank’s 39.8 percent increase in total assets. Total donations increased by approximately $223,000. In total, the bank’s investments represent 0.3 percent of average total assets and 66.9 percent of average total securities.

A majority of investments, by dollar volume, supported affordable housing for low- and moderate-income individuals in the assessment area, which examiners determined to be a primary need of the assessment area. Examiners compared the bank’s investment activity to that of similarly situated institutions, selecting comparable institutions based on asset size, geographic location, and lending focus. EBSB’s investment activity was comparable to other institutions who maintained a similar performance and rating on investments. 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 | 3 | 3,512 | 0 | 0 | 0 | 0 | 0 | 0 | **3** | **3,512** |
| 2017 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** | **0** |
| 2018 | 5 | 7,951 | 0 | 0 | 0 | 0 | 0 | 0 | **5** | **7,951** |
| 2019 | 0 | 00 | 0 | 0 | 0 | 0 | 1 | 500 | **1** | **500** |
| YTD 2020 | 1 | 1,627 | 0 | 0 | 0 | 0 | 0 | 0 | **1** | **1,627** |
| **Subtotal** | **9** | **13,090** | **0** | **0** | **0** | **0** | **1** | **500** | **10** | **13,590** |
| Qualified Grants & Donations | 55 | 105 | 510 | 885 | 49 | 73 | 0 | 0 | **614** | **1,063** |
| **Total** | **64** | **13,195** | **510** | **885** | **49** | **73** | **1** | **500** | **624** | **14,653** |
| *Source: Bank Data* | | | | | | | | | | |

***Equity Investments***

The bank has 10 qualified equity investments totaling approximately $13.6 million. Seven investments totaling $10.1 million are new and three investments totaling $3.5 million remain from the prior period. The total dollar amount of equity investments equates to 0.2 percent of average total assets and 62.1 percent of average total securities since the previous evaluation. The following are examples of the new equity investments.

* In 2019, the bank purchased $2.8 million in MA low-income housing tax credits (LIHTC) to construct 49 affordable housing units designated for low-income individuals. The project is located in a low-income census tract.

* In 2019, the bank purchased $2.7 million in MA LIHTCs to renovate and preserve 48 units of affordable housing located in an upper-income census tract located in the assessment area. All 48 units are reserved for households that earn below 80 percent of the area median income.
* In 2019, the bank committed to the purchase of $1.6 million in MA Historic Tax Credits. The bank’s investment will renovate and preserve 143 units of affordable housing secured through Housing Assistance Payment contracts scattered throughout seven properties located in the assessment area.

***Donations***

During the evaluation period, EBSB made approximately $1.1 million in qualified donations. This dollar volume of activity is higher than the prior evaluation by $223,000 and comparable to qualified grants and contributions of similarly situated institutions.

The majority of the bank’s CRA qualified donations supported community service organizations that primarily serve low- and moderate-income individuals. The following are notable examples of qualified donations.

* **Neighborhood of Affordable Housing, Inc. (NOAH) –** During the evaluation period, the bank donated to NOAH. NOAH is a community development corporation that increases access to affordable housing and creates social and economic opportunities for low- and moderate-income individuals and families in the Greater Boston region.
* **Massachusetts Coalition for the Homeless –** EBSB donated to the Massachusetts Coalition for the Homeless during the evaluation period. The Coalition’s mission is to eradicate homelessness within the Commonwealth of Massachusetts. The organization’s programs focus on assisting those who are experiencing homelessness or are at risk of being homeless.

**Community Action Agency of Somerville (CAAS) –** CAAS is a federally designated anti-poverty organization that provides local families and individuals with programs to achieve financial security. CAAS offers Head Start, Housing Advocacy, Community Organizing & Advocacy and Volunteer Income Tax Assistance tax programs.

***COVID-19-Related***

* **Wakefield Food Pantry** – The Wakefield food pantry provides food and other household necessities. During COVID-19, the food pantry has had an increase in of 57 percent over the normal operations due to the increase of unemployed and furloughed individuals in the area.
* **Salesian Boys and Girls Club –** During the pandemic, the Salesian Boys & Girls Club provided breakfast, lunch and hygiene products to club and community members who are in need.
* **East Boston YMCA** - This donation directly contributed to the YMCA’s COVID-19 response, which is working hard to prevent hunger to those impacted most by the pandemic by providing families with nutritious meals.

**Responsiveness to Credit and Community Development Needs**

The institution exhibits good responsiveness to credit and economic development needs. The bank provided approximately $13.1 million in investments and donations for affordable housing initiatives, which examiners identified as a significant need given the assessment area’s high housing costs. The bank also made a large number of donations that supported low- and moderate-income individuals and families and provided financial literacy and a wide range of community development activities. The community contact also noted the need for financial literacy.

**Community Development Initiatives**

The institution occasionally uses innovative and/or complex investments to support community development initiatives. During the current evaluation period, the bank invested in Federal and State LIHTCs as well as MA Historic Tax Credits that support community development needs through affordable housing projects.

**SERVICE TEST**

The bank’s overall Service Test performance is rated Satisfactory. The follow sections discuss the bank’s performance under each criterion.

**Accessibility of Delivery Systems**

Delivery systems are reasonably accessible to essentially all portions of the bank’s assessment area.  The bank operates 43 full-service branches including the main office located in East Boston and the mobile branch. Each physical branch offers a 24-hour deposit-taking ATM.  The bank also maintains five stand-alone ATMs. All ATMs offer bilingual options in English and Spanish. The following table illustrates the branch and ATM distribution by tract income level.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Branch and ATM Distribution by Geography Income Level** | | | | | | | | |
| **Tract Income Level** | **Census Tracts** | | **Population** | | **Branches** | | **ATMs** | |
| **#** | **%** | **#** | **%** | **#** | **%** | **#** | **%** |
| Low | 70 | 17.0 | 268,846 | 15.6 | 2 | 4.6 | 3 | 6.4 |
| Moderate | 117 | 28.4 | 536,153 | 31.1 | 15 | 34.9 | 15 | 31.9 |
| Middle | 134 | 32.5 | 622,712 | 36.1 | 15 | 34.9 | 24 | 51.1 |
| Upper | 78 | 18.9 | 287,754 | 16.7 | 11 | 25.6 | 5 | 10.6 |
| NA | 13 | 3.2 | 8,101 | 0.5 | 0 | 0 | 0 | 0 |
| **Total** | **412** | **100.0** | **1,723,566** | **100.0** | **43** | **100.0** | **47** | **100.0** |
| *Source: 2015 ACS Data; Bank Data* | | | | | | | | |

As the table illustrates, the distribution of branches and ATMs in the low-income census tracts is significantly below the percentage of population residing in these tracts and lower than the total percentage of low-income census tracts in the assessment area. At the previous evaluation, EBSB had four branches located in low-income census tracts; however, three changed with the 2015 ACS census to moderate-income census tracts.

However, the lack of branch presence within these low-income areas does not necessarily limit accessibility from nearby communities and residents. Of the bank’s 43 branches, nine border low-income census tracts. All individuals, including low- and moderate-income census tract residents can also access these branches by public transportation (bus, subway, and commuter rail) increasing the branches’ accessibility and attracting individuals from the surrounding census tracts.

In addition to its branches and ATMs, EBSB offers alternative delivery systems to expand retail banking service access to all individuals. The bank offers personal and business online and mobile banking, remote deposit capture, remote wallet, and support through its Customer Resource Center. Consumers and businesses can access their accounts 24 hours a day to perform various transactions.

The bank operates a full-service mobile branch that operates throughout the assessment area, with an emphasis on serving the elderly and other populations that have limited mobility or means to visit the branches. Examples of locations served by the mobile branch include Brightview Assisted Living in Danvers, Goddard House Assisted Living in Brookline, and Medford Senior Center in Medford. The mobile branch will also appear at various large community events throughout the assessment area such as parades.

EBSB employs 162 employees who speak at least one language outside of English. The bank maintains an employee list which contains the spoken languages, and their corresponding branch location, so all bank personnel can easily contact a bilingual representative to serve customers with limited-English proficiency. Overall, 38 languages are spoken, including Cantonese, Greek, Hindi, Italian, Mandarin, Chinese, Russian, Portuguese, and Spanish. Based on the FDIC’s 2019 survey of unbanked and underbanked households, minority individuals in the northeast region have much higher populations of individuals underserved by retail banking. According to the U.S. Census data, Suffolk County represents the highest concentration of individuals with limited English proficiency totaling 18 percent of the population, followed by Essex County at 9.8 percent, and Middlesex County at 9.3 percent. The data reveals a need for language assistance. EBSB’s language services enhance accessibility to bank products and services and promotes economic inclusion among first-generation immigrants and other consumers who may otherwise have limited financial resources, many of which are low- or moderate-income individuals and families. These language services help, as demographics indicate that a large portion of low- and moderate-income individuals in the assessment area are first-generation Americans, where English may not be their first language.

**Changes in Branch Locations**

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

During the evaluation period, the bank opened nine branches at the following locations: 1952 Beacon Street, Brighton (middle-income); 1614 Tremont Street, Boston (middle-income); 24-38 Broadway, Lynnfield (upper-income); 50 Summit Drive, Burlington (middle-income); 1739 Massachusetts Ave, Cambridge (upper-income); 1608 Commonwealth Ave, Brighton (moderate-income); 331 Montvale Ave, Woburn (middle-income); 193 Washington St., Salem (moderate-income); 473 Harvard St., Brookline (upper-income). In addition, the bank acquired two branches through merger at the following locations: 4238 Washington St. Roslindale (middle-income) and 2250 Dorchester Avenue, Dorchester (middle-income). The bank has not closed any retail branches since the last evaluation.

**Reasonableness of Business Hours and Services**

Services, including business hours, do not vary in a way that inconveniences portions of the assessment area, particularly low- and moderate-income geographies and/or individuals. All retail branches offer the same loan and deposit products and services. All bank branches maintain the same hours of operation including the bank’s mobile branch. Branches are open Monday - Wednesday: 8:30 a.m. - 4:30 p.m., Thursday & Friday: 8:30 a.m. - 6:00 p.m., and Saturday: 9:00 a.m. - 1:00 p.m.

**Community Development Services**

The institution provides a relatively high level of community development services. A majority of the bank’s community development service activity consisted of employees and board members serving on the boards of local community development organizations in the assessment area. The bank provided 220 instances of community development services to those organizations. This level of service activity is a significant increase since the previous evaluation, when the bank provided 125 instances. The following table summarizes the bank’s community development services by year and purpose.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Community Development Services** | | | | | |
| **Activity Year** | **Affordable Housing** | **Community Services** | **Economic Development** | **Revitalize or Stabilize** | **Totals** |
| **#** | **#** | **#** | **#** | **#** |
| 2017 | 8 | 33 | 9 | 0 | **50** |
| 2018 | 6 | 33 | 11 | 0 | **50** |
| 2019 | 11 | 37 | 11 | 0 | **59** |
| YTD 2020 | 7 | 42 | 12 | 0 | **61** |
| **Total** | **32** | **145** | **43** | **0** | **220** |
| *Source: Bank Data* | | | | | |

The following are examples of community development services provided.

*Financial Literacy Seminars*

* **Beacon Academy -** Beacon Academy provides Boston’s students life-changing opportunities through education and social advocacy. The school offers a “jump year” to a small group of motivated students to help them earn scholarships at competitive local high schools and achieve success in high school and college. An executive vice president met with 25 students to discuss financial tips, career opportunities, and the importance of quality education. All attendees are from low-income families.
* **Chelsea Restoration –** Chelsea Restoration promotes home ownership for low- and moderate-income families and individuals in Chelsea, Revere, Saugus, and the surrounding communities. In 2019, EBSB provided a first-time homebuyer seminar for Spanish speaking individuals.

*Employee Involvement*

* **Boston Chinatown Neighborhood Center (BCNC) –** A Director served on the organization’s board. BCNC works to provide new immigrants and community members with educational services that include childcare, English and financial literacy courses, and college and career planning programs. The majority of those benefitting from BCNC services are low- and moderate-income individuals.
* **Danvers Community Council (DCC) –** A first vice president serves on the organization’s board. DCC assists Danvers residents’ in-need by collaborating with local agencies, town leaders, and local businesses. The organization also provides direct assistance through its food pantry.
* **Massachusetts Capital Growth Corporation (MCGC) –** A vice president serves on the grant review committee. MCGC provides assistance and alternative financing to small and micro-businesses. The organization provides loans ranging from $5,000 to $1,000,000. MCGC also provides emergency assistance funds, diversity programs, and small business technical assistance grants.
* **Massachusetts Coalition of the Homeless** **(MCH)** – A senior vice president serves on the organization’s board. MCH advocates for homeless individuals or those at risk of homelessness. The organization primarily works through public policy, focusing on affordable housing, adequate income maintenance programs, medical care, mental health services, social services, and job training and employment. The organization also operates a furniture bank to assist low- and moderate-income households.
* **South Boston Neighborhood Development Corporation (SBNDC)** – A vice president served on the organization’s board. SBNDC owns and manages 166 affordable housing units in South Boston. SBNDC’s mission is to keep low- and moderate-income individuals in the community. SBNDC also provides assistance to small businesses and owns three retail spaces that they rent at below-market rates to businesses that serve the community.

**DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

Examiners did not identify any evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.

**APPENDIX**

**SCOPE OF EVALUATION**

|  |  |
| --- | --- |
| **SCOPE OF EVALUATION** | |
| **TIME PERIOD REVIEWED** | June 19, 2017 – December 7, 2020 |
| **FINANCIAL INSTITUTION** | East Boston Savings Bank |
| **PRODUCTS REVIEWED** | 2017, 2018, and 2019 home mortgage and small business originations |

|  |  |  |  |
| --- | --- | --- | --- |
| **LIST OF ASSESSMENT AREAS AND TYPE OF EVALUATION** | | | |
| **ASSESSMENT AREA** | **TYPE OF EXAMINATION** | **BRANCHES**  **VISITED** | **OTHER INFORMATION** |
| Boston-Cambridge-Newton, MA-NH Multistate MSA | Full scope | None |  |

**Fair Lending Policies and Procedures**

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

***Minority Application Flow***

Examiners reviewed the bank’s 2018 and 2019 HMDA LARs to determine if the bank’s application flow from different racial and ethnic groups reflected the assessment area’s demographics.

According to 2015 ACS data, the bank’s assessment area contains a population of 1,630,389 individuals, of which 40.8 percent are minorities. The assessment area’s minority population is 12.9 percent Black/African American, 9.0 percent Asian/Pacific Islander, 0.1 percent American Indian, 15.6 percent Hispanic or Latino, and 3.1 percent Other.

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

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **MINORITY APPLICATION FLOW** | | | | | | |
| **RACE** | **Bank 2018** | | **2018**  **Aggregate Data** | **Bank 2019** | | **2019**  **Aggregate Data** |
| # | % | % | # | % | % |
| American Indian/ Alaska Native | 0 | 0.0 | 0.4 | 0 | 0.0 | 0.2 |
| Asian | 33 | 9.5 | 8.9 | 21 | 6.2 | 8.3 |
| Black/ African American | 16 | 4.6 | 6.8 | 10 | 2.9 | 6.0 |
| Hawaiian/Pacific Islander | 1 | 0.3 | 0.3 | 0 | 0.0 | 0.3 |
| 2 or more Minority | 0 | 0.0 | 0.2 | 0 | 0.0 | 0.2 |
| Joint Race (White/Minority) | 2 | 0.6 | 1.9 | 2 | 0.6 | 1.8 |
| **Total Racial Minority** | **52** | **15.0** | **18.4** | **33** | **9.7** | **16.8** |
| White | 191 | 55.0 | 58.0 | 212 | 62.4 | 58.0 |
| Race Not Available | 104 | 30.0 | 23.6 | 95 | 27.9 | 25.2 |
| **Total** | **347** | **100.0** | **100.0** | **340** | **100.0** | **100.0** |
| **ETHNICITY** |  |  |  |  |  |  |
| Hispanic or Latino | 22 | 6.3 | 8.1 | 29 | 8.5 | 7.9 |
| Joint (Hisp/Lat /Not Hisp/Lat) | 1 | 0.3 | 1.3 | 4 | 1.2 | 1.3 |
| **Total Ethnic Minority** | **23** | **6.6** | **9.4** | **33** | **9.7** | **9.2** |
| Not Hispanic or Latino | 218 | 62.8 | 67.2 | 212 | 62.4 | 65.8 |
| Ethnicity Not Available | 106 | 30.6 | 23.4 | 95 | 27.9 | 25.0 |
| **Total** | **347** | **100.0** | **100.0** | **340** | **100.0** | **100.0** |

In 2018, the bank received 347 HMDA-reportable loan applications from within its assessment area. Of these applications, the bank received 15.0 percent from racial minorities. This was below aggregate data, which indicates the bank received 18.4 percent of applications from racial minorities. For the same period, the bank received 6.6 percent of its applications from ethnic minority consumers. The bank’s performance was below aggregate data, which indicates the bank received 9.4 percent of applications from ethnic minority consumers.

The bank received 340 HMDA-reportable loan applications from within its assessment area. Although total applications decreased, the bank received 33 applications, or 9.7 percent, from racial minorities. This fell further below aggregate data, which indicates the bank received 16.8 percent of applications from the same demographic of consumers. The bank received 33 applications from ethnic minority applicants in 2019, or 9.7 percent. The bank’s performance among ethnic minority applicants increased above aggregate data trends.

The bank’s racial minority application flow performed below aggregate data in 2018 and 2019 and decreased in year-over-year performance. Ethnic minority application flow increased from 2018 to 2019 above aggregate performance. Examiners noted the bank’s application trends in majority-minority census tracts is consistent with overall lending. This reflects effective outreach throughout the assessment area and mitigates risk presented by the racial minority application flow trend. Overall, the bank’s minority application performance is adequate.

**APPENDIX B Loss of Affordable Housing – Massachusetts Division of Banks**

The Division of Banks’ regulation 209 CMR 46.22(2)(g) requires that the evaluation of the lending performance of a large institution include a review of its efforts to forestall the loss of affordable housing. The Division 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 investment in affordable housing debt securities 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 toa 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.