

PUBLIC DISCLOSURE

January 23, 2017

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

East Cambridge Savings Bank
Certificate Number: 90173

292 Cambridge Street
Cambridge, Massachusetts 02141

Division of Banks
1000 Washington Street, 10th Floor
Boston, Massachusetts 02118

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 concerning the safety and soundness of this financial institution.

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INSTITUTION RATING

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

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.*

The Lending Test is rated High Satisfactory.

- The lending activity reflects good responsiveness to the assessment area’s credit needs.
- A high percentage of loans are made in the institution’s assessment area.
- The geographic distribution of loans reflects good dispersion throughout the assessment area.
- The distribution of borrowers reflects good penetration among borrowers of different income levels and businesses of different sizes.
- The bank makes use of innovative and/or flexible lending practices in order to serve assessment area credit needs.
- The bank has made an adequate level of community development loans.

The Investment Test is rated Satisfactory.

- The institution has an adequate level of qualified community development investments and grants.
- The institution exhibits adequate responsiveness to credit and community economic development needs.
- The institution rarely uses innovative and/or complex investments to support community development initiatives.

The Service Test is rated High Satisfactory.

- Delivery Systems are readily accessible to all portions of the institution’s assessment area.
- To the extent changes have been made, the institution’s opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals.

- Services and business hours do not vary in a way that inconveniences certain portions of the assessment area, particularly to low- and moderate-income geographies or individuals.
- The institution provides a relatively high level of community development services.

SCOPE OF EVALUATION

General Information

At the institution's request, Large Bank CRA examination procedures were used to evaluate East Cambridge Savings Bank's (ECSB) CRA performance. These procedures evaluate the bank's CRA performance pursuant to three tests: Lending, Investments, and Services. The CRA evaluation considered activity from November 4, 2013, through January 23, 2017.

The Lending Test evaluates the institution's record of helping to meet the credit needs of its assessment area by considering an institution's home mortgage, small business, and community development lending. The institution's lending performance is evaluated pursuant to the following criteria: (1) the volume of lending activity; (2) the proportion of lending within the assessment area(s); (3) the dispersion of loans and the number and amount of loans in low-, moderate-, middle- and upper-income geographies in the assessment area; (4) the distribution of loans among low-, moderate-, middle- and upper-income borrowers and businesses of different sizes; (5) the volume of community development lending; and (6) the use of innovative or flexible lending practices.

The Investment Test evaluates the institution's record of helping to meet the credit needs of its assessment area through its use of qualified investments that benefit the assessment area or a broader statewide or regional area that includes the institution's assessment area. The Investment Test is evaluated pursuant to the (1) dollar amount of qualified investments; (2) the innovativeness or complexity of qualified investments; (3) the responsiveness of qualified investments to credit and community development needs; and (4) the degree to which the qualified investments are not routinely provided by private investors.

The Service Test evaluates the institution's record of helping to meet the credit needs of its assessment area through community development and retail services. The Service Test is evaluated pursuant to (1) the institution's record of helping to meet the needs of its assessment area by analyzing both the availability and effectiveness of the institution's systems for delivering retail banking services; and (2) the extent and innovativeness of its community development services.

The bank does not have any affiliates; therefore, this evaluation does not include lending activity performed by affiliates.

Loan Products Reviewed

Examiners determined that the bank's major product lines are home mortgage and small business loans. The bank has not originated any small farm loans during the evaluation period. Consumer lending was not evaluated since the bank did not collect and report this data. Consumer lending represents 1.5 percent of the loan portfolio.

The analysis of loans includes residential mortgages and small business loans originated between January 1, 2015, and September 30, 2016 (YTD 2016) within the assessment area. As reflected

by the September 30, 2016 call report, residential mortgage loans made up 72.9 percent of the bank's total loans, while non-farm, non-residential properties and commercial and industrial loans made up 18.9 percent of total loans. Since residential mortgage lending represents the bank's primary product line, it received more weight when arriving at Lending Test conclusions and ratings. Residential mortgage loan data is derived from the bank's Loan Application Registers (LARs) maintained in accordance with the Home Mortgage Disclosure Act (HMDA). Information concerning small business loans was derived from the bank's CRA Loan Registers.

The performance evaluation analyzed information derived from the 2015 and 2016 (YTD) HMDA LARs and Small Business Loan Registers. In total, the bank recorded 1,301 applications on the HMDA LARs and 55 originations and purchases on the Small Business Loan Registers.

For the Lending Test, bank management provided data on community development loans and innovative and flexible loan programs since the prior CRA evaluation dated November 4, 2013. Examiners considered the same timeframe for all investments and services for the respective tests.

Residential mortgage and small business lending information was compared to demographic data and 2015 aggregate data. Demographic information was primarily obtained from the 2010 United States Census. Business demographic information was obtained from Dun & Bradstreet (D&B).

DESCRIPTION OF INSTITUTION

Background

East Cambridge Savings Bank is a state-chartered, mutual savings bank headquartered in Cambridge, Massachusetts operating in parts of the Metro-West and North Shore regions of Massachusetts. The institution received a Satisfactory rating at its previous Division of Banks (“Division”) Performance Evaluation, dated November 4, 2013, based on Interagency Large Institution Examination Procedures.

Operations

The bank’s main office is located at 292 Cambridge Street, Cambridge, Massachusetts. Additionally, the bank operates 10 full-service branches in its assessment area. These branches are in the following towns and cities; Arlington, Belmont, Cambridge (3), Chelsea, Medford (2), Somerville and Waltham. The bank also maintains an operations center located at 344 Cambridge Street, Cambridge, Massachusetts. This facility does not offer retail services.

The main office and all full service-branches have automated teller machines (ATM). The bank also has one remote 24-hour ATM located on Massachusetts, Avenue in Cambridge and one in Magoun Square in Somerville.

Since the last exam, the bank opened its West Medford branch in 2014 and merged with Chelsea Bank, therefore opening its Chelsea branch in 2015. The West Medford branch is located in a middle-income CT and the Chelsea branch is located in a low-income CT.

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

Ability and Capacity

As of September 30, 2016, the bank had total assets of \$1.0 billion and total deposits of \$862.0 million. Total loans were \$761.2 million and represented 76.1 percent of total assets. Since the last CRA evaluation, the bank’s assets have increased 17.7 percent, total loans have increased 41.2 percent, and deposits have increased 17.3 percent. This growth is attributed to a generally strong banking environment and economy as well as the bank’s expansion as a result of a 2015 merger with Chelsea Bank.

The bank is primarily a residential lender with a majority of the loan portfolio secured by residential properties. As noted in the following table, approximately 62.1 percent of the loans are secured by residential one- to four-family properties, followed by loans secured by non-farm,

non-residential properties at 15.7 percent and loans secured by residential multi-family (five or more) properties at 10.8 percent. The following table illustrates the current distribution of the bank's loan portfolio.

Loan Portfolio Distribution as of 09/30/2016		
Loan Category	\$(000s)	%
Construction and Land Development	50,912	6.7
Secured by Farmland	0	0.0
1-4 Family Residential	474,488	62.1
Multi-family (5 or more) Residential	82,520	10.8
Secured by Non-farm, Non-residential Properties	119,872	15.7
Total Real Estate Loans	727,792	95.3
Commercial and Industrial	24,647	3.2
Consumer	11,342	1.5
Other	29	0.0
Total Loans	763,810	100.0
<i>Source: Reports of Income and Condition</i>		

The Division rated the bank's previous CRA performance, dated November 4, 2013, "Satisfactory." Large Bank CRA examination procedures were used for this examination. There are no significant financial or legal impediments that would limit the bank's ability to help meet the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. East Cambridge Savings Bank designated a single assessment area in the Boston-Cambridge-Newton, MA-NH Metropolitan Statistical Area (MSA). The following sections discuss the demographic and economic information for the assessment area.

Economic and Demographic Data

The bank's assessment area includes the following 15 cities and towns located in the Boston-Cambridge-Newton, MA-NH MSA: Arlington, Belmont, Cambridge, Chelsea, Everett, Lexington, Malden, Medford, Newton, Revere, Saugus, Somerville, Waltham, Watertown, and Winchester. The bank added Chelsea, Revere, and Saugus to the assessment area since the last exam.

The bank's assessment area consists of 169 census tracts that reflect the following income designations, according to the 2010 U.S. Census:

- 10 low-income tracts
- 51 moderate-income tracts
- 61 middle-income tracts
- 46 upper-income tracts
- 1 N/A tract

The following table provides additional demographic and economic information pertaining to the bank's assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	169	5.9	30.2	36.1	27.2	0.6
Population by Geography	749,800	5.9	30.7	37.1	26.3	0.0
Housing Units by Geography	313,868	5.5	30.2	39.1	25.3	0.0
Owner-Occupied Units by Geography	151,485	2.6	23.2	39.7	34.5	0.0
Occupied Rental Units by Geography	142,476	8.2	37.4	38.6	15.8	0.0
Vacant Units by Geography	19,907	7.1	31.7	38.5	22.7	0.0
Businesses by Geography	54,146	5.4	23.8	35.0	35.7	0.1
Farms by Geography	643	2.8	20.4	42.0	34.8	0.0
Family Distribution by Income Level	169,139	25.1	16.3	19.6	39.0	0.0
Household Distribution by Income Level	293,961	27.3	15.0	17.7	40.0	0.0
Median Family Income MSA - 14454 Boston, MA MD		\$83,664	Median Housing Value			\$480,851
Median Family Income MSA - 15764 Cambridge-Newton-Framingham, MA MD		\$90,625	Median Gross Rent			\$1,290
			Families Below Poverty Level			7.2%
<i>Source: 2010 U.S. Census and 2016 D&B Data</i> <i>Due to rounding, totals may not equal 100.0</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

According to 2016 D&B data, there are 54,146 businesses within the assessment area. Gross annual revenues (GARs) for these businesses are below:

- 84.3 percent have \$1 million or less
- 7.2 percent have more than \$1 million
- 8.5 percent have unknown revenues

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by GAR level. Service industries represent the largest portion of businesses at 53.2 percent; followed by retail trade (12.1 percent); finance, insurance and real estate (9.0 percent); and non-classifiable establishments (7.9 percent). In addition, 74.1 percent of area businesses have four or fewer employees, and 88.8 percent operate from a single location.

The 2015 and 2016 FFIEC median family income level is used to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle- and upper-income categories are presented in the following table.

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)				
2015 (\$90,000)	<\$45,000	\$45,000 to <\$72,000	\$72,000 to <\$108,000	≥\$108,000
2016 (\$90,800)	<\$45,400	\$45,400 to <\$72,640	\$72,640 to <\$108,960	≥\$108,960
Cambridge-Newton-Framingham, MA MD Median Family Income (15764)				
2015 (\$101,700)	<\$50,850	\$50,850 to <\$81,360	\$81,360 to <\$122,040	≥\$122,040
2016 (\$98,600)	<\$49,300	\$49,300 to <\$78,880	\$78,880 to <\$118,320	≥\$118,320
<i>Source: FFIEC Due to rounding, totals may not equal 100.0</i>				

According to the 2010 U.S. Census Data, the unemployment rate for the assessment area was 6.5 percent. Data obtained from the U.S. Bureau of Labor and Statistics as of November 30, 2016, indicates that the unemployment rate was 2.9 percent for Massachusetts and 4.7 percent as of December 31, 2016 nationwide.

Competition

The bank operates in a competitive market for credit and financial services. The FDIC Deposit Market Share data as of June 30, 2016, reveals that 32 financial institutions operate 248 branch offices throughout the AA, with the top five institutions accounting for 58.4 percent of total deposit market share. East Cambridge Savings Bank was ranked 12th with a deposit market share of 2.7 percent.

The bank faces strong competition from other financial institutions that originate loans within the assessment area. Among the more prominent lenders competing with East Cambridge Savings Bank are Cambridge Savings Bank, Watertown Savings Bank, Winter Hill Bank, Salem Five Bank, East Boston Savings Bank, Century Bank, Metro Credit Union as well as national banks such as Citizens Bank, Santander Bank, and TD Bank.

Community Contact

As part of the evaluation process, examiners contact organizations active in the assessment area to gain an understanding of the credit and community development needs. This information allows examiners to determine whether local financial institutions are responsive to identified needs and opportunities. The contact may also help identify what credit and community development opportunities are available. Examiners contacted two representatives from organizations located in Cambridge region.

The first organization provides affordable housing and community services to residents in the City of Somerville and strives to end the cycle of homelessness. It offers emergency shelter services as well as social services to help those in need become independent once again. The organization stated there is significant need for affordable housing in the Somerville area.

The second community contact provides a variety of social services to the most vulnerable low- and moderate-income residents in the Cambridge region. The contact noted a significant need for financial literacy programs and affordable housing options as many families are being priced out of the area due to the rapid cost of living increase in the Cambridge region.

Both community contacts specified that local financial institutions have been responsive to local community development needs.

Credit and Community Development Needs and Opportunities

Considering information from community contacts, bank management, and demographic data, Examiners determined that financial literacy and affordable housing represent primary needs for the assessment area, especially in the low- and moderate-income census tracts in the Cambridge, Chelsea, and Somerville regions.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

The bank is rated “High Satisfactory” in the Lending Test. The following sections address the bank’s performance under the Lending Test component throughout the assessment area.

Lending Activity

The bank’s lending activity reflects good responsiveness to the assessment area’s credit needs in its assessment area, taking into account the size of the institution, loan portfolio composition, and the significant level of competition within the assessment area.

East Cambridge Savings Bank’s average net loan-to-deposit (LTD) ratio over the 12 quarters since the prior CRA evaluation is 79.7 percent. The bank’s quarterly LTD ratio fluctuated over the period reaching a high of 88.2 percent as of June 30, 2016 and a low of 74.5 as of June 30, 2014. The quarterly LTD ratio generally increased during the review period.

During the evaluation period, the bank sold 144 loans totaling \$40.1 million. These loans were not included in the LTD ratio calculated above.

Home Mortgage Loans

In 2015, the bank originated 388 home mortgage loans totaling \$106.5 million in the assessment area. Home improvement and home purchase loans represented the primary focus of the bank’s home mortgage lending and comprised 55.7 percent and 26.8 percent, respectively, of the total number of loans. In 2016 YTD, these lending patterns remained generally stable.

Market share data for 2015 provides additional insight into the bank’s volume of home mortgage lending. The bank ranked 13th with a 1.7 percent market share among the 440 lenders that originated or purchased home mortgage loans in the bank’s assessment area. The top three lenders were JPMorgan Chase Bank with 8.6 percent market share, Leader Bank with 5.2 percent share, and Wells Fargo Bank at 4.3 percent.

Small Business Loans

In 2015, the bank originated 19 small business loans totaling \$4.8 million in the assessment area. Small business loans are originated for a variety of business purposes, such as working capital, business expansion, equipment purchases, and the purchase or refinance of commercial real estate. Market share data for 2015 shows that the bank ranked 51st with a 0.1 percent market share among 89 reporting lenders.

In the first three quarters of 2016, the number of small business loans is projected to eclipse the prior year’s performance in both number and dollar amount. The bank originated 17 small business loans totaling \$4.7 million in the assessment area.

Assessment Area Concentration

East Cambridge Savings Bank made a majority of its total home mortgage and small business loans by number and dollar amount inside the assessment area. The following table illustrates the percentage of loans originated or purchased 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										
2015	388	75.6	125	24.4	513	106,521	63.5	61,241	36.5	167,762
2016	318	65.7	166	34.3	484	105,434	49.7	106,843	50.3	212,277
Subtotal	706	70.8	291	29.2	997	211,955	55.8	168,084	44.2	380,039
Small Business										
2015	19	65.5	10	34.5	29	4,827	71.4	1,932	28.6	6,759
2016	17	65.4	9	34.6	26	4,713	72.8	1,764	27.2	6,477
Subtotal	36	65.5	19	34.5	55	9,540	72.1	3,696	27.9	13,236
Total	742	70.5	310	29.5	1,052	221,495	56.3	171,780	43.7	393,275
<i>Source: Evaluation Period: 1/1/2015 - 9/30/2016 Due to rounding, totals may not equal 100.0</i>										

Geographic Distribution

The geographic distribution of loans reflects good dispersion throughout the assessment area. Examiners focused on the percentage by number of loans in low- and moderate-income census tracts.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects good dispersion throughout the assessment area. Examiners focused on the comparison to aggregate data. In 2015, the bank's performance in low-income tracts was 2.8 percent higher than aggregate. For moderate-income tracts, the bank's lending was also slightly higher than aggregate. In 2016, the bank's lending in low- and moderate-income tracts continued to be higher than the percentage of owner-occupied housing units in those tracts.

Market share data further supported the bank's good performance. In 2015, the bank ranked sixth out of 440 lenders in lending in low-income census tracts with a 3.1 percent market share. The bank ranked 12th in lending in moderate-income tracts with a 1.8 percent market share. These market rankings are higher than the bank's overall market rank of 13th in the assessment area in 2015.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2015	2.6	3.4	24	6.2	8,829	8.3
2016	2.6	--	17	5.3	5,639	5.3
Moderate						
2015	23.2	23.4	94	24.2	30,627	28.8
2016	23.2	--	63	19.8	31,765	30.1
Middle						
2015	39.7	41.0	168	43.3	42,005	39.4
2016	39.7	--	152	47.8	43,945	41.7
Upper						
2015	34.5	32.2	102	26.3	25,060	23.5
2016	34.5	--	86	27.0	24,085	22.8
Not Available						
2015	0.0	0.0	0	0.0	0	0.0
2016	0.0	--	0	0.0	0	0.0
Totals						
2015	100.0	100.0	388	100.0	106,521	100.0
2016	100.0	--	318	100.0	105,434	100.0
<i>Source: 2010 U.S. Census; 1/1/2015 - 9/30/2016 Bank Data, 2015 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0</i>						

Small Business Loans

The geographic distribution of small business loans reflects good dispersion throughout the assessment area. In 2015, the bank’s lending to low-income tracts at 15.8 percent is above the aggregate at 5.4 percent. For the same year, the bank’s lending in moderate-income tracts at 42.1 percent is higher than the aggregate at 25.9 percent. The bank’s volume of small business lending by percentage to low- and moderate-income tracts is on track to remain consistent in 2016.

Geographic Distribution of Small Business Loans						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2015	5.4	5.4	3	15.8	335	6.9
2016	5.4	--	3	17.6	1,194	25.3
Moderate						
2015	23.6	25.9	8	42.1	2,999	62.1
2016	23.8	--	5	29.4	1,569	33.3
Middle						
2015	35.0	36.2	6	31.6	1,143	23.7
2016	35.0	--	7	41.2	1,875	39.8
Upper						
2015	35.9	32.4	2	10.5	350	7.3
2016	35.7	--	2	11.8	75	1.6
Not Available						
2015	0.1	0.1	0	0.0	0	0.0
2016	0.1	--	0	0.0	0	0.0
Totals						
2015	100.0	100.0	19	100.0	4,827	100.0
2016	100.0	--	17	100.0	4,713	100.0
<i>Source: 2015 & 2016 D&B Data; 1/1/2015 - 9/30/2016 Bank Data; 2015 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0</i>						

Borrower Profile

The distribution of borrowers reflects good penetration among retail customers of different income levels and businesses of different sizes in the assessment area. Analysis indicates that the bank is addressing the credit needs of the area’s population and businesses, including low- and moderate-income borrowers and businesses with gross annual revenue (GAR) of \$1 million or less.

Home Mortgage Loans

The distribution of home mortgage loans to borrowers reflects good penetration among retail customers of different income levels. Examiners focused on the comparison to aggregate and demographic data.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2015	25.1	3.1	22	5.7	3,484	3.3
2016	25.1	--	15	4.7	1,938	1.8
Moderate						
2015	16.3	13.4	63	16.2	9,675	9.1
2016	16.3	--	45	14.2	7,559	7.2
Middle						
2015	19.6	21.3	98	25.3	18,436	17.3
2016	19.6	--	68	21.4	12,212	11.6
Upper						
2015	39.0	43.5	154	39.7	30,534	28.7
2016	39.0	--	154	48.4	41,758	39.6
Not Available						
2015	0.0	18.7	51	13.1	44,392	41.7
2016	0.0	--	36	11.3	41,967	39.8
Totals						
2015	100.0	100.0	388	100.0	106,521	100.0
2016	100.0	--	318	100.0	105,434	100.0
<i>Source: 2010 U.S. Census; 1/1/2015 - 9/30/2016 Bank Data, 2015 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0</i>						

In 2015, the bank’s home mortgage lending to low- and moderate-income borrowers outperformed the aggregate data, was much lower than the percentage of low-income families and was consistent with the percentage of moderate-income families. A low-income family in the assessment area, which is a family with an income of \$45,000 or lower in the Boston, MA MD and \$50,850 or lower in the Cambridge-Newton-Framingham MA MD, would not likely qualify for a mortgage under conventional underwriting standards, especially considering the median housing value of \$480,851. Therefore, the demand and opportunity for lending to low-income families is relatively limited. This helps explain the difference between bank performance of lending to low-income borrowers and the 25.1 percent of families at this income level. The bank’s lending to moderate-income borrowers was 2.8 percent higher than the aggregate in 2015.

In 2016, the bank’s lending to low-income borrowers was at 4.7 percent, which is below the percentage of families. It was noted that the bank’s lending to moderate-income borrowers remained consistent between 2015 and 2016.

Market share data from 2015 shows that the bank ranked sixth out of 440 lenders in lending to low-income borrowers, with a 3.1 percent market share. The bank ranked 13th in lending to moderate-income borrowers, with a 2.0 percent market share.

Small Business Loans

The distribution of small business loans reflects good penetration of lending to businesses with GARs of \$1 million or less. In 2015, the bank originated 42.1 percent of small business loans to businesses with GARs less than or equal to \$1 million. This percentage is lower than the aggregate at 50.0 percent and lower than the percentage of businesses at 75.8 percent. In 2016, the bank is on track to surpass its 2015 lending 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						
2015	75.8	50.0	8	42.1	988	20.5
2016	84.3	--	12	70.6	2,263	48.0
>1,000,000						
2015	6.0	--	10	52.6	3,789	78.5
2016	7.2	--	5	29.4	2,450	52.0
Revenue Not Available						
2015	18.2	--	1	5.3	50	1.0
2016	8.5	--	0	0.0	0	0.0
Totals						
2015	100.0	100.0	19	100.0	4,827	100.0
2016	100.0	--	17	100.0	4,713	100.0
<i>Source: 2015 & 2016 D&B Data; 1/1/2015 - 9/30/2016 Bank Data; 2015 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0</i>						

Innovative and Flexible Lending

The bank makes use of innovative and flexible lending programs to assist in meeting the credit needs of its assessment area. The majority of programs involve government-related subsidies and benefits for first-time homebuyers. Since the prior evaluation, the bank has offered three new innovative and flexible loan programs.

The following highlights the various innovative and flexible loan programs that the bank continues to offer.

Home Mortgage Loans

First Time Homebuyer Program (FTHB) - This program is offered to potential first-time homebuyers who may not be eligible for traditional home purchase loan products. The program offers generally lower rates and flexible underwriting criteria for these potential borrowers. A \$1,000 closing cost credit is issued to first-time homebuyers who have attended an ECSB FTHB seminar. Since the prior evaluation, the bank originated 59 FTHB loans totaling \$20.0 million.

Federal Home Loan Bank (FHLB) Equity Builder Program- The Federal Home Loan Bank of Boston's Equity Builder Program (EBP) offers members grants to provide households with incomes at or below 80 percent of the area median income with down-payment, closing-cost, home-buyer counseling, and rehabilitation assistance. Members can also use EBP grants to match eligible buyers' savings under an IDA-type program. Over the evaluation period, the bank originated one loan totaling \$134,590 through this program.

MassSave HEAT Loans Program - The bank partners with MassSave to make HEAT loans to individuals residing within the bank's assessment area. This program allows customers to apply for a zero percent loan to assist with the installation of energy efficient improvements in their homes. The loans are available up to \$25,000 with terms up to seven years. During the evaluation period, the bank originated 759 loans totaling \$9.0 million through this program.

MassHousing – MassHousing is a quasi-public state agency whose mission is to increase the Commonwealth's supply of affordable housing. ECSB originates loans through the MassHousing Ser Released Purchase Program that allows eligible homebuyers and homeowners to take advantage of 30-year, fixed-rate financing for the purchase or refinance of condominiums or one- to four-family properties. Borrowers may finance up to 97% of the sales price or the appraised value, whichever is less. Loans with down payments of less than 20% are insured by MassHousing's Mortgage Insurance Fund (MIF). Borrowers participating in this program benefit from flexible underwriting; low down payments; conventional mortgage insurance rates; quick processing thanks to automated underwriting and online mortgage insurance approvals. The bank originated six loans totaling \$1.8 million over the evaluation period.

Massachusetts Housing Partnership (MHP) – The MHP is a statewide public non-profit affordable housing organization that works in concert with the Governor and the state Department of Housing and Community Development to help increase the supply of affordable housing in Massachusetts. The bank originates loans through the ONE Mortgage Program which allows first-time homebuyers to put as little as three percent down; to benefit from a discounted 30-year fixed interest rate; and to avoid private mortgage insurance (PMI). During the evaluation period, the bank originated eight ONE Mortgages for \$1.9 million.

Small Business Loans

Small Business Administration (SBA) Loans- The SBA provides financial assistance in the form of loan guaranties, smaller down payments, and flexible terms. The bank originated four SBA 504 loans totaling \$2.3 million over the evaluation period. The 504 program provides small businesses with long-term, fixed-rate financing for major fixed assets such as land and buildings. The bank also originated five SBA 7(a) loans totaling \$1.0 million over the evaluation period.

The 7(a) program provides financing for a diverse variety of credit needs for small businesses that may not otherwise possess the ability to secure credit.

Community Development Lending

During the evaluation period, the bank originated 6 community development loans totaling \$6.8 million reflecting adequate performance. These loans were focused on providing or sustaining affordable housing within the assessment area. All community development loans originated during the current evaluation period were originated inside the bank’s assessment area. The following table illustrates the bank’s community development lending activity by year and purpose.

Community Development Lending												
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Neighborhood Stabilization		Totals	
	#	\$	#	\$	#	\$	#	\$	#	\$	#	\$
2014	1	678,000	0	0	0	0	0	0	0	0	1	678,000
2015	4	2,752,109	0	0	0	0	0	0	0	0	4	2,752,109
2016	1	3,637,500	0	0	0	0	0	0	0	0	1	3,637,500
Total	6	6,842,609	0	0	0	0	0	0	0	0	6	6,842,609
<i>Source: Bank Records - From January 1, 2014 through September 30, 2016</i>												

Below are descriptions of the bank’s community development loans:

- In March of 2015 the bank originated a \$675,000 loan to Cambridge Community Housing Development, Inc. (CCHDI) in order assist in the acquisition of a 10 unit building to be used for affordable housing for low-income families in Cambridge. CCHDI will also receive funding from State and Municipal governments to acquire the property.
- During the evaluation period, the bank originated five loans totaling \$6,164,609 that will create or maintain affordable housing throughout the assessment area. Each of these five loans were to either purchase or refinance a multi-family property containing units with rental rates below the HUD Fair Market Rate. Approximately 64 units of affordable housing will either be purchased or maintained from these loan originations.

INVESTMENT TEST

The Investment Test evaluates an institution’s record of helping to meet credit needs through qualified investments that benefit the assessment area or a broader statewide or regional area that includes the bank’s assessment area.

The bank’s Investment Test performance is rated “Satisfactory.” The following sections address the bank’s performance by Investment Test component throughout the assessment area:

- Level of qualified community development investments and grants
- Responsiveness to credit and community development needs
- Community development initiatives

Investment Activity

East Cambridge Savings Bank has an adequate level of qualified community development investments and grants, and it exhibited adequate responsiveness to credit and community development needs of its assessment area. The bank’s qualified investments total \$5,618,240, which includes \$5,280,828 in ten equity investments and \$337,412 in 200 grants and donations.

Equity Investments

As of the start of the examination, the total value of qualified equity investments is \$5.3 million, which includes the original value of new investments, \$1.2 million, and current book value of prior period investments, \$4.1 million. This equals 0.5 percent of total assets and 4.0 percent of total investments according to the most recent Call Report.

During the previous evaluation, the bank’s 17 equity investments totaled \$10.9 million. At the previous performance evaluation, total qualified equity investments were 1.3 percent of total assets and 5.3 percent of total investments. Below is a table and a description of qualified equity investments by year and purpose.

Qualified Equity Investments												
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Neighborhood Stabilization		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	9	4,124	0	0	0	0	0	0	0	0	9	4,124
2014	1	1,157	0	0	0	0	0	0	0	0	1	1,157
2015	0	0	0	0	0	0	0	0	0	0	0	0
YTD 2016	0	0	0	0	0	0	0	0	0	0	0	0
Total	10	5,281	0	0	0	0	0	0	0	0	10	5,281

Source: Bank Records

Federal National Mortgage Association (Fannie Mae) – Fannie Mae is a stockholder-owned corporation that purchases and securitizes mortgages to ensure funds are available to lending institutions. The Bank currently holds nine Fannie Mae securities that were purchased during previous CRA evaluations valued at \$4,123,876 and one security that was purchased during the current evaluation period valued at \$1,156,952. The security is backed by one- to- four family residential mortgages originated to low- and moderate-income borrowers. The current total book value of these securities is \$5.3 million.

Charitable Contributions

The bank provides charitable contributions through the bank itself as well as its charitable foundation, the East Cambridge Savings Bank Charitable Foundation. During the evaluation period, the bank and the charitable foundation provided a combined 200 donations totaling \$337,412. The level of contributions represents a slight decrease since the previous evaluation, in which the bank and the charitable foundation provided 210 donations totaling \$361,295. The following table shows East Cambridge Savings Bank’s qualified donations by year and purpose.

Qualified Donations												
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Neighborhood Stabilization		Totals	
	#	\$	#	\$	#	\$	#	\$	#	\$	#	\$
2014	8	15,850	57	85,700	3	14,000	1	500	0	0	69	116,050
2015	11	30,280	57	70,882	2	13,500	1	250	0	0	71	114,912
YTD 2016	8	15,850	50	77,100	2	13,500	0	0	0	0	60	106,450
Total	27	61,980	164	233,682	7	41,000	2	750	0	0	200	337,412

Source: Bank Records

The following examples are notable community development donations and grants provided by the charitable foundation and bank during the evaluation period:

Arlington Youth Counseling Center (AYCC) – The AYCC is a licensed, community-based, mental health counseling center serving Arlington youth and their families. AYCC provides case management services to residents with basic resource needs (housing, food, fuel assistance, health insurance coverage, etc.) and offers support groups to identified at-risk populations, including survivors of domestic violence, substance-involved youth, and youth on the autism spectrum.

Cambridge Housing Assistance Fund (CHAF) – CHAF is a community coalition committed to preventing and ending homelessness in Cambridge. CHAF raises funds to assist the homeless and near homeless with the startup costs of securing permanent housing. Since its creation in 1999, CHAF has supported more than 1,900 households.

CASPAR, Inc. – The mission of CASPAR, Inc. is to improve the lives of individuals and families who have been affected by substance abuse and related issues such as homelessness or mental illness in the Cambridge and Somerville regions. CASPAR has built a comprehensive array of outreach, shelter, stabilization, residential, aftercare, education, and prevention services. This organization’s focus is on programs that are safe, accessible, and supportive and that meet the needs of a diverse population of high-risk men, women, children and adolescents, most of whom are uninsured and indigent.

Housing Families, Inc. (HFI) – HFI works to end family homelessness by providing safe, temporary shelter and quality affordable housing to homeless and at-risk families. This organization offers individualized supportive services to enrich children’s lives, nurture the potential of each family member, and help families maintain permanent housing in Everett, Malden, and Medford.

Money Management International of Massachusetts – Through a variety of programs, this organization provides free financial education and counseling to adults, children, and families throughout the assessment area. A majority of clients are low- to moderate-income.

The Salvation Army – In 2012, the East Cambridge Savings Bank Charitable Foundation made a \$50,000 commitment to the Salvation Army’s Restoring Lives Campaign. The donation is payable over five years in equal installments of which three disbursements of \$10,000 occurred during the evaluation period. The Restoring Lives Campaign called for a major expansion, at The Salvation Army’s Massachusetts Avenue facility, to modernize and increase the size of the homeless shelter; increase the footprint of the homeless children’s daycare center; and renovate the space for Bridging the Gap, a counseling center for troubled teens.

Solutions at Work – This organization was founded by a group of homeless individuals in Cambridge in 1989. Its mission is to break the cycle of poverty and homelessness by providing individuals and families with resources and opportunities to strengthen their self-confidence, achieve self-sufficiency, and participate in helping others.

Responsiveness to Credit and Community Development Needs

The institution exhibits adequate responsiveness to credit and community development needs. Primary community needs include affordable housing and community services for low- and moderate-income individuals. The bank’s qualified investments heavily focus on community service needs to the community. The bank also funds qualified investments and grants for affordable housing, within the assessment area.

Community Development Initiatives

The institution rarely uses innovative and/or complex investments to support community development initiatives. All of the bank’s qualified equity investments are equity investments in mortgage-backed securities for affordable housing. Mortgage-backed securities as equity are a common equity investment throughout the industry. Additionally, the remaining qualified investments are donations, which many banks also routinely provide.

SERVICE TEST

The Service Test evaluates an institution’s record of helping to meet credit needs of residents within its assessment area. Under this test, examiners analyze both the availability and effectiveness of an institution’s systems for delivering retail banking services and the extent and innovativeness of its community development services.

The bank’s Service Test performance is rated “High Satisfactory.” The following sections address the bank’s performance by Service Test component throughout the assessment area.

Accessibility of Delivery Systems

The bank’s retail bank branches are readily accessible to all portions of the assessment area. The bank operates 10 full-service branches, including the main office located in Cambridge, MA. In addition to the 10 full-service branches, the bank operates an educational branch at Cambridge Rindge and Latin School located in Cambridge, MA. The educational branch is open during the school year for faculty and students. The following table illustrates the distribution of the bank’s branches.

Branch Distribution by Geography Income Level						
Tract Income Level	Census Tracts		Population		Branches	
	#	%	#	%	#	%
Low	10	5.9	44,350	5.9	1	9.1
Moderate	51	30.2	229,946	30.7	0	0.0
Middle	61	36.1	278,207	37.1	9	81.8
Upper	46	27.2	197,288	26.3	1	9.1
NA	1	0.6	9	0.0	0	0.0
Total	169	100.0	749,800	100.0	11	100.0
<i>Source: 2010 U.S. Census and Bank Records</i>						

Each full-service branch has a 24-hour ATM. The bank also operates two remote 24-hour ATMs that do not take deposits. One remote ATM is located in an upper-income tract in Cambridge and the other in a middle-income tract in Somerville.

Alternate delivery systems include free electronic banking services such as online banking and bill pay services, mobile banking, and telephone banking.

The bank employs a number of bilingual employees to serve the community. Second languages spoken include Amharic, Armenian, Creole, French, German, Greek, Hindi, Gujarati, Punjabi, Italian, Japanese, Portuguese, Spanish, and Tamil.

Changes in Branch Locations

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

The bank opened two full-service branches since the prior CRA evaluation. In October 2014, the bank opened a branch located in a middle-income census tract in Medford, MA. In March 2015, the bank merged with Chelsea Bank and acquired the latter's main office located in a low-income tract in Chelsea, MA.

Reasonableness of Business Hours and Services

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

All full-service branches offer the same products and services. Branch hours are convenient and comparable to other institutions.

Community Development Services

The bank demonstrates good responsiveness to the needs and opportunities of the communities it serves, primarily through involvement on the boards of community development organizations and the provision of educational services and seminars.

During the evaluation period, bank management provided 65 instances of financial expertise or technical assistance to community development organizations. The following table illustrates the bank's community development services by year and purpose.

Community Development Services						
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Neighborhood Stabilization	Totals
	#	#	#	#	#	#
2014	3	14	3	1	0	21
2015	3	15	3	1	0	22
2016	3	15	3	1	0	22
Total	9	44	9	3	0	65

Source: Bank Records

The following are examples of the bank's community development services.

Somerville Homeless Coalition - This organization provides homeless and near homeless individuals and families with support services including rent and utility payment assistance, food assistance, shelter and housing placement, and case management. A Senior Vice President of the bank serves as Director, Clerk and Audit Committee Member at the organization.

Community Service Network Inc. - This organization's program offerings include first-time homebuyer education, financial literacy, credit counseling, foreclosure prevention assistance, landlord/tenant dispute mediation, and loan product counseling to low- and moderate-income individuals. A Vice President of the bank serves as a Director of the organization.

Chelsea Corporation for Economic Progress- A subsidiary of the Chelsea Restoration Corporation, this organization makes microloans to small businesses and individuals who are unable to qualify for credit from banks or credit unions. The Division President of the bank serves as Treasurer of the organization.

Chelsea Collaborative Inc. – The organization's mission is dedicated to the needs of the community of Chelsea by enhancing the social, environmental and economic health of the community and its people. The majority of individuals served are low- and moderate-income. A Vice President of the bank serves as Treasurer of the organization.

HarborCOV- This organization provides transitional and permanent low-income housing for people affected by violence and abuse, as well as other safety and support services. The Division President of the bank serves as Treasurer of the organization.

Cambridge Neighborhood Apartment Housing Services- the organization's mission is to provide and maintain affordable housing through new construction, acquisition of existing apartment buildings, and by lending rehab financing to private and nonprofit owners of multifamily housing. A Senior Vice President of the bank serves as a board member and Treasurer for the organization.

East End House- This community center promotes the well-being, academic achievement, and successful transition to adulthood of children and youth from under-resourced families in Cambridge and surrounding communities. A Senior Vice President of the bank serves on the organization's Board of Directors.

The Neighborhood Developers- This organization's mission is to increase the affordable housing stock, improve financial mobility, and increase community involvement in the City of Chelsea. The bank's Division President provides their technical expertise as member of the organization.

Boston Boys and Girls Club Jordan Club- Based in Chelsea, this organization runs a variety of programs for low- and moderate-income children and young adults. The Division President of the bank serves on the organization's Advisory Board.

Educational Services and Seminars

Below are some examples of the bank's educational services and seminars.

Cambridge Workforce Program- In partnership with the Cambridge Housing Authority, this financial literacy program targets low- and moderate individuals. Bank personnel teach topics that include budgeting, developing a sales plan, establishing and building credit, managing debt, bank products and services, and the account opening process.

Just-A-Start Financial Literacy - This organization provides affordable housing and offers education and workforce training to youth and adults in the City of Cambridge. Bank personnel teach topics that included how to open and maintain a bank account, budgeting and the importance of saving, and protecting oneself against scams.

First Time Homebuyers Seminars- The bank hosts first time homebuyer seminars at its branches. These seminars provide potential prospects an overview of the mortgage process including income, down payment, credit requirements, credit issues, closing costs, income to debt ratios and the availability of the federal tax credit and other tax advantages of home ownership. In addition, bank personnel hosted seminars at the Medford Housing Authority and the Waltham Alliance to Create Housing. Both organizations predominately serve low- and moderate-income individuals.

Financial Literacy Classes for Students- Throughout the evaluation period, bank employees taught financial literacy classes to students attending local schools including Cambridge and Rindge Latin School, Fletcher Maynard Academy, Community Charter School of Cambridge, King Open School, Chelsea Community Schools, and Belmont Public Schools. Financial literacy classes were also held for students through organizations such as Mothers for Justice and Equality and the Massachusetts Coalition for Occupational Safety and Health Teens Lead at Work Program.

Cambridge Rindge and Latin School Educational Branch- The bank operates an educational branch at the high school, which includes a teller training program and other personal finance and banking classes for students.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

APPENDIX A

Fair Lending Policies and Procedures

The bank's fair lending performance was reviewed to determine how it relates to the guidelines established by Regulatory Bulletin 1.3-106, the Division's Community Reinvestment and Fair Lending Policy. Based upon the review of the bank's public comment file and its performance relative to fair lending policies and practices, no violations of anti-discrimination laws and regulations were identified.

Minority Application Flow

The bank's HMDA LARs for 2015 and 2016 were reviewed to determine if the application flow from different minority groups was reflective of the assessment area demographics.

The bank's residential lending in 2015 was compared to the 2015 aggregate lending performance. The comparison of this data assists in deriving reasonable expectations for the rate of applications the institution received from minority residential loan applicants. Refer to the table below for information on the bank's minority application flow as well as a comparison to aggregate lending data within the assessment area.

Minority Application Flow					
RACE	Bank 2015		2015 Aggregate Data	Bank 2016	
	#	%	%	#	%
American Indian/ Alaska Native	0	0.0	0.2	0	0.0
Asian	37	7.2	10.8	20	5.1
Black/ African American	15	2.9	2.4	15	3.8
Hawaiian/Pacific Islander	1	0.2	0.1	1	0.3
2 or more Minority Races	0	0.0	0.0	0	0.0
Joint Race (White/Minority)	13	2.5	2.3	8	2.0
Total Minority	66	12.8	15.8	44	11.2
White	370	71.7	58.5	283	72.2
Race Not Available	80	15.5	25.7	65	16.6
Total	516	100.0	100.0	392	100.0
ETHNICITY					
Hispanic or Latino	23	4.4	5.8	34	8.7
Not Hispanic or Latino	406	78.7	67.9	282	71.9
Joint (Hisp/Lat /Not Hisp/Lat)	7	1.4	1.1	11	2.8
Ethnicity Not Available	80	15.5	25.2	65	16.6
Total	516	100.0	100.0	392	100.0

Source: Bank HMDA LAR Data 2015, Q1-Q3 2016, HMDA Aggregate Data 2015

According to the 2010 U.S. Census data, the bank's assessment area had a population of 749,800 individuals, of which 31.7 percent are minorities. The assessment area's minority and ethnic population consists of 0.1 percent American Indian, 10.3 percent Asian/Pacific Islander, 6.5 percent Black, 11.3 percent Hispanic, and 3.5 percent other.

In 2015, the bank received 516 HMDA reportable loan applications within its assessment area. Of these applications, 66 or 12.8 percent were received from racial minority applicants. This is

slightly below the aggregate's performance of 15.8 percent of applications received from minorities. In 2015, the bank received 23 applications representing 4.4 percent of applications from the Hispanic or Latino ethnic group. This performance was also slightly below the aggregate's performance of 5.8 percent of applications received from the Hispanic or Latino ethnic group.

In the first three quarters of 2016, the bank received 11.2 percent of applications from racial minorities and 8.7 percent of applications from Hispanic or Latino applicants.

The bank's minority application flow, when compared to the aggregate's lending performance levels and assessment area demographic, is considered adequate.

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

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

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

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

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 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

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

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