

# **PUBLIC DISCLOSURE**

March 22, 2021

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Eastern Bank  
Certificate Number: 32773

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Boston, Massachusetts 02110

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

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## INSTITUTION RATING

**INSTITUTION'S CRA RATING:** This institution is rated **Outstanding**.

An institution in this group has an excellent record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

PERFORMANCE LEVELS	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding	X	X	X
High Satisfactory			
Satisfactory**			
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 and for rated areas in Massachusetts, as the Division does not have a "low satisfactory" rating. For institutions with rated areas outside of Massachusetts, this jointly issued public evaluation uses the terms "high satisfactory" and "low satisfactory" for the Lending, Investment, and Service Test ratings.

**The Lending Test is rated Outstanding.**

- Lending levels reflect excellent responsiveness to assessment area credit needs.
- A substantial majority of loans are in the institution's assessment areas.
- The geographic distribution of loans reflects excellent penetration throughout the assessment areas.
- The distribution of borrowers reflects, given the product lines offered by the institution, excellent penetration among business customers of different size and retail customers of different income levels.

- The institution makes extensive use of innovative and/or flexible lending practices in order to meet assessment area needs.
- The institution is a leader in making community development loans.

**The Investment Test is rated Outstanding.**

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

**The Service Test is rated Outstanding.**

- Delivery systems are readily accessible to all portions of the institution's assessment areas.
- To the extent changes have been made, the institution's record of opening and closing 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 do not vary in a way that inconveniences certain portions of the assessment area, particularly the low- and moderate-income geographies and/or individuals.
- The institution is a leader in providing community development services.

## **SCOPE OF EVALUATION**

### **General Information**

This evaluation covers the period from the prior evaluation dated January 22, 2018, to the current evaluation dated March 22, 2021. Examiners used the Interagency Large Institution Examination Procedures to evaluate the bank's performance.

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

### **Loan Products Reviewed**

Examiners determined that the bank's two major product lines are small business and home mortgage loans. This conclusion considered the bank's business strategy and the number and dollar volume of originations during the evaluation period. The bank did not originate any small farm loans during the evaluation period. No other loan types, such as consumer loans, represent a major product line and therefore are not presented.

Examiners considered all small business loans reported on the bank's 2018, 2019, and 2020 Community Reinvestment Act (CRA) Loan Registers. The bank reported 1,543 small business loans totaling \$235.9 million in 2018, 1,739 loans totaling \$248.1 million in 2019, and 9,703 loans totaling \$851.0 million in 2020. Examiners compared the bank's 2018 and 2019 small business performance under the Geographic Distribution and Borrower Profile criteria to aggregate data. Aggregate data is not yet available for 2020. Examiners also compared 2018, 2019, and 2020 small business performance to D&B business demographic data.

Examiners considered all home mortgage loans reported on the bank's 2018, 2019, and 2020 Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs). Home mortgage loans include purchase money mortgage, refinance, home improvement loans, and home equity lines of credit. The bank reported 3,948 home mortgage loans totaling \$979.1 million in 2018, 3,896 loans totaling approximately \$1.2 billion in 2019, and 4,341 loans totaling approximately \$1.6 billion in 2020. Examiners compared the bank's 2018 and 2019 home mortgage performance under the Geographic Distribution and Borrower Profile criteria to aggregate data. Aggregate data is not yet available for 2020. Examiners also compared 2018, 2019, and 2020 home mortgage performance to the 2015 American Community Survey (ACS) demographic data.

Although examiners analyzed 2018 home mortgage and small business lending, the bank's performance in 2018 was similar to performance in 2019 and 2020; therefore, examiners did not present 2018 lending data under the Geographic Distribution and Borrower Profile criteria.

For the Lending Test, examiners reviewed the number and dollar volume of loans. Although examiners presented the number and dollar volume, examiners emphasized performance by number of loans, as it is a better indicator of the number of businesses and individuals served. Based on the bank's business focus, origination activity, and the loan portfolio distribution,

examiners assigned equal weight to the bank's home mortgage and small business lending performance when arriving at overall conclusions and ratings.

Examiners also reviewed community development loans and investments, since the prior evaluation date of January 22, 2018, to the current evaluation date of March 22, 2021. Bank management had not yet compiled the data for innovative and/or flexible lending products and community development services for year-to-date 2021; therefore, the applicable tables do not include 2021 originations and service hours.

### **Interstate Banking and Branching Efficiency Act (IBBEA)**

In addition to reviewing the bank's performance in its combined assessment area<sup>1</sup>, IBBEA requires separate discussions and ratings of CRA performance in each Multistate MSA and state in which the bank maintains a branch. Examiners evaluated and provided an overall CRA rating as well as separate ratings for the Multistate MSA, the State of MA, and the State of NH. Examiners provided separate discussions for each assessment area under each rated area.

Examiners used full-scope procedures to evaluate the bank's performance in the Boston-Cambridge-Newton, MA-NH Multistate MSA, Providence-Warwick, MA-RI MSA, and the Manchester-Nashua, NH MSA assessment areas. Although the bank has only one branch in the Providence-Warwick MA-RI MSA and lending activity levels are limited, the assessment area was reviewed using limited-scope procedures at the prior two evaluations; therefore, examiners used full-scope procedures to evaluate performance. Examiners used limited-scope procedures to evaluate the Barnstable Town, MA MSA and the Non-MSA, NH assessment areas. The Barnstable Town, MA MSA has only one low-income census tract, five moderate-income census tracts, five branches, and generally a low volume of lending. Similarly, the Non-MSA, NH assessment area has no low-income census tracts, two moderate-income census tracts, one branch, and limited lending activity. Furthermore, examiners reviewed the Barnstable Town, MA MSA and the Non-MSA, NH assessment areas using full-scope procedures at the prior evaluation.

The bank's performance in the Multistate MSA carried the greatest weight when arriving at conclusions and assigning overall ratings, followed by the State of MA, and then the State of NH.

## **DESCRIPTION OF INSTITUTION**

### **Background**

Eastern Bank is a state-chartered institution headquartered in Boston, MA. The bank is wholly owned by the publicly traded single bank holding company, Eastern Bankshares, Inc. In addition, Eastern Bank has five subsidiaries including Eastern Insurance Group (EIG), Real Property Services, Inc., Market Street Securities Corporation, Broadway Securities Corporation,

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<sup>1</sup> Combined assessment area includes the Multistate MSA, the State of MA, and the State of NH assessment areas.

and Shared Value Investments LLC. EIG is a full-service insurance agency headquartered in Natick, MA. Real Property Services acquires and sells real property on the bank's behalf. The two securities subsidiaries hold and acquire securities. Lastly, the bank created Shared Value Investments in 2015 to meet CRA needs by holding tax credit investments such as low- and moderate-income housing, renewable and alternative energy, and historic preservation and rehabilitation. Shared Value Investment wholly owns BCC Solar III Investment Fund.

The institution received an "Outstanding" rating from the Division of Banks and the FDIC during its prior joint Performance Evaluation dated January 22, 2018 using Interagency Large Institution Examination Procedures.

### **Operations**

Eastern Bank operates 88 full-service branches throughout Eastern MA and southern and coastal NH. Each branch has one or more bank owned automated teller machines (ATM) and the bank maintains ten stand-alone ATMs in MA. During the evaluation period, the bank opened one branch in Roxbury, MA; relocated the Malden, MA branch within the same census tract; and closed six branches in Cambridge, Lawrence, Middleborough, Plymouth, Salem, and Tewksbury, MA. The bank established 21 ATMs and 1 Talk2Teller interactive teller machine (ITM) and closed 4 stand-alone ATMs during the evaluation period. One stand-alone ITM was in the Multistate MSA, two were in the Manchester-Nashua MSA, and one was in the Barnstable, MSA. All were in middle-income census tracts. There has been no merger or acquisition activity since the prior evaluation.

The bank offers commercial, residential, and consumer loans with a continued primary focus on commercial lending. Commercial lending products include commercial real estate, commercial lines of credit, and Small Business Administration (SBA) financing programs. As of December 2020, Eastern Bank was the top SBA Lender for SBA 7(a) and 504 loans in Massachusetts for the 12<sup>th</sup> consecutive year and in New England for the 11<sup>th</sup> consecutive year. For consumers, the bank offers home mortgage loans, construction loans, lines of credit, Mass Save HEAT loans, automobile loans, student loans, and personal loans. Commercial and consumer deposit services include checking, savings, money market, certificates of deposit, and individual retirement accounts. The bank also offers wealth management and trust services as well as insurance products. Alternative banking services include internet and mobile banking, person-to-person payments, ATMs, ITMs, and a 24/7 telephone banking service.

### **Ability and Capacity**

Assets totaled approximately \$15.9 billion as of December 31, 2020, and included loans of \$9.7 billion and securities of \$3.2 billion. Deposits totaled \$12.9 billion. The following table illustrates the loan portfolio.



<b>Loan Portfolio Distribution as of 12/31/2020</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	252,503	2.6%
Secured by Farmland	0	0.0%
Secured by 1-4 Family Residential Properties	2,369,254	24.4%
Secured by Multifamily (5 or more) Residential Properties	869,246	9.0%
Secured by Nonfarm Nonresidential Properties	2,984,665	30.7%
<b>Total Real Estate Loans</b>	<b>6,475,668</b>	<b>66.7%</b>
Commercial and Industrial Loans	2,522,521	26.0%
Agricultural Production and Other Loans to Farmers	0	0.0%
Consumer Loans	258,931	2.7%
Obligations of State and Political Subdivisions in the U.S.	296,829	3.1%
Other Loans	172,119	1.8%
Lease Financing Receivable (net of unearned income)	0	0.0%
Less: Unearned Income	17,914	0.2%
<b>Total Loans</b>	<b>9,708,154</b>	<b>100.0%</b>
<i>Source: Reports of Condition and Income</i>		

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

## **DESCRIPTION OF ASSESSMENT AREAS**

Eastern Bank designated five separate, yet contiguous assessment areas consisting of 1,112 census tracts throughout portions of MA and NH. The five assessment areas are as follows: Boston-Cambridge-Newton, MA-NH MSA (Multistate MSA), Barnstable Town, MA MSA (Barnstable MSA), Providence-Warwick, RI-MA, MSA (Providence-Warwick MSA), Manchester-Nashua, NH MSA (Manchester-Nashua MSA), and the Non-MSA, NH.

The Multistate MSA assessment area consists of 944 census of the 1,007 census tracts in the MSA. The Multistate assessment area includes all of Essex, Suffolk, and Plymouth counties in MA, portions of Middlesex and Norfolk counties in MA, and portions of Rockingham and Strafford counties in NH. The Barnstable MSA assessment area includes 37 of the 57 census tracts in Barnstable County, MA. The Providence-Warwick MSA assessment area includes 38 of the 126 census tracts in Bristol County, MA. The Manchester-Nashua MSA assessment area includes 69 of the 86 census tracts in Hillsborough County, NH. The Non-MSA, NH assessment area includes 24 of the 36 census tracts in Merrimack County, NH. There have been no changes to the assessment areas since the prior evaluation.

The following table illustrates the distribution of the bank's loans, deposits, and branches by assessment area.

Assessment Area Breakdown of Loans, Deposits, and Branches						
Assessment Area	Loans		Deposits		Branches	
	\$(000s)	%	\$(000s)	%	#	%
Multistate MSA	3,903,733	88.9	11,108,383	93.7	78	88.6
<b>Multistate MSA Subtotal</b>	<b>3,903,733</b>	<b>88.9</b>	<b>11,108,383</b>	<b>93.7</b>	<b>78</b>	<b>88.6</b>
Barnstable MSA	206,918	4.7	348,507	2.9	5	5.7
Providence-Warwick MSA	94,891	2.2	59,911	0.5	1	1.1
<b>MA Subtotal</b>	<b>301,809</b>	<b>6.9</b>	<b>408,418</b>	<b>3.4</b>	<b>6</b>	<b>6.8</b>
Manchester-Nashua MSA	133,813	3.0	287,542	2.4	3	3.4
Non-MSA, NH	54,112	1.2	57,258	0.5	1	1.1
<b>NH Subtotal</b>	<b>187,925</b>	<b>4.2</b>	<b>344,800</b>	<b>2.9</b>	<b>4</b>	<b>4.5</b>
<b>Total</b>	<b>4,393,467</b>	<b>100.00</b>	<b>11,861,601</b>	<b>100.0</b>	<b>88</b>	<b>100.0</b>
<i>Source: Bank Data; FDIC Summary of Deposits (06/30/2020)</i>						

Please refer to the individual assessment areas for information on economic and demographic data, competition, and community credit needs and opportunities.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

The overall Lending Test performance is rated Outstanding.

The bank's excellent performance in the Lending Activity, Assessment Area Concentration, Geographic Distribution, Borrower Profile, Innovative and Flexible Lending Practices, and Community Development Lending criteria supports this rating. Overall performance was consistent with the conclusion for the Multistate MSA rated area, which received the greatest weight in arriving at overall conclusions. Performance was inconsistent with the conclusions reached for the MA and NH rated areas. The following sections discuss the bank's performance under each criterion.

#### **Lending Activity**

The bank's lending levels reflect excellent responsiveness to assessment area credit needs. In 2018, 2019, and 2020, Eastern Bank originated and purchased 12,985 small business loans totaling approximately \$1.3 billion and 12,185 home mortgage loans totaling approximately \$3.7 billion. Of this total, 12,188 small business loans, totaling approximately \$1.2 billion and 11,100 home mortgage loans, totaling approximately \$3.2 billion, were inside the assessment areas.

The Description of Assessment Area section within each individual assessment area presentation discusses the bank's market share rankings for small business and home mortgage lending. For the combined assessment area, Eastern Bank was among the top ten percent of small business lenders and the second highest ranked state-chartered community bank in 2019. Leading institutions consisted primarily of large national banks. For home mortgage lending, the bank was the top-ranked state-charted institution in 2019, outperformed only by large national banks and mortgage companies.

#### **Assessment Area Concentration**

The bank made a substantial majority of small business and home mortgage loans, by number, within its combined assessment area. The following table illustrates the loan distribution inside and outside the combined assessment area.

Lending Inside and Outside of the Combined Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2018	3,672	93.0	276	7.0	3,948	890,686	91.0	88,445	9.0	979,131
2019	3,561	91.4	335	8.6	3,896	978,304	84.8	175,911	15.2	1,154,216
2020	3,867	89.1	474	10.9	4,341	1,343,341	85.0	237,750	15.0	1,581,091
Subtotal	11,100	91.1	1,085	8.9	12,185	3,212,331	86.5	502,106	13.5	3,714,437
Small Business										
2018	1,369	88.7	174	11.3	1,543	183,031	77.6	52,841	22.4	235,872
2019	1,593	91.6	146	8.4	1,739	211,686	85.3	36,436	14.7	248,122
2020	9,226	95.1	477	4.9	9,703	786,418	92.4	64,610	7.6	851,028
Subtotal	12,188	93.9	797	6.1	12,985	1,181,135	88.5	153,887	11.5	1,335,022
Total	23,288	92.5	1,882	7.5	25,170	4,393,466	87.0	655,993	13.0	5,049,459
Source: HMDA Reported Data; CRA Reported Data										

### **Geographic Distribution**

The geographic distribution of loans reflects excellent penetration throughout the combined assessment area. Consistent performance in the Multistate MSA rated area primarily supports this conclusion. Performance was inconsistent in the MA and NH rated areas, but examiners placed the greatest weight on the Multistate MSA. The rated sections include detailed analysis and comparisons to aggregate and demographic data.

### **Borrower Profile**

The distribution of borrowers reflects, given the product lines offered by the institution, excellent distribution among business customers of different size and retail customers of different income levels throughout the combined assessment area. Consistent performance in the Multistate MSA rated area primarily supports this conclusion. Performance was inconsistent in the MA and NH rated areas, but examiners placed the greatest weight on the Multistate MSA. The rated sections include detailed analysis and comparisons to aggregate and demographic data.

### **Innovative and Flexible Lending**

The bank makes extensive use of innovative and flexible lending practices in order to serve assessment area credit needs. The bank originated 18,450 innovative and flexible loans, totaling approximately \$1.6 billion, to businesses and individuals during the evaluation period. Of these innovative and flexible loans, the bank extended \$1.4 billion through small business lending programs, \$140.0 million through residential lending programs, and \$88.0 million through consumer lending programs. Except for the MA-state specific loan programs, all programs are available throughout the bank's assessment areas. The following table details the bank's innovative and flexible lending programs with originations from January 1, 2018 through December 31, 2020. As

the bank had not yet collected the 2021 year-to-date data for these programs, this table does not reflect that data.

Innovative or Flexible Lending Programs Assessment Area: Combined								
Type of Program	2018		2019		2020		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
SBA 7a	99	21,533	134	35,570	92	23,054	325	80,157
SBA 504	58	20,682	76	53,822	32	14,545	166	89,049
SBA Express	681	33,824	326	15,395	103	5,835	1,110	55,054
Paycheck Protection Program (PPP) Loans	0	0	0	0	8,902	1,167,136	8,902	1,167,136
Mass Save Heat	91	1,319	107	1,673	60	1,048	258	4,040
COVID-19 Business Impact Loans	0	0	0	0	190	4558	190	4,558
<b>Subtotal Commercial Loans</b>	<b>929</b>	<b>77,358</b>	<b>643</b>	<b>106,460</b>	<b>9,379</b>	<b>1,216,176</b>	<b>10,951</b>	<b>1,399,994</b>
Mass Housing Partnership (MHP) One Program	63	16,067	46	11,355	45	14,977	154	42,399
Rural Housing Service (RHS)	3	599	0	0	2	547	5	1,146
Federal Housing Administration (FHA)	37	11,420	57	19,937	58	22,394	152	53,751
Massachusetts Housing Finance Agency (MHFA)	45	10,598	15	3,708	10	9,988	70	24,294
Fannie Mae (FNMA) Home Ready/Freddie Mac (FHLMC) Home Possible	11	2,521	19	6,204	12	2,842	42	11,567
Veteran's Administration (VA)	2	1,043	7	2,667	9	3,212	18	6,922
<b>Subtotal Residential Loans</b>	<b>161</b>	<b>42,248</b>	<b>144</b>	<b>43,871</b>	<b>136</b>	<b>53,960</b>	<b>441</b>	<b>140,079</b>
"Starter Loans" Program	117	119	106	126	57	70	280	315
Mass Save HEAT Loan Program	2,079	25,757	2,633	34,523	1,904	26,693	6,616	86,973
COVID-19 Consumer Impact Loans	0	0	0	0	162	698	162	698
<b>Subtotal Consumer Loans</b>	<b>2,196</b>	<b>25,876</b>	<b>2,739</b>	<b>34,649</b>	<b>2,123</b>	<b>27,461</b>	<b>7,058</b>	<b>87,986</b>
<b>Totals</b>	<b>3,286</b>	<b>145,482</b>	<b>3,526</b>	<b>184,980</b>	<b>11,638</b>	<b>1,297,597</b>	<b>18,450</b>	<b>1,628,059</b>
Source: Bank Data								

The following highlights a sample of the bank's innovative and flexible loan programs.

#### Small Business Lending Programs

- **SBA 7a Loan Program** - This loan program helps small businesses with start-up expenses or expansion. SBA 7a loans offer long-term financing options, a fixed maturity, and no prepayment penalties. The maximum loan amount is \$5.0 million and the SBA guarantees 75.0 percent of the value of most loans; 85.0 percent guaranty for loans up to \$150,000.
- **SBA Express Loan Program** - This program offers small businesses an accelerated turnaround time for approval on loan amounts up to \$350,000. The SBA provides a maximum guaranty of 50.0 percent.
- **SBA Paycheck Protection Program (PPP)** - The SBA created the PPP in April 2020 to incentivize small businesses to keep workers employed during the COVID-19 pandemic.

#### Residential Lending Programs

- **MHP One Program** - The program offers first time homebuyers a down payment as low as 3.0 percent; low, fixed-rate financing; and a state-backed reserve that relieves homebuyers from private mortgage insurance. This program targets low- and moderate-income first-time homebuyers. Borrowers must meet income guidelines to qualify for reduced-rate financing.
- **MHFA Program** - The program offers fixed interest rates with flexible credit requirements, a deferred down payment, or closing cost assistance loan option for low- and moderate-income borrowers. Borrowers must meet income and loan limits.

#### Consumer Lending Programs

- **Eastern Bank "Starter Loans" Program** - The product is designed to provide small unsecured loans to underserved and under banked individuals with little or no credit. Specifically, the program includes cash reserves between \$500 and \$1,000 or personal loans between \$500 and \$2,000 with terms between 12 and 36 months. To qualify, borrowers must have at least one year of employment history and limited or no credit.
- **Mass Save HEAT Loan Program** – In participation with Massachusetts utilities, consumers can apply for a 0 percent or a low-rate loan to assist with installing qualified energy efficient improvements to their residential property.

#### COVID-19 Programs

- **COVID-19 Deferment Programs** – In response to the COVID-19 pandemic, Eastern Bank offered payment relief to existing residential, business, and consumer loan customers. The bank made 458 mortgage and home equity lines of credit deferments

totaling \$117.3 million, 1,252 business deferments totaling \$1.4 billion, and 753 consumer deferments totaling \$9.2 million. These deferments benefited individuals out of work, including low- and moderate-income individuals.

- ***Eastern Bank Small Business Impact Loan Fund*** – In response to the COVID-19 pandemic, the bank created a \$5.0 million loan fund for existing small business customers to fund operations. The program offered interest only payments for the first 6 months at 3.99 percent and a 60-month term.
- ***Eastern Bank Consumer Impact Loan Fund*** - In response to the COVID-19 pandemic, the bank created a \$2.0 million loan fund for existing customers struggling during the shutdown. The program offered loans up to \$5,000 at 0 percent interest for the first 3 months and then 3.99 percent thereafter, with a 27-month term.

The bank also amended a commercial customer's existing line of credit allowing them to be a non-bank PPP lender and use the line of credit for funding PPP loans to their core customer base impacted by the pandemic. The customer obtained the PPP license in 2020 and started originating loans in 2021. This innovative approach provided greater access to the PPP loan program in the combined assessment area.

### **Community Development Lending**

The bank is a leader in making community development loans. Consistent performance in the Multistate MSA rated area, primarily supports this conclusion. Performance was inconsistent in the MA and NH rated areas, but examiners placed the greatest weight on the Multistate MSA.

The bank originated 248 community development loans totaling approximately \$995.2 million during the evaluation period, many of which directly addressed community development needs such as affordable housing, community services for low- and moderate-income individuals, and small business credit needs. This amount exceeds that of similarly situated institutions and is a significant increase from the prior evaluation, when the bank originated 154 loans totaling \$458.3 million. The current activity level represents 8.1 percent of average total assets and 11.0 percent of average total loans since the prior evaluation.

As examiners determined the bank met the overall needs of the combined assessment area, examiners also considered community development loans made outside the combined assessment area, but within the broader statewide or regional area. Of the 248 community development loans, 224 loans totaling \$898.0 million directly benefitted the combined assessment area and 24 loans totaling \$97.2 million benefitted a broader statewide or regional area. The following table illustrates the community development loans by year, purpose, and rated area.

Community Development Lending Assessment Area: Combined										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2018	17	133,922	9	58,378	3	4,076	18	120,485	47	316,861
2019	21	79,275	2	16,000	14	81,949	4	19,281	41	196,505
2020	28	172,093	7	16,694	58	109,762	56	132,302	149	430,851
YTD 2021	4	16,230	4	15,800	3	19,000	0	0	11	51,030
<b>Total</b>	<b>70</b>	<b>401,520</b>	<b>22</b>	<b>106,872</b>	<b>78</b>	<b>214,787</b>	<b>78</b>	<b>272,068</b>	<b>248</b>	<b>995,247</b>
<i>Source: Bank Data</i>										

Community Development Lending by Rated Area										
Rated Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Multistate MSA	51	312,819	21	104,629	68	199,084	64	215,334	204	831,866
State of MA	16	69,356	0	0	2	3,181	8	45,580	26	118,117
State of NH	1	8,000	1	2,243	5	7,252	6	11,154	13	28,649
Regional Activities	2	11,345	0	0	3	5,270	0	0	5	16,615
National Activities	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>70</b>	<b>401,520</b>	<b>22</b>	<b>106,872</b>	<b>78</b>	<b>214,787</b>	<b>78</b>	<b>272,068</b>	<b>248</b>	<b>995,247</b>
<i>Source: Bank Data</i>										

Please refer to the individual assessment area discussions for examples of community development loans.

## **INVESTMENT TEST**

The overall Investment Test performance is rated Outstanding.

The bank's excellent performance in the Investment Activity and Responsiveness to Credit and Community Development Needs criteria supports this rating. Consistent performance with the conclusions for the Multistate MSA rated area primarily supports this conclusion. Performance was inconsistent with the conclusions reached for the MA and NH rated areas. The following sections discuss the bank's performance under each criterion.

### **Investment and Grant Activity**

The bank has an excellent level of qualified community development investments and grants, often in a leadership position, particularly those that are not routinely provided by private investors. During the evaluation period, Eastern Bank and the Charitable Foundation (Foundation) made 3,270 qualified investments and charitable grants totaling approximately \$382.3 million. This level of qualified investments exceeds that of similarly situated institutions and is a significant increase from \$258.8 million at the prior evaluation. In total, the bank's



investments represent 3.1 percent of average total assets and 22.9 percent of average total securities. The following two tables illustrate the bank's community development investments by year, purpose, and rated area.

Qualified Investments Assessment Area: Combined										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	33	84,443	16	48,119	2	109	2	7,297	53	139,968
2018	8	71,550	0	0	0	0	2	10,500	10	82,050
2019	13	61,135	1	5,400	0	0	0	0	14	66,535
2020	17	54,688	0	0	0	0	1	12,490	18	67,178
YTD 2021	0	0	0	0	0	0	1	242	1	242
<b>Subtotal</b>	<b>71</b>	<b>271,816</b>	<b>17</b>	<b>53,519</b>	<b>2</b>	<b>109</b>	<b>6</b>	<b>30,529</b>	<b>96</b>	<b>355,973</b>
Qualified Grants & Donations	205	1,542	2,820	22,558	144	1,550	5	665	3,174	26,315
<b>Total</b>	<b>276</b>	<b>273,358</b>	<b>2,837</b>	<b>76,077</b>	<b>146</b>	<b>1,659</b>	<b>11</b>	<b>31,194</b>	<b>3,270</b>	<b>382,288</b>
<i>Source: Bank Data</i>										

Qualified Investments by Rated Area										
Rated Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Multistate MSA	218	240,426	2,420	65,658	135	1,241	8	30,594	2,781	337,919
State of MA	27	25,199	211	8,703	5	280	3	600	246	34,782
State of NH	30	6,399	204	1,355	6	138	0	0	240	7,892
Regional Activities	1	1,334	2	361	0	0	0	0	3	1,695
National Activities	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>276</b>	<b>273,358</b>	<b>2,837</b>	<b>76,077</b>	<b>146</b>	<b>1,659</b>	<b>11</b>	<b>31,194</b>	<b>3,270</b>	<b>382,288</b>
<i>Source: Bank Data</i>										

### Equity Investments

The bank has 96 qualified equity investments totaling approximately \$356.0 million. Of these, 43 totaling approximately \$216.0 million are new since the prior evaluation. The bank also maintains 53 prior period investments totaling approximately \$140.0 million. Of the total equity investments by dollar amount, 76.4 percent promote affordable housing, followed by 15.0 percent promoting community development services. These investments demonstrate the bank's commitment to affordable housing activities, a community development need identified by community contacts throughout all assessment areas. The following are examples of prior period and current investments that benefited a statewide and regional area, including the bank's combined assessment areas.

### *Prior Period Investments*

- The bank maintains eight Low Income Housing Tax Credit (LIHTC) investments with a current book value of \$9.7 million. These investments promote the development of affordable housing in the broader regional area, including the combined assessment area.
- The bank maintains a prior period investment in a Massachusetts Development Bond with a current book value of approximately \$1.7 million. The non-profit organization provides employment and training services to low- and moderate-income individuals requiring assistance to obtain unsubsidized employment. Bond proceeds were used to purchase a property as well as to refinance the current property. The investment benefits a broader statewide area that includes the combined assessment area.

### *Current Period Investments*

- During the evaluation period, the bank invested in two LIHTCs totaling \$8 million through the MassHousing Equity Fund (MHEF). These investments benefit the broader statewide area that includes the combined assessment area. LIHTCs are responsive to the assessment areas' affordable housing needs, a need identified by community contacts.

### *Grants and Donations*

The bank's Foundation provided 3,174 grants and donations totaling approximately \$26.3 million during the evaluation period. The following are examples of donations that benefited a broader statewide or regional area that includes the combined assessment area.

- ***Massachusetts Community Investment Tax Credit Program*** - This program enables local residents and stakeholders to work with community development corporations and partner with non-profit, public, and private entities to improve economic opportunities for low- and moderate-income households and other residents in urban, rural, and suburban communities across MA. Through this program, the bank provided funding to community development organizations that serve the combined assessment areas.
- ***South Coastal Counties Legal Services*** - This non-profit charitable corporation serves clients in Barnstable, Bristol, Dukes, Nantucket, and Plymouth Counties and the towns of Avon and Stoughton in Norfolk County in MA. Attorneys assist low-income and elderly clients in avoiding foreclosure and preventing termination of subsistence cash assistance and help those suffering from domestic violence.
- ***Massachusetts COVID-19 Relief Fund*** - The bank is one of the founding donors and administrator. The bank donated \$100,000 at the fund's inception. To date, the fund has raised more than \$32.2 million to assist frontline workers and vulnerable populations addressing food insecurity, housing, and homelessness during the pandemic. The fund helped address community needs, particularly those of low- and moderate-income individuals that the COVID-19 pandemic exacerbated.

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

The bank exhibits excellent responsiveness to the credit and community development needs of its combined assessment area. The bank's current period investments, primarily bonds and LIHTCs, promote affordable housing. The bank's grants and donations were primarily to organizations that provide community services to low- and moderate-income individuals. The community contacts identified affordable housing and community services, as key community development needs.

The bank also exhibited excellent responsiveness to community development needs resulting from the COVID-19 pandemic. The bank provided approximately \$13.0 million in grants and donations to COVID-19 related activities in 2020. These grants and donations targeted areas throughout the combined assessment area, including low- and moderate-income areas that the pandemic greatly affected.

## **Community Development Initiatives**

The bank makes significant use of innovative and complex investments to support community development initiatives. The bank's CRA investment portfolio consists of Mass Development Finance Agency (MDFA) Multifamily Housing Revenue Bonds, MDFA Tax-Exempt Bonds, and LIHTCs, all of which required collaboration among multiple funding partners and sources, required technical expertise, and are competitive to obtain.

During the evaluation period, the bank made significant use of LIHTCs inside the assessment area to increase access to affordable housing. LIHTCs are complex due to the special due diligence and technical expertise required by the investor to maintain proper portfolios. Investors oversee the project to ensure that it meets underwriting guidelines, monitor cash flow including the expenses and debt service, and ensure that rents fall within the LIHTC guidelines.

The bank also used MDFA Multifamily Housing Revenue Bonds to assist in addressing the lack of affordable housing within the assessment areas. In 2018, the bank facilitated and purchased two bonds totaling over \$37.0 million that provided 211 units of affordable housing. Three independent community development organizations coordinated and managed the project. Eastern Bank was the lead bank and one other financial institution participated.

In 2019 and 2020, Eastern Bank and two other financial institutions, purchased a \$39.0 million tax-exempt construction-to-permanent bond package for two affordable housing projects sponsored by a housing authority in the assessment areas. Upon completion, the projects will result in 138 affordable units. Both projects are part of the United States Department of Housing and Urban Development's (HUD) Rental Assistance Demonstration conversion initiative and received LIHTCs. Despite complex legal requirements for both transactions, the lenders used the direct purchase of tax-exempt bonds to provide the necessary financing to the project.

## **SERVICE TEST**

The overall Service Test performance is rated Outstanding.

The bank's excellent performance in the Accessibility of Delivery Systems and Community Development Services criteria supports this rating. Consistent performance with the conclusions for the Multistate MSA rated area primarily supports this conclusion area. Performance was inconsistent with the conclusions reached for the MA and NH rated areas. The following sections discuss the bank's performance under each criterion.

### **Accessibility of Delivery Systems**

Delivery systems are readily accessible to all portions of the combined assessment area. Although alternative delivery systems are generally consistent among all assessment areas, branch distribution in the Multistate MSA rated area primarily supports this conclusion. The bank operates a limited number of branches outside the Multistate MSA in MA and NH, where delivery systems are reasonably accessible. The bank maintains 88 full-service branches and 131 ATMs and ITMs within the combined assessment area. Of the 88 branches, 84 are located in MA and 4 are in NH. As shown in the following table, the branch and ATM distribution in the low- and moderate-income geographies is greater than the population residing in those tracts. This demonstrates an excellent commitment to serving the needs of low- and moderate-income communities. The following table illustrates the distribution of branches, ATMs, and ITMs by tract income level.

<b>Branch and ATM/ITM Distribution by Geography Income Level</b>										
<b>Assessment Area: Combined</b>										
<b>Tract Income Level</b>	<b>Census Tracts</b>		<b>Population</b>		<b>Branches</b>		<b>ATMs</b>		<b>ITMs</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	123	11.1	482,222	9.4	11	12.6	16	13.4	3	25.0
Moderate	219	19.7	998,193	19.4	18	20.4	26	21.8	1	8.3
Middle	434	39.0	2,085,310	40.6	37	42.0	46	38.7	6	50.0
Upper	319	28.7	1,553,410	30.3	22	25.0	31	26.1	2	16.7
NA	17	1.5	12,989	0.3	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>1,112</b>	<b>100.0</b>	<b>5,132,124</b>	<b>100.0</b>	<b>88</b>	<b>100.0</b>	<b>119</b>	<b>100.0</b>	<b>12</b>	<b>100.0</b>
<i>Source: 2015 ACS Data; Bank Data</i>										

Included in the 119 ATMs are 10 standalone ATMs that have both deposit taking and/or cash dispensing functions. The bank also maintains 12 ITMs, which provide the Talk2Teller service where customers can talk via video conference to a bank representative. Representatives are available during extended business hours from 7 a.m. to 8 p.m. on weekdays and 9 a.m. to 3 p.m. on Saturdays. The ITMs are located in Cambridge, Lynn (2), Lynnfield, Melrose, Reading, Revere, Salem, Saugus (2), Wakefield, and Westford. Of the 12 ITMs, three are in low-income tracts, one is in a moderate-income tract, six are in middle-income tracts, and two are in upper-income tracts.

In addition to the branch and ATM/ITM network, Eastern Bank offers alternative delivery systems to expand access to retail banking services to all individuals. The bank offers telephone banking and online and mobile banking platforms to connect consumers and businesses to their accounts 24 hours a day to perform various transactions. There is no additional cost for online or mobile banking. In addition, Eastern Bank allows customers to open consumer checking and savings accounts online. Alternative delivery systems allow all individuals, including low- and moderate-income individuals or those living in low- or moderate-income census tracts to open accounts without physically traveling to a branch.

Specifically, from 2018 through 2020, approximately 37.9 percent of all mobile and online transactions were from customers whose primary branch location was in a low- or moderate-income census tract. During the same period, approximately 37.6 percent of all teller transactions occurred in branches located in low- and moderate-income census tracts. These figures slightly exceed the percent of branches located in those geographies. Further, this information demonstrates that mobile and online banking reaches low- and moderate-income individuals.

Lastly, Eastern Bank employees speak more than 50 languages and dialects. Several low- and moderate-income census tracts in the combined assessment area contain significant minority populations. Having employees who speak various languages assists in enhancing accessibility to banking services for the non-English speakers in those geographies.

### **Changes in Branch Locations**

To the extent changes have been made, the opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and to low- and moderate-income individuals. Since the prior evaluation, the bank opened a branch in Roxbury Crossing, which is located in a low-income census tract.

The bank closed six branches, of which one was located in a low-income census tract, and five were located in middle-income census tracts. The six closed branches did not have an adverse effect on accessibility to low- and moderate-income geographies or individuals. The bank also relocated its Malden branch; however, it remained in the same low-income census tract. Eastern Bank opened 21 ATMs and 1 ITM. The bank also closed six branch ATMs and four standalone ATMs. The closed branch ATMs corresponded to the branches closed since the prior evaluation. The four standalone ATMs were in middle-income census tracts.

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

The bank's retail services do not vary in a way that inconveniences certain portions of the assessment areas, particularly low- and moderate-income geographies and individuals. Except for certain MA-state specific products and services, all branches offer the same products and services. Most branches are open Monday through Saturday. Of the six locations that do not offer Saturday hours, two are located in low- and moderate-income tracts in Salem, MA and Peabody, MA. Additionally, 11 branches provide Sunday hours. Of these 11 locations, five are

located in low- and moderate-income tracts within East Boston, MA; Lynn, MA; Peabody, MA; Salem, MA; and West Plymouth, MA.

The bank offers free checking accounts with no monthly fees, no minimum balance, and low opening deposit requirements. The free checking account also includes access to thousands of SUM ATMs, a free Eastern Bank Debit MasterCard, access to mobile and online banking, and Zelle (person-to-person payments) to transfer money between family and friends. These services increase accessibility to all bank customers. As previously stated, online and mobile banking use appears to be consistent, if not more frequently used by customers whose primary branch is in a low- and moderate-income census tract.

For Massachusetts customers, the bank offers lower-cost checking and savings accounts through the Massachusetts Community and Banking Council's Basic Banking (MCBC) program. These accounts are particularly beneficial for low- and moderate-income individuals as they feature lower monthly fees and transaction costs. Further, these accounts provide affordable, traditional banking services and allow low- and moderate-income consumers to work toward financial security.

### **Community Development Services**

The bank is a leader in providing community development services. Eastern Bank employees contributed 13,211 community service hours during the evaluation period. Although this is less than the 17,000 hours provided during the prior evaluation, 2020 service hours were lower due to fewer in-person opportunities during the COVID-19 pandemic. During the evaluation period, employees devoted time to community development organizations supporting affordable housing, community services, economic and workforce development, neighborhood revitalization and stabilization initiatives, and financial literacy. These activities respond to the needs identified by the community contacts.

The following two tables summarize the community development service hours by year, purpose, and area.

Community Development Services Assessment Area: Combined					
Rated Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2018	796	3,522	344	376	<b>5,038</b>
2019	1,109	3,638	344	329	<b>5,420</b>
2020	439	1,811	138	365	<b>2,753</b>
YTD 2021	0	0	0	0	0
<b>Totals</b>	<b>2,344</b>	<b>8,971</b>	<b>826</b>	<b>1,070</b>	<b>13,211</b>
<i>Source: Bank Data</i>					

Community Development Services by Rated Area					
Rated Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
Multistate MSA	1,708	7,852	556	1,070	<b>11,186</b>
State of MA	22	187	75	0	<b>284</b>
State of NH	212	508	147	0	<b>867</b>
Statewide Regional Activities	402	424	48	0	<b>874</b>
<b>Totals</b>	<b>2,344</b>	<b>8,971</b>	<b>826</b>	<b>1,070</b>	<b>13,211</b>
<i>Source: Bank Data</i>					

The following highlights a sample of the community development services and programs that benefitted a broader statewide or regional area that includes the bank's combined assessment area.

#### Employee Involvement

- **Massachusetts Growth Capital Corporation (MGCC)** - MGCC creates and preserves jobs at small businesses, including those owned by women, minorities, immigrants, and veterans. MGCC also works to promote economic development throughout Massachusetts, with special attention paid to business needs in underserved areas, Gateway Cities, and low- and moderate-income communities. A senior vice president serves on the organization's board.
- **MCBC** – MCBC provides a forum for MA financial institutions and community organizations to meet and share information with the goal of increasing the availability of credit and financial services in low- and moderate-income communities and communities of color across MA. MCBC promotes banking products geared towards low- and moderate-income individuals such as Basic Banking for Massachusetts, which encourages those with modest incomes to establish banking relationships. MCBC also has an Economic Development Committee, which brings together financial institutions, small business assistance providers, state agencies, and other stakeholders to promote the revitalization of low- and moderate-income communities. Lastly, the Mortgage Lending

Committee works to expand home ownership opportunities for low- and moderate-income homebuyers and in low- and moderate-income neighborhoods. A senior vice president/CRA Officer serves on the organization's board.

#### Financial Literacy Education and Seminars

- **Money Smart Program** – The bank participates in the FDIC Money Smart Program, which helps all people, including low- and moderate-income individuals and unbanked individuals enhance their financial skills and create positive banking relationships. The bank held these classes with various community development organizations such as Boys and Girls Club of Boston, Baystate Community Services, La Vida Inc., Academy of the Pacific Rim Charter School, East Boston Public Schools, Loop Lab Inc., Coalition for a Better Acre, and other organizations that serve low- and moderate-income individuals.
- **First Time Homebuyer Classes** – The bank provides first-time homebuyers classes that target low- and moderate-income individuals. During the evaluation period, the bank held classes in conjunction with the Asian Community Development Corporation and Merrimack Valley Housing Partnership.

#### Other Services

- **Community Rooms** – Eastern Bank makes physical space available free of charge at select branches for use by community development organizations, non-profits, and business customers. There are 11 community rooms currently in use. One is located in a low-income census tract in Lawrence, MA.
- **COVID-19 Response** - The bank changed its services to serve customers and businesses affected by the pandemic. These changes included refunding certain deposit fees, loan deferments, increased ATM withdrawal limits and waiving certain late charges and penalties for early certificate of deposit withdrawals up to \$50,000. These services responded to the needs of low- and moderate-income individuals and small businesses affected by the COVID-19 pandemic.

### **MULTISTATE METROPOLITAN AREA**

**CRA RATING FOR BOSTON-CAMBRIDGE-NEWTON, MA-NH MSA: Outstanding**

**The Lending Test is rated: Outstanding**

**The Investment Test is rated: Outstanding**

**The Service Test is rated: Outstanding**

### **SCOPE OF EVALUATION**

The scope is similar to the overall scope discussed previously, except that this portion of the evaluation only considers activity within the Multistate MSA portion of the combined assessment area. The bank designated a single assessment area within a portion of the Multistate



MSA. The majority of branches, deposits, and lending activities were in this assessment area. Therefore, examiners gave more weight to the bank's performance in the Multistate MSA assessment area than the bank's performance by state in arriving at the overall rating. Please refer to the overall discussion for more information on products reviewed, timeframe, and product weighting.

## **DESCRIPTION OF INSTITUTION'S OPERATIONS IN BOSTON-CAMBRIDGE-NEWTON, MA-NH MSA**

The bank operates 78 or 88.6 percent of its branches, including its main office in the Multistate MSA assessment area. The Multistate MSA represents 84.9 percent of the total number of census tracts and holds 88.9 percent of the bank's loans and 93.7 percent of the bank's deposits. The bank offers the same products and services in the Multistate MSA as discussed in the combined assessment areas section. The Multistate MSA assessment area includes towns and cities in Essex, Middlesex, Norfolk, Plymouth, and Suffolk counties in MA and Rockingham and Strafford counties in NH. The following table details the cities and towns in the bank's Multistate MSA assessment area.

<b>Multistate MSA Assessment Area Cities and Towns</b>			
<b>Essex County, MA</b>			
Amesbury	Hamilton	Methuen Town	Salem
Andover	Haverhill	Middleton	Salisbury
Beverly	Ipswich	Nahant	Saugus
Boxford	Lawrence	Newbury	Swampscott
Danvers	Lynn	Newburyport	Topsfield
Essex	Lynnfield	North Andover	Wenham
Georgetown	Manchester-by-the-Sea	Peabody	West Newbury
Gloucester	Marblehead	Rockport	
Groveland	Merrimac	Rowley	
<b>Middlesex County, MA</b>			
Acton	Dunstable	Melrose	Tyngsborough
Arlington	Everett	Natick	Wakefield
Bedford	Framingham	Newton	Waltham
Belmont	Groton	North Reading	Watertown Town
Billerica	Lexington	Pepperell	Wayland
Burlington	Lincoln	Reading	Westford
Cambridge	Littleton	Somerville	Weston
Carlisle	Lowell	Sherborn	Wilmington
Chelmsford	Malden	Stoneham	Winchester
Dracut	Medford	Tewksbury	Woburn

**Norfolk County, MA**

Avon	Dedham	Needham	Stoughton
Braintree	Dover	Norwood	Walpole
Brookline	Foxborough	Quincy	Wellesley
Canton	Holbrook	Randolph	Westwood
Cohasset	Milton	Sharon	Weymouth

**Plymouth County, MA**

Abington	Hanover	Marshfield	Rochester
Bridgewater	Hanson	Mattapoisett	Rockland
Brockton	Hingham	Middleborough	Scituate
Carver	Hull	Norwell	Wareham
Duxbury	Kingston	Pembroke	West Bridgewater
East Bridgewater	Lakeville	Plymouth	Whitman
Halifax	Marion	Plympton	

**Suffolk County, MA**

Boston	Chelsea	Revere	Winthrop Town
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**Rockingham County, NH**

Atkinson	Exeter	New Castle	Rye
Auburn	Fremont	Newington	Salem
Brentwood	Greenland	Newmarket	Sandown
Candia	Hampstead	Newsfields	Seabrook
Chester	Hampton	Newton	South Hampton
Danville	Hampton Falls	North Hampton	Stratham
Derry	Kensington	Plaistow	Windham
East Kingston	Kingston	Portsmouth	
Epping	Londonderry	Raymond	

**Strafford County, NH**

Barrington	Durham	Madbury	Rollinsford
Dover	Lee	Rochester	Somersworth

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, Plymouth, and Suffolk counties are located in the Boston, MA MD. The cities and towns in Rockingham and Strafford counties are located in the Rockingham County-Strafford County, NH MD. All three MDs are part of the greater Boston-Cambridge-Newton, MA-NH MSA (Multistate MSA).

## **Economic and Demographic Data**

The Multistate MSA assessment area contains 944 census tracts with the following income designations according to the 2015 ACS U.S. Census:

- 113 low-income tracts,
- 191 moderate-income tracts,
- 366 middle-income tracts,
- 258 upper-income tracts, and
- 16 census tracts with no income designation.

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, Boston Harbor, Old Colony Correctional Facility, and Bridgewater State University in MA, and the Manchester-Boston Regional Airport in NH.

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, MA and two (DR-4370-NH and DR-4371-NH) which impacted Rockingham and Strafford counties in NH. Examiners consider bank activities related to disaster recovery that revitalize or stabilize a designated disaster area for 36 months following the designation date. Furthermore, there are 34 cities and towns throughout the Multistate MSA assessment area that contain designated opportunity zones. 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 Multistate MSA assessment area.

Demographic Information of the Assessment Area Assessment Area: Multistate MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	944	12.0	20.2	38.8	27.3	1.7
Population by Geography	4,352,407	10.2	20.6	40.8	28.1	0.3
Housing Units by Geography	1,769,299	9.6	21.2	41.6	27.4	0.2
Owner-Occupied Units by Geography	992,761	3.7	15.6	46.7	33.9	0.1
Occupied Rental Units by Geography	659,851	18.2	28.9	34.4	18.1	0.4
Vacant Units by Geography	116,687	10.9	25.9	38.9	23.9	0.4
Businesses by Geography	408,394	7.2	15.8	39.2	37.4	0.4
Farms by Geography	7,457	3.7	12.6	49.2	34.4	0.1
Family Distribution by Income Level	1,039,154	24.0	16.6	19.7	39.7	0.0
Household Distribution by Income Level	1,652,612	27.0	14.7	16.5	41.7	0.0
Median Family Income MSA - 14454 Boston, MA		\$90,699	Median Housing Value			\$398,721
Median Family Income MSA - 15764 Cambridge-Newton- Framingham, MA		\$100,380	Median Gross Rent			\$1,274
Median Family Income MSA - 40484 Rockingham County- Strafford County, NH		\$90,150	Families Below Poverty Level			7.5%
Source: 2015 ACS and 2020 D&B Data Due to rounding, totals may not equal 100.0% (*) The NA category consists of geographies that have not been assigned an income classification.						

The small business loan analysis under the Borrower Profile criterion compares the distribution of businesses by GAR level. According to 2019 D&B data, 408,394 non-farm businesses operate in the Multistate MSA assessment area. Gross annual revenues (GARs) for these businesses follow.

- 85.2 percent have \$1 million or less
- 6.2 percent have more than \$1 million
- 8.6 percent have unknown revenues

Service industries represent the largest portion of businesses at 43.4 percent; followed by non-classifiable establishments (14.9 percent); retail trade (11.8 percent); and finance, insurance, and real estate (10.2 percent). In addition, 64.9 percent of the area businesses have four or fewer employees, and 89.8 percent operate from a single location. Major employers in the assessment area include Brigham & Women's Hospital, Harvard University, and Massachusetts Institute of Technology in MA, Shaw's Supermarket Inc., and Wentworth-Douglass Hospital in NH.

The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. Housing costs are relatively expensive in the assessment area as demonstrated by a median housing cost of \$398,721. This cost is higher than that in MA (\$358,764) and NH (\$237,081).

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 2019 and 2020 FFIEC-updated median family income categories.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>Boston, MA Median Family Income (14454)</b>				
2019 (\$105,500)	<\$52,750	\$52,750 to <\$84,400	\$84,400 to <\$126,600	≥\$126,600
2020 (\$109,800)	<\$54,900	\$54,900 to <\$87,840	\$87,840 to <\$131,760	≥\$131,760
<b>Cambridge-Newton-Framingham, MA Median Family Income (15764)</b>				
2019 (\$115,500)	<\$57,750	\$57,750 to <\$92,400	\$92,400 to <\$138,600	≥\$138,600
2020 (\$118,800)	<\$59,400	\$59,400 to <\$95,040	\$95,040 to <\$142,560	≥\$142,560
<b>Rockingham County-Strafford County, NH Median Family Income (40484)</b>				
2019 (\$103,200)	<\$51,600	\$51,600 to <\$82,560	\$82,560 to <\$123,840	≥\$123,840
2020 (\$106,600)	<\$53,300	\$53,300 to <\$85,280	\$85,280 to <\$127,920	≥\$127,920
<i>Source: FFIEC</i>				

According to the United States Bureau of Labor Statistics (BLS), 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; 3.0 in Plymouth County, MA; and 2.6 percent in Suffolk County, MA. These levels were comparable to the MA state average of 2.9 percent. The unemployment rate was 2.7 percent in Rockingham County, NH and 2.3 percent in Strafford County, NH, which are comparable to the NH state average of 2.5 percent. These levels were all lower than the national rate of 3.7 percent.

The unemployment rates in the assessment area declined slowly throughout the evaluation period, but began increasing rapidly in March 2020 because of the COVID-19 pandemic. As of December 2020, unemployment rates were 7.7 percent in Essex County, MA; 6.0 percent in Middlesex County, MA; 6.4 percent in Norfolk County, MA; 7.3 in Plymouth County, MA; and 7.5 percent in Suffolk County, MA. These levels were lower than the MA state average of 8.9 percent. The unemployment rate was 3.8 percent in Rockingham County, NH and 3.6 percent in Strafford County, NH, both lower than the NH state average of 6.7 percent. The national unemployment rate was 8.1 percent.

## **Competition**

The Multistate MSA assessment area is highly competitive for financial services. The June 30, 2020 FDIC Deposit Market Share Report shows that 117 institutions operated 1,512 branches in the Multistate MSA assessment area. Eastern Bank ranked 6<sup>th</sup> with a 2.5 percent market share and was the top ranked state-chartered community bank. The top three institutions, State Street Bank & Trust Company; Bank of America, N.A.; and Citizens Bank, N.A., accounted for 63.3 percent of the market share.

The bank faces a high level of competition for small business loans from national banks and other state-chartered community banks. In 2019, 193 lenders originated 136,252 small business loans within the Multistate MSA. Eastern Bank originated 1,411 small business loans and ranked 17<sup>th</sup> with 1.0 percent of the market share. The top three institutions, mainly credit card lenders had average loan sizes below \$30,000 and originated 49.9 percent of all small business loans. Eastern Bank's average loan size was approximately \$132,000.

There also is significant competition for home mortgage loans among several banks, credit unions, and non-depository mortgage lenders. In 2019, 667 lenders reported 182,260 residential mortgage loans originated or purchased. Eastern Bank ranked 12<sup>th</sup> by number with a market share of 1.8 percent and was the highest ranked state-chartered community bank. The financial institutions that ranked ahead of Eastern Bank were large national banks or mortgage companies.

## **Community Contact**

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying the 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 two recently completed community contacts in the Multistate MSA. The first contact was with a community development corporation who creates and preserves affordable rental housing. The contact stated the area needs affordable rental housing, particularly multifamily housing. Although the organization relies on state funds for its affordable housing development projects, additional funding, such as LIHTCs or other investments is needed due to the high development costs. The contact noted that significant competition and the lengthy application process for the limited supply of LIHTC awards causes delays in completing affordable housing projects. The contact also indicated there are opportunities and a need for community banks to invest in affordable housing projects.

The second contact was with a social services organization. The contact noted that food insecurity is a continuing need. The organization serves approximately 2,800 individuals monthly. The contact stated that the government stimulus payments and extra unemployment benefits provided during the COVID-19 pandemic reduced the need; however, as these benefits expire, the organization has seen an increased demand for food assistance. Additionally, individuals reaching out for rental assistance increased significantly when MA's eviction moratorium ended. The contact also stated that they and other non-profit agencies do not have

the capacity to handle this increased demand for rental assistance and believes there is opportunity for community banks to help. The contact noted that local banks are responsive to the community's needs and specifically mentioned that Eastern Bank has a strong relationship with the community.

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

Based on demographic and economic information, management discussions, research, and information from the community contacts, examiners identified the primary credit and community development needs of the Multistate MSA assessment area to be affordable housing and small business lending. Additionally, examiners determined there is a significant need for community development services to support low- and moderate-income individuals.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN BOSTON-CAMBRIDGE-NEWTON, MA-NH MSA**

### **LENDING TEST**

The Multistate MSA Lending Test performance is rated Outstanding.

The bank's excellent performance in Lending Activity, Geographic Distribution, Borrower Profile, and Community Development Lending criteria support this conclusion. The following sections discuss the bank's performance under each criterion.

### **Lending Activity**

Lending levels reflect excellent responsiveness to assessment area credit needs. In 2019 and 2020, Eastern Bank reported 9,660 small business loans totaling approximately \$867.7 million and 6,668 home mortgage loans totaling approximately \$2.1 billion within the Multistate MSA assessment area. The Competition section discussed the bank's market share rankings for small business and home mortgage lending.

### **Geographic Distribution**

The geographic distribution of loans reflects excellent penetration throughout the Multistate MSA assessment area. Excellent performance in both small business and home mortgage lending support this conclusion. Examiners focused on the percentage of loans in low- and moderate-income census tracts by number.

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

The geographic distribution of small business loans reflects excellent penetration throughout the Multistate MSA assessment area. As shown in the following table, in 2019, the bank's lending in low- and moderate-income census tracts exceeded aggregate performance and demographics. In 2020, lending increased significantly, which was primarily due to the large number of PPP originations. Performance remained above demographic data in low- and moderate-income census tracts.

Geographic Distribution of Small Business Loans Assessment Area: Multistate MSA						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	7.3	7.1	143	10.4	19,042	10.6
2020	7.2	--	744	9.0	63,350	9.2
Moderate						
2019	15.6	16.1	255	18.5	33,154	18.4
2020	15.8	--	1,494	18.0	110,279	16.0
Middle						
2019	39.3	41.5	621	45.0	75,188	41.7
2020	39.2	--	3,675	44.4	294,191	42.8
Upper						
2019	37.4	34.9	353	25.6	50,253	27.9
2020	37.4	--	2,347	28.3	215,566	31.4
Not Available						
2019	0.4	0.3	8	0.6	2,705	1.5
2020	0.4	--	20	0.2	3,944	0.6
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>1,380</b>	<b>100.0</b>	<b>180,342</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>--</b>	<b>8,280</b>	<b>100.0</b>	<b>687,330</b>	<b>100.0</b>
Source: 2019 & 2020 D&B Data; Bank Data; 2019 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

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

The geographic distribution of home mortgage loans reflects excellent penetration throughout the Multistate MSA assessment area. As shown in the following table, in 2019, lending in low- and moderate-income census tracts exceeded aggregate performance and demographics. In 2020, lending declined slightly, but remained above demographic data in both low- and moderate-income census tracts.



Geographic Distribution of Home Mortgage Loans Assessment Area: Multistate MSA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	3.7	4.7	160	5.0	88,314	9.9
2020	3.7	--	151	4.4	61,799	5.2
Moderate						
2019	15.6	16.2	536	16.7	131,887	14.9
2020	15.6	--	559	16.1	205,015	17.2
Middle						
2019	46.7	45.8	1,572	49.1	365,837	41.2
2020	46.7	--	1,563	45.1	457,358	38.4
Upper						
2019	33.9	33.2	929	29.0	300,216	33.8
2020	33.9	--	1,191	34.4	462,767	38.9
Not Available						
2019	0.1	0.2	4	0.1	1,891	0.2
2020	0.1	--	3	0.1	3,032	0.3
Totals						
2019	100.0	100.0	3,201	100.0	888,145	100.0
2020	100.0	--	3,467	100.0	1,189,970	100.0
Source: 2015 ACS; Bank Data, 2019 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

## **Borrower Profile**

The distribution of borrowers reflects excellent penetration among business customers of different size and retail customers of different income levels in the Multistate MSA assessment area. Excellent performance in both small business and home mortgage lending supports this conclusion. Examiners focused on the percentage by number of small business loans to business with GARs of \$1 million or less and home mortgage loans to low- and moderate-income borrowers.

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

The distribution of small business loans reflects excellent penetration of loans to businesses with GARs of \$1.0 million or less. As shown in the following table, in 2019, the bank's lending exceeded the aggregate. Although performance was less than demographics, not all businesses in the assessment area are in the market for a small business loan. In addition, Eastern Bank ranked second among state-chartered community banks in the assessment area, out-performed only by Rockland Trust Company, a \$13.2 billion institution.

Additionally, as shown in the following table, in 2020, the bank's small business lending increased significantly by number, most notable in the "Revenue Not Available" category. Under the PPP loan program, banks were not required to collect revenue information. Although not all loans with unavailable revenue information were PPP loans, Eastern Bank originated a large number of PPP loans that contributed to the high percentage of loans in the "Revenue Not Available" category. In turn, the percent of originations to businesses with GARs of \$1.0 million or less, as well as over \$1.0 million, decreased significantly.

Distribution of Small Business Loans by Gross Annual Revenue Category Assessment Area: Multistate MSA						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2019	85.2	41.1	877	63.6	79,157	43.9
2020	86.6	--	1,046	12.6	64,650	9.4
>\$1,000,000						
2019	6.2	--	412	29.9	96,742	53.6
2020	5.5	--	674	8.1	181,114	26.4
Revenue Not Available						
2019	8.6	--	91	6.6	4,443	2.5
2020	8.0	--	6,560	79.2	441,566	64.2
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>1,380</b>	<b>100.0</b>	<b>180,342</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>--</b>	<b>8,280</b>	<b>100.0</b>	<b>687,330</b>	<b>100.0</b>
Source: 2019 & 2020 D&B Data; Bank Data; 2019 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%						

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

The distribution of home mortgage loans reflects excellent penetration among individuals of different income levels, including low- and moderate-income borrowers. As shown in the following table, in 2019, lending to low-income borrowers exceeded the aggregate, but fell below demographics. A low-income family in the Multistate MSA assessment area, earning less than \$57,750, may have difficulty qualifying for a mortgage under conventional underwriting standards, considering the median housing value of \$398,721. Additionally, 7.5 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. In 2020, lending to low-income borrowers declined slightly and remained below demographics. The bank's lending to moderate-income borrowers exceeded aggregate performance and demographic data in 2019, but in 2020, declined, but remained above demographics.

Distribution of Home Mortgage Loans by Borrower Income Level Assessment Area: Multistate MSA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	24.0	5.3	262	8.2	28,952	3.3
2020	24.0	--	254	7.3	36,592	3.1
Moderate						
2019	16.6	17.8	675	21.1	112,278	12.6
2020	16.6	--	603	17.4	125,131	10.5
Middle						
2019	19.7	23.0	790	24.7	163,530	18.4
2020	19.7	--	826	23.8	205,108	17.2
Upper						
2019	39.7	40.8	1,338	41.8	366,717	41.3
2020	39.7	--	1,600	46.1	578,464	48.6
Not Available						
2019	0.0	13.2	136	4.2	216,667	24.4
2020	0.0	--	184	5.3	244,676	20.6
Totals						
2019	100.0	100.0	3,201	100.0	888,144	100.0
2020	100.0	--	3,467	100.0	1,189,970	100.0
Source: 2015 ACS; Bank Data, 2019 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

### **Community Development Lending**

The bank is a leader in making community development loans. During the evaluation period, the bank originated 204 community development loans, totaling approximately \$831.9 million, which directly benefited the Multistate MSA assessment area. This is a significant increase from the prior evaluation, when the bank originated 105 loans totaling \$217.7 million. The majority of community development loans, by dollar amount, supported affordable housing, specifically addressing the assessment area's primary need as identified by the community contact. The following table illustrates the community development loans by year and purpose.

Community Development Lending Assessment Area: Multistate MSA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2018	15	119,221	9	58,378	3	4,076	16	100,508	43	282,183
2019	15	60,651	2	16,000	11	77,158	3	8,840	31	162,649
2020	17	116,717	6	14,451	51	98,850	45	105,986	119	336,004
YTD 2021	4	16,230	4	15,800	3	19,000	0	0	11	51,030
<b>Total</b>	<b>51</b>	<b>312,819</b>	<b>21</b>	<b>104,629</b>	<b>68</b>	<b>199,084</b>	<b>64</b>	<b>215,334</b>	<b>204</b>	<b>831,866</b>
<i>Source: Bank Data</i>										

The following are examples of qualified community development loans that benefited the Multistate MSA assessment area.

- In 2018, the bank originated a \$16.7 million loan to a non-profit organization that owns and develops affordable rental properties. Eastern Bank's funding financed the conversion of an old factory into a 62-unit affordable multifamily rental property. The organization is receiving additional funding from LIHTCs and Historic Tax Credits.
- In 2019, the bank renewed a \$15.0 million line of credit to a non-profit organization who promotes economic development and provides loans that improve the health and welfare of low-income residents and communities. Loans supported minority or women-owned businesses, small businesses, affordable rental housing and homeownership development projects, job creation activities, and community health centers in low- and moderate-income geographies.
- In 2020, the bank originated a \$5.0 million loan to a non-profit community service organization that provides services to homeless individuals. The organization's programs focus on workforce development, provide clothing, food, blankets, and health care referrals; and help homeless individuals move into shelters and work towards obtaining permanent housing.

## **INVESTMENT TEST**

The Multistate MSA Investment Test performance is rated Outstanding.

The following sections discuss the bank's performance under each criterion. The bank's excellent performance in the Investment Activity and Responsiveness to Credit criteria supports this rating. The following sections discuss the bank's performance under each criterion.

### **Investment and Grant Activity**

The bank has an excellent level of qualified community development investments and grants in the Multistate MSA assessment area. The bank made 2,781 investments totaling approximately \$337.9 million, or 88.4 percent of the bank's total community development investments in this

area. Please refer to the following table for total investments in the Multistate MSA assessment area by year and purpose.

Qualified Investments Assessment Area: Multistate MSA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	20	69,657	12	43,056	1	80	2	7,297	35	120,090
2018	7	68,550	0	0	0	0	2	10,500	9	79,050
2019	10	52,118	1	5,400	0	0	0	0	11	57,518
2020	16	48,780	0	0	0	0	1	12,490	17	61,270
YTD 2021	0	0	0	0	0	0	1	242	1	242
<b>Subtotal</b>	<b>53</b>	<b>239,105</b>	<b>13</b>	<b>48,456</b>	<b>1</b>	<b>80</b>	<b>6</b>	<b>30,529</b>	<b>73</b>	<b>318,170</b>
Qualified Grants & Donations	165	1,321	2,407	17,202	134	1,161	2	65	2,708	19,749
<b>Total</b>	<b>218</b>	<b>240,426</b>	<b>2,420</b>	<b>65,658</b>	<b>135</b>	<b>1,241</b>	<b>8</b>	<b>30,594</b>	<b>2,781</b>	<b>337,919</b>

Source: Bank Data

The following are some examples of investments that benefited the Multistate MSA assessment area.

#### Equity Investments

The bank made 73 qualified equity investments totaling approximately \$318.2 million within the Multistate MSA assessment area. Of these, 38 equity investments totaling approximately \$198.1 million are new. During the evaluation period, the bank maintained 35 prior period investments totaling approximately \$120.1 million.

#### *Prior Period Investments*

- The bank maintains a prior period investment in two MDFA Tax-exempt Revenue Bonds with a combined book value of \$5.9 million. The bond financed the renovation of 74 affordable housing units in a moderate-income census tract in Dorchester. This investment benefits affordable housing in the Multistate MSA. All units are under a Section 8 Housing Assistance contract with HUD.

#### *Current Period Investments*

- In 2019, the bank invested in a \$5.4 million Tax-Exempt Bond that helped fund the construction of a new middle school in a moderate-income census tract in East Boston, as well as refinance existing subordinate debt. Approximately 80.0 percent of the students are low-income. This investment promotes community services for low- and moderate-income families.

- In 2020, the bank invested in a MDFA Multifamily Revenue Bond totaling \$10.5 million to redevelop an existing condominium into a 45-unit affordable housing development in Beverly, MA. All units are restricted to residents earning either 30.0 percent, 50.0 percent, or 60.0 percent of area median income (AMI).
- In 2019, the bank invested in a MDFA Multifamily Revenue Bond totaling \$12.0 million creating a 199-unit affordable housing development in the Kenmore Square neighborhood of Boston. All units are under a Section 8 Housing Assistance contract with HUD.
- In 2018, Eastern Bank invested in two MDFA Multifamily Revenue Bonds totaling \$9.4 million to construct 47 income-restricted affordable housing units in a low-income census tract in Jamaica Plain. Of the 47 units, 20 units are restricted to households earning less than 30.0 percent of the AMI, 20 units are restricted to households earning less than 60.0 percent of the AMI, and 7 units are restricted to households earning up to 70.0 percent of the AMI. State and federal rental assistance programs including Section 8 vouchers, Massachusetts Rental Voucher program vouchers, and Money Follows the Person 811 rental assistance vouchers, support the 20 units restricted to households earning less than 30.0 percent of the AMI.
- In 2020, the bank invested in three MDFA Multifamily Revenue Bonds totaling \$4.6 million to rehabilitate 77 affordable housing units in a low-income census tract in Everett. All 77 units are tier restricted to seniors earning 30.0 percent, 50.0 percent, and 60.0 percent of the AMI, respectively. The project also created a commercial space, which a neighborhood health center leases and provides community services to area residents.

### Grants and Donations

The Foundation provided 2,708 grants and donations, which totaled approximately \$19.7 million. The following are examples of donations that benefited the Multistate MSA assessment area.

- ***Asian Community Development Corporation*** - The Asian Community Development Corporation works in underserved and immigrant Asian American communities in the Greater Boston region to create and preserve affordable, sustainable, and healthy neighborhoods.
- ***Children's Law Center of Massachusetts (CLCM)*** - CLCM provides advocacy and legal services for low-income children and youth. The organization provides a legal representation in education, child welfare (abuse & neglect), immigration, juvenile justice, and various other matters such as mental health, insurance access, family-law related issues, and support to victims of crime. Eastern Bank's funds provided legal advocacy to low-income children in Lynn through the Immigrant Children's Justice Project.

- ***Operation A.B.L.E. of Greater Boston*** - Operation A.B.L.E. provides employment and training opportunities to low- and moderate-income workers aged 45 and older from racially and occupationally diverse backgrounds. Operation A.B.L.E. is equally committed to service Massachusetts employers by providing well-qualified candidates to meet their employment needs and by training employees so they can be as productive as possible at their jobs.

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

The bank exhibits excellent responsiveness to the credit and community development needs of the Multistate MSA assessment area. The bank's equity investments primarily targeted affordable housing, which is a primary community development need identified by the community contact. As evidenced by the highlighted examples, the bank's investments in affordable housing initiatives resulted in hundreds of new affordable housing units across the rated area. As the area's median housing value of \$398,721 is generally unaffordable for low- and moderate-income borrowers, affordable housing demand remains high. Additionally, the bank's donations responded to the community service needs of low- and moderate-income individuals, another need identified by the community contact.

### **Community Development Initiatives**

The bank makes significant use of innovative and complex investments to support community development initiatives. As previously mentioned in the overall Investment Test section, the bank invested in LIHTC and MDFA Multifamily Revenue bond projects that promoted affordable housing.

The project using LIHTCs is an evenly split participation with another financial institution and is funded with multiple funding sources, including commitments from various public funding sources. Eastern Bank is one of the equity investors that purchased the Federal and State LIHTCs for a combined \$7.2 million and provided a \$13.0 million construction bridge loan facility.

### **SERVICE TEST**

The Multistate MSA Service Test performance is rated Outstanding.

The bank's excellent performance in the Accessibility of Delivery Systems and Community Development Services criteria supports this rating. The following sections discuss the bank's performance under each criterion.

### **Accessibility of Delivery Systems**

The bank's delivery systems are readily accessible to all portions of the assessment area. This conclusion is consistent with, and primarily supports, the overall conclusion. Eastern Bank operates 78, or 88.6 percent, of its branches throughout the Multistate MSA assessment area. As displayed in the following table, branch and ATM distribution exceeds the percentage of low-

and moderate-income census tracts as well as the percentage of the population residing in the low- and moderate-income geographies.

<b>Branch and ATM/ITM Distribution by Geography Income Level</b>										
<b>Assessment Area: Multistate MSA</b>										
<b>Tract Income Level</b>	<b>Census Tracts</b>		<b>Population</b>		<b>Branches</b>		<b>ATMs</b>		<b>ITMs</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	113	12.0	443,735	10.2	10	12.8	14	13.3	3	25.0
Moderate	191	20.2	896,640	20.6	18	23.1	26	24.8	1	8.3
Middle	366	38.8	1,776,532	40.8	31	39.7	39	37.1	6	50.0
Upper	258	27.3	1,222,511	28.1	19	24.4	26	24.8	2	16.7
NA	16	1.7	12,989	0.3	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>944</b>	<b>100.0</b>	<b>4,352,407</b>	<b>100.0</b>	<b>78</b>	<b>100.0</b>	<b>105</b>	<b>100.0</b>	<b>12</b>	<b>100.0</b>
<i>Source: 2015 ACS Data; Bank Data</i>										

### **Changes in Branch Locations**

To the extent changes have been made, the 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. Since the prior evaluation, the bank opened one branch and closed six branches in the Multistate MSA assessment area. The bank opened a branch in a low-income census tract in Roxbury Crossing, which improved access in that geography. Of the six branch closings, one was in a low-income census tract in Lawrence and the other five were in middle-income census tracts in Cambridge, Middleborough, Plymouth, Salem, and Tewksbury, MA. Although the bank closed a branch in a low-income census tract in Lawrence, another full service Eastern Bank branch is located within a 2-minute walk (0.1 mile) of the closed branch in the same census tract. Lastly, as the bank relocated its Malden branch within the same low-income census tract, it did not affect the accessibility of the branch.

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

Services and business hours do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies and/or individuals. This conclusion is consistent with the overall conclusion. As previously stated, there are some differences in branch hours during the weekends. Please refer to the overall Service Test section for more information.

### **Community Development Services**

The bank is a leader in providing community development services. During the evaluation period, employees contributed 11,186 community service hours that benefited the Multistate MSA assessment area. The majority of all service activity occurred in the Multistate MSA, which is in line with the significant percentage of branches as well as lending and deposit activity in this assessment area. Eastern Bank employees provide technical support and financial expertise by serving on the boards and other committees of various community organizations, as well as by providing FDIC Money Smart classes and first time homebuyer seminars to low- and



moderate-income individuals. This involvement demonstrates the bank's leadership and responsiveness to community needs. The following table summarizes the community development service hours by year and purpose.

Community Development Services Assessment Area: Multistate MSA					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2018	693	2,966	260	376	<b>4,295</b>
2019	658	3,230	191	329	<b>4,408</b>
2020	357	1,656	105	365	<b>2,483</b>
YTD 2021	0	0	0	0	0
<b>Totals</b>	<b>1,708</b>	<b>7,852</b>	<b>556</b>	<b>1,070</b>	<b>11,186</b>
<i>Source: Bank Data</i>					

The following are some examples of services that benefited the Multistate MSA assessment area.

- ***Bay Cove Human Services*** - Bay Cove Human Services provides community services for people facing the challenges associated with developmental disabilities, mental illness, homelessness, aging-related needs, and drug and alcohol addiction. The organization provides access to those without the ability to pay for services with low- or moderate-income individuals being the majority served. An executive vice president serves as the treasurer.
- ***Bottom Line Massachusetts*** – Bottom Line provides services to help students from low-income households in Boston become the first generation of their family to earn a Bachelor's degree. The President serves on the Board.
- ***Caritas Communities*** – Caritas Communities provides affordable housing to working individuals on minimum wage, veterans experiencing post-service challenges, and low-income elderly and disabled citizens. The organization currently has approximately 1,000 residents in 14 communities in and around the Boston area. A vice president serves on the Board.
- ***Homeowners Rehab Inc.*** – The organization improves the availability and quality of housing for low- and moderate-income people. The organization offers resident services and affordable home improvement programs. A senior vice president serves on the organization's board.

## **MASSACHUSETTS**

**CRA RATING FOR MASSACHUSETTS: High Satisfactory**

**The Lending Test is rated: High Satisfactory**

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

**The Service Test is rated: Satisfactory**

### **SCOPE OF EVALUATION**

The scope is similar to the overall scope discussed previously, except that this portion of the evaluation only considers activity within the MA rated area, excluding the Multistate MSA. Specifically, this section considers the bank's performance in the Barnstable MSA and the Providence-Warwick MSA assessment areas. Please refer to the overall scope for more information on products reviewed, timeframe, and product weighting.

Only a small portion of the combined assessment area falls within the MA rated area outside of the Multistate MSA. Therefore, the MA rated area performance carried less weight than performance within the Multistate MSA when arriving at overall ratings and conclusions.

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN MASSACHUSETTS**

Eastern Bank operates 6 or 6.8 percent of its 88 branches, in the MA rated area. The MA rated area represents 6.7 percent of the total number of census tracts and holds 6.9 percent of the bank's loans and 3.4 percent of the bank's deposits. The bank offers the same products and services in the MA rated area as discussed in the combined assessment area section. The bank closed one stand-alone ATM in Sandwich during the evaluation period. The MA rated area includes municipalities in portions of Barnstable and Bristol Counties. Please refer to the following full- and limited-scope assessment area evaluations for more details, including economic and demographic data.

### **CONCLUSIONS ON PERFORMANCE CRITERIA IN MASSACHUSETTS**

#### **LENDING TEST**

The MA Lending Test performance is rated High Satisfactory.

The bank's good performance in Lending Activity, Borrower Profile, and Community Development Lending criteria support this conclusion. Consistent performance in both the Barnstable MSA and Providence-Warwick MSA assessment areas support this conclusion. The following sections discuss the bank's performance under each criterion.

### **Lending Activity**

The bank's lending levels reflect good responsiveness to assessment area credit needs. In 2019 and 2020, Eastern Bank reported 703 small business loans totaling approximately \$53.4 million and 616 home mortgage loans totaling approximately \$187.3 million within the MA rated area.

The Description of Assessment Area section for each individual assessment area discusses the bank's market share rankings for small business and home mortgage lending. In 2019, Eastern Bank ranked 23<sup>rd</sup> out of 108 small business lenders in the MA rated area, outperformed by large national banks and other state-chartered community banks headquartered in the area. For home mortgage lending, the bank ranked 13<sup>th</sup> out of 428 home mortgage lenders and was ranked 3<sup>rd</sup> among state-chartered community banks. Other leading institutions consisted primarily of large national banks and mortgage companies.

### **Geographic Distribution**

The geographic distribution of loans reflects adequate penetration throughout the MA rated area. Consistent performance in the Barnstable MSA assessment area primarily contributed to this rating as performance was inconsistent in the Providence-Warwick MSA assessment area.

### **Borrower Profile**

The distribution of borrowers reflects good distribution among business customers of different size and retail customers of different income levels throughout the MA rated area. Consistent performance in both the Barnstable MSA and Providence-Warwick MSA assessment areas supported the rating.

### **Community Development Lending**

The bank made a relatively high level of community development loans within the MA rated area. As shown in the following table, the bank originated eight loans totaling approximately \$39.7 million that directly benefited the Providence-Warwick MSA and Barnstable MSA assessment areas, an increase from the prior evaluation, when the bank originated three loans totaling approximately \$2.5 million. Performance was generally consistent between the assessment areas. In addition, the bank originated 18 community development loans totaling \$78.4 million that benefitted the broader statewide area in MA that includes the assessment areas. Please refer to the Providence-Warwick MSA assessment area for examples of specific community development loans.

Community Development Lending by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Providence-Warwick MSA	2	3,261	0	0	1	1,867	0	0	3	5,128
Barnstable MA MSA	2	10,520	0	0	0	0	3	24,085	5	34,605
Statewide Activities	12	55,575	0	0	1	1,314	5	21,495	18	78,384
<b>Totals</b>	<b>16</b>	<b>69,356</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>3,181</b>	<b>8</b>	<b>45,580</b>	<b>26</b>	<b>118,117</b>
<i>Source: Bank Data</i>										

## **INVESTMENT TEST**

The MA Investment Test performance is rated High Satisfactory.

The bank's good performance in the Investment Activity and Responsiveness to Credit and Community Development Needs criteria supports this rating. Consistent performance in the Barnstable MSA assessment area primarily contributed to this rating as performance was inconsistent in the Providence-Warwick MSA assessment area. The following sections discuss the bank's performance under each criterion.

### **Investment and Grant Activity**

The bank has a significant level of qualified community development investments and grants in Massachusetts. As shown in the following table, qualified investments that directly benefitted the Providence-Warwick MSA and Barnstable MSA assessment areas totaled approximately \$12.3 million or 3.2 percent of the bank's total qualified community development investments. This represents a significant increase since the prior evaluation during which the bank had \$3.6 million in qualified community development investments and grants in these areas. In addition, the bank made 37 qualified investments totaling \$22.5 million that benefitted the broader statewide area in MA that includes the assessment areas. Please refer to the Providence-Warwick MSA assessment area for examples.

Qualified Investments by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Providence-Warwick MSA	3	2,865	77	676	1	29	0	0	81	3,570
Barnstable MA MSA	14	5,990	113	2,757	1	1	0	0	128	8,748
Statewide Activities	10	16,344	21	5,270	3	250	3	600	37	22,464
<b>Totals</b>	<b>27</b>	<b>25,199</b>	<b>211</b>	<b>8703</b>	<b>5</b>	<b>280</b>	<b>3</b>	<b>600</b>	<b>246</b>	<b>34,782</b>
<i>Source: Bank Data</i>										

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

The bank exhibits good responsiveness to credit and community economic development needs in this area. A majority of investments, by dollar volume, promoted affordable housing and community services to low- and moderate individuals. Community contacts identified affordable housing and community services as community development needs.

## **Community Development Initiatives**

The bank occasionally uses innovative and/or complex investments to support community development initiatives. The bank invested in a LIHTC investment during the current evaluation period, and prior period investments included bonds and a capital commitment.

## **SERVICE TEST**

The MA Service Test performance is rated Satisfactory.

The bank's adequate performance in the Accessibility of Delivery Systems and Community Development Services criteria supports this rating. Consistent performance in both the Barnstable MSA and Providence-Warwick MSA assessment areas support this conclusion. The following sections discuss the bank's performance under each criterion.

## **Accessibility of Delivery Systems**

The bank's delivery systems are reasonably accessible to essentially all portions of the assessment areas. This is inconsistent with the overall conclusion; however, there are only six branches in this area. The bank operates 6.8 percent of all branches in the Barnstable MSA and Providence-Warwick MSA assessment areas. Of the six branches, five are within the Barnstable MSA and one is in the Providence-Warwick MSA. Additionally, one branch (16.7 percent) and two ATMs (18.2 percent) are in the low-income census tracts in these two assessment areas, exceeding the percent of low-income census tracts and the population residing in those geographies. The bank does not have any branches, ATMs, or ITMs in the moderate-income census tracts; however, the bank operates branches within close proximity of moderate-income census tracts. Specifically, the Taunton branch is located in a middle-income census tract, but abuts a moderate-income census tract. Additionally, the Hyannis branch is located in a low-income census tract that abuts a moderate-income census tract. Please refer to the following table for further information on the branch distribution.

Branch and ATM/ITM Distribution by Geography Income Level Assessment Area: State of MA										
Tract Income Level	Census Tracts		Population		Branches		ATMs		ITMs	
	#	%	#	%	#	%	#	%	#	%
Low	2	2.7	7,646	2.2	1	16.7	2	18.2	0	0.0
Moderate	8	10.7	28,591	8.1	0	0.0	0	0.0	0	0.0
Middle	35	46.6	154,522	44.0	4	66.7	6	54.5	0	0.0
Upper	30	40.0	160,598	45.7	1	16.7	3	27.3	0	0.0
NA	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>75</b>	<b>100.0</b>	<b>351,357</b>	<b>100.0</b>	<b>6</b>	<b>100.0</b>	<b>11</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>
<i>Source: 2015 ACS Data; Bank Data</i>										

### **Changes in Branch Locations**

To the extent changes have been made, the institution's record of opening and closing 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. Since the prior evaluation, the bank has not opened, closed, or relocated any branches in the Barnstable MSA or the Providence-Warwick MSA assessment areas.

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

Services, including business hours, do not vary in a way that inconveniences certain portions of the assessment areas, particularly low- and moderate-income geographies and/or individuals. This is consistent with overall conclusions. The bank also offers various alternative systems that effectively deliver retail banking services throughout the assessment area. For details, please refer to the Reasonableness of Business Hours and Services under the overall Service Test section.

### **Community Development Services**

The bank provided an adequate level of community development services. Employees provided 284 hours to the MA assessment areas. Although employees also provided community development services benefitting statewide and regional activities, this level represents a significant decline since the prior evaluation when employees provided 565 hours. Please refer to the Providence-Warwick MSA assessment area discussion for examples of current services.

## **METROPOLITAN AREAS - PROVIDENCE-WARWICK, RI-MA MSA** *(Full-Scope Review)*

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN PROVIDENCE-WARWICK, RI-MA MSA**

Eastern Bank operates 1 or 1.1 percent of its 88 branches in the Providence-Warwick MSA assessment area. The Providence-Warwick MSA assessment area represents 3.4 percent of the total number of census tracts and holds 2.2 percent of the bank's loans and 0.5 percent of the bank's deposits. This assessment area consists of the following cities and towns in portions of Bristol County, MA: Acushnet, Berkley, Dighton, Easton, Fairhaven, Freetown, Mansfield, Norton, Raynham, Rehoboth, and Taunton.

#### **Economic and Demographic Data**

The Providence-Warwick MSA assessment area contains 38 census tracts with the following income designations according to the 2015 ACS U.S. Census:

- 1 low-income tract,
- 3 moderate-income tracts,
- 12 middle-income tracts, and
- 22 upper-income tracts.

The low-income census tract and three moderate-income census tracts are located in Taunton, MA. There are no underserved or distressed nonmetropolitan middle-income geographies within the assessment area. There are two designated opportunity zones in Fairhaven and Taunton. 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 Providence-Warwick MSA assessment area.

Demographic Information of the Assessment Area Assessment Area: Providence-Warwick MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	38	2.6	7.9	31.6	57.9	0.0
Population by Geography	197,338	2.4	5.6	28.4	63.6	0.0
Housing Units by Geography	75,508	3.1	6.6	31.9	58.5	0.0
Owner-Occupied Units by Geography	53,721	0.7	2.9	29.3	67.1	0.0
Occupied Rental Units by Geography	17,432	9.4	17.5	37.3	35.8	0.0
Vacant Units by Geography	4,355	6.7	8.3	41.8	43.1	0.0
Businesses by Geography	14,294	4.5	2.8	30.3	62.4	0.0
Farms by Geography	525	0.8	2.5	18.7	78.1	0.0
Family Distribution by Income Level	50,528	15.2	14.7	19.0	51.0	0.0
Household Distribution by Income Level	71,153	18.3	12.2	15.3	54.2	0.0
Median Family Income MSA - 39300 Providence-Warwick, RI-MA MSA		\$73,950	Median Housing Value			\$294,839
			Median Gross Rent			\$1,017
			Families Below Poverty Level			4.9%
Source: 2015 ACS and 2020 D&B Data Due to rounding, totals may not equal 100.0% (* ) The NA category consists of geographies that have not been assigned an income classification.						

The small business loan analysis under the Borrower Profile criterion compares the distribution of businesses by GAR level. According to 2019 D&B data, 14,294 non-farm businesses operate in the Providence-Warwick MSA assessment area. GARs for these businesses follow.

- 85.0 percent have \$1 million or less
- 5.7 percent have more than \$1 million
- 9.3 percent have unknown revenues

Service industries represent the largest portion of businesses at 38.8 percent; followed by retail trade (12.9 percent); non-classifiable establishments (12.4 percent); construction (10.8 percent); and finance, insurance, and real estate (8.9 percent). In addition, 68.1 percent of the area businesses have four or fewer employees, and 89.7 percent operate from a single location. Major employers in the assessment area include Lifespan Laboratories, Care New England Health System, and CVS Health Corporation.

The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. Housing costs are moderately expensive in the assessment area as demonstrated by a median housing cost of \$294,839. This cost is lower than the average in MA (\$358,764).



Examiners use the 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 2019 and 2020 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%
Providence-Warwick, RI-MA MSA Median Family Income (39300)				
2019 (\$85,100)	<\$42,550	\$42,550 to <\$68,080	\$68,080 to <\$102,120	≥\$102,120
2020 (\$89,000)	<\$44,500	\$44,500 to <\$71,200	\$71,200 to <\$106,800	≥\$106,800
Source: FFIEC				

According to the BLS, the average unemployment rate in 2019 in Bristol County was 3.7 percent. This was higher than the MA state average of 2.9 percent and in line with the national rate of 3.7 percent. The unemployment rates in the assessment area declined slowly throughout the evaluation period, but began increasing rapidly in March 2020 because of the COVID-19 pandemic. As of December 2020, the unemployment rate in Bristol County was 7.6 percent. This was lower than the MA state average of 8.9 percent and the national unemployment level of 8.1 percent.

### **Competition**

The Providence-Warwick MSA assessment area is competitive for financial services. The June 30, 2020 FDIC Deposit Market Share Report shows that 28 institutions operated 394 branches in the Providence-Warwick MSA assessment area. Eastern Bank ranked 25<sup>th</sup> with 0.1 percent market share. The top three institutions, Citizens Bank, N.A., Bank of America, N.A., and The Washington Trust Company of Westerly accounted for 58.8 percent of the market share.

Eastern Bank faces a high level of competition for small business loans from national banks and other state-chartered community banks. In 2019, 98 lenders originated 14,101 small business loans within the Providence-Warwick MSA. Eastern Bank ranked 39<sup>th</sup> with 0.3 percent of the market share. The top three institutions, American Express, N.A., JPMorgan Chase Bank, N.A., and Bank of America, N.A. originated 37.4 percent of all small business loans.

There is also significant competition for home mortgage loans among several banks, credit unions, and non-depository mortgage lenders. In 2019, 335 lenders reported 8,945 residential mortgage loans originated or purchased. Eastern Bank ranked 39<sup>th</sup> by number with a market share of 0.7 percent. The financial institutions that ranked ahead of Eastern Bank were large national banks, mortgage companies, and other state-chartered community banks.

### **Community Contact**

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying the 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 local housing authority. The contact noted that there is a lack of affordable housing for low- and moderate-income individuals and families, as well as there being a need for credit repair programs and financial literacy education. The contact also noted that the availability of both affordable housing rentals and purchases is limited. Additionally, high loan closing costs create an additional barrier to homeownership for qualified low- and moderate-income applicants. The contact stated that financial institutions could assist by financing additional affordable housing and providing credit repair programs and financial education. Overall, the contact stated that local financial institutions were receptive to the organization's lending and community development needs.

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

Examiners identified the primary credit and community development needs of the Providence-Warwick MSA assessment area as affordable housing, financial literacy programs, and community development services supporting low- and moderate-income individuals. Demographic and economic information, discussions with management, and information from the community contact supports this conclusion.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN PROVIDENCE-WARWICK, RI-MA MSA**

### **LENDING TEST**

The bank demonstrated good responsiveness to assessment area credit needs considering the institution's size, loan portfolio composition, and competition level under the Lending Test within the Providence-Warwick MSA assessment area. The bank's good performance in Lending Activity, Geographic Distribution, Borrower Profile, and Community Development Lending criteria support this conclusion.

### **Lending Activity**

The bank's lending levels reflect good responsiveness to assessment area credit needs. In 2019 and 2020, Eastern Bank reported 191 small business loans totaling approximately \$11.4 million and 161 home mortgage loans totaling approximately \$8.2 million. The Competition section previously discussed the bank's market share rankings for home mortgage and small business lending.

### **Geographic Distribution**

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

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

The geographic distribution of small business loans reflects good penetration throughout the Providence-Warwick MSA assessment area. As shown in the following table, in 2019, lending in the one low-income census tract exceeded aggregate performance, but fell below demographics. Eastern Bank ranked 31<sup>st</sup> out of 98 small business lenders and 4<sup>th</sup> among state-chartered community banks in the low-income census tract. The top ranked banks were primarily large national banks. In 2020, lending increased, but remained below demographic data.

In the moderate-income census tracts, the bank's lending exceeded the aggregate and demographics in 2019. Eastern Bank ranked 38<sup>th</sup> out of 98 small business lenders and 4<sup>th</sup> among state-chartered community banks in the moderate-income census tracts. Top ranked institutions American Express, N.A., Lake Forest Bank & Trust, N.A., and Bank of America, N.A. originated 35.2 percent of all small business loans within the moderate-income census tracts. In 2020, lending declined slightly, falling below demographic data.

<b>Geographic Distribution of Small Business Loans Assessment Area: Providence-Warwick MSA</b>						
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2019	4.6	3.2	1	3.8	62	1.9
2020	4.5	--	5	3.0	278	1.9
Moderate						
2019	2.7	2.8	3	11.5	190	5.9
2020	2.8	--	2	1.2	24	0.2
Middle						
2019	30.1	32.1	9	34.6	794	24.7
2020	30.3	--	66	40.0	6,349	43.6
Upper						
2019	62.5	61.9	13	50.0	2,169	67.5
2020	62.4	--	92	55.8	7,903	54.3
Not Available						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>26</b>	<b>100.0</b>	<b>3,215</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>--</b>	<b>165</b>	<b>100.0</b>	<b>14,554</b>	<b>100.0</b>
Source: 2019 & 2020 D&B Data; Bank Data; 2019 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

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

The geographic distribution of home mortgage loans reflects good penetration throughout the Providence-Warwick MSA assessment area. As shown in the following table, in 2019, lending in the low-income census tracts slightly exceeded the aggregate and demographics. The bank ranked 30<sup>th</sup> out of 62 institutions and 4<sup>th</sup> among state-chartered community banks lending in the one low-income census tract. Of the 62 lenders, 40 originated or purchased a single home mortgage loan in the low-income census tract. The top ranked banks were primarily large national banks and mortgage companies. In 2020, lending in the low-income census tracts increased illustrating a positive trend.

The bank's 2019 lending in moderate-income census tracts was slightly below the aggregate, but exceeded demographic data. The bank ranked 47<sup>th</sup> out of 88 institutions and 5<sup>th</sup> among state-chartered community banks lending in the moderate-income census tracts. The top ranked banks were primarily large national banks and mortgage companies. In 2020, lending in the moderate-income census tracts increased illustrating a positive trend.

<b>Geographic Distribution of Home Mortgage Loans Assessment Area: Providence-Warwick MSA</b>						
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2019	0.7	1.2	1	1.5	300	2.0
2020	0.7	--	5	5.2	4,707	10.1
Moderate						
2019	2.9	3.8	2	3.1	370	2.4
2020	2.9	--	5	5.2	1,821	3.9
Middle						
2019	29.3	27.8	19	29.2	3,822	25.1
2020	29.3	--	26	27.1	5,453	11.7
Upper						
2019	67.1	67.3	43	66.2	10,723	70.5
2020	67.1	--	60	62.5	34,715	74.3
Not Available						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>65</b>	<b>100.0</b>	<b>15,214</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>--</b>	<b>96</b>	<b>100.0</b>	<b>46,695</b>	<b>100.0</b>
Source: 2015 ACS; Bank Data, 2019 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

## **Borrower Profile**

The distribution of borrowers reflects good penetration among business customers of different sizes and retail customers of different income levels in the Providence-Warwick MSA assessment area. Excellent performance in small business and good performance in home mortgage lending supports this conclusion. Examiners focused on the percentage by number of small business loans to businesses with GARs of \$1 million or less and home mortgage loans to low- and moderate-income borrowers.

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

The distribution of small business loans reflects excellent penetration of loans to businesses with GARs of \$1.0 million or less. As shown in the following table, in 2019, lending exceeded the aggregate. Although performance was less than demographics, not all businesses may be in the market for a loan. Eastern Bank ranked 18<sup>th</sup> out of 98 small business lenders and 4<sup>th</sup> among state-chartered community banks. The top three lenders, American Express, N.A., Bank of America, N.A., and Citibank, N.A. originated 45.3 percent of the small business loans.

In 2020, due to the PPP loan program, the bank's small business lending activity increased significantly. Although not all loans with unavailable revenue information were PPP loans, Eastern Bank originated a large number of PPP loans, which contributed to the high percentage of loans in the "Revenue Not Available" category. In turn, the following table shows that the percent of loans originated to businesses with GARs of \$1.0 million or less declined in 2020 and fell well below demographics.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b> <b>Assessment Area: Providence-Warwick MSA</b>						
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>&lt;=\$1,000,000</b>						
2019	85.0	38.9	18	69.2	1,561	48.6
2020	85.9	--	26	15.8	2,347	16.1
<b>&gt;\$1,000,000</b>						
2019	5.7	--	8	30.8	1,654	51.4
2020	5.2	--	6	3.6	884	6.1
<b>Revenue Not Available</b>						
2019	9.3	--	0	0.0	0	0.0
2020	8.9	--	133	80.6	11,323	77.8
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>26</b>	<b>100.0</b>	<b>3,215</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>--</b>	<b>165</b>	<b>100.0</b>	<b>14,554</b>	<b>100.0</b>
<i>Source: 2019 &amp; 2020 D&amp;B Data; Bank Data; 2019 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

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

The distribution of home mortgage loans reflects good penetration among individuals of different income levels, including low- and moderate-income borrowers. As shown in the following table, in 2019, lending to low-income borrowers exceeded the aggregate, but fell below demographics. Considering the median housing value of \$294,839, a low-income family in the Providence-Warwick MSA assessment area, earning less than \$42,550, may have difficulty qualifying for a mortgage under conventional underwriting standards. Additionally, 4.9 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. In 2019, Eastern Bank ranked 31<sup>st</sup> out of 85 institutions and 5<sup>th</sup> among state-chartered community banks lending to low-income individuals. In 2020, lending to low-income borrowers increased slightly.

In 2019, lending to moderate-income borrowers exceeded aggregate and demographics. In 2019, Eastern Bank ranked 22<sup>nd</sup> out of 170 institutions and 3<sup>rd</sup> among state-chartered community banks, lending to moderate-income individuals. In 2020, lending to moderate-income borrowers declined, falling below demographics.

<b>Distribution of Home Mortgage Loans by Borrower Income Level Assessment Area: Providence-Warwick MSA</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2019	15.2	2.8	2	3.1	418	2.7
2020	15.2	--	4	4.2	461	1.0
Moderate						
2019	14.7	14.9	17	26.2	2,911	19.1
2020	14.7	--	11	11.5	2,144	4.6
Middle						
2019	19.0	25.1	11	16.9	1,242	8.2
2020	19.0	--	20	20.8	5,387	11.5
Upper						
2019	51.0	41.2	31	47.7	8,620	56.7
2020	51.0	--	49	51.0	12,771	27.3
Not Available						
2019	0.0	16.1	4	6.2	2,025	13.3
2020	0.0	--	12	12.5	25,932	55.5
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>65</b>	<b>100.0</b>	<b>15,214</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>--</b>	<b>96</b>	<b>100.0</b>	<b>46,695</b>	<b>100.0</b>
Source: 2015 ACS; Bank Data, 2019 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

## **Community Development Loans**

The bank made an adequate level of community development loans within the Providence-Warwick MSA assessment area. The bank originated three loans totaling approximately \$5.1 million, an increase from the prior evaluation when the bank originated one community development loan for approximately \$2.2 million. Of the three loans, two loans totaling \$3.2 million supported affordable housing projects and one loan totaling \$1.9 million supported community services for low- and moderate-income individuals. These are both significant needs identified by the community contact. The following is an example of a qualified community development loan that benefitted the Providence-Warwick MSA assessment area.

- In 2020, Eastern Bank originated a \$12.2 million loan to finance the construction of residential development in Raynham, MA. The development will consist of 74 units, of which 19 will be affordable units. The bank received credit for approximately \$3.1 million of the loan.

## **INVESTMENT TEST**

The bank demonstrated adequate performance under the Investment Test within the Providence-Warwick MSA assessment area. Adequate performance in all criteria supports this conclusion. The following sections discuss the bank's performance under each criterion.

### **Investment and Grant Activity**

The bank has an adequate level of qualified community development investments and grants in the Providence-Warwick, MSA. As shown in the following table, qualified investments and grants in the Providence-Warwick MSA total approximately \$3.6 million and consist of two prior period investments totaling approximately \$2.9 million and 79 qualified grants totaling \$679,000. This represents an increase since the prior evaluation where qualified investments and grants totaled \$2.3 million.

<b>Qualified Investments</b> <b>Assessment Area: Providence-Warwick MSA</b>										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	1	2,862	0	0	1	29	0	0	2	2,891
2018	0	0	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0	0	0
YTD 2021	0	0	0	0	0	0	0	0	0	0
<b>Subtotal</b>	<b>1</b>	<b>2,862</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>29</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>2,891</b>
Qualified Grants & Donations	2	3	77	676	0	0	0	0	79	679
<b>Total</b>	<b>3</b>	<b>2,865</b>	<b>77</b>	<b>676</b>	<b>1</b>	<b>29</b>	<b>0</b>	<b>0</b>	<b>81</b>	<b>3,570</b>
<i>Source: Bank Data</i>										

The following are examples of current equity investments and donations that benefitted the Providence-Warwick MSA assessment area.

#### Equity Investments

- The bank maintains a prior period revenue bond with a current book value of approximately \$2.9 million. Proceeds renovated a 24-unit affordable housing residence in Taunton. The units are tier restricted, with three units set aside for households earning less than 30.0 percent of the AMI, while the remaining units are restricted to households earning less than 60.0 percent of the AMI.

#### Grants and Donations

- **Pro Home Inc.** – Pro Home, Inc. works to create and protect existing affordable housing, eliminate discrimination in housing, and bring together diverse groups to find solutions to housing needs.
- **Our Daily Bread** – Based in Taunton, MA, this non-profit organization operates a food, nutrition, and resource center that provides community services to homeless and economically disenfranchised individuals.

#### Responsiveness to Credit and Community Development Needs

The bank exhibits adequate responsiveness to credit and community economic development needs. Investments primarily supported affordable housing and community services.



## **Community Development Initiatives**

The bank rarely uses innovative and/or complex investments to support community development initiatives that benefit the Providence-Warwick MSA assessment area. Current period investments consisted solely of grants and donations and prior period investments included a capital contribution and revenue bond.

## **SERVICE TEST**

The bank demonstrated adequate performance under the Service Test within the Providence-Warwick MSA assessment area. Adequate performance in the Accessibility of Delivery Systems and Community Development Services and good performance in the Changes in Branch Locations and Reasonableness of Business Hours and Services criteria support this conclusion. The following sections discuss the bank's performance under each criterion.

## **Accessibility of Delivery Systems**

The bank's delivery systems are reasonably accessible to essentially all portions of this assessment area. This is inconsistent with the overall conclusion; however, the bank only has one branch in this assessment area. The branch is in a middle-income census tract in Taunton. The branch is approximately 1.0 mile from the nearest moderate-income census tract and 1.5 miles from the low-income census tract. All low- and moderate-income census tracts are in Taunton.

<b>Branch and ATM/ITM Distribution by Geography Income Level</b>										
<b>Assessment Area: Providence-Warwick MSA</b>										
<b>Tract Income Level</b>	<b>Census Tracts</b>		<b>Population</b>		<b>Branches</b>		<b>ATMs</b>		<b>ITMs</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	1	2.6	4,785	2.4	0	0.0	0	0.0	0	0.0
Moderate	3	7.9	11,117	5.6	0	0.0	0	0.0	0	0.0
Middle	12	31.6	56,010	28.4	1	100.0	1	100.0	0	0.0
Upper	22	57.9	125,426	63.6	0	0.0	0	0.0	0	0.0
NA	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>38</b>	<b>100.0</b>	<b>197,338</b>	<b>100.0</b>	<b>1</b>	<b>100.0</b>	<b>1</b>	<b>100.0</b>	<b>0</b>	<b>0.00</b>
<i>Source: 2015 ACS Data; Bank Data</i>										

## **Changes in Branch Locations**

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 did not open or close any branches in this area during the evaluation period.

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

Services, including business hours, do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies and/or individuals. This is consistent with the overall conclusion. The one branch in this area provides all products and services offered by other branches. Various alternative systems that effectively deliver retail banking services throughout the assessment area are also available. For details, please refer to the Reasonableness of Business Hours and Services under the overall Service Test section.

## **Community Development Services**

The bank provides an adequate level of community development services. Community development service hours totaled 113 hours, with a majority of hours dedicated to economic development for small businesses. This represents a decline since the prior evaluation where community development service hours were 265. The following are examples of services that benefitted the Providence-Warwick MSA assessment area.

- ***South Eastern Economic Development Corporation (SEED)*** – SEED creates jobs by financing small businesses in MA and RI and promoting economic development. SEED makes microloans and SBA 504 loans and administers a small business technical assistance program. A senior vice president serves on the Board.
- ***Boys and Girls Club of Taunton*** – The Boys and Girls Club of Taunton (Metro South) provides a safe community for low- and moderate-income children and offers childcare, financial literacy, and after school programs. Per the club's 2019 Impact Report, 93.0 percent of its members qualified for free or reduced-price school lunch. A senior vice president serves on the Board.

## **METROPOLITAN AREAS - BARNSTABLE TOWN, MA MSA** *(Limited-Scope Review)*

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN BARNSTABLE TOWN, MSA**

Eastern Bank operates 5 or 5.7 percent of its 88 branches in the Barnstable MSA. The Barnstable MSA assessment area represents 3.3 percent of the total number of census tracts and holds 4.7 percent of the bank's loans and 2.9 percent of the bank's deposits. This assessment area consists of the following cities and towns in a portion of Barnstable County, MA: Barnstable Town, Bourne, Falmouth, Mashpee, Sandwich, and Yarmouth.

The Barnstable MSA contains 37 census tracts with the following income designations according to the 2015 ACS U.S. Census:

- 1 low-income tract,
- 5 moderate-income tracts,
- 23 middle-income tracts, and
- 8 upper-income tracts.

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

Demographic Information of the Assessment Area Assessment Area: Barnstable MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	37	2.7	13.5	62.2	21.6	0.0
Population by Geography	154,019	1.9	11.3	64.0	22.8	0.0
Housing Units by Geography	96,864	2.1	12.6	61.5	23.8	0.0
Owner-Occupied Units by Geography	51,355	0.5	9.6	65.6	24.2	0.0
Occupied Rental Units by Geography	14,413	8.6	20.5	55.1	15.8	0.0
Vacant Units by Geography	31,096	1.6	13.8	57.8	26.8	0.0
Businesses by Geography	16,198	11.1	10.6	56.7	21.6	0.0
Farms by Geography	578	3.5	8.0	67.1	21.5	0.0
Family Distribution by Income Level	41,301	19.2	18.4	22.1	40.3	0.0
Household Distribution by Income Level	65,768	23.8	15.5	18.4	42.3	0.0
Median Family Income MSA - 12700 Barnstable Town, MA MSA		\$80,751	Median Housing Value			\$354,770
			Median Gross Rent			\$1,164
			Families Below Poverty Level			5.4%
Source: 2015 ACS and 2020 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.						

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Barnstable Town, MA MSA Median Family Income (12700)				
2019 (\$91,300)	<\$45,650	\$45,650 to <\$73,040	\$73,040 to <\$109,560	≥\$109,560
2020 (\$96,600)	<\$48,300	\$48,300 to <\$77,280	\$77,280 to <\$115,920	≥\$115,920
Source: FFIEC				

The Barnstable MSA assessment area's median housing value is \$354,770 and the estimated median family income is \$80,751, which makes housing affordability a challenge, especially for low- and moderate-income families. According to the BLS, in 2019, the average unemployment rate in Barnstable County was 3.9 percent. This is higher than the MA state average of 2.9 percent and the national rate of 3.7 percent. In December 2020, unemployment had risen to 8.4 percent due to the COVID-19 pandemic. This level was lower than the MA state average of 8.9 percent, but higher than the national unemployment level of 8.1 percent. The area's largest employers are Cape Cod Healthcare Inc., Woods Oceanographic Institution, and Steamship Authority.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN BARNSTABLE TOWN, MSA**

### **LENDING TEST**

The bank's Lending Test performance in the Barnstable MSA assessment area is consistent with the bank's lending performance in the Providence-Warwick, MSA that examiners reviewed using full-scope examination procedures. In 2019 and 2020, Eastern Bank reported 512 small business loans totaling approximately \$35.7 million and 455 home mortgage loans totaling approximately \$125.4 million. The following sections discuss the bank's performance under each criterion within the assessment area.

### **Geographic Distribution**

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

In 2019, lending was less than the aggregate and demographics in the low- and moderate-income census tracts. In 2020, performance in the low-income census tracts improved and was closer to demographics; whereas, performance in the moderate-income census tracts was similar.

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

In 2019, lending was similar to aggregate and demographics in low-income census tracts, but below aggregate and demographics in moderate-income census tracts. In 2020, performance was similar.

### **Borrower Profile**

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

In 2019, lending to small businesses with GARs of \$1.0 million or less, exceeded aggregate performance, but was below demographics. In 2020, the bank's performance declined by percentage; however, the percent of loans to businesses with unknown revenues increased significantly. The majority of loans to businesses with unknown revenues were PPP loans, which served a significant community credit need during the COVID-19 pandemic.

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

In 2019, lending to low-income individuals exceeded aggregate, but was below demographic data. Lending to moderate-income individuals was similar to aggregate performance and demographic data. In 2020, the bank's performance was similar for lending to low-income individuals and

remained below demographics. For moderate-income individuals, the bank's performance increased slightly and was above demographics.

### **Community Development Loans**

During the review period, the bank originated five community development loans, totaling approximately \$34.6 million, an increase from the prior evaluation when the bank originated two loans totaling \$275,000. Two loans totaling \$10.5 million promoted affordable housing and three loans totaling \$24.1 million helped revitalize and stabilize low- and moderate-income geographies in the assessment area.

### **INVESTMENT TEST**

The bank's Investment Test performance in the Barnstable MSA assessment area exceeds that of the bank's investment performance in the Providence-Warwick, MSA that examiners reviewed using full-scope examination procedures. However, it does not change the conclusion for the Providence-Warwick, MSA. Qualified investments and grants in the Barnstable MSA total approximately \$8.8 million, consisting of three equity investments totaling \$7.8 million and 125 grants totaling \$928,000. A majority of the investments and grants are to organizations providing community development services to low- and moderate-income individuals.

### **SERVICE TEST**

The bank's Service Test performance in the Barnstable MSA assessment area is consistent with that of the bank's service performance in the Providence-Warwick, MSA that examiners reviewed using full-scope examination procedures. The bank operates five branches within the Barnstable MSA. One branch is in a low-income area in Hyannis. This branch also abuts a moderate-income census tract. The remaining branches are in middle- and upper-income areas. Products, services, and business hours are similar to those offered within the full-scope assessment area. The bank did not open or close any branches in the Barnstable MSA during the evaluation period. Bank employees provided 171 hours of community development services that benefited the assessment area.

## **NEW HAMPSHIRE**

**CRA RATING FOR NEW HAMPSHIRE: Satisfactory**

**The Lending Test is rated: High Satisfactory**

**The Investment Test is rated: Low Satisfactory**

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

### **SCOPE OF EVALUATION**

The scope is similar to the overall scope discussed previously, except that this portion of the evaluation only considers activity within the NH rated area, excluding the Multistate MSA. Specifically, this section considers the bank's performance in the Manchester-Nashua, NH MSA and the Non-MSA, NH assessment areas. The bank's performance in the Manchester-Nashua,

NH MSA assessment area carried the most weight in arriving at overall ratings and conclusions for the NH state rating since it contains the largest majority of branches, deposits, and loans of the two assessment areas. Please refer to the overall discussion for more information on products reviewed, timeframe, and product weighting.

This area accounts for the smallest portion of lending by number of loans, deposits, and branches compared to the Multistate MSA and the MA rated areas; therefore, performance in this area carried less weight in arriving at overall ratings and conclusions.

## **DESCRIPTION OF INSTITUTION'S OPERATIONS IN NEW HAMPSHIRE**

Eastern Bank operates 4 or 4.5 percent of its 88 branches, in the NH rated area, excluding the Multistate MSA. The NH rated area represents 8.4 percent of the total number of census tracts and holds 4.2 percent of the bank's loans and 4.5 percent of the bank's deposits. Except for the MA-state specific programs, the bank offers the same products and services in the NH rated area as discussed in the combined assessment areas section. The bank closed two stand-alone ATMs in the NH rated area during the evaluation period. Both ATMs were located inside the Manchester-Boston Regional Airport in a census tract with an unknown income level. The NH rated area includes towns and cities in portions of Hillsborough and Merrimack Counties. Please refer to the full- and limited-scope assessment area evaluations for more details, including economic and demographic data.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN NEW HAMPSHIRE**

### **LENDING TEST**

The NH Lending Test performance is rated High Satisfactory.

The bank's good performance in Lending Activity, Geographic Distribution, and Borrower Profile criteria support this conclusion. The following sections discuss the bank's performance under each criterion. Consistent performance in the Manchester-Nashua, MSA and Non-MSA, NH assessment areas support this conclusion. The following sections discuss the bank's performance under each criterion.

### **Lending Activity**

The bank's lending levels reflect good responsiveness to assessment area credit needs. In 2019 and 2020, Eastern Bank reported 456 small business loans totaling approximately \$76.9 million and 144 home mortgage loans totaling approximately \$56.2 million within the NH rated area.

The Description of Assessment Area section for each individual assessment area discusses the bank's market share rankings for small business and home mortgage loans. In the NH rated area in 2019, Eastern Bank ranked 21<sup>st</sup> out of 98 small business lenders and 3<sup>rd</sup> among state-chartered community banks. The top three institutions, consisting of large credit card lenders, originated 46.7 percent of all small business loans in the area. For home mortgages, the bank ranked 53<sup>rd</sup>

out of 353 lenders and 4<sup>th</sup> among state-chartered community banks in the NH rated area. Top rated institutions were primarily large national banks, mortgage companies, and credit unions.

### **Geographic Distribution**

The geographic distribution of loans reflects good penetration throughout the NH rated area. Consistent performance in the Manchester-Nashua MSA and Non-MSA, NH assessment areas supports this rating.

### **Borrower Profile**

The distribution of borrowers reflects good penetration among business customers of different size and retail customers of different income levels throughout the NH rated area. Consistent performance in the Manchester-Nashua MSA assessment areas supports this rating, as performance was inconsistent in the Non-MSA, NH assessment areas.

### **Community Development Lending**

The institution made an adequate level of community development loans within the NH rated area. As shown in the following table, the bank originated 13 loans totaling approximately \$28.6 million that directly benefited the Manchester-Nashua MSA and Non-MSA assessment areas. This is an increase from the prior evaluation, when the bank originated two loans totaling approximately \$2.1 million. In addition, the bank made one community development loan that benefited the broader statewide area.

<b>Community Development Lending by Assessment Area</b>										
<b>Assessment Area</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Manchester-Nashua MSA	0	0	0	0	4	5,252	5	8,710	9	13,962
Non-MSA, NH	1	8,000	0	0	1	2,000	1	2,444	3	12,444
Statewide Activities	0	0	1	2,243	0	0	0	0	1	2,243
<b>Totals</b>	<b>1</b>	<b>8,000</b>	<b>1</b>	<b>2,243</b>	<b>5</b>	<b>7,252</b>	<b>6</b>	<b>11,154</b>	<b>13</b>	<b>28,649</b>
<i>Source: Bank Data</i>										

Please refer to the Manchester-Nashua MSA full-scope assessment area for examples of community development loans.

### **INVESTMENT TEST**

The NH Investment Test performance is rated Low Satisfactory.

The bank's adequate performance in the Investment Activity and Responsiveness to Credit and Community Development Needs criteria supports this rating. Consistent performance in the Manchester-Nashua MSA and Non-MSA, NH assessment areas supports this conclusion. The following sections discuss the bank's performance under each criterion.

## **Investment and Grant Activity**

The bank has an adequate level of qualified community development investments and grants in the NH rated area. As shown in the following table, the bank made 231 qualified investments totaling approximately \$3.6 million that directly benefited the Manchester-Nashua MSA and Non-MSA assessment areas. In addition, the bank made nine qualified investments totaling approximately \$4.3 million that benefited the broader statewide area in New Hampshire. The current activity level is less than that at the prior evaluation where the investment level totaled \$11.7 million. Please refer to the Manchester-Nashua MSA discussion for current examples.

Qualified Investments by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Manchester-Nashua MSA	22	1,274	150	796	3	61	0	0	175	2,131
NH Non-MSA	5	1,008	48	341	3	77	0	0	56	1,426
Statewide Activities	3	4,117	6	218	0	0	0	0	9	4,335
<b>Totals</b>	<b>30</b>	<b>6,399</b>	<b>204</b>	<b>1355</b>	<b>6</b>	<b>138</b>	<b>0</b>	<b>0</b>	<b>240</b>	<b>7,892</b>
<i>Source: Bank Data</i>										

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

The bank exhibits adequate responsiveness to credit and community economic development needs. The bank's investments primarily supported affordable housing and community services.

## **Community Development Initiatives**

The bank rarely uses innovative and/or complex investments to support community development initiatives. There was one new LIHTC investment in the Non-MSA, NH assessment area during the evaluation period.

## **SERVICE TEST**

The NH Service Test performance is rated High Satisfactory. The bank's adequate performance in the Accessibility of Delivery Systems and good performance in the Community Development Services criteria supports this rating. Consistent performance in the Manchester-Nashua, MSA and Non-MSA, NH assessment areas supports this conclusion. The following sections discuss the bank's performance under each criterion.

## **Accessibility of Delivery Systems**

The bank's delivery systems are reasonably accessible to essentially all portions of the assessment areas. This is inconsistent with the overall conclusion; however, there are only four branches in this area. The bank operates 4.5 percent of all branches in the Manchester-Nashua



MSA and Non-MSA, NH assessment areas. Of the four branches, three are within the Manchester-Nashua MSA and one is in the Non-MSA. No branches or ATMs are in low- or moderate-income census tracts for the State of NH rated area; however, some branches are in close proximity to low- and moderate-income census tracts. See the individual assessment area discussions for details.

Branch and ATM/ITM Distribution by Geography Income Level Assessment Area: State of NH										
Tract Income Level	Census Tracts		Population		Branches		ATMs		ITMs	
	#	%	#	%	#	%	#	%	#	%
Low	8	8.6	30,841	7.2	0	0.0	0	0.0	0	0.0
Moderate	20	21.5	72,962	17.0	0	0.0	0	0.0	0	0.0
Middle	33	35.5	154,256	36.0	2	50.0	1	33.3	0	0.0
Upper	31	33.3	170,301	39.8	2	50.0	2	66.7	0	0.0
NA	1	1.1	0	0	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>93</b>	<b>100.0</b>	<b>428,360</b>	<b>100.0</b>	<b>4</b>	<b>100.0</b>	<b>3</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>
<i>Source: 2015 ACS Data; Bank Data</i>										

### **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 did not open or close any branches in this area during the evaluation period.

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

Services, including business hours, do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies and/or individuals. The bank also offers various alternative systems that effectively deliver retail-banking services throughout the assessment area. Please refer to the overall Service Test section for more information.

### **Community Development Services**

The bank provides a relatively high level of community development services. Bank employees provided 867 hours of services in the NH rated area during the evaluation period. Although this is less than the 1,469 hours provided during the prior evaluation, 2020 service hours were lower due to fewer in-person opportunities during the COVID-19 pandemic. Of the 1,469 service hours, a majority were for community services to low- and moderate-income individuals. The following is an example of a service that has a statewide benefit. For other examples of community development services, please see the Manchester-Nashua, MSA discussion.

- ***Capital Regional Development Corporation (CRDC)*** – The CRDC focuses on SBA 504 financing for small businesses in NH including Manchester, Concord, Claremont, Newport, and Franklin. A senior vice president serves on CRDC’s Board.

## **METROPOLITAN AREAS - MANCHESTER-NASHUA, NH MSA**

*(Full-Scope Review)*

### **DESCRIPTION OF INSTITUTION’S OPERATIONS IN MANCHESTER-NASHUA, NH MSA**

Eastern Bank operates 3 or 3.4 percent of its 88 branches in the Manchester-Nashua MSA assessment area. The Manchester-Nashua MSA assessment area represents 6.2 percent of the total number of census tracts and holds 3.0 percent of the bank’s loans and 2.4 percent of the bank’s deposits. This assessment area consists of the following cities and towns in a portion of Hillsborough County, NH: Amherst, Bedford, Goffstown, Hollis, Hudson, Litchfield, Manchester, Merrimack, Nashua, New Boston, and Pelham.

### **Economic and Demographic Data**

The Manchester-Nashua MSA contains 69 census tracts with the following income designations according to the 2015 ACS U.S. Census:

- 8 low-income tracts,
- 18 moderate-income tracts,
- 22 middle-income tracts,
- 20 upper-income tracts, and
- 1 census tract with no income designation.

The eight low-income census tracts are located in Manchester (4) and Nashua (4). The 18 moderate-income census tracts are in Manchester (15) and Nashua (3). The one census tract with no income designation is the Manchester-Boston Regional Airport. There are no underserved or distressed nonmetropolitan middle-income geographies within the assessment area. There are three designated opportunity zones in Manchester and Nashua (2). 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 Manchester-Nashua MSA assessment area.

Demographic Information of the Assessment Area Assessment Area: Manchester-Nashua MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	69	11.6	26.1	31.9	29.0	1.4
Population by Geography	332,893	9.3	19.9	34.5	36.4	0.0
Housing Units by Geography	135,814	10.4	22.4	34.3	33.0	0.0
Owner-Occupied Units by Geography	81,847	2.8	13.4	37.3	46.5	0.0
Occupied Rental Units by Geography	45,868	22.1	37.2	29.9	10.8	0.0
Vacant Units by Geography	8,099	21.0	29.1	28.1	21.8	0.0
Businesses by Geography	33,193	9.5	21.1	31.1	37.8	0.5
Farms by Geography	716	4.7	10.8	34.1	50.1	0.3
Family Distribution by Income Level	84,617	20.7	17.5	21.4	40.3	0.0
Household Distribution by Income Level	127,715	24.1	15.9	18.3	41.6	0.0
Median Family Income MSA - 31700 Manchester-Nashua, NH MSA		\$85,966	Median Housing Value			\$240,018
			Median Gross Rent			\$1,077
			Families Below Poverty Level			6.3%
Source: 2015 ACS and 2020 D&B Data Due to rounding, totals may not equal 100.0% (* ) The NA category consists of geographies that have not been assigned an income classification.						

The small business loan analysis under the Borrower Profile criterion compares the distribution of businesses by GAR level. According to 2019 D&B data, 33,193 non-farm businesses operate in the Manchester-Nashua MSA assessment area. GARs for these businesses follow.

- 83.3 percent have \$1 million or less
- 6.5 percent have more than \$1 million
- 10.2 percent have unknown revenues

Service industries represent the largest portion of businesses at 42.3 percent; followed by; retail trade (13.2 percent); non-classifiable establishments (12.2 percent); finance, insurance, and real estate (9.2 percent); and construction (8.9 percent). In addition, 65.3 percent of the area businesses have four or fewer employees, and 88.3 percent operate from a single location. Major employers in the assessment area include BAE Systems Electronic Solutions, Hannaford Bros. Company, Fidelity Investments, and Liberty Mutual Insurance.

The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. Housing costs are moderately expensive in the assessment area as demonstrated by a median housing cost of \$240,018. This cost is comparable to the State of NH (\$237,081).

Examiners use 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 2019 and 2020 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%
Manchester-Nashua, NH MSA Median Family Income (31700)				
2019 (\$98,100)	<\$49,050	\$49,050 to <\$78,480	\$78,480 to <\$117,720	≥\$117,720
2020 (\$105,000)	<\$52,500	\$52,500 to <\$84,000	\$84,000 to <\$126,000	≥\$126,000
<i>Source: FFIEC</i>				

According to the BLS, the average unemployment rate in 2019 was 2.6 percent in Hillsborough County, NH, higher than the NH state average of 2.4 percent and lower than the national rate of 3.7 percent. The unemployment rates in the assessment area declined slowly throughout the evaluation period, but began increasing rapidly in March 2020 because of the COVID-19 pandemic. As of December 2020, unemployment rates were 3.9 percent in Hillsborough County, NH, higher than the NH state average of 3.6 percent and lower than the national rate of 8.1 percent.

### **Competition**

The Manchester-Nashua MSA assessment area is moderately competitive for financial services. The June 30, 2020 FDIC Deposit Market Share Report shows that 22 institutions operated 92 branches in the Manchester-Nashua MSA assessment area. Eastern Bank ranked 8<sup>th</sup> with 1.9 percent market share. The top three institutions, Citizens Bank, N.A., Bank of America, N.A., and TD Bank, N.A. accounted for 80.4 percent of the market share.

Eastern Bank faces a moderate level of competition for small business loans from national banks and other state-chartered community banks. In 2019, 92 lenders originated 9,336 small business loans within the Manchester-Nashua MSA. Eastern Bank ranked 21<sup>st</sup> with 0.9 percent of the market share and was the 3<sup>rd</sup> ranked state-chartered community bank. The top three institutions, American Express, N.A., JPMorgan Chase Bank, N.A., and Bank of America, N.A. had average loan sizes below \$40,000 and originated 45.1 percent of all small business loans. Eastern Bank's average loan size was approximately \$184,000.

There is also significant competition for home mortgage loans among several banks, credit unions, and non-depository mortgage lenders. In 2019, 337 lenders reported 14,199 residential mortgage loans originated or purchased within the Manchester-Nashua MSA. Eastern Bank ranked 56<sup>th</sup> with a market share of 0.4 percent and was the 4<sup>th</sup> ranked state-chartered community bank. The top ranked financial institutions were large national banks, mortgage companies, and credit unions.

## **Community Contact**

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying the 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 recent community contact conducted with a community development organization. The contact noted that NH has a significant shortage of affordable housing particularly within the more densely populated areas, such as Manchester and Nashua. Despite the significant need, the contact noted there is strong competition amongst financial institutions to fund a limited number of affordable housing projects. The contact also identified a significant need for institutions to offer a greater variety of non-conforming mortgage products as secondary market standards are too rigid for many low- and moderate-income borrowers. There are also opportunities for first-time homebuyer education classes. Further, the contact noted the need for various community services such as youth and support programs for individuals recovering from addiction. Overall, the contact indicated that financial institutions are involved in responding to the area's credit and community development needs.

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

Examiners identified the primary credit and community development needs of the Manchester-Nashua MSA assessment area as affordable housing, non-conforming home mortgage products, homebuyer education programs, and community development services supporting low- and moderate-income and at risk individuals. Examiners based this determination on demographic and economic information, management discussions, and community contact information.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN MANCHESTER-NASHUA MSA**

### **LENDING TEST**

The bank demonstrated good responsiveness to assessment area credit needs considering the institution's size, loan portfolio composition, and competition level within the Manchester-Nashua MSA assessment area. The bank's good performance in Lending Activity, Geographic Distribution, and Borrower Profile criteria supports this conclusion.

### **Lending Activity**

The bank's lending levels reflect good responsiveness to assessment area credit needs. In 2019 and 2020, Eastern Bank reported 360 small business loans totaling approximately \$59.1 million and 110 home mortgage loans totaling approximately \$27.6 million.

The Competition section previously discussed the bank's market share rankings for home mortgage and small business lending.

## **Geographic Distribution**

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

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

The geographic distribution of small business loans reflects good penetration throughout the Manchester-Nashua MSA assessment area. As shown in the following table, in 2019, lending in the low-income census tracts was less than aggregate and demographics. Eastern Bank ranked 28<sup>th</sup> out of 92 small business lenders and ranked 3<sup>rd</sup> among state-chartered community banks in the low-income census tracts. In 2020, lending increased, illustrating a positive trend, but remained below demographics.

In the moderate-income census tracts, the bank's 2019 lending exceeded the aggregate and demographics. Eastern Bank ranked 16<sup>th</sup> out of 92 small business lenders and was the top ranked state-chartered community bank in the moderate-income census tracts. Top ranked institutions American Express, N.A., JPMorgan Chase Bank, N.A. and Bank of America, N.A. originated 42.8 percent of all small business loans within the moderate-income census tracts. In 2020, lending increased and remained above demographics.

Geographic Distribution of Small Business Loans Assessment Area: Manchester-Nashua MSA						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	9.4	8.4	2	2.8	353	2.8
2020	9.5	--	19	6.6	3,237	7.0
Moderate						
2019	20.8	17.2	18	25.0	3,843	30.0
2020	21.1	--	69	24.0	12,132	26.2
Middle						
2019	31.8	31.7	14	19.4	1,736	13.6
2020	31.1	--	80	27.8	13,006	28.1
Upper						
2019	37.5	42.0	38	52.8	6,858	53.6
2020	37.8	--	119	41.3	17,008	36.7
Not Available						
2019	0.6	0.7	0	0.0	0	0.0
2020	0.5	--	1	0.3	969	2.1
Totals						
2019	100.0	100.0	72	100.0	12,790	100.0
2020	100.0	--	288	100.0	46,352	100.0
Source: 2019 & 2020 D&B Data; Bank Data; 2019 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

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

The geographic distribution of home mortgage loans reflects good penetration throughout the Manchester-Nashua MSA assessment area. As shown in the following table, in 2019, lending in the low-income census tracts exceeded the aggregate and demographics. The bank ranked 28<sup>th</sup> out of 102 institutions and ranked 2<sup>nd</sup> among state-chartered community banks lending in the low-income census tracts. The top ranked banks were primarily large national banks, credit unions, and mortgage companies. In 2020, lending performance declined, but remained above demographics.

Eastern Bank's 2019 lending performance in moderate-income census tracts exceeded the aggregate and demographic data. The bank ranked 46<sup>th</sup> out of 174 institutions and ranked 3<sup>rd</sup> among state-chartered community banks lending in the moderate-income census tracts. In 2020, lending performance declined, falling below demographics.

Geographic Distribution of Home Mortgage Loans Assessment Area: Manchester-Nashua MSA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	2.8	4.1	5	9.4	1,434	9.3
2020	2.8	--	2	3.5	436	3.6
Moderate						
2019	13.4	14.3	10	18.9	3,748	24.2
2020	13.4	--	6	10.5	1,025	8.4
Middle						
2019	37.3	36.2	15	28.3	2,866	18.5
2020	37.3	--	19	33.3	3,313	27.3
Upper						
2019	46.5	45.4	23	43.4	7,423	48.0
2020	46.5	--	30	52.6	7,381	60.7
Not Available						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>53</b>	<b>100.0</b>	<b>15,470</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>--</b>	<b>57</b>	<b>100.0</b>	<b>12,155</b>	<b>100.0</b>
Source: 2015 ACS; Bank Data, 2019 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

## **Borrower Profile**

The distribution of borrowers reflects good penetration among business customers of different size and retail customers of different income levels in the Manchester-Nashua MSA assessment area. The bank's excellent performance in small business lending and adequate performance in home mortgage lending supports this conclusion. Examiners focused on the percentage by number of small business loans to business with GARs of \$1 million or less and home mortgage loans to low- and moderate-income borrowers.

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

The distribution of small business loans reflects excellent penetration of loans to businesses with GARs of \$1.0 million or less. As shown in the following table, in 2019, the bank's lending exceeded the aggregate. Although performance was less than demographics, not all businesses may be in the market for a loan. Eastern Bank ranked 15<sup>th</sup> out of 92 small business lenders and 2<sup>nd</sup> among state-chartered community banks. The top three lenders, JPMorgan Chase Bank, N.A., Citibank, N.A., and American Express, N.A., had average loan sizes below \$12,000 and



originated 46.3 percent of all small business loans. Eastern Bank's average loan size was approximately \$118,000.

In 2020, small business lending activity increased significantly, due to the PPP loan program. Lending to businesses with GARs of \$1.0 million or less also increased, but fell significantly below demographics. However, the large number of borrowers with income reported as "Not Available" reduced the percentage of lending to all GAR levels as compared to the demographic data. Under the PPP loan program, banks were not required to collect revenue information. Eastern Bank originated a large number of PPP loans that contributed to the high percentage of loans in the "Revenue Not Available" category.

Distribution of Small Business Loans by Gross Annual Revenue Category Assessment Area: Manchester-Nashua MSA						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2019	83.3	45.3	41	56.9	4,161	32.5
2020	87.0	--	53	18.4	4,889	10.5
>\$1,000,000						
2019	6.5	--	31	43.1	8,629	67.5
2020	4.8	--	56	19.4	15,861	34.2
Revenue Not Available						
2019	10.2	--	0	0.0	0	0.0
2020	8.2	--	179	62.2	25,602	55.2
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>72</b>	<b>100.0</b>	<b>12,790</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>--</b>	<b>288</b>	<b>100.0</b>	<b>46,352</b>	<b>100.0</b>
Source: 2019 & 2020 D&B Data; Bank Data; 2019 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%						

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

The distribution of home mortgage loans reflects adequate penetration among retail customers of different income levels. As shown in the following table, in 2019, the bank's lending to low-income borrowers was less than the aggregate and demographics. In this assessment area, a low-income family earning less than \$49,050, may have difficulty qualifying for a mortgage under conventional underwriting standards, considering the median housing value of \$240,018. Additionally, 6.3 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. In 2019, Eastern Bank ranked 56<sup>th</sup> out of 125 institutions and 4<sup>th</sup> among state-chartered community banks lending to low-income individuals. In 2020, lending to low-income borrowers increased slightly, but remained below demographics.

In 2019, lending to moderate-income borrowers was below aggregate performance and demographics. In 2019, Eastern Bank ranked 86<sup>th</sup> out of 188 institutions lending to moderate-income individuals. In 2020, the bank's lending to moderate-income borrowers increased illustrating a positive trend, but remained below demographics.

Distribution of Home Mortgage Loans by Borrower Income Level Assessment Area: Manchester-Nashua MSA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	20.7	6.6	3	5.7	215	1.4
2020	20.7	--	5	8.8	681	5.6
Moderate						
2019	17.5	21.7	4	7.5	536	3.5
2020	17.5	--	9	15.8	2,078	17.1
Middle						
2019	21.4	24.4	14	26.4	2,096	13.6
2020	21.4	--	14	24.6	2,377	19.6
Upper						
2019	40.3	32.0	21	39.6	5,055	32.7
2020	40.3	--	25	43.9	5,479	45.1
Not Available						
2019	0.0	15.4	11	20.8	7,568	48.9
2020	0.0	--	4	7.0	1,540	12.7
Totals						
2019	100.0	100.0	53	100.0	15,470	100.0
2020	100.0	--	57	100.0	12,156	100.0
Source: 2015 ACS; Bank Data, 2019 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

### **Community Development Lending**

The bank made an adequate level of community development loans in the Manchester-Nashua MSA assessment area. The bank originated nine community development loans totaling approximately \$14.0 million during the evaluation period. This is a significant increase from the prior evaluation when the bank originated one loan totaling \$650,000. Of the nine community development loans, four loans totaling \$5.3 million promoted economic development, and five loans totaling \$8.7 million helped to revitalize or stabilize low- and moderate-income geographies in the assessment area.

The following are examples of qualified community development loans that benefitted the Manchester-Nashua MSA assessment area.

- In 2020, the bank originated a \$1.2 million loan under the SBA PPP to a commercial drywall contractor to cover payroll during the shutdown caused by COVID-19, which helped revitalize and stabilize a low- or moderate-income area by retaining jobs. The majority of jobs retained are permanent low- and moderate-income jobs.
- In 2020, the bank originated a \$1.3 million loan under the SBA PPP to a human service organization to cover payroll during the shutdown caused by COVID-19, which helped revitalize and stabilize a low- or moderate-income area by retaining jobs. The organization provides support services for children and adults with developmental disabilities. The majority of jobs retained are permanent low- and moderate-income jobs.

## **INVESTMENT TEST**

The bank demonstrated adequate performance under the Investment Test within the Manchester-Nashua MSA assessment area. The bank's adequate performance in the Investment Activity and Responsiveness to Credit and Community Development Needs criteria supports this conclusion. The following sections discuss the bank's performance under each criterion.

### **Investment Activity**

The bank has an adequate level of community development investments and grants in the Manchester-Nashua MSA. As shown in the following table, qualified investments totaled approximately \$2.2 million, which included one prior period investment with a current book value of \$1.2 million and 228 qualified grants totaled approximately \$1.0 million. The current investment level is significantly less than the \$9.2 million level at the prior evaluation.

<b>Qualified Investments</b>										
<b>Assessment Area: Manchester-Nashua MSA</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Prior Period	1	1,150	0	0	0	0	0	0	1	1,150
2018	0	0	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0	0	0
YTD 2021	0	0	0	0	0	0	0	0	0	0
<b>Subtotal</b>	<b>1</b>	<b>1,150</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1,150</b>
Qualified Grants & Donations	21	124	150	796	3	61	0	0	174	981
<b>Total</b>	<b>22</b>	<b>1,274</b>	<b>150</b>	<b>796</b>	<b>3</b>	<b>61</b>	<b>0</b>	<b>0</b>	<b>175</b>	<b>2,131</b>
<i>Source: Bank Data</i>										

The following are examples of current qualified investments that benefitted the Manchester-Nashua MSA.

### Equity Investments

- The bank continues to hold an equity investment in a Manchester Housing and Redevelopment Authority bond that promotes affordable housing in Manchester, NH. The investment's current book value is \$1.2 million.

### Grants and Donations

- ***Nashua Soup Kitchen and Shelter (NSKS)*** - NSKS is dedicated to providing shelter and food to those in need, including homeless and low- and moderate-income individuals.
- ***Crisis Center of Central New Hampshire (CCCNH)*** – CCCNH provides hospital and court advocacy, emergency shelter, weekly support groups, a 24-hour crisis line, and individual support to women, men, children, and women who are surviving domestic violence, sexual assault, elder abuse, and stalking.

### Responsiveness to Credit and Community Development Needs

The bank exhibits adequate responsiveness to credit and community economic development needs. The prior period equity investment promotes affordable housing, while a majority of donations provides community services. The community contact identified both areas, as community development needs.

### Community Development Initiatives

The bank rarely uses innovative and/or complex investments to support community development initiatives that benefit the Manchester-Nashua MSA assessment area. Activity consisted of purchasing bonds in the prior period and providing grants and donations.

### SERVICE TEST

The bank demonstrated good performance under the Service Test within the Manchester-Nashua MSA assessment area. Good performance in the Changes in Branch Locations, Reasonableness of Business Hours and Services, and Community Development Services criteria primarily supports this conclusion. The following sections discuss the bank's performance under each criterion.

### Accessibility of Delivery Systems

Delivery systems are reasonably accessible to essentially all portions of the assessment area. This is inconsistent with the overall conclusion; however, the bank operates only three branches in this assessment area, and they are in close proximity to the low- and moderate-income census tracts. Specifically, the bank operates one branch within a middle-income tract in Nashua and two within upper-income tracts in Manchester and Bedford. The Nashua branch is 1.5 to 2.5 miles away from the four low-income census tracts in downtown Nashua. The Manchester branch is located just outside a concentration of low- and moderate-income census tracts in the

northern end of downtown Manchester. The branch is within walking distance (less than 0.2 miles) from the closest moderate-income census tract and less than or equal to 1 mile from two other moderate-income census tracts and the two low-income census tracts in downtown Manchester. The Bedford branch, although on the other side of the Merrimack River, is also close to several moderate-income census tracts in the southeast portion of Manchester.

Branch and ATM/ITM Distribution by Geography Income Level Assessment Area: Manchester-Nashua MSA										
Tract Income Level	Census Tracts		Population		Branches		ATMs		ITMs	
	#	%	#	%	#	%	#	%	#	%
Low	8	11.6	30,841	9.3	0	0.0	0	0.0	0	0.0
Moderate	18	26.1	66,094	19.9	0	0.0	0	0.0	0	0.0
Middle	22	31.9	114,739	34.5	1	33.3	1	33.3	0	0.0
Upper	20	29.0	121,219	36.4	2	66.7	2	66.7	0	0.0
NA	1	1.4	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>69</b>	<b>100.0</b>	<b>332,893</b>	<b>100.0</b>	<b>3</b>	<b>100.0</b>	<b>3</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>
<i>Source: 2015 ACS Data; Bank Data</i>										

### **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 did not open or close any branches in this area during the evaluation period.

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

Services, including business hours, do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income-geographies and/or individuals. Of the three branches located in this area, only the Nashua location located in a middle-income tract does not offer hours on Saturday. The bank also offers various alternative systems that effectively deliver retail banking services throughout the assessment area. The hours and services offered in this area are consistent with the rated area. For details, please refer to the Reasonableness of Business Hours and Services under the overall Service Test section.

### **Community Development Services**

The bank provides a relatively high level of community development services in this area. Community development services totaled 432 hours. The current level represents a significant decline from the prior evaluation where the bank provided 1,000 hours. As previously stated, this is due to limited opportunities resulting from the COVID-19 pandemic. A majority of the current activity provided community services to low- and moderate-income individuals. The following are some notable examples of services that benefitted the Manchester-Nashua MSA assessment area.

- ***Family Promise of Southern New Hampshire*** – The organization’s mission is to end homelessness by providing safe housing and education to low- and moderate-income families in southern NH. A branch manager is a Board and committee member.
- ***Boys and Girls Club of Greater Nashua*** – This organization provides various services to low- and moderate-income youth in Nashua and the surrounding towns. A senior vice president serves on the Finance Committee.

## **NON-METROPOLITAN STATEWIDE AREA** (*Limited-Scope Review*)

### **DESCRIPTION OF INSTITUTION’S OPERATIONS IN NON-METROPOLITAN STATEWIDE AREA**

Eastern Bank operates 1 or 1.1 percent of its 88 branches in the Non-MSA, NH assessment area. The Non-MSA, NH assessment area represents 2.2 percent of the total number of census tracts and holds 1.2 percent of the bank’s loans and 0.5 percent of the bank’s deposits. This assessment area consists of the following cities and towns in a portion of Merrimack County, NH: Boscawen, Bow, Canterbury, Chichester, Concord, Hooksett, Hopkinton, Loudon, Pembroke, Warner, and Webster.

The Non-MSA, NH assessment area contains 24 census tracts with the following income designations according to the 2015 ACS U.S. Census:

- 0 low-income tracts,
- 2 moderate-income tracts,
- 11 middle-income tracts, and
- 11 upper-income tracts.

The following table illustrates select demographic characteristics of the Non-MSA, NH assessment area.

Demographic Information of the Assessment Area Assessment Area: Non-MSA, NH						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	24	0.0	8.3	45.8	45.8	0.0
Population by Geography	95,467	0.0	7.2	41.4	51.4	0.0
Housing Units by Geography	39,791	0.0	8.0	42.8	49.2	0.0
Owner-Occupied Units by Geography	25,919	0.0	5.6	36.7	57.6	0.0
Occupied Rental Units by Geography	10,806	0.0	13.9	55.7	30.4	0.0
Vacant Units by Geography	3,066	0.0	6.9	48.3	44.7	0.0
Businesses by Geography	11,168	0.0	13.3	38.8	47.9	0.0
Farms by Geography	380	0.0	7.9	41.6	50.5	0.0
Family Distribution by Income Level	24,414	15.0	13.7	21.5	49.8	0.0
Household Distribution by Income Level	36,725	19.4	14.5	16.5	49.6	0.0
Median Family Income Non-MSAs - NH		\$71,699	Median Housing Value			\$230,323
			Median Gross Rent			\$966
			Families Below Poverty Level			5.3%
Source: 2015 ACS and 2020 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.						

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
NH NA Median Family Income (99999)				
2019 (\$81,600)	<\$40,800	\$40,800 to <\$65,280	\$65,280 to <\$97,920	≥\$97,920
2020 (\$85,300)	<\$42,650	\$42,650 to <\$68,240	\$68,240 to <\$102,360	≥\$102,360
Source: FFIEC				

The Non-MSA, NH assessment area's median housing value is \$230,323 and the estimated median family income is \$71,699, which makes housing affordability a challenge for low- and moderate-income families. According to the BLS, in 2019, the average unemployment rate in was 2.3 percent in Merrimack County, lower than the NH state average of 2.6 percent and national rate of 3.7 percent. By December 2020, the unemployment had risen to 3.4 percent due to the COVID-19 pandemic. This level was lower than the NH state average of 6.7 percent and the national unemployment level of 8.1 percent. The area's largest employers are Southern New Hampshire University, Concord Hospital, and Associated Grocers of New England.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN NON-METROPOLITAN STATEWIDE AREA**

### **LENDING TEST**

The bank's Lending Test performance in the Non-MSA, NH assessment area is inconsistent with the bank's lending performance in the Manchester-Nashua MSA that examiners reviewed using full-scope examination procedures. The limited-scope review conclusions did not alter the institution's overall performance rating. In 2019 and 2020, Eastern Bank reported 96 small business loans totaling approximately \$17.8 million and 34 home mortgage loans totaling approximately \$28.6 million. The following sections outline the bank's performance under each criterion within the assessment area.

#### **Geographic Distribution**

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

In 2019, lending exceeded the aggregate and was slightly below demographics. In 2020, performance improved and exceeded demographics.

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

In 2019, lending exceeded the aggregate and demographics. In 2020, performance continued to exceed demographics.

#### **Borrower Profile**

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

In 2019, lending to small businesses with GARs of \$1.0 million or less was slightly below aggregate and demographics. Performance declined slightly in 2020; however, the percent of loans to businesses with unknown revenues increased significantly. The majority of loans to businesses with unknown revenues were PPP loans, which addressed a significant community credit need during the COVID-19 pandemic.

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

In 2019, the bank did not originate any loans to low-income individuals. Lending to moderate-income individuals was less than the aggregate, but exceeded demographics. Performance in 2020 was similar.

#### **Community Development Lending**

During the review period, the bank originated three community development loans, totaling approximately \$12.4 million. One loan benefitted affordable housing, one promoted economic development, and the third loan helped revitalize or stabilize low- and moderate-income census tracts in the assessment area.



### **INVESTMENT TEST**

The bank's Investment Test performance in the Non-MSA, NH assessment area is consistent with the bank's investment performance in the Manchester-Nashua MSA that examiners reviewed using full-scope examination procedures. The bank had two equity investments, totaling approximately \$1.0 million and made 54 qualified grants totaling \$425,000 during the evaluation period. Both investments supported affordable housing.

### **SERVICE TEST**

The bank's Service Test performance in the Non-MSA, NH assessment area is consistent with its lending performance in the Manchester-Nashua MSA that examiners reviewed using full-scope examination procedures. Eastern Bank operates one branch in a middle-income tract in Concord. The branch is less than 0.2 miles from the two moderate-income geographies in Concord. Products, services, and business hours are similar to those offered within the full-scope assessment area. The bank did not open or close any branches in this area. Bank employees provided 435 hours of community development services to the area.

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

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

## APPENDIX

### SCOPE OF EVALUATION

SCOPE OF EVALUATION	
<b>TIME PERIOD REVIEWED</b>	January 22, 2018 – March 22, 2021
<b>FINANCIAL INSTITUTION</b>	<b>Eastern Bank</b>
<b>PRODUCTS REVIEWED</b>	Small business and home mortgage loans originated in 2018, 2019, and 2020

LIST OF ASSESSMENT AREAS AND TYPE OF EVALUATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
Overall	Full-scope	None	
Boston-Cambridge-Newton MA-NH MSA	Full-scope	None	
Providence-Warwick RI-MA MSA	Full-scope	None	
Barnstable Town, MA MSA	Limited-scope	None	
Manchester-Nashua, NH MSA	Full-scope	None	
Non-MSA, NH	Limited-scope	None	

### SUMMARY OF STATE AND MULTISTATE METROPOLITAN AREA RATINGS

State or Multistate Metropolitan Area Name	Lending Test Rating	Investment Test Rating	Service Test Rating	Overall, Multistate-MSA, or State Rating
Overall	Outstanding	Outstanding	Outstanding	Outstanding
Boston-Cambridge-Newton MA-NH MSA	Outstanding	Outstanding	Outstanding	Outstanding
State of Massachusetts	High Satisfactory	High Satisfactory	Satisfactory	High Satisfactory
State of New Hampshire	High Satisfactory	Low Satisfactory	High Satisfactory	Satisfactory

## **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 illustrated that the bank received no complaints pertaining to the institution's CRA performance since the prior evaluation. Examiners conducted the fair lending review in accordance with the FFIEC Interagency Fair Lending Examination Procedures. Based on these procedures, examiners did not note any evidence of disparate treatment.

## **MINORITY APPLICATION FLOW**

Division of Banks examiners reviewed the bank's 2019 and 2020 HMDA LARs to determine if the application flow from the different racial groups within the bank's combined assessment area reflected the combined assessment areas' demographics.

According to the 2015 ACS Census Data, the bank's combined assessment area contained a population of 5.1 million individuals of which 23.9 percent are minorities. The minority population represented is 6.2 percent Black/African American, 6.1 percent Asian, 0.1 percent American Indian, 8.9 percent Hispanic or Latino, and 2.6 percent other.

Examiners compared the bank's application activity to 2019 aggregate. This data comparison assists in deriving reasonable expectations for the rate of applications the bank received from minority loan applicants. Refer to the following table for information on the bank's minority application flow as well as for the aggregate lenders in the bank's combined assessment area.

MINORITY APPLICATION FLOW					
RACE	Bank 2019 HMDA		2019 Aggregate Data	Bank 2020 HMDA	
	#	%	%	#	%
American Indian/ Alaska Native	6	0.1	0.2	9	0.1
Asian	283	5.2	6.1	374	5.9
Black/ African American	302	5.5	4.0	343	5.4
Hawaiian/Pacific Islander	18	0.3	0.1	7	0.1
2 or more Minority	8	0.1	0.1	5	0.1
Joint Race (White/Minority)	71	1.3	1.5	102	1.7
<b>Total Racial Minority</b>	<b>688</b>	<b>12.5</b>	<b>12.0</b>	<b>840</b>	<b>13.1</b>
White	4,260	77.6	65.4	4,760	74.8
Race Not Available	541	9.9	22.6	769	12.1
<b>Total</b>	<b>5,489</b>	<b>100.0</b>	<b>100.0</b>	<b>6,369</b>	<b>100.0</b>
<b>ETHNICITY</b>					
Hispanic or Latino	356	6.5	5.1	358	5.6
Joint (Hisp/Lat /Not Hisp/Lat)	56	1.0	1.1	83	1.3
<b>Total Ethnic Minority</b>	<b>412</b>	<b>7.5</b>	<b>6.2</b>	<b>441</b>	<b>6.9</b>
Not Hispanic or Latino	4,521	82.4	70.8	5,094	80.0
Ethnicity Not Available	556	10.1	23.0	834	13.1
<b>Total</b>	<b>5,489</b>	<b>100.0</b>	<b>100.0</b>	<b>6,369</b>	<b>100.0</b>

Source: ACS Census 2015, HMDA Aggregate Data 2019 and HMDA LAR Data 2019 and 2020

In 2019, the bank received 5,489 HMDA reportable loan applications within its combined assessment area. Of these applications, the bank received 688 applications, or 12.5 percent, from minority applicants. Of these applications, 49.3 percent resulted in originations. The aggregate received 12.0 percent of its applications from minority consumers, of which it originated 52.3 percent. For the same time, the bank received 412 or 7.5 percent of all applications from ethnic groups of Hispanic origin within its combined assessment area, of which it originated 48.0 percent. This is comparable to an aggregate ethnic minority application rate of 6.2 percent with a 54.0 percent origination rate.

In 2020, the bank received 6,369 HMDA reportable loan applications within its combined assessment area. Of these applications, it received 840 or 13.1 percent from minority applicants and 50.0 percent resulted in originations. For the same time, the bank received 441 or 6.9 percent of all applications from ethnic groups of Hispanic origin within its combined assessment area, of which it originated 48.9 percent.

The bank's 2019 and 2020 application activity reflects a reasonable racial minority application flow. Considering the combined assessment area's demographic composition and comparisons to 2019 aggregate data, the bank's minority application flow is reasonable. Eastern Bank's marketing and brand awareness efforts employ various techniques to reach the entire population of its footprint including branch, direct mail, digital, social media, and outbound sales calls. Advertising materials reach a broad audience, contain the same messages, and offer the same products across the bank's entire CRA footprint.

## GLOSSARY

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

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

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

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

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

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

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies; or
- (5) Enable or facilitate projects or activities that address needs regarding foreclosed or abandoned residential properties in designated target areas.

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

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

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

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

**Community Development Loan:** A loan that

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

**Community Development Service:** A service that

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Underserved Middle-Income Nonmetropolitan Geographies:** A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for

- Population size, density, and dispersion indicating the area's population is sufficiently small, thin, and
- Distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

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

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

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

## PERFORMANCE EVALUATION DISCLOSURE GUIDE

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

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

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

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

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

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

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