

# **PUBLIC DISCLOSURE**

April 27, 2020

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Enterprise Bank and Trust Company  
Certificate Number: 27408

222 Merrimack Street  
Lowell, Massachusetts 01825

Division of Banks  
1000 Washington Street, 10<sup>th</sup> Floor  
Boston, Massachusetts 02118

Federal Deposit Insurance Corporation  
350 Fifth Avenue, Suite 1200  
New York, New York 10118

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

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## INSTITUTION RATING

**INSTITUTION’S CRA RATING:** This institution is rated **High Satisfactory** by the Division and **Satisfactory** by the FDIC. FDIC regulations do not include a **High Satisfactory** rating. An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

PERFORMANCE LEVELS	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			X
High Satisfactory	X	X	
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. As the Division does not have a “low satisfactory” rating, this jointly issued public evaluation uses the term “satisfactory” in lieu of “low satisfactory” for the Lending, Investment, and Service Test ratings in the overall and Massachusetts rated areas for banks headquartered in Massachusetts. For all other rated areas outside of Massachusetts, this jointly issued public evaluation uses the terms “high satisfactory” and “low satisfactory” for the three tests.*

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

- Lending levels reflect good responsiveness to assessment area credit needs.
- The institution originated a high percentage of loans within its 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, good penetration among businesses customers of different size and retail customers of different income levels.

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

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

- The institution has a significant level of qualified community development investments and grants, occasionally in a leadership position, particularly those that are not routinely provided by private investors.
- The institution exhibits good responsiveness to credit and community economic development needs.
- The institution rarely uses 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 opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals.
- Services do not vary in a way that inconveniences certain portions of the assessment areas, particularly low- and moderate-income geographies and /or individuals.
- The institution is a leader in providing community development services.

## SCOPE OF EVALUATION

### **General Information**

This evaluation covers the period from the prior evaluation dated February 14, 2017, to the current evaluation dated April 27, 2020. Examiners used the Interagency Large Institution Examination Procedures to evaluate the bank's performance.

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

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

The Investment Test considered the following criteria.

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

The Service Test considered the following criteria.

- Accessibility of delivery systems
- Changes in branch locations
- Reasonableness of business hours and services
- Community development services

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

### **Loan Products Reviewed**

Examiners determined 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 loans originated during the evaluation period.

The bank's record of originating small business loans contributed more weight to overall conclusions due to the larger volume of originations compared to home mortgage lending during the evaluation period and commercial lending makes up a majority of the loan portfolio. No other loan types, such as small farm or consumer loans, represent a major product line. Therefore, they provided no material support for conclusions or ratings and are not presented.

Examiners considered all small business loans reported on the bank's 2017, 2018, and 2019 Community Reinvestment Act (CRA) Loan Registers. The bank reported 833 small business loans totaling \$148.6 million in 2017, 772 loans totaling \$141.3 million in 2018, and 831 loans totaling \$159.3 million in 2019. Examiners compared the bank's 2017 and 2018 small business lending performance under the Geographic Distribution and Borrower Profile criteria to aggregate data. Aggregate data is not yet available for 2019. Examiners also compared 2017, 2018, and 2019 small business lending performance to D&B business demographic data.

Examiners also considered all home mortgage loans reported on the bank's 2017, 2018, and 2019 Home Mortgage Disclosure Act (HMDA) Loan Application Registers. In 2017, the bank reported 522 loans totaling \$265.5 million; in 2018, the bank reported 484 loans totaling \$222.2 million; and in 2019, the bank reported 501 loans totaling \$331.5 million. Examiners compared the bank's 2017 and 2018 performance under the Geographic Distribution and Borrower Profile criteria to aggregate data. Aggregate data is not yet available for 2019. Additionally, examiners compared the bank's 2017, 2018, and 2019 home mortgage performance to the 2015 American Community Survey (ACS) demographic data.

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

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

Examiners also reviewed community development loans, investments, and services, as well as innovative and/or flexible lending practices since the prior evaluation date of February 14, 2017.

### **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 used full-scope procedures to evaluate and rate the bank's performance in the Multistate Metropolitan Statistical Area (MSA) assessment area, Manchester-Nashua MSA assessment area, and Worcester MSA assessment area. In addition, examiners assigned an overall rating. The bank's performance in the Multistate MSA carried the greatest weight when assigning an overall rating, followed by the state of NH, then the state of MA.

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<sup>1</sup> Collectively, the bank's three assessment areas are referred to as the combined assessment area.

## **DESCRIPTION OF INSTITUTION**

### **Background**

Enterprise Bank and Trust Company (Enterprise Bank) is headquartered in Lowell, MA. Enterprise Bank operates in portions of Middlesex, Essex, and Worcester counties in MA and portions of Hillsborough and Rockingham counties in southern NH. The bank is wholly owned by Enterprise Bancorp, Inc., a single bank holding company. The bank owns five subsidiaries, three of which are securities corporations titled Enterprise Security Corporation, Enterprise Security Corporation II, and Enterprise Security Corporation III. The other two subsidiaries are Enterprise Insurance Services, LLC, which sells insurance, and Enterprise Wealth Services, LLC, which sells non-deposit investment products. The institution received a “High Satisfactory” rating from the Division and “Satisfactory” rating from the FDIC at its previous joint Performance Evaluation dated February 14, 2017 using Interagency Large Institution Examination Procedures.

### **Operations**

Enterprise Bank operates 25 full-service branches in northern MA and southern NH. There has been no merger or acquisition activity. The bank offers commercial, home mortgage, and consumer loans with a continued primary focus on commercial lending. Commercial lending products include commercial real estate, lines of credit, construction loans, and Small Business Administration (SBA) financing programs. For consumers, the bank offers home mortgage loans, construction to permanent financing, and personal loans. Consumer and business deposit services include checking, savings, money market deposit accounts, certificates of deposit, and individual retirement accounts. The bank also offers investment advisory and trust services.

### **Ability and Capacity**

Assets totaled approximately \$3.4 billion as of March 31, 2020, and included total loans of \$2.7 billion and securities of \$505.2 million. The following table illustrates the loan portfolio.

<b>Loan Portfolio Distribution as of 3/31/2020</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	387,494	14.4
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	536,855	20.0
Secured by Multifamily (5 or more) Residential Properties	195,861	7.3
Secured by Nonfarm Nonresidential Properties	1,021,843	38.1
<b>Total Real Estate Loans</b>	<b>2,142,053</b>	<b>79.8</b>
Commercial and Industrial Loans	475,039	17.7
Agricultural Production and Other Loans to Farmers	220	0.0
Consumer Loans	10,189	0.4
Obligations of State and Political Subdivisions in the U.S.	56,902	2.1
Other Loans	0	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
<b>Total Loans</b>	<b>2,684,403</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income</i>		

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



## DESCRIPTION OF ASSESSMENT AREA

Enterprise Bank operates in three distinct assessment areas; the Boston-Cambridge-Newton, MA-NH (Multistate MSA); the Manchester-Nashua, NH (Manchester-Nashua) MSA; and the Worcester, MA-Connecticut MSA (Worcester MSA).

Enterprise Bank is headquartered in the Multistate MSA assessment area. The Multistate MSA includes 167 census tracts in portions of Middlesex County, MA; Essex County, MA; and Rockingham County, NH. The Manchester-Nashua MSA assessment area includes 24 census tracts in a portion of Hillsborough County, NH. The Worcester MSA assessment area includes 21 census tracts in a portion of Worcester County, MA. Since the previous evaluation, the bank added the towns of Lexington, MA; Bedford, MA; Burlington, MA; Wilmington, MA; and Haverhill, MA to its Multistate MSA assessment area.

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

Assessment Area Breakdown of Loans, Deposits, and Branches						
Assessment Area	Loans		Deposits		Branches	
	#	%	\$(000s)	%	#	%
Multistate MSA	2,240	78.9	2,361,401	83.4	19	76.0
Manchester-Nashua MSA	423	14.9	252,025	8.9	4	16.0
Worcester MSA	177	6.2	216,987	7.7	2	8.0
<b>Total</b>	<b>2,840</b>	<b>100.0</b>	<b>2,830,413</b>	<b>100.0</b>	<b>25</b>	<b>100.0</b>

*Source: Bank Records; FDIC Summary of Deposits (06/30/19)*

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

#### **Lending Activity**

Lending levels reflect good responsiveness to assessment area credit needs. In 2017, 2018, and 2019, the bank reported 2,436 small business loans totaling approximately \$449.2 million and 1,507 home mortgage loans totaling approximately \$819.2 million. Of this total, 1,900 small business loans totaling approximately \$333.4 million and 940 home mortgage loans totaling approximately \$481.5 million were inside the combined assessment area.

The Description of the Assessment Area section in each individual assessment area discusses the bank's market share rankings for small business and home mortgage lending. For the combined assessment area, in 2018, Enterprise Bank was one of the top-ranked state-chartered institutions for small business lending, outperformed primarily by large national banks. For home mortgage lending, the bank was among the top ten percent of lenders in in 2018. Leading institutions consisted primarily of large national banks and mortgage companies.

#### **Assessment Area Concentration**

The bank made a high percentage of small business and home mortgage loans, by number, within its combined assessment area. Although the bank's home mortgage lending reflects lower percentages inside the combined assessment area than its small business lending, examiners placed greater weight on small business lending as it is the bank's primary focus. Please see the following table.

Lending Inside and Outside of the Assessment Area										
Assessment Area: Combined										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2017	350	67.1	172	33.0	522	162,672	61.3	102,789	38.7	265,461
2018	276	57.0	208	43.0	484	105,540	47.5	116,690	52.5	222,230
2019	314	62.7	187	37.3	501	213,269	64.3	118,245	35.7	331,515
<b>Subtotal</b>	<b>940</b>	<b>62.4</b>	<b>567</b>	<b>37.6</b>	<b>1,507</b>	<b>481,482</b>	<b>58.8</b>	<b>337,724</b>	<b>41.2</b>	<b>819,206</b>
Small Business										
2017	629	75.5	204	24.5	833	102,926	69.3	45,668	30.7	148,594
2018	613	79.4	159	20.6	772	110,600	78.3	30,712	21.7	141,312
2019	658	79.2	173	20.8	831	119,890	75.2	39,443	24.8	159,333
<b>Subtotal</b>	<b>1,900</b>	<b>78.0</b>	<b>536</b>	<b>22.0</b>	<b>2,436</b>	<b>333,416</b>	<b>74.2</b>	<b>115,823</b>	<b>25.8</b>	<b>449,239</b>
<b>Total</b>	<b>2,840</b>	<b>72.0</b>	<b>1,103</b>	<b>28.0</b>	<b>3,943</b>	<b>814,898</b>	<b>64.2</b>	<b>453,547</b>	<b>35.8</b>	<b>1,268,445</b>
<i>Source: Evaluation Period: 1/1/2017 - 12/31/2019 Bank Data Due to rounding, totals may not equal 100.0</i>										

### **Geographic Distribution**

The geographic distribution of loans reflects excellent penetration of small business and home mortgage loans throughout the assessment areas. Excellent performance in the Multistate MSA, and good performance in the Manchester-Nashua MSA and Worcester MSA assessment areas support this conclusion. Please see the individual assessment area sections for more details.

### **Borrower Profile**

The distribution of borrowers reflects, given the product lines offered by the institution, good penetration among business customers of different sizes and retail customers of different income levels. Good performance in all three assessment areas supports this conclusion. Please refer to the individual assessment area sections for additional details.

### **Innovative and Flexible Lending**

The bank makes limited use of innovative and/or flexible lending programs to serve assessment area credit needs. Programs include government-related subsidies and guarantees. All programs are offered institution-wide; however, programs with MassHousing and NH Housing are limited to the respective states.

### Small Business Lending Programs

During the evaluation period, the bank offered innovative and/or flexible products through various SBA loan programs. The bank originated 64 SBA loans totaling approximately \$20.7 million since the prior evaluation.

- **SBA 7a Loan Program** - The SBA 7a Loan Program provides term loans up to \$5.0 million, with an SBA guaranty of 85.0 percent for loans \$150,000 or less, and 75.0 percent for loans greater than \$150,000. Small businesses that meet the SBA's size eligibility standards benefit from long-term financing options, a fixed maturity, and no prepayment penalties.
- **SBA 504 Certified Development Company (CDC) Program** - The SBA 504 CDC Program is an economic development program offering small business financing while creating jobs and promoting job growth. The program provides approved small businesses with long-term, fixed-rate financing for major fixed assets.
- **SBA Express** - The SBA Express program offers a maximum loan amount of \$350,000 with a maximum guarantee of 50.0 percent and features an accelerated turnaround time of 36 hours for SBA review.

Additionally, Enterprise Bank began participating in the SBA Paycheck Protection Program (PPP) in April 2020. The PPP was created to incentivize small businesses to keep workers employed during the COVID-19 pandemic. The bank originated approximately 1,200 loans totaling approximately \$400 million through the PPP.

### Residential Lending Programs

The bank participates in residential lending programs that benefit the assessment areas; however, the bank had limited originations through these programs during the evaluation period. The bank primarily originated flexible residential loans through the MassHousing Partnership ONE Mortgage Program, with 17 loans totaling approximately \$3.4 million during the evaluation period. The bank originated a limited number of loans under the other programs.

- **MassHousing Partnership ONE Mortgage Program** - ONE Mortgage offers low- and moderate-income first time homebuyers a 3.0 percent down payment; low, fixed-rated financing; and no private mortgage insurance.
- **MassHousing Mortgage** - MassHousing offers an affordable, fixed-rate mortgage with down payment assistance for low-income, first-time homebuyers who purchase a home in designated Gateway Cities, including several cities in the assessment areas.
- **NH Housing Finance Authority (NHHFA)** - The bank originated one first-time home buyer loan through the NHHFA loan programs. The NHHFA offers a homebuyer tax credit to make homeownership more affordable for first-time homebuyers by decreasing federal income taxes owed.

- **Federal Home Loan Bank Equity Builder Program** - This program offers member banks grants to assist low- and moderate-income households with down payments and closing costs, rehabilitation assistance, and homebuyer counseling.

### **Community Development Lending**

Enterprise Bank is a leader in community development lending. Community development lending in the Multistate MSA assessment area primarily supports this conclusion.

During the evaluation period, the bank originated 86 community development loans totaling approximately \$143.1 million. Of this total, 72 loans for approximately \$121.0 million directly benefitted the assessment areas. The bank also originated 14 additional community development loans, totaling approximately \$22.1 million, outside the combined assessment area. These loans benefitted a broader statewide or regional area. Given the bank’s responsiveness to the needs of the assessment areas, the bank also received credit for community development loans outside the combined assessment area. The level of community development activity represents 4.9 percent of average total assets and 6.2 percent of average total loans since the prior evaluation.

The number and dollar amount of community development loans increased significantly since the prior evaluation. At the prior evaluation, the bank originated 55 community development loans totaling \$72.0 million.

Please refer to the individual assessment areas for examples of community development loans. The following table illustrates the community development loans by year and purpose.

<b>Community Development Lending</b>										
<b>Assessment Area: Combined</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>
2017	5	46,096	10	3,576	10	16,378	4	13,665	<b>29</b>	<b>79,715</b>
2018	8	11,767	6	1,850	6	3,719	0	0	<b>20</b>	<b>17,336</b>
2019	10	15,805	10	4,249	13	9,802	4	16,238	<b>37</b>	<b>46,094</b>
YTD 2020	0	0	0	0	0	0	0	0	<b>0</b>	<b>0</b>
<b>Total</b>	<b>23</b>	<b>73,668</b>	<b>26</b>	<b>9,675</b>	<b>29</b>	<b>29,899</b>	<b>8</b>	<b>29,903</b>	<b>86</b>	<b>143,145</b>

*Source: Bank Data*

### **INVESTMENT TEST**

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

## Investment Activity

The bank made a significant level of qualified investments throughout the evaluation period. The bank made 462 qualified investments totaling \$19.5 million, a significant increase from the \$3.4 million in investments made during the prior evaluation period. The bank's current qualified investments represent 0.7 percent of average total assets and 4.0 percent of average total securities. A majority of the investments, by dollar volume, supported affordable housing for low- and moderate-income individuals in the assessment areas.

Please refer to the following table for the bank's qualified equity investments by year and purpose.

<b>Qualified Investments</b>										
<b>Assessment Area: Combined</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	1,743	0	0	0	0	0	0	1	1,743
2017	3	9,619	0	0	0	0	0	0	3	9,619
2018	2	4,017	0	0	0	0	0	0	2	4,017
2019	1	2,294	0	0	0	0	0	0	1	2,294
YTD 2020	0	0	0	0	0	0	0	0	0	0
<b>Subtotal</b>	<b>7</b>	<b>17,673</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7</b>	<b>17,673</b>
Qualified Grants & Donations	40	190	365	1,281	42	280	8	27	455	1,778
<b>Total</b>	<b>47</b>	<b>17,863</b>	365	1,281	42	280	8	27	<b>462</b>	<b>19,451</b>

*Source: Bank Data*

## Equity Investments

The bank maintains seven qualified equity investments totaling \$17.7 million. Six equity investments are new, totaling \$16.0 million, and one prior period investment has a book value of \$1.7 million. The following are examples of the bank's equity investments that affected a regional area that included its combined assessment area.

### *Prior Period Investment*

- The bank continues to hold one Mortgage-Backed Security (MBS) for \$1.7 million. This MBS includes mortgages located in the combined assessment area. A majority of the underlying mortgages were to low- and moderate-income borrowers.

### *Current Period Investments*

- During the evaluation period, the bank purchased five MBSs totaling \$10.7 million. Home mortgage loans originated in the combined assessment area, or a regional area that includes the combined assessment area, secured these investments. A majority of the underlying mortgages were to low- and moderate-income borrowers.

### Qualified Grants and Donations

During the evaluation period, Enterprise Bank made 455 donations for \$1.8 million. This level of activity is an increase from the last evaluation. At the prior evaluation, the bank made 332 donations for approximately \$1 million. All qualified donations benefitted the combined assessment area or the broader statewide or regional areas that included the combined assessment area. Please refer to the individual assessment area discussions for examples.

### Responsiveness to Credit and Community Development Needs

The bank exhibits good responsiveness to credit and community economic development needs. During the evaluation period, the bank made several donations via Community Investment Tax Credits in both MA and NH. These tax credits supported community development activities in low- and moderate-income areas.

The bank further demonstrates responsiveness to community development needs through donations to organizations that focus on low- and moderate-income individuals and families, as well as low- and moderate-income areas. Of the bank's donations and grants, 72.0 percent were to organizations that provided community services to low- and moderate-income individuals in the combined assessment area. The bank's equity investments and several donations promoted affordable housing within the combined assessment area. The community contact noted affordable housing as a primary need within the combined assessment area.

### Innovativeness or Complexity of Qualified Investments

The bank rarely uses innovative or complex investments to support community development initiatives. The bank's CRA investment activity consisted of MBSs and donations, both are common in the industry.

### SERVICE TEST

The bank's overall Service Test is rated Outstanding. 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 institution's assessment area. Alternative delivery systems supplement the bank's branches.

The bank maintains 25 full-service branches. Of the 25 branches, 18 are in MA. This includes Acton, Andover, Billerica, Chelmsford (2), Dracut, Fitchburg, Lawrence, Leominster, Lexington, Lowell (2), Methuen, North Billerica, Tewksbury (2), Tyngsborough, and Westford. Seven branches are in NH in Derry, Hudson, Nashua (2), Pelham, Salem, and Windham. The bank also maintains five remote deposit-taking Automatic Teller Machines (ATMs) in Lowell (3) and Fitchburg (2), MA. All five ATMs are located in low- and moderate-income census tracts.

The following table shows the branch and ATM distribution by census tract income level.

<b>Branch and ATM 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>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	41	19.3	166,921	16.1	4	16.0	7	23.3
Moderate	33	15.6	165,442	16.0	4	16.0	6	20.0
Middle	81	38.2	413,851	40.0	10	40.0	10	33.4
Upper	56	26.4	289,397	27.9	7	28.0	7	23.3
NA	1	0.5	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>212</b>	<b>100.0</b>	<b>1,035,611</b>	<b>100.0</b>	<b>25</b>	<b>100.0</b>	<b>30</b>	<b>100.0</b>

*Source: 2015 ACS Data; Bank Data*

There is an ATM at each branch. In addition, the bank provides alternative delivery systems such as online telephone and mobile banking; remote deposit capture and wallet; and Zelle money transfer and LinkLive, an online chat service that connects retail customers with a customer service representative. The bank offers multi-lingual services through its ATMs and telephone banking service. Consumers and businesses can access their accounts 24 hours a day.

### **Changes in Branch Locations**

To the extent changes have been made, the institution’s 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. During the evaluation period, the bank opened two new branches (Lexington, MA and Windham, NH) and relocated two branches (Leominister, MA and Salem, NH).

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

Overall, services and business hours do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies or individuals. Branch hours are generally consistent at each location with weekday hours of 9:00 A.M. to 4:00 P.M. on Mondays through Wednesday; 9:00 A.M. to 6:00 P.M. Thursdays, 9:00 A.M. to 5:00 P.M. Fridays; and 8:30 A.M. to 12:30 P.M. Saturdays. Hours vary slightly with earlier morning start times at a few locations. Drive-up services are available approximately 30 minutes to an hour prior to lobby hours. ATM, mobile, and online banking are available 24 hours a day, 7 days a week.

### **Community Development Services**

The bank is a leader in providing community development services in the combined assessment area. The bank provided more than 18,000 hours of community development services to dozens of organizations, often on an ongoing basis, throughout the evaluation period. This is similar to the level of services provided during the previous examination period, when the bank was also



considered a leader in the community. The bank acted as the principal financial institution in many instances. The bank provided various services including serving on the board of local organizations and providing financial education and technical assistance. The following table summarizes the community development services by year and purpose.

<b>Community Development Services Assessment Area: Combined</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>
	#	#	#	#	#
2017	266	4,630	162	508	<b>5,566</b>
2018	343	5,914	366	479	<b>7,102</b>
2019	215	4,778	351	626	<b>5,970</b>
YTD 2020	0	0	0	0	<b>0</b>
<b>Total</b>	<b>824</b>	<b>15,322</b>	<b>879</b>	<b>1,613</b>	<b>18,638</b>
<i>Source: Bank Data -# denotes service hours</i>					

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

## **MULTISTATE METROPOLITAN AREA**

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

**The Lending Test is rated: Outstanding**

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

**The Service Test is rated: Outstanding**

### **SCOPE OF EVALUATION**

The scope is similar to that discussed in the overall section, except that this portion of the evaluation only considers activity in the Multistate MSA assessment area. Please refer to the overall discussion for more information on products reviewed, timeframe, and weighting of products.

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

The Multistate MSA assessment area includes 167 census tracts in portions of Middlesex County, MA; Essex County, MA; and Rockingham County, NH. This includes 88 census tracts in Middlesex County, MA; 56 census tracts in Essex County, MA; and 23 census tracts in Rockingham County, NH. Since the prior evaluation, the bank expanded the assessment area by adding 30 census tracts in Lexington, MA; Bedford, MA; Burlington, MA; Wilmington, MA; and Haverhill, MA. The bank opened branches in Windham, NH in 2017 and Lexington, MA in 2020. Enterprise Bank operates 19, or 76.0 percent, of its 25 branches in the Multistate MSA

assessment area. Examiners weighted this assessment area the most since it contains the majority of the bank’s branches, loans, and deposits. The following sections discuss demographic and economic information for the Multistate MSA.

**Economic and Demographic Data**

The 167 census tracts within the assessment area reflect the following income designations:

- 34 low-income census tracts,
- 24 moderate-income census tracts,
- 62 middle-income census tracts,
- 46 upper-income census tracts, and
- 1 census tract with no income designation (Manchester-Boston Regional Airport).

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)	167	20.4	14.4	37.1	27.5	0.6
Population by Geography	818,039	16.8	15.5	38.8	28.9	0.0
Housing Units by Geography	309,916	16.3	16.4	39.1	28.1	0.0
Owner-Occupied Units by Geography	201,863	5.7	13.4	45.6	35.3	0.0
Occupied Rental Units by Geography	92,961	38.4	22.1	26.1	13.5	0.0
Vacant Units by Geography	15,092	23.2	21.8	32.6	22.3	0.0
Businesses by Geography	62,214	12.2	11.4	40.3	35.9	0.2
Farms by Geography	1,347	3.9	8.2	45.4	42.4	0.1
Family Distribution by Income Level	210,450	24.0	16.7	20.4	38.8	0.0
Household Distribution by Income Level	294,824	26.5	15.0	16.8	41.8	0.0
Median Family Income MSA - 15764 Cambridge-Newton-Framingham, MA		\$100,380	Median Housing Value			\$335,004
Median Family Income MSA - 40484 Rockingham County-Strafford County, NH		\$90,150	Median Gross Rent			\$1,101
			Families Below Poverty Level			7.3%

*Source: 2015 ACS Census and 2019 D&B Data  
Due to rounding, totals may not equal 100.0  
(\* ) The NA category consists of geographies that have not been assigned an income classification.*

According to 2019 D&B data, 62,214 non-farm businesses operate in the Multistate MSA assessment area. The following reflects gross annual revenues (GARs) for these businesses.

- 84.8 percent have \$1.0 million or less,

- 6.5 percent have more than \$1.0 million, and
- 8.7 percent have unknown revenues.

Service industries represent the largest portion of businesses at 43.4 percent; followed by non-classifiable establishments (13.9 percent); retail trade (11.5 percent); construction (8.9 percent); and finance, insurance, and real estate (8.5 percent). In addition, 65.2 percent of area businesses have four or fewer employees, and 89.6 percent operate from a single location. Major employers in the assessment area include Lahey Clinic and Hospital, Raytheon, and Oracle.

According to the Bureau of Labor Statistics, the average unemployment rate in 2018 was 2.7 percent in Middlesex County, MA; 3.4 percent in Essex County, MA; and 2.8 percent in Rockingham County, NH. Local unemployment rates are similar to the MA statewide rate of 3.3 percent and NH statewide rate of 2.5 percent respectively. The unemployment rate in the assessment area declined slowly throughout the evaluation period, but began increasing rapidly in March 2020 because of the COVID-19 pandemic.

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 \$335,004. This cost is lower than that in MA (\$358,764), but higher than that in NH (\$237,081) and the U.S. (\$225,895).

Examiners used the 2018 and 2019 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.

<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>Cambridge-Newton-Framingham, MA MD Median Family Income (15764)</b>				
2018 (\$110,300)	<\$55,150	\$55,150 to <\$88,240	\$88,240 to <\$132,360	≥\$132,360
2019 (\$115,500)	<\$57,750	\$57,750 to <\$92,400	\$92,400 to <\$138,600	≥\$138,600
<b>Rockingham County-Strafford County, NH MD Median Family Income (40484)</b>				
2018 (\$101,300)	<\$50,650	\$50,650 to <\$81,040	\$81,040 to <\$121,560	≥\$121,560
2019 (\$103,200)	<\$51,600	\$51,600 to <\$82,560	\$82,560 to <\$123,840	≥\$123,840
<i>Source: FFIEC Due to rounding, totals may not equal 100.0</i>				

## **Competition**

Enterprise Bank faces a high level of competition for small business loans from national banks and other community banks. In 2018, 164 lenders originated 70,339 small business loans in Middlesex, Essex, and Rockingham counties for approximately \$2.1 billion. Enterprise reported 508 small business loans and ranked 18<sup>th</sup> by number with 0.7 percent market share. The top four institutions, mainly credit card lenders had average loan sizes below \$30,000 and originated 56.8

percent of all small business loans. Enterprise Bank's average loan size was approximately \$184,000.

There is a high level of competition for home mortgage loans among several banks, credit unions, and non-depository mortgage lenders. In 2018, 447 lenders reported 28,996 residential mortgage loans originated or purchased. Enterprise Bank ranked 33<sup>rd</sup> with a market share of 0.8 percent. The three most prominent home mortgage lenders accounted for 15.4 percent of total market share. Wells Fargo Bank was the highest ranked mortgage lender, followed by Citizens Bank and Bank of America.

### **Community Contacts**

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 contacted a representative of a housing organization that serves Lawrence, MA; one of the cities that is within the bank's Multistate MSA assessment area. The contact indicated that affordable housing is the primary need within its service area. The cost of housing in the city is higher than local wages can support and there is exceedingly high demand for the limited number of affordable units. The contact mentioned small business financing and business consulting as secondary needs. Finally, the contact noted the need for financial literacy, credit counseling, and product offerings allowing individuals to build and repair their credit history. The contact noted that local financial institutions seem to be involved regularly with the organization and the community.

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

Considering information from the community contacts, bank management, and demographic and economic data, examiners determined that affordable housing represent a primary credit need in the Multistate MSA assessment area. Specific needs include home mortgage products accessible to low- and moderate-income borrowers as well as financing for the construction of affordable housing units to meet high demand. Examiners also identified a secondary need for lending to and providing advice to small businesses.

Opportunities exist for financial institutions to participate in real estate development projects by providing construction loan financing. Affordable housing projects are generally more prevalent in the MA portion of the assessment area. Aside from funding affordable housing projects, there is additional opportunity to meet affordable housing needs by participating in homebuyer education programs, particularly those serving low- and moderate-income applicants. Opportunities also exist through lending to small businesses and providing funding to Community Development Financial Institutions (CDFIs).

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

### **LENDING TEST**

The bank's Multistate MSA Lending Test performance is rated Outstanding. The sections below discuss the bank's performance under each criterion.

#### **Lending Activity**

The bank's lending levels reflect good responsiveness to assessment area credit needs. In 2018 and 2019, Enterprise Bank reported 980 small business loans totaling approximately \$180.3 million and 497 home mortgage loans totaling approximately \$293.0 million inside the Multistate MSA assessment area.

The Competition section starting on page 17 previously 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. The bank's excellent performance of small business lending and good performance of 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. As shown in the following table, the bank's lending exceeded the aggregate and the percentage of businesses in low-income tracts in 2018. Enterprise Bank was the top-ranked Massachusetts-chartered institution for lending in low-income census tracts in 2018. Performance remained above demographic data in 2019. For small business lending in moderate-income tracts, the bank's performance exceeded aggregate and the percentage of businesses in 2018. Performance increased in 2019, further exceeding demographic data.

<b>Geographic Distribution of Small Business Loans</b>						
<b>Assessment Area: Multistate 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>
<b>Low</b>						
2018	12.4	11.2	76	16.8	14,159	17.2
2019	12.2	--	75	14.2	15,772	16.1
<b>Moderate</b>						
2018	11.4	10.9	61	13.5	10,487	12.7
2019	11.4	--	94	17.8	15,025	15.3
<b>Middle</b>						
2018	40.9	41.5	190	42.0	32,917	40.0
2019	40.3	--	237	44.9	41,889	42.7
<b>Upper</b>						
2018	35.1	36.3	124	27.4	24,349	29.6
2019	35.9	--	122	23.1	25,365	25.9
<b>Not Available</b>						
2018	0.2	0.2	1	0.2	380	0.5
2019	0.2	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2018</b>	<b>100.0</b>	<b>100.0</b>	<b>452</b>	<b>100.0</b>	<b>82,292</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>--</b>	<b>528</b>	<b>100.0</b>	<b>98,051</b>	<b>100.0</b>
<i>Source: 2018 &amp; 2019 D&amp;B Data; 1/1/2018 - 12/31/2019 Bank Data; 2018 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0</i>						

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

The geographic distribution of home mortgage loans reflects good penetration throughout the Multistate MSA assessment area. As shown in the following table, the bank's lending in low-income census tracts exceeded aggregate performance and the percentage of owner-occupied housing units in 2018. Examiners noted that Enterprise Bank was the top-ranked state-chartered institution for lending in low-income census tracts. Lending performance in low-income tracts increased in 2019, remaining above demographic data. Enterprise's home mortgage lending in moderate-income census tracts was below aggregate performance, but comparable to demographic data in 2018. Performance declined in 2019.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Multistate MSA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2018	5.7	8.9	50	21.1	20,047	20.9
2019	5.7	--	59	22.7	37,230	18.9
Moderate						
2018	13.4	14.6	31	13.1	7,845	8.2
2019	13.4	--	27	10.4	8,562	4.3
Middle						
2018	45.6	44.0	90	38.0	28,053	29.2
2019	45.6	--	116	44.6	104,108	52.9
Upper						
2018	35.3	32.5	66	27.8	40,039	41.7
2019	35.3	--	58	22.3	47,089	23.9
Not Available						
2018	0.0	0.0	0	0.0	0	0.0
2019	0.0	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2018</b>	<b>100.0</b>	<b>100.0</b>	<b>237</b>	<b>100.0</b>	<b>95,984</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>--</b>	<b>260</b>	<b>100.0</b>	<b>196,990</b>	<b>100.0</b>
<small>Source: 2015 ACS Census; 1/1/2018 - 12/31/2019 Bank Data, 2018 HMDA Aggregate Data, "--" data not available.  Due to rounding, totals may not equal 100.0</small>						

## **Borrower Profile**

The distribution of borrowers reflects good penetration among businesses of different sizes and individuals of different income levels in the Multistate MSA assessment area. The bank's excellent performance of small business lending and adequate performance of home mortgage lending support this conclusion. Examiners focused on the percentage of small business loans by number to businesses with GARs of \$1.0 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, the bank's performance exceeded aggregate data in 2018. Although performance was less than the percentage of businesses, not all businesses in the assessment area are in the market for a small business loan. Additionally, the bank was one of the top-ranked state lenders, outperformed primarily by large national banks and credit card lenders. Performance declined in 2019 when compared to demographic data.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>						
<b>Assessment Area: Multistate 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>						
2018	83.3	40.5	261	57.7	35,719	43.4
2019	84.8	--	277	52.5	36,967	37.7
<b>&gt;\$1,000,000</b>						
2018	7.2	--	189	41.8	46,523	56.5
2019	6.5	--	248	47.0	60,907	62.1
<b>Revenue Not Available</b>						
2018	9.5	--	2	0.4	50	0.1
2019	8.8	--	3	0.6	177	0.2
<b>Totals</b>						
<b>2018</b>	<b>100.0</b>	<b>100.0</b>	<b>452</b>	<b>100.0</b>	<b>82,292</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>--</b>	<b>528</b>	<b>100.0</b>	<b>98,051</b>	<b>100.0</b>
<i>Source: 2018 &amp; 2019 D&amp;B Data; 1/1/2018 - 12/31/2019 Bank Data; 2018 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 adequate penetration among individuals of different income levels, including low- and moderate-income borrowers. As shown in the following table, the bank's lending to low-income borrowers was below aggregate performance and the percentage of low-income families in 2018. A low-income family in the Multistate MSA assessment area, earning less than \$55,150, may have difficulty qualifying for a mortgage under conventional underwriting standards, considering the median housing value of \$335,004. Additionally, 7.3 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. The bank's lending to low-income borrowers increased in 2019, but remained below demographic data.

In 2018, the bank's lending to moderate-income borrowers was below aggregate performance and the percentage of moderate-income families. Performance improved in 2019. As previously discussed, there is high competition for home mortgage loans in the Multistate MSA assessment area. Enterprise Bank was among 286 lenders who reported 6,583 loans to moderate-income borrowers.



<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Assessment Area: Multistate 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>
<b>Low</b>						
2018	24.0	9.1	19	8.0	3,443	3.6
2019	24.0	--	23	8.8	4,028	2.0
<b>Moderate</b>						
2018	16.7	22.7	20	8.4	4,813	5.0
2019	16.7	--	28	10.8	6,807	3.5
<b>Middle</b>						
2018	20.4	23.6	15	6.3	4,352	4.5
2019	20.4	--	20	7.7	6,772	3.4
<b>Upper</b>						
2018	38.8	32.1	53	22.4	23,696	24.7
2019	38.8	--	50	19.2	22,640	11.5
<b>Not Available</b>						
2018	0.0	12.6	130	54.9	59,680	62.2
2019	0.0	--	139	53.5	156,743	79.6
<b>Totals</b>						
<b>2018</b>	<b>100.0</b>	<b>100.0</b>	<b>237</b>	<b>100.0</b>	<b>95,984</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>--</b>	<b>260</b>	<b>100.0</b>	<b>196,990</b>	<b>100.0</b>
<i>Source: 2015 ACS Census; 1/1/2018 - 12/31/2019 Bank Data, 2018 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0</i>						

### **Community Development Lending**

Enterprise Bank is a leader in making community development loans in the Multistate MSA assessment area since the previous evaluation. The bank made the majority of its qualified community development loans in this assessment area. During the evaluation, the bank originated 61 loans for approximately \$111.3 million in the Multistate MSA assessment area. This performance exceeds that of the previous evaluation, in which the bank originated 38 loans for approximately \$55.2 million.

The following table details the bank's community development lending in the Multistate MSA assessment area by community development purpose and year.

<b>Community Development Lending Assessment Area: Multistate 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>
2017	2	38,030	8	3,451	8	7,857	2	10,311	<b>20</b>	<b>59,649</b>
2018	5	7,140	1	41	5	2,605	0	0	<b>11</b>	<b>9,786</b>
2019	6	13,308	8	2,733	13	9,802	3	15,988	<b>30</b>	<b>41,831</b>
YTD 2020	0	0	0	0	0	0	0	0	<b>0</b>	<b>0</b>
<b>Total</b>	<b>13</b>	<b>58,478</b>	<b>17</b>	<b>6,225</b>	<b>26</b>	<b>20,264</b>	<b>5</b>	<b>26,299</b>	<b>61</b>	<b>111,266</b>

*Source: Bank Records*

The following are examples of community development loans made during the evaluation period.

- In 2017, Enterprise Bank originated a \$1.2 million refinance loan to a non-profit community service organization. Loan proceeds were used to purchase and stabilize a mixed-use property. The property houses a homeless shelter operated by a related entity. The other units are rented to individuals under state-sponsored voucher programs.
- In 2018, Enterprise Bank originated a \$1.5 million loan to a non-profit organization that is dedicated to helping homeless families. Loan proceeds will be used to develop a 16-unit multi-family structure into an affordable housing project that will provide permanent apartments for homeless families.
- In 2019, Enterprise Bank originated a \$14.8 million loan to construct a new 84-unit residential complex within the assessment area. Of the 84 apartment units, 17 (approximately 20.2 percent) will be designated as affordable housing and restricted to families earning less than 50 percent of the area median income. The bank qualifies for a pro-rata portion of the total loan amount, which equates to approximately \$3.0 in support of affordable housing efforts in the assessment area.

## **INVESTMENT TEST**

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

### **Investment Activity**

The bank has a significant level of qualified community development investments and grants in the Multistate MSA. The bank made 361 investments totaling \$6.8 million in this area. Please refer to the following table for the bank's investments in the Multistate MSA 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	0	0	0	0	0	0	0	0	0	0
2017	1	5,200	0	0	0	0	0	0	1	5,200
2018	0	0	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0	0	0
YTD 2020	0	0	0	0	0	0	0	0	0	0
<b>Subtotal</b>	<b>1</b>	<b>5,200</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>5,200</b>
Qualified Grants & Donations	27	164	291	1,131	37	262	5	19	360	1,576
<b>Total</b>	<b>28</b>	<b>5,364</b>	291	1,131	37	262	5	19	361	6,776

*Source: Bank Records*

### Equity Investments

During the evaluation period, the bank made one equity investment in the form of a MBS totaling \$5.2 million in this area. A 118-unit affordable housing building located in a low-income census tract in Lowell secured the MBS.

### Qualified Grants and Donations

A majority of total donations benefitted the Multistate MSA. During the evaluation period, the bank made approximately \$1.6 million in qualified donations in this area. Donations primarily supported community development services to low- and moderate-income individuals and families.

The following are examples of qualified donations in the Multistate MSA:

- **The Lowell Plan** – The Lowell Plan is a non-profit organization that revitalizes and stabilizes Lowell, primarily a low- and moderate-income area, by promoting it as a place to live, play, and work. The Lowell Plan’s mission is to facilitate change by fostering collaboration across private, non-profit, and public sectors in Lowell.
- **Greater Lawrence Community Action Council (GLCAC)** – The GLCAC works with local, state, and Federal governments as well as private organizations to address poverty in the Greater Lawrence area. With an emphasis on education, social services, childcare, and housing, the GLCAC provides community services to low- and moderate-income individuals.
- **Coalition for a Better Acre** – The Coalition for a Better Acre is a community development corporation dedicated to revitalizing and stabilizing Lowell and the Merrimack Valley. The Coalition for a Better Acre promotes healthy and vibrant neighborhoods by developing affordable housing and economic opportunities.

**Responsiveness to Credit and Community Development Needs**

Enterprise Bank exhibits good responsiveness to credit and community economic development needs. The majority of donations benefit organizations that support low- and moderate-income individuals.

**Innovativeness or Complexity of Qualified Investments**

The bank rarely uses innovative or complex investments to support community development initiatives.

**SERVICE TEST**

The bank’s Multistate MSA Service Test performance is rated Outstanding. 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. Of the 19 branches in this rated area, 15.8 percent are located in low-income tracts and 10.6 percent are located in moderate-income tracts. Please refer to the following table.

<b>Branch and ATM 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>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	34	20.4	137,761	16.8	3	15.8	4	18.2
Moderate	24	14.4	126,679	15.5	2	10.6	4	18.2
Middle	62	37.1	317,083	38.8	7	36.8	7	31.8
Upper	46	27.5	236,516	28.9	7	36.8	7	31.8
NA	1	0.6	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>167</b>	<b>100.0</b>	<b>818,039</b>	<b>100.0</b>	19	100.0	22	100.0

*Source: 2015 ACS Data & Bank Data*

Enterprise Bank offers multi-lingual services in the Multistate MSA through its ATMs. Spanish is offered on the bank’s telephone banking service and ATMs located in Methuen, Lawrence, and Lowell. Khmer is offered at ATM locations in Lowell.

**Changes in Branch Locations**

To the extent changes have been made, the institution is 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. During the evaluation period, the bank opened branches in Lexington, MA and Windham, NH. Both are located in

upper-income tracts. Additionally, the bank relocated its Salem, NH from a middle-income tract to another middle-income tract.

### **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. Please refer to the overall Service Test Section for more information.

### **Community Development Services**

The bank is a leader in providing community development services. The bank provided approximately 16,000 hours or 87.5 percent of its community development service hours in the Multistate MSA assessment area. The majority of this activity was community services to low- and moderate-income individuals. The following are examples of the community development services provided.

- **Merrimack Valley Housing Partnership** - This organization promotes home ownership opportunities for low- and moderate-income families by providing counseling and promoting special mortgage products and down payment assistance programs. The chief mortgage and consumer lending officer serve on the organization's board.
- **Greater Lawrence Revolving Community Loan Fund** - This loan fund provides support for non-profit organizations serving four communities in the Greater Lawrence area. These organizations provide food, clothing, shelter, housing, and education services to low- and moderate-income individuals. A senior vice president serves on the organization's board.
- **Lazarus House** - This emergency homeless shelter serves Lawrence and surrounding area. The organization provides food, clothing, housing, and workforce preparation to low- and moderate-income individuals facing homelessness. A senior relationship manager serves on the organization's board.

### *Financial Education and Support*

- Throughout the evaluation period, employees taught multiple classes through Lawrence Works training. This assisted in preparing low- and moderate-income individuals with the skills needed to gain employment in the financial services field.
- Throughout the evaluation period, employees presented at first-time homebuyer seminars and financial literacy classes in partnership with organizations that serve low- and moderate-income individuals. These organizations include Bread and Roses Inc., Merrimack Valley Housing Partnership, and NewVue Communities.

### *Other Services*

- **Dollars and \$ense** - The bank has continued to produce a basic financial literacy program for cable access television that serves several municipalities throughout the assessment area. The program covers topics such as financial fraud, identity theft, elder financial abuse, and other local scams prevalent in the community. This provides critical information for vulnerable populations, including elders and low-income families.

## **STATE**

### **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 that previously discussed, except that this portion of the evaluation only considers activity in the Manchester-Nashua MSA assessment area. Please refer to the overall discussion for more information on products reviewed, timeframe, and weighting of products.

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

The Manchester-Nashua MSA assessment area includes 24 census tracts in the southeastern portion of Hillsborough County, NH. The bank has not opened or closed any branches in this assessment area and has not changed its boundaries since the prior evaluation. Enterprise Bank operates 4, or 16.0 percent, of its 25 branches in the Manchester-Nashua MSA assessment area. Examiners weighted this assessment area second among the bank's three assessment areas. The following sections discuss demographic and economic information for the Manchester-Nashua MSA.

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

The 24 census tracts within the assessment area reflect the following income designations:

- 4 low-income census tracts,
- 3 moderate-income census tracts,
- 9 middle-income census tracts, and
- 8 upper-income census tracts.

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**

<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	24	16.7	12.5	37.5	33.3	0.0
Population by Geography	124,905	15.0	10.0	37.8	37.2	0.0
Housing Units by Geography	50,630	17.2	10.7	37.4	34.7	0.0
Owner-Occupied Units by Geography	30,596	4.6	8.3	38.9	48.2	0.0
Occupied Rental Units by Geography	17,313	36.7	15.2	36.4	11.7	0.0
Vacant Units by Geography	2,721	35.2	8.7	27.1	29.0	0.0
Businesses by Geography	9,385	19.4	10.6	36.9	33.2	0.0
Farms by Geography	201	8.0	9.5	37.3	45.3	0.0
Family Distribution by Income Level	32,039	21.3	17.2	21.8	39.7	0.0
Household Distribution by Income Level	47,909	23.8	15.3	18.1	42.8	0.0
Median Family Income MSA - 31700 Manchester-Nashua, NH MSA		\$85,966	Median Housing Value			\$233,100
			Median Gross Rent			\$1,112
			Families Below Poverty Level			5.9%

*Source: 2015 ACS Census and 2019 D&B Data*

*Due to rounding, totals may not equal 100.0*

*(\*) The NA category consists of geographies that have not been assigned an income classification.*

According to 2019 D&B data, 9,385 non-farm businesses operate in the Manchester-Nashua MSA assessment area. The following reflects gross annual revenues (GARs) for these businesses.

- 82.4 percent have \$1.0 million or less,
- 6.8 percent have more than \$1.0 million, and
- 10.8 percent have unknown revenues.

Service industries represent the largest portion of businesses at 41.9 percent; followed by retail trade (14.0 percent); non-classifiable establishments (11.8 percent); construction (9.4 percent); and finance, insurance, and real estate (8.5 percent). In addition, 64.9 percent of area businesses have four or fewer employees, and 87.8 percent operate from a single location. Major employers in the assessment area include BAE Systems, Southern NH Medical Center, and the Nashua School District.

According to the Bureau of Labor Statistics, the average unemployment rate in 2018 was 2.6 percent in Hillsborough County, NH, which was only slightly higher than the NH statewide rate of 2.5 percent. The unemployment rate in the assessment area has declined slowly throughout the evaluation period, but began increasing rapidly in March 2020 because of the COVID-19 pandemic.

The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. Median housing costs are more affordable at \$233,100 than in the Multistate MSA assessment area, which has a median housing cost of \$335,004. Assessment area housing costs generally align with the state (\$237,081) and that of the U.S. (\$225,895).

Examiners used the 2018 and 2019 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.

<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>Manchester-Nashua, NH MSA Median Family Income (31700)</b>				
2018 (\$94,100)	<\$47,050	\$47,050 to <\$75,280	\$75,280 to <\$112,920	≥\$112,920
2019 (\$98,100)	<\$49,050	\$49,050 to <\$78,480	\$78,480 to <\$117,720	≥\$117,720
<i>Source: FFIEC Due to rounding, totals may not equal 100.0</i>				

### **Competition**

Enterprise Bank faces a moderate level of competition for small business loans from national banks and other community banks in Hillsborough County, NH. In 2018, 89 lenders originated 8,481 small business loans in the county totaling approximately \$263.9 million. Enterprise reported 160 small business loans and ranked 13<sup>th</sup> by number with 1.9 percent market share. The top four institutions, mainly credit card lenders had average loan sizes below \$30,000 and originated 51.5 percent of all small business loans. Enterprise Bank’s average loan size was approximately \$163,000.

There is a high level of competition for home mortgage loans among several banks, credit unions, and non-depository mortgage lenders. In 2018, 242 lenders reported 4,592 residential mortgage loans originated or purchased. Enterprise Bank ranked 32<sup>nd</sup>, with a market share of 0.7 percent. The three most prominent home mortgage lenders accounted for 22.5 percent of total market share.

### **Community Contacts**

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 contacted a representative of a housing organization that serves the bank’s Manchester-Nashua MSA assessment area. The contact noted that the region had a strong economy for the majority of the evaluation period (prior to the COVID-19 outbreak), but with a widening gap between rich and poor. This dichotomy, along with the rising cost of housing, created a need for affordable housing. Secondary needs include small dollar loans, homebuyer



education, and financial literacy education. The contact noted that there is strong competition between financial institutions to fund a limited number of projects.

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

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that affordable housing represents a primary credit need in NH. Although affordable housing is an important need, there is limited opportunity for local institutions to finance large affordable housing projects in southern NH, and the competition for projects that do arise further constricts opportunity in this area. Affordable housing opportunity primarily exists through smaller scale projects and the multi-family market. Homebuyer education, financial education literacy, and community services for low- and moderate-income populations are important secondary community development needs.

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

### **LENDING TEST**

The bank's Manchester-Nashua MSA Lending Test performance is rated High Satisfactory. 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 2018 and 2019, Enterprise Bank originated 211 small business loans totaling approximately \$35.3 million and 65 home mortgage loans totaling approximately \$19.7 million inside the Manchester-Nashua MSA assessment area.

The Description of Assessment Area section on page 30 discussed the bank's market share rankings for small business and home mortgage lending in 2018.

#### **Geographic Distribution**

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

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

The geographic distribution of small business loans reflects good penetration. In 2018, lending exceeded aggregate and the percentage of businesses in low-income tracts. Additionally, Enterprise Bank was among the top ten small business lenders, outperformed only by large national credit card lenders. The following table shows that performance in low-income tracts remained above demographic data in 2019. Performance in moderate-income tracts was similar to aggregate performance in 2018. Although performance declined in 2019, the bank was the top ranked community bank for lending in moderate-income tracts in 2018.

<b>Geographic Distribution of Small Business Loans</b>						
<b>Assessment Area: Manchester-Nashua 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>
<b>Low</b>						
2018	19.9	18.9	31	26.3	5,753	28.5
2019	19.4	--	19	20.4	3,838	25.3
<b>Moderate</b>						
2018	10.5	8.3	10	8.5	1,859	9.2
2019	10.6	--	6	6.5	257	1.7
<b>Middle</b>						
2018	37.0	33.8	25	21.2	2,131	10.6
2019	36.9	--	34	36.6	4,671	30.8
<b>Upper</b>						
2018	32.6	38.9	52	44.1	10,408	51.6
2019	33.2	--	34	36.6	6,396	42.2
<b>Not Available</b>						
2018	0.0	0.0	0	0.0	0	0.0
2019	0.0	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2018</b>	<b>100.0</b>	<b>100.0</b>	<b>118</b>	<b>100.0</b>	<b>20,151</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>--</b>	<b>93</b>	<b>100.0</b>	<b>15,162</b>	<b>100.0</b>
<i>Source: 2018 &amp; 2019 D&amp;B Data; 1/1/2018 - 12/31/2019 Bank Data; 2018 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0</i>						

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

The geographic distribution of home mortgage loans reflects good penetration throughout the Manchester-Nashua MSA assessment area. As shows in the following table, the bank outperformed aggregate and demographic data for lending in low-income tracts in 2018.

Lending in low-income tracts increased in 2019 and remained above the percentage of owner-occupied housing units.

In 2018, lending in moderate-income census tracts was above aggregate performance and demographic data. Performance declined in 2019, but remained above the percentage of owner-occupied housing units.

<b>Geographic Distribution of Home Mortgage Loans</b>						
<b>Assessment Area: Manchester-Nashua 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>
<b>Low</b>						
2018	4.6	7.6	3	9.7	483	6.0
2019	4.6	--	4	11.8	542	4.6
<b>Moderate</b>						
2018	8.3	7.6	3	9.7	583	7.3
2019	8.3	--	3	8.8	1,013	8.7
<b>Middle</b>						
2018	38.9	38.7	7	22.6	1,402	17.5
2019	38.9	--	9	26.5	4,051	34.7
<b>Upper</b>						
2018	48.2	46.0	18	58.1	5,525	69.1
2019	48.2	--	18	52.9	6,054	51.9
<b>Not Available</b>						
2018	0.0	0.0	0	0.0	0	0.0
2019	0.0	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2018</b>	<b>100.0</b>	<b>100.0</b>	<b>31</b>	<b>100.0</b>	<b>7,993</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>--</b>	<b>34</b>	<b>100.0</b>	<b>11,660</b>	<b>100.0</b>
<i>Source: 2015 ACS Census; 1/1/2018 - 12/31/2019 Bank Data, 2018 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0</i>						

## **Borrower Profile**

The distribution of borrowers reflects good penetration among businesses of different sizes and individuals of different income levels in the Manchester-Nashua MSA assessment area. The bank's excellent performance of small business lending and adequate performance of home mortgage lending support this conclusion. Examiners focused on the percentage by number of small business loans to businesses with GARs of \$1.0 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. In 2018, performance exceeded aggregate, and the bank was the top ranked state-chartered institution, outperformed only by large national banks. Although the bank's performance was less than the percentage of businesses, not all businesses are seeking a small business loan. The following table shows that performance improved in 2019 when compared to business demographics.

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						
2018	80.6	41.9	56	47.5	7,245	36.0
2019	82.4	--	49	52.7	5,896	38.9
>\$1,000,000						
2018	7.5	--	61	51.7	12,806	63.6
2019	6.8	--	44	47.3	9,266	61.1
Revenue Not Available						
2018	12.0	--	1	0.8	100	0.5
2019	10.8	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2018</b>	<b>100.0</b>	<b>100.0</b>	<b>118</b>	<b>100.0</b>	<b>20,151</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>--</b>	<b>93</b>	<b>100.0</b>	<b>15,162</b>	<b>100.0</b>
<i>Source: 2018 &amp; 2019 D&amp;B Data; 1/1/2018 - 12/31/2019 Bank Data; 2018 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 to individuals of different income levels, including low- and moderate-income borrowers, reflects adequate penetration. As shown in the following table, lending to low-income borrowers exceeded aggregate performance in 2018, but declined in 2019. The bank's performance was less than demographic data; however, the assessment area's median family income levels and median housing value help explain this disparity. A low-income family in the Manchester-Nashua MSA assessment area, earning less than \$47,050, would likely have trouble qualifying for a mortgage under conventional underwriting standards, considering the median housing value of \$233,100. In addition, 5.9 percent of families live below the poverty level, further limiting opportunities to lend.

The bank's lending performance to moderate-income borrowers was below aggregate performance and demographic data in 2018. Performance improved in 2019, but remained below the percentage of moderate-income families.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Assessment Area: Manchester-Nashua 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>
<b>Low</b>						
2018	21.3	6.2	3	9.7	423	5.3
2019	21.3	--	0	0.0	0	0.0
<b>Moderate</b>						
2018	17.2	22.6	2	6.5	521	6.5
2019	17.2	--	4	11.8	768	6.6
<b>Middle</b>						
2018	21.8	27.8	4	12.9	990	12.4
2019	21.8	--	4	11.8	1,064	9.1
<b>Upper</b>						
2018	39.7	30.3	8	25.8	2,316	29.0
2019	39.7	--	7	20.6	2,485	21.3
<b>Not Available</b>						
2018	0.0	13.0	14	45.2	3,744	46.8
2019	0.0	--	19	55.9	7,343	63.0
<b>Totals</b>						
<b>2018</b>	<b>100.0</b>	<b>100.0</b>	<b>31</b>	<b>100.0</b>	<b>7,993</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>--</b>	<b>34</b>	<b>94.0</b>	<b>11,660</b>	<b>95.0</b>
<i>Source: 2015 ACS Census; 1/1/2018 - 12/31/2019 Bank Data, 2018 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0</i>						

### **Community Development Lending**

Enterprise Bank made an adequate level of community development loans in the Manchester-Nashua MSA assessment area. During the evaluation period, the bank made three community development loans for \$580,000 that benefitted this assessment area. The bank originated all three loans in 2018 to community service organizations. The bank increased the number of originated loans since the previous evaluation, but the dollar amount decreased. In the prior evaluation period, Enterprise Bank made two community development loans for approximately \$1.3 million that benefitted the assessment area.

The following are examples of community development loans made during the evaluation period.

- In 2018, Enterprise Bank originated a \$300,000 revolving line of credit to a community service organization that provides community services to low-income youth. The proceeds will be used to provide working capital.

- In 2018, Enterprise Bank extended an existing loan to a statewide CDFI and increased the loan amount to \$130,000. The funds will support services for low- and moderate-income individuals and provide small business financing. This particular loan benefits a broader statewide area that includes the Manchester-Nashua MSA assessment area.

## **INVESTMENT TEST**

The bank's Manchester-Nashua MSA Investment Test performance is rated Low Satisfactory. The following sections discuss the bank's performance under each criterion.

### **Investment Activity**

The bank made an adequate level of qualified community development investments and grants in the Manchester-Nashua, MSA. During the evaluation period, the bank made 62 qualified donations for \$118,550. The bank did not make any equity investments in this area; however, the bank made equity investments that benefit a broader statewide or regional area that includes the Manchester-Nashua MSA. The following are examples of qualified donations made during the evaluation period.

- **Harbor Homes, Inc.** – Harbor Homes, Inc. is a non-profit organization that serves low-income individuals and families in NH. Harbor Homes, Inc. provides residential and community services to homeless individuals and/or those living with behavioral health disorders.
- **Front Door Agency** – The Front Door Agency serves the Greater Nashua community by providing housing stability programs, transitional housing, and financial literacy programs for low- and moderate-income individuals.

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

The bank exhibits adequate responsiveness to credit and community economic development needs in this area. A majority of qualified donations provide community development services by targeting organizations that support low- and moderate-income individuals.

### **Community Development Initiatives**

The bank rarely uses innovative or complex investments to support community development initiatives.

## **SERVICE TEST**

The bank's Manchester-Nashua MSA Service Test performance is rated High Satisfactory. 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 institution’s assessment area.

A majority of branches are in middle-income tracts. Please refer to the following table for the distribution of branches in this rated area.

<b>Branch and ATM Distribution by Geography Income Level</b>								
<b>Assessment Area: Manchester-Nashua MSA</b>								
<b>Tract Income Level</b>	<b>Census Tracts</b>		<b>Population</b>		<b>Branches</b>		<b>ATMs</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	4	16.7	18,720	15.0	1	25.0	1	25.0
Moderate	3	12.5	12,475	10.0	0	0.0	0	0.0
Middle	9	37.5	47,198	37.8	3	75.0	3	75.0
Upper	8	33.3	46,512	37.2	0	0.0	0	0.0
NA	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>24</b>	<b>100.0</b>	<b>124,905</b>	<b>100.0</b>	<b>4</b>	<b>100.0</b>	<b>4</b>	<b>100.0</b>

*Source: 2015 ACS Data & Bank Data*

**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. No branches were opened or closed in this area during the evaluation period.

**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. Please refer to the overall Service Test section for more information.

**Community Development Services**

The bank provided a relatively high level of community development services in this rated area. Employees provided approximately 1,600 hours of CRA qualified services over the evaluation period. A majority of these services were targeted to low- and moderate-income individuals.

The following are notable examples of community development services.

- **Marguerites Place** - This organization provides community services such as transitional housing, childcare, and other services for homeless women. A senior project manager serves on the board.

- **Pelham Good Neighbor Fund** - This organization provides funds to families in need for rent, heat, electricity, and food. The organization also provides scholarships to low- and moderate-income high school students with a financial need. A senior vice president serves as a trustee.

## STATE

**CRA RATING FOR MASSACHUSETTS: Satisfactory**

**The Lending Test is rated: Satisfactory**

**The Investment Test is rated: Satisfactory**

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

### SCOPE OF EVALUATION

The scope is similar to that previously discussed, except that this portion of the evaluation only considers activity in the Worcester MSA assessment area. Please refer to the overall discussion for more information on products reviewed, timeframe, and weighting of products.

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN MASSACHUSETTS

The Worcester MSA assessment area includes 21 census tracts in the northern portion of Worcester County, MA. The bank has not opened or closed any branches in this assessment area and has not changed its boundaries since the prior evaluation. Enterprise Bank operates 2, or 8.0 percent, of its 25 branches in the Worcester MSA assessment area. Examiners weighted this assessment area the least amongst the three assessment areas. The following sections discuss demographic and economic information for the Worcester MSA assessment area.

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

The 21 census tracts within the assessment area reflect the following income designations:

- 3 low-income census tracts,
- 6 moderate-income census tracts,
- 10 middle-income census tracts, and
- 2 upper-income census tracts.

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



**Demographic Information of the Assessment Area**

**Assessment Area: Worcester MSA**

<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	21	14.3	28.6	47.6	9.5	0.0
Population by Geography	92,667	11.3	28.4	53.5	6.9	0.0
Housing Units by Geography	39,395	12.9	28.8	52.0	6.2	0.0
Owner-Occupied Units by Geography	20,569	5.0	25.8	58.8	10.3	0.0
Occupied Rental Units by Geography	15,332	20.4	30.9	47.9	0.8	0.0
Vacant Units by Geography	3,494	26.9	37.7	29.5	5.9	0.0
Businesses by Geography	5,922	10.6	30.6	51.6	7.2	0.0
Farms by Geography	148	6.1	25.7	52.7	15.5	0.0
Family Distribution by Income Level	22,922	29.0	17.8	20.6	32.6	0.0
Household Distribution by Income Level	35,901	31.4	15.5	17.2	35.9	0.0
Median Family Income MSA - 49340 Worcester, MA-CT MSA		\$81,137	Median Housing Value			\$206,095
			Median Gross Rent			\$898
			Families Below Poverty Level			12.1%

*Source: 2015 ACS Census and 2019 D&B Data*

*Due to rounding, totals may not equal 100.0*

*(\*) The NA category consists of geographies that have not been assigned an income classification.*

According to 2019 D&B data, 5,922 non-farm businesses operate in the Worcester MSA assessment area. The following reflects gross annual revenues (GARs) for these businesses.

- 82.2 percent have \$1.0 million or less,
- 6.3 percent have more than \$1.0 million, and
- 11.5 percent have unknown revenues.

Service industries represent the largest portion of businesses at 40.4 percent; followed by retail trade (15.0 percent); non-classifiable establishments (12.3 percent); construction (9.5 percent); and finance, insurance, and real estate (8.0 percent). In addition, 64.5 percent of area businesses have four or fewer employees, and 87.4 percent operate from a single location. Major employers in the assessment area include UMass Memorial HealthAlliance - Clinton Hospital (Leominster Campus), Georgia-Pacific Corporation, Hannaford, and Market Basket.

According to the Bureau of Labor Statistics, the average unemployment rate in 2018 was 3.5 percent in Worcester County, MA, which was only slightly higher than the MA statewide rate of 3.3 percent. The unemployment rate in the assessment area has declined slowly throughout the evaluation period, but began increasing rapidly in March 2020 because of the COVID-19 pandemic.

The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. A median housing cost of \$206,095 in the Worcester MSA

assessment area is the lowest of the three assessment areas. The median housing cost is also well below the MA statewide median housing cost of \$335,004 and is lower than that of the U.S. (\$225,895).

Examiners used the 2018 and 2019 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.

<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>Worcester, MA-CT MSA Median Family Income (49340)</b>				
2018 (\$86,900)	<\$43,450	\$43,450 to <\$69,520	\$69,520 to <\$104,280	≥\$104,280
2019 (\$95,300)	<\$47,650	\$47,650 to <\$76,240	\$76,240 to <\$114,360	≥\$114,360
<i>Source: FFIEC Due to rounding, totals may not equal 100.0</i>				

### **Competition**

Enterprise Bank faces a moderate level of competition for small business loans from national banks and other community banks in Worcester County, MA. In 2018, 110 lenders originated 16,058 small business loans in the county totaling approximately \$432.8 million. Enterprise reported 70 small business loans and ranked 26<sup>th</sup> by number with 0.4 percent market share. The top four institutions, mainly credit card lenders had average loan sizes below \$30,000 and originated 50.5 percent of all small business loans. Enterprise Bank’s average loan size was approximately \$187,000.

There is a high level of competition for home mortgage loans among several banks, credit unions, and non-depository mortgage lenders. In 2018, 223 lenders reported 3,015 residential mortgage loans originated or purchased. Enterprise Bank ranked 72<sup>nd</sup>, with a market share of 0.3 percent. The three most prominent home mortgage lenders accounted for 20.6 percent of total market share.

### **Community Contacts**

Examiners conducted a community contact with a community development organization headquartered in Fitchburg, MA. The organization develops affordable housing and other economic opportunities for low- and moderate-income individuals and families in Worcester County. The contact stated that the economic conditions of Worcester County have improved, but a lack of affordable housing units and flexible financing options for low- and moderate-income borrowers still exists. The contact also mentioned that financial institutions have closed branches in Fitchburg, making it more difficult for low- and moderate-income individuals to obtain in-person banking services.

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

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that affordable housing represents a primary credit need in the assessment area. Affordable housing can be provided by financing construction projects for affordable housing units or by flexible financing. This also includes home improvement loans that can improve the quality of existing housing. Additional opportunities exist by providing deposit-banking services, both traditional and alternative options.

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

### **LENDING TEST**

The bank's Worcester MSA Lending Test performance is rated Satisfactory. The following sections discuss the bank's performance under each criterion.

#### **Lending Activity**

Lending levels reflect adequate responsiveness to assessment area credit needs. In 2018 and 2019, the bank reported 80 small business loans totaling approximately \$14.8 million and 28 home mortgage loans totaling approximately \$6.2 million inside the Worcester MSA assessment area.

The Competition section on page 40 previously discussed the bank's market share performance for small business and home mortgage lending

#### **Geographic Distribution**

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

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

The geographic distribution of small business loans reflects good penetration. In 2018, lending in low-income tracts was below aggregate performance and the percentage of businesses; however, as shown in the following table, performance improved in 2019. In moderate-income census tracts, lending exceeded both aggregate data and the percentage of businesses in 2018. Small business lending in moderate-income tracts improved in 2019, rising further above demographic data.

<b>Geographic Distribution of Small Business Loans</b>						
<b>Assessment Area: Worcester 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>
<b>Low</b>						
2018	11.0	10.1	1	2.3	148	1.8
2019	10.6	--	2	5.4	122	1.8
<b>Moderate</b>						
2018	30.9	29.9	17	39.5	2,452	30.1
2019	30.6	--	19	51.4	3,779	56.6
<b>Middle</b>						
2018	51.2	54.0	23	53.5	5,067	62.1
2019	51.6	--	15	40.5	2,761	41.4
<b>Upper</b>						
2018	6.8	6.0	2	4.7	490	6.0
2019	7.2	--	1	2.7	15	0.2
<b>Not Available</b>						
2018	0.0	0.0	0	0.0	0	0.0
2019	0.0	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2018</b>	<b>100.0</b>	<b>100.0</b>	<b>43</b>	<b>100.0</b>	<b>8,157</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>--</b>	<b>37</b>	<b>100.0</b>	<b>6,677</b>	<b>100.0</b>
<i>Source: 2018 &amp; 2019 D&amp;B Data; 1/1/2018 - 12/31/2019 Bank Data; 2018 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0</i>						

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

The geographic distribution of home mortgage loans reflects good distribution throughout the Worcester MSA assessment area. Although the bank did not originate any loans in low-income tracts in 2018, performance improved in 2019 and was above demographic data.

In moderate-income census tracts, lending exceeded aggregate performance and demographic data in 2018. In 2019, lending in moderate-income census tracts increased by number, but declined by percentage; however, performance continued to exceed the percentage of owner-occupied housing units.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Worcester MSA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2018	5.0	7.7	0	0.0	0	0.0
2019	5.0	--	4	20.0	887	19.2
Moderate						
2018	25.8	26.3	5	62.5	1,017	65.0
2019	25.8	--	9	45.0	2,130	46.1
Middle						
2018	58.8	57.8	2	25.0	407	26.0
2019	58.8	--	7	35.0	1,603	34.7
Upper						
2018	10.3	8.2	1	12.5	140	9.0
2019	10.3	--	0	0.0	0	0.0
Not Available						
2018	0.0	0.0	0	0.0	0	0.0
2019	0.0	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2018</b>	<b>100.0</b>	<b>100.0</b>	<b>8</b>	<b>100.0</b>	<b>1,564</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>--</b>	<b>20</b>	<b>100.0</b>	<b>4,620</b>	<b>100.0</b>

Source: 2015 ACS Census; 1/1/2018 - 12/31/2019 Bank Data, 2018 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 businesses of different sizes and individuals of different income levels in the Worcester MSA assessment area. The bank's good performance of small business lending and adequate performance of home mortgage lending support this conclusion. Examiners focused on the percentage by number of small business loans to businesses with GARs of \$1.0 million or less and home mortgage loans to low- and moderate-income borrowers.

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

The distribution of small business loans reflects good penetration of loans to businesses with GARs of \$1.0 million or less. As shown in the following table, performance was slightly below aggregate performance in 2018; however, the bank was one of the top-performing state-chartered institutions for lending to businesses with GARs of \$1.0 million or less in Worcester County. Performance improved in 2019. It is important to note that the percentage of businesses includes all businesses in Worcester County, which is larger than the bank's assessment area, and not all businesses may be in the market for a loan.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>						
<b>Assessment Area: Worcester 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>						
2018	81.2	35.4	14	32.6	1,482	18.2
2019	82.2	--	14	37.8	1,109	16.6
<b>&gt;\$1,000,000</b>						
2018	6.8	--	29	67.4	6,675	81.8
2019	6.3	--	23	62.2	5,568	83.4
<b>Revenue Not Available</b>						
2018	12.1	--	0	0.0	0	0.0
2019	11.5	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2018</b>	<b>100.0</b>	<b>100.0</b>	<b>43</b>	<b>100.0</b>	<b>8,157</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>--</b>	<b>37</b>	<b>100.0</b>	<b>6,677</b>	<b>100.0</b>
<i>Source: 2018 &amp; 2019 D&amp;B Data; 1/1/2018 - 12/31/2019 Bank Data; 2018 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 adequate penetration of loans to individuals of different income levels, including low- and moderate-income borrowers. The following table shows that lending to low-income borrowers exceeded aggregate performance in 2018, but was below demographics. A low-income family in this assessment area, earning less than \$43,450, may have difficulty qualifying for a mortgage under conventional underwriting standards, given the median housing value of \$206,095. Additionally, a high percentage of families, at 12.1 percent, live below the poverty level. Therefore, the demand and opportunity for lending to low-income families is relatively limited. This helps explain the disparity between lending to low-income families and the percentage of low-income families. Performance was similar in 2019.

With only one loan, the bank's performance of lending to moderate-income borrowers trailed aggregate performance and demographics in 2018. Performance was similar in 2019. Overall, the bank's loan volume is low. Examiners noted that the bank originated a high percentage of home mortgage loans to commercial borrowers, which are reported as 'NA' for income in the following table. Given the low volume of overall lending in the assessment area, performance is adequate.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Assessment Area: Worcester 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>
<b>Low</b>						
2018	29.0	8.4	1	12.5	135	8.6
2019	29.0	--	2	10.0	256	5.5
<b>Moderate</b>						
2018	17.8	25.8	1	12.5	137	8.8
2019	17.8	--	1	5.0	87	1.9
<b>Middle</b>						
2018	20.6	27.7	2	25.0	342	21.9
2019	20.6	--	0	0.0	0	0.0
<b>Upper</b>						
2018	32.6	23.5	1	12.5	205	13.1
2019	32.6	--	6	30.0	1,651	35.7
<b>Not Available</b>						
2018	0.0	14.5	3	37.5	745	47.6
2019	0.0	--	11	55.0	2,627	56.9
<b>Totals</b>						
<b>2018</b>	<b>100.0</b>	<b>100.0</b>	<b>8</b>	<b>100.0</b>	<b>1,564</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>--</b>	<b>20</b>	<b>100.0</b>	<b>4,620</b>	<b>100.0</b>
<i>Source: 2015 ACS Census; 1/1/2018 - 12/31/2019 Bank Data, 2018 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0</i>						

### **Community Development Lending**

Enterprise Bank made an adequate level of community development loans in the Worcester MSA assessment area. During the evaluation period, the bank made eight community development loans for \$9.2 million in this assessment area. Two loans for \$6.1 million provided affordable housing in 2017; five total loans for \$2.8 million were made to community service organizations in 2017, 2018, and 2019; and one loan for \$250,000 was made in 2019 to revitalize and stabilize low- and moderate-income neighborhoods. The bank increased the number of community development loans since the previous evaluation, but dollar amount slightly decreased. At the previous evaluation, Enterprise Bank originated four loans for approximately \$9.5 million that benefitted the Worcester MSA assessment area.

The following are examples of community development loans made during the evaluation period.

- In 2017, Enterprise Bank originated two loans totaling \$6.1 million to finance construction of an affordable housing project in the assessment area. The project will renovate a vacant historic mill building to provide 41 affordable housing units. All 41 units are for low- and moderate-income residents.
- In 2018, Enterprise Bank originated a \$1.2 million loan to a non-profit community service organization to purchase a new building that now serves as the organization's headquarters. The organization provides community services to low- and moderate-income residents in the assessment area.

## **INVESTMENT TEST**

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

### **Investment Activity**

The bank made an adequate level of qualified community development investments and grants in the Worcester MSA. During the evaluation period, the bank made 33 qualified donations for \$83,767. The bank did not make any equity investments in this area; however, the bank made equity investments that benefit a broader statewide or regional area that includes the Worcester MSA. The following are examples of organizations that bank made qualified donations to during the examination period.

- **NewVue Communities** – NewVue Communities develops affordable housing and fosters economic development in north-central MA.
- **North Central Massachusetts Development Corporation (NCMDC)** – The NCMDC is a non-profit and certified CDFI that focuses on creating jobs and promoting economic development in north-central MA.

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

The bank exhibits adequate responsiveness to credit and community economic development needs. A majority of qualified donations provide community development services by targeting organizations that support low- and moderate-income individuals.

### **Innovativeness or Complexity of Qualified Investments**

The bank rarely uses innovative or complex investments to support community development initiatives in this area.

## **SERVICE TEST**

The bank's Worcester MSA Service Test performance is rated High Satisfactory. 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 institution's assessment area.

The bank operates two branches in this area. Both are in moderate-income tracts. The bank also operates two remote deposit-taking ATMs. Both are in low-income tracts. A Spanish language option is available at these ATMs. The following table depicts the distribution of census tracts, population, branches, and ATMs across the assessment area.

<b>Branch and ATM Distribution by Geography Income Level</b>								
<b>Assessment Area: Worcester MSA</b>								
<b>Tract Income Level</b>	<b>Census Tracts</b>		<b>Population</b>		<b>Branches</b>		<b>ATMs</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	3	14.3	10,440	11.3	0	0.0	2	50.0
Moderate	6	28.6	26,288	28.4	2	100.0	2	50.0
Middle	10	47.6	49,570	53.5	0	0.0	0	0.0
Upper	2	9.5	6,369	6.9	0	0.0	0	0.0
NA	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>21</b>	<b>100.0</b>	<b>92,667</b>	<b>100.0</b>	<b>2</b>	<b>100.0</b>	<b>4</b>	<b>100.0</b>

*Source: 2015 ACS Data & Bank Data*

## 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. During the evaluation period, the bank relocated the Leominster branch, but it remained in the same moderate-income census tract as its original location.

## 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. Please refer to the overall Service Test section for more information.

## Community Development Services

The bank provides an adequate level of community development services in this area given its limited branch presence. Employees provided approximately 400 hours of community development services to various organizations.

The following are examples of community development services in the Worcester MSA.

- **Montachusett Opportunity Council** - This organization's mission is to alleviate poverty by providing community services for low- and moderate-income individuals that include

childcare, education, workforce development, health, and housing. A senior vice president serves on the organization's board.

- **Boys and Girls Club of Leominster** - This organization provides summer and afterschool programs for low- and moderate-income youth in Leominster and the surrounding communities. A vice president serves on the organization's board.

## **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 CRA rating.

## APPENDIX

### SCOPE OF EVALUATION

SCOPE OF EVALUATION	
<b>TIME PERIOD REVIEWED</b>	February 14, 2017 – April 27, 2020
<b>FINANCIAL INSTITUTION</b>	<b>Enterprise Bank and Trust Company</b>
<b>PRODUCTS REVIEWED</b>	Small business and home mortgage loans originated in 2017, 2018, and 2019.

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	
Manchester-Nashua, NH MSA	Full scope	None	
Worcester MA-CT MSA	Full 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 State Rating
Overall	High Satisfactory	High Satisfactory	Outstanding	High Satisfactory
Boston-Cambridge-Newton MA-NH MSA	Outstanding	High Satisfactory	Outstanding	Outstanding
Manchester-Nashua, NH MSA	High Satisfactory	Low Satisfactory	High Satisfactory	Satisfactory
Worcester MA-CT MSA	Satisfactory	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. Examiners conducted the fair lending review in accordance with the Federal Financial Institutions Examination Council (FFIEC) Interagency Fair Lending Examination Procedures. Based on these procedures, examiners did not note any evidence of disparate treatment.

## MINORITY APPLICATION FLOW

Examiners reviewed the bank's 2018 and 2019 HMDA Loan Application Registers to determine if the application flow from the different racial groups within the assessment areas reflected the assessment area's demographics.

According to the 2015 ACS Census Data, the assessment areas contain a population of 1,035,611 individuals, of which 26.4 percent are minorities. The minority population represented is 2.4 percent Black/African American, 7.7 percent Asian, 0.1 percent American Indian, 14.2 percent Hispanic or Latino, and 2.0 percent other.

Examiners compared the bank's 2018 HMDA loan data to the 2018 aggregate HMDA loan data. This comparison assists in deriving reasonable expectations for the application rate from minority home mortgage loan applicants. Refer to the following table for information on the bank's and aggregate's minority application flow in the assessment areas.

MINORITY APPLICATION FLOW					
RACE	Bank 2018 HMDA		2018 Aggregate Data	Bank 2019 HMDA	
	#	%	%	#	%
American Indian/ Alaska Native	1	0.3	0.3	0	0.0
Asian	11	2.7	7.5	12	2.8
Black/ African American	1	0.3	2.9	2	0.5
Hawaiian/Pacific Islander	0	0.0	0.1	0	0.0
2 or more Minority	1	0.3	0.1	0	0.0
Joint Race (White/Minority)	1	0.3	1.4	0	0.0
<b>Total Racial Minority</b>	<b>15</b>	<b>3.9</b>	<b>12.3</b>	<b>14</b>	<b>3.3</b>
White	144	36.6	66.9	177	41.9
Race Not Available	234	59.5	20.8	231	54.8
<b>Total</b>	<b>393</b>	<b>100.0</b>	<b>100.0</b>	<b>422</b>	<b>100.0</b>
ETHNICITY					
Hispanic or Latino	14	3.6	8.7	9	2.1
Joint (Hisp/Lat /Not Hisp/Lat)	0	0.0	1.3	1	0.2
<b>Total Ethnic Minority</b>	<b>14</b>	<b>3.6</b>	<b>10.0</b>	<b>10</b>	<b>2.3</b>
Not Hispanic or Latino	143	36.4	69.3	167	39.6
Ethnicity Not Available	236	60.0	20.7	245	58.1
<b>Total</b>	<b>393</b>	<b>100.0</b>	<b>100.0</b>	<b>422</b>	<b>100.0</b>

Source: ACS Census 2015, HMDA Aggregate Data 2017, HMDA LAR Data 2017 and 2018

In 2018, the bank received 393 HMDA reportable loan applications within its assessment areas. Of these applications, the bank received 15 or 3.9 percent from minority applicants. The aggregate received 12.3 percent of its applications from minority applicants. For the same period, the bank received 14 or 3.6 percent of all applications from ethnic groups of Hispanic origin within its assessment areas, compared to the aggregate at 10.0 percent.

In 2019, the bank received 422 HMDA reportable loan applications within its assessment area. Of these applications, the bank received 14 or 3.3 percent from minority applicants. The bank also received 10 or 2.3 percent of applications from ethnic groups of Hispanic origin within its assessment areas.

Considering the assessment area's demographic composition and comparisons to 2018 aggregate data, the bank's minority application flow is adequate.

## GLOSSARY

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

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

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

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

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

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

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; 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.