

# **PUBLIC DISCLOSURE**

November 26, 2018

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Fidelity Co-operative Bank  
Certificate Number: 26451

675 Main Street  
Fitchburg, Massachusetts 01420

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.

## TABLE OF CONTENTS

Institution Rating .....	1
Scope of Evaluation .....	2
Description of Institution .....	5
Description of Assessment Area .....	7
Conclusions on Performance Criteria .....	11
Discriminatory or Other Illegal Credit Practices Review .....	24
Appendix: Division of Banks Fair Lending Policies and Procedures.....	25
Glossary .....	27

## INSTITUTION RATING

**INSTITUTION'S CRA RATING:** This institution is rated **Satisfactory** by the FDIC and **High Satisfactory** by the Division of Banks<sup>1</sup>. 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.

Fidelity Co-operative Bank's satisfactory Community Reinvestment Act (CRA) performance under the Lending Test primarily supports the overall rating. Examiners did not identify any evidence of discriminatory or other illegal credit practices. The following points summarize the bank's Lending Test and Community Development Test performance.

**The Lending Test is rated Satisfactory.**

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- The bank made a majority of its home mortgage and small business loans in the assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects reasonable penetration of loans among individuals of different income levels and businesses of different sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

**The Community Development Test is rated Outstanding.**

- The institution demonstrated excellent responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services, as appropriate. Examiners considered the institution's capacity and the need and availability of such opportunities for community development in the assessment area.

---

<sup>1</sup> The FDIC's rating matrix does not provide for a "High Satisfactory" rating; however, the FDIC and the Division agree on the bank's overall performance levels.

## **SCOPE OF EVALUATION**

### **General Information**

This evaluation covers the period from the prior evaluation dated September 28, 2015, to the current evaluation dated November 26, 2018. Examiners used the Interagency Intermediate Small Institution (ISI) Examination Procedures to evaluate Fidelity Co-operative Bank's (Fidelity) performance. These procedures include two tests: the CRA Small Bank Lending Test and the Community Development Test.

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

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

- Loan-to-deposit ratio
- Assessment area concentration
- Geographic distribution
- Borrower profile
- Response to CRA-related complaints

The Community Development Test considered the following factors.

- Number and dollar amount of community development loans, qualified investments, and community development services
- The responsiveness of such activities to the community development needs of the assessment area

Banks must achieve at least a Satisfactory rating under each test to receive an overall Satisfactory rating. This evaluation does not include any lending activity performed by affiliates.

### **Loan Products Reviewed**

Examiners determined that the bank's major product lines are home mortgage and commercial loans. This conclusion considered the bank's business strategy and the number and dollar volume of loans originated during the evaluation period. Examiners did not consider other product lines, such as small farm and consumer loans, due to the low volume and the overall small portion of the loan portfolio represented by these loan types. Since small farm and consumer lending provide no material support for conclusions or ratings, this evaluation does not address these loan types.

This evaluation considered all originated home mortgage loans reported on the bank's 2016 and 2017 Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs). The LARs contain data about home purchase and home improvement loans, including refinances of one- to four-family and multi-family properties. In 2016, the bank reported 452 loans totaling \$114.6

million. In 2017, the bank reported 294 loans totaling approximately \$77.6 million. Examiners compared the bank's 2016 and 2017 home mortgage lending performance against aggregate lending data. Additionally, examiners compared the bank's 2016 performance to 2010 U.S. Census data and its 2017 performance to 2015 ACS data. Since the 2015 ACS changed some of the area's census tract and income designations, all references to census tracts and income designations in this performance evaluation refer to 2015 ACS data unless otherwise noted.

To evaluate commercial lending, examiners reviewed all small business loans originated in 2016, 2017, and year-to-date 2018 (as of October 31, 2018). A small business loan has an original loan amount of \$1 million or less and is secured by nonfarm nonresidential properties or is classified as a commercial and industrial loan. As an ISI, the bank is not required to report small business loan data and it has not elected to do so. However, the bank collects small business lending data for its own purposes. Examiners validated and analyzed the small business loan data provided for 2016, 2017, and year-to-date 2018. In 2016, the bank originated 103 small business loans totaling approximately \$27.9 million. In 2017, the bank originated 176 small business loans totaling approximately \$40.3 million. As of October 31, 2018, the bank originated 131 small business loans totaling approximately \$29.2 million. Since the bank is not a small business data reporter, examiners did not use small business aggregate data for comparison. Instead, examiners used D&B data as a standard of comparison for the bank's 2016, 2017, and year-to-date 2018 small business loans.

For the Lending Test, examiners reviewed the number and dollar volume of home mortgage and small business loans. While this evaluation presents the number and dollar volume of loans, examiners emphasized performance by number of loans, as the number of loans is a better indicator of the number of individuals and businesses served. Additionally, the bank originated significantly more home mortgage loans by both number and dollar volume than small business loans during the evaluation period. Therefore, home mortgage lending contributed more weight in assigning the overall Lending Test rating. Furthermore, the Geographic Distribution and Borrower Profile criteria only include an analysis of loans extended within the bank's assessment area.

For the Community Development Test, bank management provided data on community development loans, qualified investments, and community development services since the prior CRA evaluation dated September 28, 2015.

### **Other Information**

Fidelity designated two contiguous assessment areas, including one assessment area in the Worcester, MA-CT Metropolitan Statistical Area (MSA) 49340, and one assessment area in the Cambridge-Newton-Framingham, MA Metropolitan Division (MD) (15764). Examiners used full-scope procedures to evaluate the bank's performance in these two assessment areas. In terms of weighting, examiners assigned greater weight to the bank's performance in its Worcester, MA-CT MSA assessment area in arriving at the overall rating, as that area accounted for a significant majority of the bank's operations and lending volume (see table below). Additionally, although examiners analyzed the bank's performance in the two assessment areas separately, the evaluation presents the analysis on a combined basis, as the institution's performance was similar in MSA 49340 and MD 15764 and both of these metropolitan areas are

located within the Boston-Worcester-Providence, MA-RI-NH-CT Combined Statistical Area (CSA) 148.

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

<b>Assessment Area Breakdown of Loans, Deposits, and Branches</b>						
<b>Assessment Area</b>	<b>Loans</b>		<b>Deposits</b>		<b>Branches</b>	
	<b>\$(000s)</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>	<b>#</b>	<b>%</b>
Worcester, MA-CT MSA	155,525	89.1	709,215	92.2	11	91.7
Cambridge-Newton-Framingham, MA MD	18,921	10.9	59,616	7.8	1	8.3
<b>Total</b>	<b>174,446</b>	<b>100.0</b>	<b>768,831</b>	<b>100.0</b>	<b>12</b>	<b>100.0</b>
<i>Source: HMDA Data 1/1/2016 - 12/31/2017; Bank Small Business Loan Data 1/1/2016 - 10/31/2018; FDIC Summary of Deposits 06/30/2018; Bank Records.</i>						

## **DESCRIPTION OF INSTITUTION**

### **Background**

Fidelity Co-operative Bank (Fidelity) is a state-chartered community bank headquartered in Fitchburg, Massachusetts. The bank is wholly owned by Life Design Holding Company, which in turn is owned by Fidelity Mutual Holding Company.

Fidelity has the following wholly owned subsidiaries: FCB Securities Corporation; Shirley Securities, Inc.; Hayes-Barrett Insurance, LLC; Hayes-Barrett Investments, LLC; M3S, LLC; M3 S Realty Trust; Exchange Authority, LLC; Exchange Parking Series, LLC; and Nashway Realty, LLC. The FCB Securities Corporation and Shirley Securities, Inc. subsidiaries hold securities and investments for the bank. The Hayes-Barrett Insurance and Investment, LLCs provide insurance and investment products and services in the bank's retail offices through Infinex, Inc. The M3S, LLC and the M3 S Realty Trust subsidiaries hold real estate for the bank. The Exchange Authority, LLC provides a service to bank customers that enable them to transfer one property to another party legally without having to pay federal income taxes on the transaction. The Exchange Parking Series, LLC holds individual series to facilitate exchange transactions for Exchange. Lastly, Nashway Realty, LLC holds foreclosed properties.

The institution received a "Satisfactory" rating from the FDIC and the Division during its prior joint evaluation dated September 28, 2015, using ISI procedures.

### **Operations**

Fidelity operates 12 full-service offices, including its main office in Fitchburg and 11 full-service branches throughout western Massachusetts. The bank has 11 branches in Worcester County and 1 branch in Middlesex County.

Since the prior evaluation, Fidelity acquired two institutions through merger. On April 1, 2016, the bank acquired Barre Savings Bank in Barre, Massachusetts. The bank also acquired Colonial Co-operative Bank in Gardner, Massachusetts on April 1, 2018. As a result of the merger with Barre Savings Bank, the bank acquired a branch in a middle-income census tract in Barre, Massachusetts, and branches in upper-income tracts in Paxton and Princeton, Massachusetts. Following the Colonial Co-operative Bank merger, the bank acquired a branch in a middle-income tract in Winchendon, Massachusetts, and a branch in a moderate-income tract in Gardner, Massachusetts.

Fidelity offers various financial products and services to consumers and business customers. The bank offers loan products including home mortgage, commercial, and consumer loans, with a primary focus on residential lending. The bank also provides various deposit services including checking, savings, money market, and certificates of deposit. Lastly, the bank offers personal wealth management services through a relationship with Infinex Investments, LLC. Products and services include, but are not limited to, individual retirement accounts, 401(k) plans, 529 plans, and life and health insurance. Alternative banking services include online banking, mobile banking, electronic bill pay, mobile deposits, telephone banking, and ATMs.

### **Ability and Capacity**

The bank's assets totaled approximately \$918.2 million as of September 30, 2018, and included total loans of \$757.9 million and total securities of \$88.4 million. Total assets increased by 47.1 percent since the previous evaluation, primarily due to the mergers with Barre Savings Bank and Colonial Co-operative Bank. Residential loans, including multi-family loans, account for the largest portion of the loan portfolio at 52.4 percent. Collectively, loans secured by commercial real estate and commercial and industrial loans represent 42.2 percent of the loan portfolio. The following table illustrates the loan portfolio.

<b>Loan Portfolio Distribution as of 9/30/2018</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction and Land Development	37,336	4.9
Secured by Farmland	226	<0.1
1-4 Family Residential	379,839	50.1
Multi-family (5 or more) Residential	17,433	2.3
Commercial Real Estate	204,952	27.0
<b>Total Real Estate Loans</b>	<b>639,786</b>	<b>84.4</b>
Commercial and Industrial	115,233	15.2
Consumer	1,909	0.3
Other	927	0.1
<b>Total Loans</b>	<b>757,855</b>	<b>100.0</b>
<i>Source: Report 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

The CRA requires each financial institution to define one or more assessment areas within which examiners will evaluate its CRA performance. Fidelity designated two contiguous assessment areas, including one assessment area within the Worcester, MA-CT MSA (49340) and one assessment area within the Cambridge-Newton-Framingham, MA MD (15764). Both MSA 49340 and MD 15764 are within the larger Boston-Worcester-Providence, MA-RI-NH-CT Combined Statistical Area (CSA) 148. The following sections discuss economic and demographic information for the overall assessment area.

### **Economic and Demographic Data**

The overall assessment area includes 135 census tracts located in Worcester and Middlesex County. Worcester County forms part of the Worcester, MA-CT MSA and accounts for 123 of the census tracts. Middlesex County is located within the Cambridge-Newton-Framingham, MA MD and accounts for the assessment area's remaining 12 census tracts.

The overall assessment area includes 43 cities and towns. Since the prior evaluation, Fidelity expanded its assessment area due to the acquisitions of Barre Savings Bank and the Colonial Co-operative Bank. Specifically, the bank added the following towns to its assessment area: Barre, Brookfield, East Brookfield, Hardwick, North Brookfield, Oakham, Paxton, Petersham, Royalston, Rutland, Spencer, and West Brookfield. The following are the cities and towns in the assessment area grouped by county:

- Worcester County: Ashburnham, Auburn, Barre, Boylston, Brookfield, Clinton, East Brookfield, Fitchburg, Gardner, Grafton, Hardwick, Harvard, Holden, Hubbardston, Lancaster, Leominster, Lunenburg, Millbury, North Brookfield, Oakham, Oxford, Paxton, Petersham, Princeton, Royalston, Rutland, Shrewsbury, Spencer, Sterling, Sutton, Templeton, West Boylston, West Brookfield, Westminster, Winchendon, and Worcester.
- Middlesex County: Ashby, Ayer, Groton, Littleton, Pepperell, Shirley, and Townsend.

The assessment area's 135 census tracts reflect the following income designations according to the 2015 ACS data:

- 17 low-income tracts,
- 27 moderate-income tracts,
- 53 middle-income tracts,
- 35 upper-income tracts, and
- 3 incomes with no income designation.

The low- and moderate-income census tracts are concentrated in Worcester, Fitchburg, Leominster, and Gardner. The census tracts with no income designation are the College of the Holy Cross, Clark University, and Saint Vincent Hospital.

The 2015 ACS resulted in the following changes that are applicable to this analysis:

- 4 low-income census tracts were reclassified as moderate-income, and 1 low-income census tract was reclassified as no income designation;
- 8 moderate-income census tracts were reclassified as low-income, and 8 moderate-income census tracts were reclassified as middle-income;
- 13 middle-income census tracts were reclassified as moderate-income, and 9 middle-income census tracts were reclassified as upper-income; and
- 4 upper-income census tracts were reclassified as middle-income.

The net result of the changes from the 2015 ACS were three additional low-income census tracts, one additional moderate-income census tract, ten fewer middle-income census tracts, five additional upper-income census tracts, and one additional census tract with no income designation.

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

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	135	12.6	20.0	39.3	25.9	2.2
Population by Geography	625,142	10.8	18.5	40.7	29.2	0.8
Housing Units by Geography	253,700	11.7	19.6	41.3	26.8	0.6
Owner-Occupied Units by Geography	147,303	3.6	13.9	46.3	36.1	0.1
Occupied Rental Units by Geography	84,543	24.8	27.5	34.1	12.2	1.4
Vacant Units by Geography	21,854	15.8	26.6	35.7	20.8	1.1
Businesses by Geography	36,926	8.8	18.4	38.2	30.9	3.7
Family Distribution by Income Level	152,552	23.2	17.0	20.7	39.1	0.0
Household Distribution by Income Level	231,846	27.1	14.9	17.3	40.7	0.0
Median Family Income: Cambridge-Newton-Framingham, MA MD 15764		\$100,380	Median Housing Value			\$244,116
Median Family Income: Worcester, MA-CT MSA 49340		\$81,137	Median Gross Rent			\$934
			Families Below Poverty Level			9.1%
Source: 2010 U.S. Census, 2015 ACS, and 2018 D&B Data (*) The NA category consists of geographies that have not been assigned an income classification.						

According to 2018 D&B data, there were 36,926 non-farm businesses in the assessment area. Service industries represent the largest portion of businesses in the assessment area at 43.5 percent, followed by retail trade (13.2 percent); non-classifiable establishments (9.7 percent), construction (9.5 percent); and finance, insurance, and real estate (8.0 percent). According to data obtained from Moody's Analytics as of September 2018, the top employers in the Worcester, MA-CT MSA included University of Massachusetts (UMass) Memorial Health Care, UMass Medical School, Reliant Medical Group, and Saint Vincent Hospital. In the Cambridge-Newton-Framingham, MA MD, the top employers included Harvard University, Massachusetts Institute of Technology, the TJX CO. Inc., and DeMoulas Supermarkets, Inc.

The analysis of small business loans under the Borrower Profile criterion compares the distribution of the bank's small business loans to the distribution of businesses by gross annual revenue (GAR) level. Listed below are the GARs for the area's businesses based on 2018 D&B data:

- 82.9 percent have GARs of \$1 million or less.
- 6.2 percent have GARs more than \$1 million.
- 10.9 percent have unknown revenues.

Further, approximately 78.6 percent of all businesses in the assessment area have GARs less than \$500,000, 67.7 percent of the businesses have four or fewer employees, and 88.1 percent of the businesses operate from a single location. These factors indicate that the majority of businesses in the assessment area are very small.

Examiners used the FFIEC-updated median family income level to analyze home mortgage loans under the Borrower Profile criterion. The following table presents the low-, moderate-, middle-, and upper-income categories. These categories are based on the 2016 and 2017 FFIEC-updated median family income for each MSA and MD in the assessment area.

<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 15764</b>				
2016 (\$98,600)	<\$49,300	\$49,300 to <\$78,880	\$78,880 to <\$118,320	≥\$118,320
2017 (\$104,800)	<\$52,400	\$52,400 to <\$83,840	\$83,840 to <\$125,760	≥\$125,760
<b>Worcester, MA-CT MSA 49340</b>				
2016 (\$78,500)	<\$39,250	\$39,250 to <\$62,800	\$62,800 to <\$94,200	≥\$94,200
2017 (\$84,000)	<\$42,000	\$42,000 to <\$67,200	\$67,200 to <\$100,800	≥\$100,800
<i>Source: FFIEC</i>				

The Geographic Distribution criterion compares the distribution of the bank's home mortgage loans to the distribution of owner-occupied housing units. There are 253,700 housing units in the assessment area. Of these units, 58.1 percent are owner-occupied and 33.3 percent are occupied rental units. The remaining 8.6 percent of housing units are vacant.

Data obtained from the U.S. Bureau of Labor Statistics indicated that the 2017 year-end unemployment rate was 3.9 percent in Worcester County and 3.0 percent in Middlesex County. The unemployment rate in the state was 3.7 percent as of year-end 2017. The unemployment rates in both counties fell below the nationwide unemployment rate of 4.4 percent. The unemployment rate decreased each year over the evaluation period.

### **Competition**

The assessment area is competitive for financial services. According to FDIC Deposit Market Share data as of June 30, 2018, 28 financial institutions operated 153 full-service branches within the assessment area. Of these institutions, Fidelity ranked fifth with a deposit market share of 6.9 percent.

There is a high level of competition for home mortgage loans among banks, credit unions, and non-depository lenders in the area. In 2016, 409 lenders reported 21,095 originated or purchased residential mortgage loans. Fidelity ranked thirteenth out of this group with a 1.6 percent market share. The competition level within the assessment area remained steady in 2017, with 414 lenders originating or purchasing 18,494 residential mortgage loans. Fidelity ranked 22<sup>nd</sup> with a 1.0 percent market share. Fidelity was the top ranked state-chartered institution in 2016, and ranked lower than only one other state-chartered institution in 2017. The majority of lenders ranked ahead of Fidelity were large national banks, non-depository lenders, and credit unions.

Fidelity is not required to collect or report its small business loan data, and it has not elected to do so. Therefore, the analysis of small business loans under the Lending Test does not include comparisons against aggregate data. The aggregate data, however, reflects the level of demand for small business loans and is therefore noted here. The 2016 aggregate data shows that 154 institutions reported 55,124 small business loans in the counties of the assessment area indicating a high degree of competition for this product. The competition level remained steady in 2017, with 154 institutions reporting 54,536 loans in the counties of the assessment area.

### **Community Contact**

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

Examiners contacted a representative of a non-profit affordable housing and neighborhood revitalization organization active in the bank's assessment area. The organization serves low- and moderate-income individuals and families in Worcester County by developing affordable housing, providing flexible financing, and offering affordable rental units. The contact stated that Worcester County's economic condition overall has steadily improved. The contact identified the city of Worcester as the area most in need of community development in the bank's assessment area. Further, the contact stated that the housing stock in the area is aging and poorly maintained. As such, the contact stated many affordable housing units are in critical need of rehabilitation. The contact also noted that local government funding has slowed in recent years, which has substantially curbed the development of affordable housing in the area. Additionally, the contact cited a need for home improvement loans that would help contribute to the availability and quality of affordable housing units. According to the contact, projects in support of neighborhood revitalization also represent a need in the Worcester area. The contact also cited a need for financial education for low- and moderate-income individuals. Lastly, the contact noted opportunities for financial institutions to contribute to the organization's loan fund and provide grant and investment resources given the reduced municipal participation. Overall, the contact noted strong financial institution performance in the community.

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

Considering information from the community contacts, bank management, and demographic and economic information, examiners determined that affordable housing, home improvement loans, neighborhood revitalization, and financial education are the assessment area's primary community development needs.

## CONCLUSIONS ON PERFORMANCE CRITERIA

### LENDING TEST

Fidelity demonstrated reasonable performance under the Lending Test. The bank's performance under the LTD ratio, Assessment Area Concentration, and Geographic Distribution criteria primarily supports this conclusion.

### Loan-to-Deposit Ratio

The bank's LTD ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. The bank's LTD ratio, calculated from Call Report data, averaged 92.7 percent over the past 13 quarters from June 30, 2015, to September 30, 2018. The ratio ranged from a low of 87.4 percent as of September 30, 2015, to a high of 98.6 percent as of September 30, 2018. The ratio remained generally stable during the evaluation period.

Examiners compared Fidelity's average net LTD to that of other similarly situated institutions. Examiners selected the comparable institutions based on asset size, geographic location, and lending focus. As shown in the table below, the bank maintained a ratio that exceeded two similarly situated institutions and fell below three similarly situated institutions.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 09/30/2018 \$(000s)	Average Net LTD Ratio (%)
<b>Fidelity Co-operative Bank</b>	<b>918,160</b>	<b>92.7</b>
Rollstone Bank & Trust	633,463	112.7
Hometown Bank	768,814	85.9
Main Street Bank	1,028,957	84.5
Cornerstone Bank	1,150,715	107.8
Webster Five Cent Savings Bank	819,742	106.1
<i>Source: Call Reports, 09/30/2015 through 09/30/2018</i>		

The bank sells a portion of its residential loans to the secondary market and through correspondent lending relationships, which further supports the bank's reasonable ratio. The bank sold 276 loans totaling \$57.4 million in 2016, and 206 loans totaling \$44 million in 2017. As of September 30, 2018, the bank sold 109 loans totaling approximately \$17.1 million.

### Assessment Area Concentration

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

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollars Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2016	332	73.5	120	26.5	452	75,892	66.2	38,721	33.8	114,613
2017	192	65.3	102	34.7	294	41,457	53.4	36,107	46.6	77,564
Subtotal	524	70.2	222	29.8	746	117,349	61.1	74,828	38.9	192,177
Small Business										
2016	68	66.0	35	34.0	103	15,361	55.1	12,522	44.9	27,883
2017	110	62.5	66	37.5	176	21,397	53.1	18,888	46.9	40,285
Year-to-Date 2018	92	70.2	39	29.8	131	20,339	69.7	8,844	30.3	29,183
Subtotal	270	65.9	140	34.1	410	57,097	58.7	40,254	41.3	97,351
Total	794	68.7	362	31.3	1,156	174,446	60.3	115,082	39.7	289,528
Source: Bank Small Business Loan Data 1/1/2016 - 10/31/2018; HMDA Data 1/1/2016 - 12/31/2017										

### **Geographic Distribution**

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

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

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. While examiners compared the bank's lending performance to aggregate and demographic data, examiners placed more weight on the comparisons to aggregate data, as this demonstrates the actual lending activity in the area by all institutions. The aggregate data provides a better indicator of the opportunities and demand in the assessment area.

As the following table illustrates, the bank's lending in low-income census tracts was generally comparable to aggregate performance, and the bank's lending in moderate-income census tracts exceeded aggregate performance. In 2016, the bank's lending in low-income census tracts trailed aggregate and the demographics by 1.5 percentage points and 1.8 percentage points, respectively. In moderate-income tracts, the bank exceeded aggregate performance by 0.9 percentage points and was comparable to the demographics.

Despite a decline in overall lending in 2017, the bank's lending in low- and moderate-income census tracts increased both by number and as an overall percent of lending. In 2017, the bank exceeded aggregate in low- and moderate-income tracts by 0.6 percentage points and 6.1 percentage points, respectively. Further, the bank exceeded the percent of owner-occupied housing units in low- and moderate-income census tracts.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2016	2.7	2.4	3	0.9	677	0.9
2017	3.6	5.1	11	5.7	2,385	5.8
Moderate						
2016	11.2	10.5	38	11.4	5,611	7.4
2017	13.9	15.8	42	21.9	7,119	17.2
Middle						
2016	55.0	53.4	204	61.4	47,387	62.4
2017	46.3	44.9	87	45.3	16,617	40.1
Upper						
2016	31.1	33.7	87	26.3	22,217	29.3
2017	36.1	34.1	52	27.1	15,336	36.9
Not Available						
2016	0.0	0.0	0	0.0	0	0.0
2017	0.1	0.1	0	0.0	0	0.0
<b>Totals</b>						
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>332</b>	<b>100.0</b>	<b>75,892</b>	<b>100.0</b>
<b>2017</b>	<b>100.0</b>	<b>100.0</b>	<b>192</b>	<b>100.0</b>	<b>41,457</b>	<b>100.0</b>
Source: 2010 U.S. Census and 2015 ACS data; HMDA Data 1/1/2016- 12/31/2017; 2016 and 2017 HMDA Aggregate Data,						

Market share data further supports the bank's reasonable performance. In 2016, the bank ranked 53<sup>rd</sup> out of 133 lenders that originated or purchased a loan in a low-income census tract in the assessment area. In addition to national banks and mortgage companies, several state-chartered community banks also outperformed the bank. The bank ranked thirteenth out of 213 lenders in originating loans in moderate-income tracts in the assessment area in 2016. Fidelity was the top rated community bank in lending within moderate-income tracts in the assessment area. All of the institutions ranked above Fidelity included national banks, mortgage companies, and large credit unions. The top three lenders included Wells Fargo Bank, NA; Pennymac Loan Services, LLC; and Freedom Mortgage Corporation.

The bank's market share rankings in both low- and moderate-income geographies improved in 2017. The bank ranked 23<sup>rd</sup> out of 162 lenders that originated or purchased a loan in low-income census tracts within the assessment area. Further, the bank ranked sixteenth out of 238 lenders in lending in moderate-income geographies. Again, the bank remained the top rated community bank in lending within moderate-income tracts in the assessment area. These rankings exceed the bank's overall market rank of 22<sup>nd</sup> in the assessment area in 2017. Large national banks and mortgage companies primarily outperformed the bank.

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

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. The following table shows that the bank's performance in low-income census tracts generally exceeded the percent of businesses. Despite limited lending to small business in low-income tracts in 2016, the bank increased lending in 2017 and year-to-date 2018. Further, the bank increased lending in low-income census tracts despite a decrease in the percent of businesses in those geographies. The bank's small business lending exceeded the demographics by 1.1 percentage points in 2017 and 2.1 percentage points in year-to-date 2018.

Similarly, the bank's lending in moderate-income tracts displayed a positive trend over the evaluation period and exceeded the demographics each year. In 2016, the bank originated 19.1 percent of its small business loans in moderate-income tracts, exceeding the percent of businesses by 2.5 percentage points. The bank's lending in moderate-income tracts kept pace with the increase in the percent of businesses, exceeding the demographics by 3.2 percentage points in 2017. Lastly, through the first ten months of 2018, the bank significantly exceeded the percent of businesses located in moderate-income tracts. Overall, this performance reflects reasonable dispersion.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2016	11.3	1	1.5	75	0.5
2017	8.9	11	10.0	3,996	18.7
2018	8.8	10	10.9	3,364	16.5
Moderate					
2016	16.6	13	19.1	3,307	21.5
2017	18.6	24	21.8	2,591	12.1
2018	18.4	25	27.2	4,140	20.4
Middle					
2016	45.5	45	66.2	9,762	63.6
2017	38.1	42	38.2	7,850	36.7
2018	38.2	33	35.9	8,875	43.6
Upper					
2016	26.5	9	13.2	2,217	14.4
2017	30.8	31	28.2	6,740	31.5
2018	30.9	24	26.0	3,960	19.5
Not Available					
2016	0.1	0	0.0	0	0.0
2017	3.6	2	1.8	220	1.0
2018	3.7	0	0.0	0	0.0
<b>Totals</b>					
<b>2016</b>	<b>100.0</b>	<b>68</b>	<b>100.0</b>	<b>15,361</b>	<b>100.0</b>
<b>2017</b>	<b>100.0</b>	<b>110</b>	<b>100.0</b>	<b>21,397</b>	<b>100.0</b>
<b>2018</b>	<b>100.0</b>	<b>92</b>	<b>100.0</b>	<b>20,339</b>	<b>100.0</b>

Source: 2016, 2017 and 2018 D&B Data; Bank Small Business Loan Data 1/1/2016 - 10/31/2018

### **Borrower Profile**

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes. The bank's reasonable performance of home mortgage lending primarily supports this conclusion. Examiners focused on the percentage of home mortgage loans to low- and moderate-income borrowers, and the percentage of small business loans to businesses with GARs of \$1 million or less.

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

The distribution of borrowers reflects reasonable penetration among individuals of different income levels. Examiners emphasized performance compared to the aggregate and market share rankings.

The following table shows that in 2016 and 2017, the bank's lending to low-income borrowers exceeded aggregate performance by 1.4 percentage points and 2.3 percentage points, respectively. This level of activity was significantly below the percent of low-income families in the assessment area. However, the demand and opportunity for lending to low-income families is relatively limited. First, approximately 9.1 percent of the families in the assessment area have income below the poverty level, a sub-set of the low-income category. Second, a low-income family in the assessment area would not likely qualify for a mortgage under conventional underwriting standards, especially considering the median housing value of \$244,116. Lastly, almost 33.3 percent of the housing units in the assessment area are occupied rental units. The bank meets the rental needs of low- and moderate-income families through multi-family lending and other community development loans, as described in the Community Development Test section of this evaluation.

Fidelity's lending to moderate-income borrowers was comparable to aggregate and exceeded the demographics each year. In 2016, the bank originated 20.8 percent of its home mortgage loans to moderate-income borrowers, exceeding aggregate by 3.7 percentage points and the demographics by 3.9 percentage points. Although the number of loans to moderate-income borrowers decreased in 2017, lending to these borrowers increased slightly as a percent of total lending. The bank's lending to moderate-income borrowers fell slightly behind aggregate at 1.2 percentage points lower, but remained above the percent of moderate-income families.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2016	21.9	5.5	23	6.9	2,339	3.1
2017	23.2	6.6	17	8.9	1,975	4.8
Moderate						
2016	16.9	17.1	69	20.8	9,289	12.2
2017	17.0	22.6	41	21.4	5,340	12.9
Middle						
2016	22.1	23.5	88	26.5	16,687	22.0
2017	20.7	24.0	46	24.0	9,512	22.9
Upper						
2016	39.1	37.0	143	43.1	34,285	45.2
2017	39.1	32.7	80	41.6	21,756	52.5
Not Available						
2016	0.0	16.9	9	2.7	13,292	17.5
2017	0.0	14.1	8	4.1	2,874	6.9
<b>Totals</b>						
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>332</b>	<b>100.0</b>	<b>75,892</b>	<b>100.0</b>
<b>2017</b>	<b>100.0</b>	<b>100.0</b>	<b>192</b>	<b>100.0</b>	<b>41,457</b>	<b>100.0</b>

Source: 2010 U.S. Census and 2015 ACS data; HMDA Data 1/1/2016- 12/31/2017; 2016 and 2017 HMDA Aggregate Data,

Market rank data indicates that the competition for loans to low- and moderate-income borrowers is high. In 2016, the bank ranked eleventh out of 159 institutions in lending to low-income borrowers with a 2.0 percent market share. Similarly, the bank ranked tenth out of 233 lenders in lending to moderate-income borrowers in 2016. The top three rated institutions included Wells Fargo Bank, NA; Quicken Loans; and Fairway Independent Mortgage. Fidelity was the top ranked state-chartered community bank in lending to low- and moderate-income borrowers in 2016. These rankings exceed the bank's overall market rank of thirteenth in the assessment area in 2016.

Market rank data shows that competition levels remained high in 2017. The bank ranked twentieth out of 168 lenders in lending to low-income borrowers in 2017 with a 1.4 percent market share. The only state-chartered institution ranked above Fidelity was much larger in asset size and originated just two additional loans. Further, the bank ranked 25<sup>th</sup> out of 247 lenders in lending to moderate-income borrowers. The top ranked lenders included large national banks and mortgage companies. Again, the only community bank to outperform Fidelity was much larger in asset size. The bank's lending to low- and moderate- income borrowers compared favorably with the bank's overall market rank of 22<sup>nd</sup> in the assessment area.

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

The distribution of small business loans reflects reasonable penetration of loans to businesses with GARs of \$1 million or less. Examiners compared the bank's lending to demographics. As the following table demonstrates, the majority of the bank's small business loans are to businesses with GARs over \$1 million. Further, the bank's loans to businesses with GARs of \$1 million or less fell short of the demographics each year. However, although lending falls short of the demographics, the demographic data is not an ideal indicator of demand, as it shows the percentage of all businesses not just those that are in the market for a loan. The bank also increased lending to businesses with GARs of \$1 million or less in 2017 and year-to-date 2018, demonstrating a positive trend. This level of lending reflects reasonable performance.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2016	83.1	32	47.1	5,982	38.9
2017	83.1	53	48.2	9,421	44.0
2018	82.9	41	44.6	9,226	45.4
>\$1,000,000					
2016	6.3	36	52.9	9,379	61.1
2017	6.3	57	51.8	11,976	56.0
2018	6.2	50	54.3	11,040	54.3
Revenue Not Available					
2016	10.6	0	0.0	0	0.0
2017	10.6	0	0.0	0	0.0
2018	10.9	1	1.1	73	0.3
<b>Totals</b>					
<b>2016</b>	<b>100.0</b>	<b>68</b>	<b>100.0</b>	<b>15,361</b>	<b>100.0</b>
<b>2017</b>	<b>100.0</b>	<b>110</b>	<b>100.0</b>	<b>21,397</b>	<b>100.0</b>
<b>2018</b>	<b>100.0</b>	<b>92</b>	<b>100.0</b>	<b>20,339</b>	<b>100.0</b>

Source: 2016, 2017 and 2018 D&B Data; Bank Small Business Loan Data 1/1/2016 - 10/31/2018

### **Response to Complaints**

The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test rating.

### **COMMUNITY DEVELOPMENT TEST**

The bank demonstrated excellent responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services. The bank assessed the community development needs of the assessment area and targeted its activities to help meet those needs. Examiners considered the institution's capacity and the need and availability of such opportunities.

### **Community Development Loans**

The bank originated 17 community development loans totaling approximately \$35.6 million during the evaluation period. This level of activity represents 4.6 percent of average total assets and 5.8 percent of average total loans since the prior CRA evaluation. The bank's lending as a percent of average total assets and average total loans exceeds that of similarly situated institutions and institutions with larger asset sizes. Further, the bank substantially increased the

level of community development lending from the prior evaluation. During the prior evaluation, the bank originated six community development loans totaling approximately \$8 million.

The bank's community development lending primarily financed activities that helped revitalize and stabilize low- and moderate-income geographies and provide affordable housing within the Worcester, MA-CT MSA. The community contact identified revitalization, stabilization, and affordable housing as key community development needs in this area. More specifically, the community contact indicated that the city of Worcester was most in need for community development. The bank directed financing to this area and was particularly responsive to the identified needs. The following table shows the bank's community development lending by purpose and year.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2015	2	9,080	0	0	0	0	0	0	2	9,080
2016	1	2,875	2	3,721	0	0	3	11,843	6	18,439
2017	3	663	1	212	0	0	3	2,095	7	2,970
Year-to-Date 2018	1	63	0	0	0	0	1	5,040	2	5,103
<b>Total</b>	<b>7</b>	<b>12,681</b>	<b>3</b>	<b>3,933</b>	<b>0</b>	<b>0</b>	<b>7</b>	<b>18,978</b>	<b>17</b>	<b>35,592</b>
<i>Source: Bank Records</i>										

Below are notable examples of the bank's community development loans:

#### Worcester, MA-CT MSA

- In December 2015, the bank originated a \$9 million loan to finance the construction of a Housing and Urban Development (HUD) Section 202 project located in Berlin, Massachusetts. The housing project will consist of 40 units that provide affordable housing to low-income seniors.
- During the evaluation period, the bank originated three loans totaling \$200,000 to a non-profit organization that provides transitional housing to homeless veterans.
- In 2016, the bank originated a \$12 million loan for the construction of a sports complex and retail space in a low-income tract in Worcester, Massachusetts. The project is located in a distressed area targeted for redevelopment, and will serve as an anchor to revitalize and stabilize the area by attracting new businesses, jobs, and visitors. The project is being developed in conjunction with local non-profit groups dedicated to combating community deterioration and enabling economic development in Worcester County.
- In 2016, the bank originated an \$11.5 million loan for a 120-unit Chapter 40B rental apartment project. As a 40B project, 25.0 percent of the units will be rented out at below

market rents to tenants making no more than 80.0 percent of the area median income. The bank received credit for approximately \$2.9 million of this loan.

- In 2018, the bank originated a \$5 million loan for the acquisition of, and renovations to, an underutilized mixed-use office space and retail property located in downtown Worcester, Massachusetts. The improvements to the property will help attract new businesses to the downtown area and help support the revitalization aims of the Worcester Downtown Urban Revitalization Plan.

#### Cambridge-Newton-Framingham, MA MD

- In 2017, the bank originated a \$543,750 loan for improvements to a multi-family residential property. Of the units, 67.0 percent will be rented to tenants making no more than 80.0 percent of the area median income.

#### Broader Statewide Regional Area

- In 2016, the bank participated in a loan to an organization that provides various clinical, educational, and behavioral health services to individuals throughout the state of Massachusetts, including the bank's assessment area. The organization focuses on low-income clients who receive public assistance. The bank received community development credit for approximately \$3.7 million for this loan.

### **Qualified Investments**

The bank made 110 qualified investments totaling approximately \$3.9 million during the evaluation period. Of these investments, two totaling approximately \$3.5 million are mutual fund investments. This equates to 0.5 percent of average total assets and 4.3 percent of average total securities since the prior evaluation. The mutual fund investment total includes one prior period investment with a book value of \$2.5 million as of the evaluation date, and one new investment for \$1 million. The remaining investments included 108 donations and grants totaling approximately \$371,000. The bank increased its qualified investments approximately 39.3 percent since the prior evaluation, which reported \$2.8 million in qualified investments. The substantial majority of the mutual fund investments and donations benefited organizations that serve low- and moderate-income individuals.

The following table illustrates the bank's community development investments by year and purpose. Investments that benefited the regional or statewide area are also included.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	1	2,500	0	0	0	0	1	2,500
2015	0	0	0	0	0	0	0	0	0	0
2016	0	0	0	0	0	0	0	0	0	0
2017	0	0	0	0	0	0	0	0	0	0
Year-to-Date 2018	0	0	1	1,000	0	0	0	0	1	1,000
<b>Subtotal</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>3,500</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>3,500</b>
Qualified Grants & Donations	7	25	92	317	6	15	3	14	108	371
<b>Total</b>	<b>7</b>	<b>25</b>	<b>94</b>	<b>3,817</b>	<b>6</b>	<b>15</b>	<b>3</b>	<b>14</b>	<b>110</b>	<b>3,871</b>
<i>Source: Bank Records</i>										

### ***Investments***

The bank maintains one mutual fund investment from a prior period, and one new mutual fund investment in its portfolio. The investment is listed below.

- **Access Capital Community Investment Fund:** The bank continues to hold its investment in this mutual fund that supports low- and moderate-income homebuyers, affordable rental units, small business administration, and economic development projects. This investment benefits a greater statewide and regional area that includes the bank's assessment area. The bank held \$2.5 million in this investment from the prior period, and added \$1 million in 2018.

### ***Qualified Grants and Charitable Donations***

During the evaluation period, the bank made 108 qualified donations totaling approximately \$371,000. Of the total donations, 85.4 percent by dollar amount went to organizations whose efforts support community development services targeted to low- and moderate-income individuals.

Below are examples of organizations that received qualified charitable contributions and grants from the bank.

#### **Worcester, MA-CT MSA**

- **Habitat for Humanity MetroWest-Greater Worcester:** This organization works toward providing affordable housing to low- and moderate-income families. Homeowners help build their own homes alongside volunteers and pay an affordable mortgage.
- **Boys & Girls Club of Fitchburg and Leominster:** The Boys & Girls Club of Fitchburg and Leominster provides a number of services and programs to children in the area. The Boys & Girls Club offers STEAM (science, technology, engineering, arts and math) programming that engages kids and gives them a safe place to learn and grow outside of school hours. A majority of individuals served are low- and moderate-income persons.

- *Pay It Backpack, Inc.:* This charitable organization provides backpacks with basic necessities such as food, water, clothing, blankets, and personal hygiene items to the homeless and those in need.
- *Kylee's Kare Kits for Kidz, Inc.:* This organization is dedicated to combatting childhood hunger. Kylee's Kare Kits for Kidz, Inc., provides food to children who do not have enough food for the weekends. This organization started in 2012 with the goal of helping ten children per week, and has grown to serve almost 400 children.

#### Broader Statewide Regional Area

- *Montachusett Opportunity Council (MOC):* The MOC helps families and individuals across the North Central region of Massachusetts reach economic stability. The organization accomplishes this by building relationships, in addition to meeting immediate need or providing emergency services. This organization provides a number of services including teen and youth program, family services, supportive housing, shelter, financial education, health and wellness programs, and elder services. The organization primarily serves low- and moderate-income individuals and families. MOC serves the broader regional area, including the Worcester, MA-CT MSA and the Cambridge-Newton-Framingham, MA MD.

#### Community Development Services

During the evaluation period, bank employees provided 110 instances of financial expertise or technical assistance to 46 different community development-related organizations. The bank increased the number of services provided since the prior examination by approximately 107.5 percent, providing 53 instances during the prior evaluation period. The majority of services benefitted organizations that serve low- and moderate-income individuals. Some of the services in the following table benefitted the regional or statewide area. The following table illustrates the bank's community development services by year and purpose.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2015	1	18	7	0	26
2016	5	16	3	0	24
2017	3	26	3	0	32
Year-to-Date 2018	5	20	3	0	28
<b>Total</b>	<b>14</b>	<b>80</b>	<b>16</b>	<b>0</b>	<b>110</b>
<i>Source: Bank Records</i>					

Below are notable examples of the bank's community development services.

## **Employee Involvement**

Bank employees are involved in local community development organizations in multiple capacities. The employees provide services through their membership and participation and by providing financial expertise to the organizations they serve. The following are some of the organizations that benefited from the dedicated service of bank employees.

### **Worcester, MA-CT MSA**

- *Northern Central Massachusetts CRA Coalition:* The mission of the Northern Central Massachusetts CRA Coalition is to build alliances and partnerships among financial institutions, municipalities, and community-based agencies to increase access to capital and advocate for services and programs benefiting minority and low- and moderate-income individuals and communities. A vice president of the bank serves as a committee member for the Northern Central Massachusetts CRA Coalition.
- *Spanish American Center:* The Spanish American Center responds to the social, health, educational, and cultural needs of the Leominster Community including the surrounding areas. Special focus is placed upon the Hispanic/Latino community who are limited by language, poverty, and cultural barriers. A majority of individuals served are low- and moderate-income. A vice president of the bank serves as one of this organization's Directors.
- *Girls, Inc.:* This organization provides a combination of long-lasting mentoring relationships, a pro-girls environment, and a research-based programming to equip girls to navigate gender, economic, and social barriers. A majority of the girls served are from low- or moderate-income households. In 2017, a vice president was an Advisory Board Member for Girls, Inc.
- *New Vue Communities:* Led by community members of diverse incomes and backgrounds, New Vue develops quality housing, creates economic opportunities, and fosters civic engagement in North Central Massachusetts. New Vue Communities provides down payment assistance programs, first time home buyer programs, foreclosure counseling, and affordable housing for low- and moderate-income individuals. A vice president of the bank serves as an instructor for New Vue Communities.

### **Cambridge-Newton-Framingham, MA MD**

- *Shirley Community Business Development:* This organization's mission is to attract new businesses and spur economic development in the area. The Town of Shirley is located in a moderate-income tract. A vice president of the bank served as a committee member of this organization in 2016.

## **Financial Education and Support**

The bank also provided educational workshops to local organizations. The workshops provided financial literacy covering multiple topics. Listed below is a description of one of the workshops.

- *Financial Education Seminars:* During the evaluation period, bank employees taught a variety of financial education seminars in conjunction with several community development organizations that include the Oak Hill Community Development Corporation (CDC), Leominster Housing Authority, and Twin Cities CDC.

## **Other Services**

- *Worcester Community Action Council-Bank on Worcester County:* The bank is a recent partner of the Bank on Worcester County initiative focusing on the unbanked and underbanked population. Bank on Worcester County is a creative approach to addressing poverty as a community health concern, resulting in a unified partnership of local government, non-profit organizations, and banking institutions focused on increasing financial stability for low- to moderate-income individuals and families through access to banking and financial education.
- *Massachusetts Community and Banking Council's (MCBC) Basic Banking:* Fidelity participates in the MCBC Basic Banking in Massachusetts program. This statewide program is designed to offer low-cost checking and savings accounts to low- and moderate-income individuals.
- *Interest on Lawyers' Trust Accounts (IOLTA):* The bank participates in the IOLTA. Interest earned on the account is utilized to help fund improvements in the administration of justice and delivery of legal services to low-income clients.
- *Community Room:* The bank also maintains a Community Room that is available for use by non-profit organizations free of charge.

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

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

## **APPENDIX**

### **FAIR LENDING POLICIES AND PROCEDURES**

Please note any comments regarding the institution's fair lending policies and procedures in narrative form (Regulatory Bulletin 1.3-106).

### **MINORITY APPLICATION FLOW**

Examiners reviewed the bank's HMDA LARs for 2016 and 2017 to determine if the application flow from the different racial groups within Fidelity's assessment area was reflective of the assessment area's demographics.

According to the 2015 ACS Census Data, Fidelity's assessment area contained a total population of 625,142 individuals, of which 22.8 percent are minorities. The assessment area's minority and ethnic population is 5.0 percent Black/African American, 4.5 percent Asian, 0.2 percent American Indian, 0.0 percent Hawaiian/Pacific Islander, 11.1 percent Hispanic or Latino, and 2.0 percent Other.

In 2016, the bank received 505 HMDA reportable loan applications from within its assessment area. Of these applications, 15, or 3.0 percent, were received from minority applicants. The bank also received 21 applications, or 4.2 percent, from ethnic groups of Hispanic origin within its assessment area.

In 2017, the bank received 280 HMDA reportable loan applications from within its assessment area. Of these applications, 16, or 5.7 percent, were received from minority applicants. The aggregate received 10.0 percent of applications from minority applicants. For the same time period, the bank also received 5.0 percent of applications from ethnic groups of Hispanic origin within its assessment area, as compared to the aggregate that received 7.4 percent from Hispanic applicants.

The comparison of this data assists in deriving reasonable expectations for the rate of applications the bank received from minority residential loan applicants. Refer to the table below for information on the bank's minority application flow, as well as the aggregate lenders in the bank's assessment area.

MINORITY APPLICATION FLOW					
RACE	Bank 2016 HMDA		Bank 2017 HMDA		2017 Aggregate Data
	#	%	#	%	%
American Indian/ Alaska Native	0	0.0	0	0.0	0.3
Asian	6	1.2	11	3.9	4.8
Black/ African American	6	1.2	1	0.4	3.6
Hawaiian/Pacific Islander	0	0.0	0	0.0	0.1
2 or more Minority	0	0.0	0	0.0	0.1
Joint Race (White/Minority)	3	0.6	4	1.4	1.1
<b>Total Minority</b>	<b>15</b>	<b>3.0</b>	<b>16</b>	<b>5.7</b>	<b>10.0</b>
White	435	86.1	248	88.6	68.3
Race Not Available	55	10.9	16	5.7	21.7
<b>Total</b>	<b>505</b>	<b>100.0</b>	<b>280</b>	<b>100.0</b>	<b>100.0</b>
<b>ETHNICITY</b>					
Hispanic or Latino	<b>17</b>	<b>3.4</b>	<b>10</b>	<b>3.6</b>	<b>6.1</b>
Not Hispanic or Latino	431	85.3	250	89.3	71.2
Joint (Hisp/Lat /Not Hisp/Lat)	<b>4</b>	<b>0.8</b>	<b>4</b>	<b>1.4</b>	<b>1.3</b>
Ethnicity Not Available	53	10.5	16	5.7	21.4
<b>Total</b>	<b>505</b>	<b>100.0</b>	<b>280</b>	<b>100.0</b>	<b>100.0</b>

Source: ACS Census 2015, HMDA Aggregate Data 2016, HMDA LAR Data 2016 and 2017 \*Due to rounding, totals may not equal 100.0 percent.

Considering the demographic composition of the assessment area and comparisons to aggregate data in 2017, 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.