

PUBLIC DISCLOSURE

May 13, 2024

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Florence Bank
Certificate Number: 23293

85 Main Street
Florence, Massachusetts 01062

Division of Banks
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Boston, Massachusetts 02110

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
DESCRIPTION OF INSTITUTION	2
DESCRIPTION OF ASSESSMENT AREA	4
SCOPE OF EVALUATION	9
CONCLUSIONS ON PERFORMANCE CRITERIA.....	11
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW.....	27
APPENDICES	28
DIVISION OF BANKS FAIR LENDING POLICIES AND PROCEDURES.....	28
LARGE BANK PERFORMANCE CRITERIA	30
GLOSSARY	32

INSTITUTION RATING

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

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
Satisfactory**	X		
Needs to Improve			
Substantial Noncompliance			
<p>* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.</p> <p>**FDIC rules and regulations stipulate use of a “high satisfactory” and “low satisfactory” rating for the three tests. This jointly issued public evaluation uses the term “satisfactory” in lieu of “low satisfactory” for the Lending, Investment, and Service Test ratings, as the Division does not have a “low satisfactory” rating.</p>			

The Lending Test is rated Satisfactory.

- Lending levels reflect good responsiveness to assessment area credit needs.
- The institution originated a substantial majority of loans within its assessment area.
- The geographic distribution of loans reflects poor penetration throughout the assessment area.
- The distribution of borrowers reflects adequate penetration among retail customers of different income levels and business customers of different sizes.
- The institution uses innovative and flexible lending practices in order to serve assessment area credit needs.
- The institution made an adequate level of community development loans.

The Investment Test is rated Outstanding.

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

The Service Test is rated High Satisfactory.

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

DESCRIPTION OF INSTITUTION

Background

Founded in 1873, Florence Bank is a Massachusetts (MA) state-chartered savings bank, wholly owned by Florence Bank Holding Company. The headquarters for both Florence Bank and its holding company are in Florence, MA. The Federal Deposit Insurance Corporation (FDIC) and the Division of Banks (Division) last evaluated Florence Bank's CRA performance as of April 20, 2021. The bank received a Satisfactory rating using Large Bank CRA Examination Procedures.

Operations

The bank's main office is located at 85 Main Street in Florence, MA. In addition to the main office, the bank operates 11 additional full-service branches and one limited-service drive-up branch across the street from the main office. The main office, drive-up branch, and 8 full-service branches are in Hampshire County and 3 full-service branches are in Hampden County. Florence Bank has at least one automated teller machine (ATM) at each branch, with additional remote ATMs located in Amherst, Cummington, Greenfield, Northampton, Southampton, and Springfield. Since the prior examination, the bank has not opened or closed any branches or had any mergers or acquisitions.

The bank offers traditional loan products, including home mortgage, commercial, and consumer loans. Florence Bank also offers home equity loans, home equity lines of credit, construction loans,

first-time homebuyer loans, and Small Business Administration (SBA) loans. The bank also offers a variety of deposit products, including checking and savings accounts for consumers and businesses, as well as certificates of deposit and individual retirement accounts (IRAs) for consumers. Alternative banking services include ATMs, online banking, and mobile banking.

Ability and Capacity

As of March 31, 2024, Florence Bank had total assets of \$2.1 billion, which included total loans of \$1.2 billion, representing 54.4 percent of total assets. Deposits totaled \$1.7 billion as of the same date. From March 31, 2021, to March 31, 2024, the bank had average total securities of \$609.5 million. As shown in the following table, Florence Bank is primarily a residential lender, with 1-4 family residential and multi-family residential lending representing 68.1 percent of total lending. Commercial lending, including commercial and industrial loans and nonfarm nonresidential real estate loans, represents 29.5 percent of total lending. This portfolio distribution is similar to the loan portfolio distribution as of the prior evaluation.

The following table shows the bank's loan portfolio distribution as of March 31, 2024.

Loan Portfolio Distribution as of 3/31/2024		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	27,416	2.4
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	730,969	63.5
Secured by Multifamily (5 or more) Residential Properties	52,863	4.6
Secured by Nonfarm Nonresidential Properties	311,333	27.0
Total Real Estate Loans	1,122,581	97.5
Commercial and Industrial Loans	28,401	2.5
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	154	0.0
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	162	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	1,151,298	100.0
<i>Source: Reports of Condition and Income</i>		

Examiners did not identify any financial or legal impediments that would limit the institution's ability to help meet its assessment area credit needs.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires that financial institutions designate one or more assessment areas within which the institution will focus its lending efforts and examiners will evaluate the bank's CRA performance. Florence Bank expanded its designated assessment area since the prior evaluation. The prior assessment area consisted of all of Hampshire County, the central part of Hampden County, and the southern part of Franklin County. The current assessment area includes all of Hampshire, Hampden, and Franklin Counties, which encompass the Springfield, MA Metropolitan Statistical Area (MSA). Hampshire County consists of 35 census tracts and contains the main office and eight of the bank's branches. Hampden County consists of 104 census tracts and includes three of the bank's branches. Franklin County consists of 19 census tracts. There are no Florence Bank branches in Franklin County.

Economic and Demographic Data

The income designation of some census tracts in the assessment area changed from 2021 to 2022 due to updated 2020 U.S. Census Data. According to 2015 American Community Survey (ACS) data, the assessment area had 157 census tracts with the following income designations:

- 25 low-income tracts
- 24 moderate-income tracts
- 52 middle-income tracts
- 52 upper-income tracts
- 4 unassigned income classifications

According to the 2020 U.S. Census, the assessment area has 158 census tracts with the following income designations:

- 17 low-income tracts
- 33 moderate-income tracts
- 58 middle-income tracts
- 45 upper-income tracts
- 5 unassigned income classifications

As indicated above, the 2020 U.S. Census caused income level changes to several census tracts. Regarding low-income tracts, the 2015 ACS data reflected one low-income tract in Franklin County, which was in Greenfield, and 24 low-income tracts in Hampden County, with 8 of those tracts in Holyoke and 16 in Springfield. Hampshire County did not have any low-income tracts. According to the 2020 U.S. Census, there are no low-income tracts in Franklin or Hampshire Counties and 17 low-income tracts in Hampden County, with 5 of those tracts in Holyoke and 12 in Springfield.

Regarding moderate-income tracts, the number of these tracts in Franklin County increased from two tracts based on the 2015 ACS data to three tracts based on the 2020 U.S. Census. The three

moderate-income Franklin County tracts are all in Greenfield. The number of moderate-income tracts in Hampden County increased from 21 to 28 tracts. The majority of Hampden County moderate-income tracts, based on both 2015 ACS Data and 2020 U.S. Census Data, are in Springfield. Moderate-income tracts in Hampshire County increased from only one tract, which was in Ware, to two tracts, with one in Ware and one in Easthampton.

The following table illustrates select demographic characteristics of the assessment area using the 2020 U.S. Census data.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	158	10.8	20.9	36.7	28.5	3.2
Population by Geography	699,162	8.2	20.7	35.9	32.5	2.7
Housing Units by Geography	291,991	7.8	21.9	38.1	31.9	0.3
Owner-Occupied Units by Geography	172,968	2.0	14.8	42.2	41.0	0.0
Occupied Rental Units by Geography	97,921	17.2	34.1	30.1	18.0	0.7
Vacant Units by Geography	21,102	12.0	24.4	41.1	21.6	0.9
Businesses by Geography	60,476	8.9	20.8	33.3	36.0	1.0
Farms by Geography	2,104	1.5	8.3	44.2	45.9	0.2
Family Distribution by Income Level	169,001	23.6	16.3	18.7	41.4	0.0
Household Distribution by Income Level	270,889	25.9	15.3	16.3	42.4	0.0
Median Family Income – Springfield, MA MSA:						
2021		\$81,300	Median Housing Value			\$231,412
2022		\$91,300	Median Gross Rent			\$944
2023		\$94,600	Families Below Poverty Level			9.7%
Source: 2020 U.S. Census and 2023 D&B Data; FFIEC Estimated Median Family Income.						
(*) The NA category consists of geographies that have not been assigned an income classification.						
Due to rounding, totals may not equal 100.0%.						

The Geographic Distribution review compares the distribution of home mortgage loans to the distribution of owner-occupied housing units. The number and location of owner-occupied housing units indicate the level of opportunity to originate 1-4 family home mortgage loans in the assessment area. As shown in the previous table, there are 291,991 housing units in the assessment area, of which 59.2 percent are owner-occupied, 33.5 percent are occupied rental units, and 7.2 percent are vacant. Given that only 2.0 percent of owner-occupied units are in low-income tracts and 14.8 percent are in moderate-income tracts, lenders may have particularly limited opportunities to originate 1-4 family home mortgage loans in low-income tracts.

The Borrower Profile review considers the distribution of home mortgage loans to the distribution of families by income level. Demographic data indicates that 23.6 percent of assessment area families are low-income, including 9.7 percent of families living below the poverty level, and 16.3 percent of families are moderate-income. The median housing value in the assessment area is \$231,412. Given the medium-family income ranges in the assessment area, low- and moderate-income families, particularly those with income below the poverty level, are unlikely to qualify for a home mortgage loan based on the area home prices.

The following table shows the median family income ranges in the assessment area.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Springfield, MA MSA Median Family Income (44140)				
2021 (\$81,300)	<\$40,650	\$40,650 to <\$65,040	\$65,040 to <\$97,560	≥\$97,560
2022 (\$91,300)	<\$45,650	\$45,650 to <\$73,040	\$73,040 to <\$109,560	≥\$109,560
2023 (\$94,600)	<\$47,300	\$47,300 to <\$75,680	\$75,680 to <\$113,520	≥\$113,520
<i>Source: FFIEC</i>				

As shown in the previous table, the median family income levels increased from \$81,300 in 2021 to \$94,600 in 2023. As shown in the following table, according to United States (U.S.) Bureau of Labor Statistics (BLS), unemployment rates at the county, state, and national levels decreased each year from 2021, during the COVID-19 pandemic, to 2023.

Notwithstanding the positive changes in the unemployment rates and median family incomes, consumers may face challenges in obtaining home loans due to the significant increases in mortgage interest rates. High interest rates, along with sustained high home prices, pose obstacles for low- and moderate-income individuals considering buying a home.

Unemployment Rates			
Area	2021	2022	2023
	%	%	%
Franklin County	4.7	3.3	2.9
Hampden County	7.1	4.8	4.3
Hampshire County	4.4	3.3	2.9
State	5.4	3.7	3.4
National Average	5.3	3.6	3.7
<i>Source: U.S. Bureau of Labor Statistics</i>			

According to 2023 D&B data, 60,476 non-farm businesses operate in the assessment area. The Borrower Profile review compares the distribution of small business loans to the distribution of small businesses by gross annual revenue (GAR) category. The following reflects the GARs for these businesses.

- 87.1 percent have \$1.0 million or less,
- 3.9 percent have more than \$1.0 million, and
- 9.0 percent have unknown revenues.

The service industry represents the largest portion of businesses in the assessment area (37.2 percent), followed by non-classifiable establishments (18.0 percent), retail trade (12.2 percent), finance and insurance (10.2 percent), and construction (7.3 percent). Of the remaining 15.1 percent

of businesses, no other sector accounts for 5.0 percent or more of total businesses in the assessment area.

According to 2024 Moody's Analytics, major employment sectors in the Springfield, MA MSA, include education and health services, government, retail trade, and leisure and hospitality services. The top employers include Baystate Health, MassMutual Financial Group, Smith & Wesson, and General Dynamics Advanced Information Services.

Competition

There is significant competition for financial services within the assessment area. Based on FDIC Deposit Market Share data as of June 30, 2023, 19 financial institutions operate 186 offices in the Springfield, MA MSA. Of these 19 institutions, Florence Bank ranked 5th by total deposits with a 7.8 percent deposit market share. PeoplesBank ranked 1st, with a 13.3 percent market share, followed by Bank of America and TD Bank, each with a 12.3 percent market share, and Westfield Bank, with a 9.4 percent market share.

At the county level, June 30, 2023 Deposit Market Share Data shows that Florence Bank is a leader in Hampshire County where the bank ranked 1st with a 25.1 percent market share out of 14 financial institutions. In Hampden County, Florence Bank ranked 13th out of 17 financial institutions, holding 0.8 percent of all deposits, and only four institutions achieved more than a 10.0 percent deposit market share. Florence Bank's deposit activity is less active in Franklin County, particularly due to the bank not having any offices there. In addition, only four financial institutions have at least one office in Franklin County, and these institutions only hold 24.7 percent of the area's deposits. Financial institutions outside of Franklin County hold the remaining 75.3 percent of deposits from Franklin County.

The Springfield, MA MSA is a competitive market for home mortgage loans from national banks, mortgage companies, and other state-chartered community banks. In 2022, 394 lenders reported 17,839 residential mortgage loans. Florence Bank ranked 3rd with a 4.5 percent market share. Community Bank, N.A ranked first with a 4.9 percent market share, PeoplesBank ranked 2nd with a 4.7 percent market share, and Rocket Mortgage ranked fourth with a 4.4 percent market share.

The small business lending market in the Springfield, MA MSA is also highly competitive. According to 2021 CRA aggregate data, large national institutions dominated the small business lending market. The top four institutions, by number of small business loans, were American Express, with a 15.6 percent market share; Citibank, with an 8.1 percent market share; Bank of America, with a 7.6 percent market share; and JPMorgan Chase, with a 7.5 percent market share. Florence Bank ranked 14th with a 2.4 percent market share out of 122 reporting lenders that reported 16,125 originated small business loans.

Community Contacts

As part of the evaluation process, examiners contact organizations that are active in the assessment area to better understand and assess the area's credit and community development needs and

opportunities. Information from these contacts helps examiners determine whether local financial institutions are responsive to those needs. The information also shows what credit and community development opportunities are available.

Examiners contacted representatives from two non-profit organizations. One of the community contacts represented a non-profit organization serving Franklin and Hampshire Counties that focuses on affordable housing, economic development, entrepreneurship, and small business growth. The contact expressed that the region's primary challenges include lack of availability and affordability of housing, including housing for immigrants and senior citizens. The contact also noted that changes in housing market conditions have adversely affected affordability for first-time homebuyers, and increased mortgage interest rates, increased home prices, and reduced inventory present obstacles for many potential homebuyers, often leading to them dropping out of the market. Additionally, the contact indicated that financing options for large-scale affordable housing development projects are limited and expensive.

This contact also noted that businesses are challenged by labor shortages, increased cost of goods, increased POS transaction fees, and continuously decreasing margins post-pandemic. Education and agricultural industries face seasonal flows in both population and employment opportunities. More rural areas must manage limited or no access to banking, groceries, medical facilities, and public transportation. Further, individuals living in the area have taken on increased credit card debt. Overall, the region's population is highly diverse, which can lead to communication barriers for non-English speakers.

The second contact represented a non-profit organization serving the City of Springfield that focuses on affordable housing. The organization works directly with individuals needing assistance, government officials, non-profit organizations, and local financial institutions to address Springfield's need for affordable housing. The contact noted that much of Springfield's population is low-income, and the poverty rate is approximately 25 to 28 percent of the population. Similar to the first contact, the second contact said that increased home prices and interest rates have priced many people out of the market for buying a new home. Furthermore, much of the limited available housing stock is in poor condition and needs home repair assistance. To combat these obstacles and assist low- and moderate-income homebuyers, the organization has refocused into funding the building of new housing stock for sale at below market prices and with down payment assistance. The representative said the organization is currently supporting approximately 50 units across several housing development projects. Local financial institutions, including Florence Bank, are helping fund these projects.

This representative also said that over the past decade, Springfield has seen significant growth in its Hispanic population and usage of the Spanish language with many residents moving from Puerto Rico. More recently, there have also been more refugees moving into Springfield from Venezuela, Haiti, and Ukraine. Lastly, the contact noted that, due to the even higher cost of housing in other parts of the State, more people are moving into Springfield. Consequently, demographics may continue to change considerably.

Credit and Community Development Needs and Opportunities

Examiners considered information gathered from the community contact, the bank, and available economic and demographic data to determine the assessment area's primary credit and community development needs.

Examiners determined that financing assistance for the purchase of affordable housing, particularly for first-time homebuyers, and the creation of affordable credit products for small businesses, especially start-up businesses, are the area's primary credit needs. Primary community development needs include financing for affordable housing development projects and community services for low- and moderate-income families. Community development opportunities in the assessment area include funding housing development projects and financial literacy initiatives, particularly in languages other than English, for low- and moderate-income individuals. Community development organizations would also benefit from more direct charitable donations.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated April 20, 2021, to the current evaluation dated May 13, 2024. Examiners used Large Bank Examination Procedures to evaluate the bank's CRA performance. These procedures include three performance tests: the Lending Test, Investment Test, and Service Test.

The assessment area consists of Franklin, Hampden, and Hampshire Counties, which comprises the entire Springfield, MA MSA. Examiners used the 2020 U.S. Census data for metropolitan area boundaries, census tracts and their income levels, and demographic information.

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

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

The Investment Test considered the following criteria.

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

The Service Test considered the following criteria.

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

Activities Reviewed

Florence Bank's major product lines include home mortgage and small business loans, considering the bank's business strategy and the number and dollar volume of loans originated during the evaluation period.

The bank's record of originating home mortgage loans contributed more weight to overall conclusions based on origination activity during the evaluation period. Examiners reviewed home mortgage loans reported on the bank's 2021, 2022, and 2023 Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs). The bank originated 595 home mortgage loans totaling \$158.6 million in 2021, 817 home mortgage loans totaling \$207.3 million in 2022, and 588 home mortgage loans totaling \$114.0 million in 2023.

Examiners presented all three years of home mortgage lending performance in the Assessment Area Concentration section of the Lending Test. Examiners only presented 2022 and 2023 performance in the Geographic Distribution and Borrower Profile sections, as these years were representative of the bank's performance throughout the evaluation period. Examiners compared Florence Bank's 2022 and 2023 home mortgage lending performance to 2020 United States (U.S.) Census Data. Examiners also compared the bank's 2022 performance to 2022 aggregate HMDA data. Examiners did not compare the bank's 2023 performance to aggregate data because it was not yet available.

This evaluation also considered all small business loans reported on the bank's CRA Loan Registers for 2021, 2022, and 2023. Florence Bank reported 412 small business loans totaling \$37.3 million in 2021, 79 small business loans totaling \$20.2 million in 2022, and 84 small business loans totaling \$14.9 million in 2023.

As with home mortgage lending, examiners presented all three years of small business lending performance in the Assessment Area Concentration section of the Lending Test. Examiners also presented all three years of performance in the Geographic Distribution and Borrower Profile sections. Examiners included 2021 small business data in these sections because the bank originated a substantially higher volume of small business loans in 2021 than in 2022 or 2023 due to loans offered through the Small Business Administration's (SBA) Paycheck Protection Program (PPP). The PPP was not available in 2022 or 2023. Examiners compared Florence Bank's 2021, 2022, and 2023 lending performance to applicable D&B Data. Examiners also compared the bank's 2021 performance to aggregate small business data. As of the evaluation date, 2022 and 2023 aggregate data were not yet available.

Under the Lending Test, examiners reviewed the number and dollar volume of home mortgage and small business loans. While the tables throughout this evaluation include both the number and

dollar volume of loans, examiners emphasized bank performance by number of loans, as this better indicates the number of individuals and businesses served.

Under the Lending, Investment, and Service Tests, examiners drew conclusions based on data provided by bank management on innovative and flexible loan programs, community development loans, qualified investments, and retail and community development services since the prior CRA evaluation dated April 20, 2021.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Florence Bank's Lending Test is rated Satisfactory. Although the bank's Geographic Distribution performance was poor, the bank demonstrated at least adequate or better performance under all of the other Lending Test criteria, which supports the rating.

Lending Activity

Florence Bank's lending levels reflect good responsiveness to assessment area credit needs. In 2021, the bank originated or purchased 583 home mortgage loans totaling \$150.7 million within the assessment area and ranked 13th out of 413 home mortgage lenders. In 2022, the bank originated or purchased 805 home mortgage loans totaling \$182.7 million and the bank's market ranking improved to 3rd out of 394 lenders. Only CBNA, which is a federally chartered institution, and PeoplesBank, which is a state-chartered institution, ranked ahead of Florence Bank in 2022. In 2023, home mortgage lending activity declined, with the bank originating or purchasing 586 home mortgage loans totaling \$113.0 million. This decline is primarily attributed to decreased demand due to increasing interest rates, as interest rates had previously been at historic lows, and inventory shortages. The overall level of home mortgage lending during the evaluation period was higher than the prior evaluation period, during which the bank originated an average of 435 home mortgage loans totaling \$98.0 million per year in the assessment area.

For small business lending, the bank made 392 small business loans totaling \$33.7 million inside the assessment area in 2021 and ranked 14th out of 122 lenders, with primarily large national banks ranked higher. In 2022 and 2023, the bank originated 73 small business loans totaling \$18.9 and 81 small business loans totaling \$13.6 inside the assessment area. The bank originated most of their small business in 2021, representing approximately 71.8 percent of all small business loans considered for the evaluation period. This was due to the bank offering loans through the SBA's PPP, which was responsive to the needs of small businesses during the COVID-19 pandemic. Specifically, 319 (77.4 percent) of the bank's 412 total small business loans in 2021 were PPP loans.

Assessment Area Concentration

Florence Bank made a substantial majority of home mortgage and small business loans, by number and dollar volume, within its assessment area. The following table illustrates the bank's home mortgage and small business lending activity inside and outside of the assessment area.

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										
2021	583	98.0	12	2.0	595	150,656	95.0	7,926	5.0	158,582
2022	805	98.5	12	1.5	817	182,684	88.1	24,663	11.9	207,347
2023	586	99.7	2	0.3	588	112,996	99.1	1,008	0.9	114,004
Subtotal	1,974	98.7	26	1.3	2,000	446,336	93.0	33,597	7.0	479,933
Small Business										
2021	392	95.1	20	4.9	412	33,691	90.3	3,614	9.7	37,305
2022	73	92.4	6	7.6	79	18,860	93.2	1,377	6.8	20,237
2023	81	96.4	3	3.6	84	13,617	91.7	1,240	8.3	14,857
Subtotal	546	95.0	29	5.0	575	66,168	91.4	6,231	8.6	72,399
Total	2,520	97.9	55	2.1	2,575	512,504	92.8	39,828	7.2	552,332

Source: HMDA Reported Data; CRA Reported Data

Geographic Distribution

The geographic distribution of loans reflects poor penetration throughout the assessment area, particularly to low- or moderate-income geographies. The bank's poor performance in home mortgage lending and adequate performance in small business lending support this conclusion, as home mortgage lending performance received greater weight when arriving at overall conclusions. Examiners focused on the percentage by number of loans in the low- and moderate-income census tracts. The following sections describe the bank's performance by loan type.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects poor penetration throughout the assessment area. While opportunities for home mortgage lending were relatively limited in the low-income tracts due to a low percentage of owner-occupied housing units, the bank's performance was slightly below demographics in 2022 and 2023 and below aggregate performance in 2022. The bank ranked 28th out of 132 lenders in the assessment area's low-income tracts. Notably, the banks that ranked ahead of Florence Bank were primarily large banks or mortgage companies.

Within moderate-income census tracts, Florence Bank's lending performance was considerably below demographic data and aggregate performance in 2022 and, despite slight improvement by percentage, remained below demographic data in 2023. The bank ranked 23rd out of 225 lenders in the assessment area's moderate-income tracts. Financial institutions of varying sizes and types,

including local institutions, ranked ahead of Florence Bank. The following table shows the geographic distribution of home mortgage loans by census tract income level.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2022	2.0	3.7	8	1.0	1,225	0.7
2023	2.0	--	4	0.7	520	0.5
Moderate						
2022	14.8	19.4	47	5.8	9,006	4.9
2023	14.8	--	36	6.1	8,251	7.3
Middle						
2022	42.2	40.5	339	42.1	69,295	37.9
2023	42.2	--	217	37.0	39,733	35.2
Upper						
2022	41.0	36.4	411	51.1	103,159	56.5
2023	41.0	--	329	56.1	64,491	57.1
Not Available						
2022	0.0	0.1	0	0.0	0	0.0
2023	0.0	--	0	0.0	0	0.0
Totals						
2022	100.0	100.0	805	100.0	182,684	100.0
2023	100.0	--	586	100.0	112,996	100.0
<i>Source: 2020 U.S. Census Data; HMDA Reported Data; HMDA Aggregate Data; "--" data not available</i>						

Small Business Loans

The geographic distribution of small business loans reflects adequate penetration throughout the assessment area. As shown in the following table, Florence Bank's performance in low-income tracts trailed the percentage of small businesses in those tracts in 2021, 2022, and 2023, and it trailed aggregate performance in 2021. Within moderate-income census tracts, while performance was below demographics and aggregate in 2021, the bank's performance exceeded demographic data in 2022 and was only slightly below demographics in 2023. Market share data helps support the conclusion. In 2022, Florence Bank ranked 20th with 0.7 percent market share out of 116 lenders that originated or purchased a small business loan in the moderate-income census tracts. PeoplesBank ranked just ahead of Florence Bank, at 19th with a 0.8 percent market share. The other lenders that ranked higher were primarily large national banks. The top five lenders included American Express National Bank; Citibank, N.A.; Bank of America, N.A.; JPMorgan Chase Bank, N.A.; and Capital One, N.A. American Express National Bank, ranked first with 22.3 percent market share had an average loan size of just \$12,000. Given the level of competition for small business loans in the assessment area, the bank's overall performance was adequate.

Geographic Distribution of Small Business Loans						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	12.9	11.9	14	3.6	2,309	6.9
2022	8.9	--	2	2.7	264	1.4
2023	8.9	--	2	2.5	300	2.2
Moderate						
2021	14.4	14.2	23	5.9	6,346	18.8
2022	20.7	--	19	26.0	6,707	35.6
2023	20.8	--	16	19.8	2,144	15.7
Middle						
2021	33.0	33.0	154	39.3	11,104	33.0
2022	33.4	--	26	35.6	3,659	19.4
2023	33.3	--	40	49.4	3,778	27.7
Upper						
2021	39.0	40.7	197	50.3	13,066	38.8
2022	35.9	--	26	35.6	8,230	43.6
2023	36.0	--	23	28.4	7,395	54.3
Not Available						
2021	0.7	0.2	4	1.0	866	2.6
2022	1.0	--	0	0.0	0	0.0
2023	1.0	--	0	0.0	0	0.0
Totals						
2021	100.0	100.0	392	100.0	33,691	100.0
2022	100.0	--	73	100.0	18,860	100.0
2023	100.0	--	81	100.0	13,617	100.0
<i>Source: 2021, 2022, and 2023 D&B Data; CRA Reported Data; CRA Aggregate Data; "--" data not available</i>						

Borrower Profile

The distribution of borrowers reflects adequate penetration among individuals of different income levels and businesses of different sizes within the assessment area. Florence Bank's adequate performance in home mortgage and small business lending supports this conclusion.

Home Mortgage Loans

The distribution of borrowers reflects adequate penetration among individuals of different income levels, including low- and moderate-income individuals. As shown in the following table, Florence Bank's lending to low-income borrowers in 2022 was significantly less than demographic data and was below aggregate performance. However, 9.7 percent of families in the assessment area are below the poverty level. As mentioned previously, considering the area median housing value of \$231,412, these families, and other low-income families, would likely face challenges qualifying

for a home mortgage loan. These factors help explain the disparity between demographic data and aggregate and bank performance.

According to 2022 market share data, there were 131 lenders that originated or purchased at least one residential mortgage loan to low-income borrowers in the assessment area. Of these 131 lenders, Florence Bank ranked relatively high at 9th, with a 2.6 percent market share. Competition for home mortgage loans was significant, with only two institutions achieving more than a 5.0 percent market share: CBNA had a 7.6 percent market share and Rocket Mortgage had a 6.5 percent market share. Most financial institutions ranked ahead of Florence Bank were larger national banks, mortgage companies, and credit unions. PeoplesBank, with a 4.5 percent market share, was the only local community bank that ranked ahead of Florence Bank. In 2023, the bank's percentage of loans to low-income borrowers improved, although it declined slightly by number and remained well below demographic data.

Florence Bank's performance among moderate-income borrowers in 2022 was below aggregate performance; however, it was higher than demographic data. According to 2022 market share data, Florence Bank ranked 10th with a 3.0 percent market share in lending to moderate-income borrowers. Again, the only local community bank that outperformed Florence Bank was PeoplesBank, which ranked 6th with a 3.6 percent market share. Country Bank for Savings ranked 12th with a 2.3 percent market share, and Greenfield Savings Bank ranked 15th with a 1.9 percent market share. In 2023, Florence Bank's lending to moderate-income borrowers declined and it was below demographic data.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2022	23.6	7.7	35	4.3	3,268	1.8
2023	23.6	--	31	5.3	1,987	1.8
Moderate						
2022	16.3	26.8	143	17.8	22,120	12.1
2023	16.3	--	80	13.7	9,747	8.6
Middle						
2022	18.7	24.6	189	23.5	36,053	19.7
2023	18.7	--	155	26.5	22,150	19.6
Upper						
2022	41.4	28.2	389	48.3	106,867	58.5
2023	41.4	--	292	49.8	67,520	59.8
Income Not Available						
2022	0.0	12.8	49	6.1	14,376	7.9
2023	0.0	--	28	4.8	11,592	10.3
Total						
2022	100.0	100.0	805	100.0	182,684	100.0
2023	100.0	--	586	100.0	112,996	100.0
Source: 2020 U.S. Census Data; HMDA Reported Data; HMDA Aggregate Data; "--" data not available						

Small Business Loans

The distribution of small business loans reflects adequate penetration of loans to businesses with GARs of \$1.0 million or less. As shown in the following table, Florence Bank's performance was significantly below the percentage of businesses with GARs of \$1.0 million or less and aggregate performance in 2021. However, this resulted from the bank's significant volume of PPP loan originations, which the table reflects in the Revenue Not Available category. PPP loans were responsive to the credit needs of small businesses in 2021. In 2022, the bank's percentage of small business loans to businesses with GARs of \$1.0 million or less improved, reflecting a percentage closer to historic aggregate and bank performance in the assessment area. The bank's performance of lending to businesses with GARs of \$1.0 million or less declined slightly from 2022 to 2023.

2021 market share data helps further support the conclusion. In 2021, 67 lenders originated at least one small business loan to a business with GARs of \$1.0 million or less. Of these 67 lenders, Florence Bank ranked 19th, with a 0.4 percent market share. Only two comparable local community banks ranked higher than Florence Bank. Easthampton Savings Bank ranked 11th and PeopleBank ranked 12th with a combined market share of 7.7 percent. The other lenders ranked ahead of Florence Bank were primarily large national banks, and competition among these lenders was significant, with only two institutions, Citibank and Bank of America, achieving more than a 10.0 percent market share.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
≤ \$1,000,000						
2021	85.0	45.5	31	7.9	6,736	20.0
2022	86.2	--	32	43.8	8,908	47.2
2023	87.1	--	25	30.9	3,749	27.5
> \$1,000,000						
2021	4.7	--	53	13.5	11,400	33.8
2022	4.2	--	41	56.2	9,952	52.8
2023	3.9	--	56	69.1	9,868	72.5
Subtotal						
2021	89.7		84	21.4	18,136	53.8
2022	90.4	--	73	100.0	18,860	100.0
2023	91.0	--	81	100.0	13,617	100.0
Revenue Not Available						
2021	10.3	--	308	78.6	15,555	46.2
2022	9.7	--	0	0.0	0	0.0
2023	9.1	--	0	0.0	0	0.0
Total						
2021	100.0	--	392	100.0	33,691	100.0
2022	100.0	--	73	100.0	18,860	100.0
2023	100.0	--	81	100.0	13,617	100.0
<i>Source: 2021-2023 D&B Data; CRA Reported Data; CRA Aggregate Data; “—” data not available</i>						

Innovative or Flexible Lending Practices

The institution uses innovative and/or flexible lending practices to serve assessment area credit needs. Florence Bank offers several programs intended to assist low-and moderate-income individuals and first-time homebuyers with reduced down payment requirements, reduced interest rates, and without mortgage insurance requirements. The bank also offers loan programs intended to provide credit to small businesses, including several programs with government guarantees.

Florence Bank originated 371 innovative and/or flexible loans totaling \$41.7 million during the evaluation period. A large majority of these loans, by number, were PPP loans originated in 2021. The bank’s PPP loans, with an average loan amount of \$53,109, were particularly responsive to the needs of small businesses and helped small businesses continue operations during the COVID-19 pandemic.

The number of innovative and/or flexible loan programs offered during the evaluation period was similar to the prior evaluation period; however, the number and dollar volume of originations increased significantly. Innovative and/or flexible residential loans more than doubled by number and dollar amount from the prior evaluation period, during which the bank originated 20 residential

loans for \$4.0 million. Innovative and/or flexible commercial loans more than tripled by number and increased by dollar amount from the prior evaluation period, during which the bank originated 95 commercial loans for \$27.2 million.

Innovative or Flexible Lending Programs								
Type of Program	2021		2022		2023		Totals	
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
5/1 ARM FTHB	1	331	6	1,360	1	190	8	1,881
7/1 ARM FTHB	0	0	0	0	3	610	3	610
10/1 ARM FTHB	0	0	0	0	10	2,530	10	2,530
Fixed Rate FTHB	0	0	0	0	17	3,437	17	3,437
Freddie Mac Home Possible	0	0	2	283	0	0	2	283
Mass Housing	2	470	0	0	0	0	2	470
Subtotal Residential Loans	3	801	8	1,643	31	6,767	42	9,211
SBA 504	0	0	2	596	1	975	3	1,571
SBA Express	2	85	0	0	1	50	3	135
PPP	320	16,995	0	0	0	0	320	16,995
Tax-Exempt	1	7,200	0	0	2	6,543	3	13,743
Subtotal Commercial Loans	323	24,280	2	596	4	7,568	329	32,444
Totals	326	25,081	10	2,239	35	14,335	371	41,655
<i>Source: Bank Data</i>								

The following describe Florence Banks's innovative and flexible loan programs.

Home Mortgage Lending Programs

- *First-Time Homebuyer (FTHB) Loan Programs:* The bank's adjustable rate mortgage (ARM) and fixed-rate FTHB programs offer competitive terms, lower initial interest rates, flexible income and down payment requirements, no points, and credits towards closing costs. Florence Bank offers these products to help first-time home buyers who may not qualify for a traditional mortgage achieve homeownership. The bank offered the 5/1 ARM FTHB loans during the prior evaluation period, and after identifying additional borrower needs, started originating the other 7/1 ARM, 10/1 ARM, and fixed-rate FTHB products in 2023.
- *Freddie Mac Home Possible:* Home Possible loans help low- and moderate-income borrowers achieve homeownership by requiring low down payments (3.0 percent) and allowing for flexible down payment funding sources. Eligible borrowers are low- and moderate-income borrowers with qualifying income of less than or equal to 80.0 percent of the area median income.

- *MassHousing*: MassHousing loans through the Massachusetts Housing Finance Agency offer fixed-rate financing for the purchase of 1-4 family properties for first-time homebuyers that meet income and asset limitations.

Small Business Lending Programs

- *SBA 504 and Express Loan Programs*: These loan programs help small businesses more easily qualify for business loans. The SBA 504 program offers long-term financing with a fixed rate to help small businesses purchase major fixed assets such as real estate and equipment. This helps to create jobs and promote job growth. The Express program provides small businesses with an accelerated application turnaround time of 36 hours for a credit decision on loans for \$500,000 or less. In addition, this program includes a maximum guaranty of 50.0 percent and no collateral required for loans up to \$50,000.
- *SBA Paycheck Protection Program (PPP)*: The SBA PPP provided small businesses with low-cost and forgivable loans during the COVID-19 pandemic. The intent of these loans was to help businesses keep their workforce on payroll, and they could use funds to cover payroll costs, mortgage interest, rent, and utilities.
- *Tax-Exempt Bonds through the Massachusetts Development Finance Agency*: These tax-exempt bonds are revenue bonds intended to provide financing for non-profit organizations, affordable housing developers, manufacturers, municipal entities, and environmental enterprises. The bonds offer low rates and flexible terms supporting economic development.

Community Development Loans

Florence Bank made an adequate level of community development loans. The bank originated 12 community development loans totaling \$23.3 million that benefited the assessment area. This represents a decrease in number and dollar amount compared to the prior evaluation period. During the prior evaluation period, the bank originated 23 community development loans totaling \$28.1 million.

The total of \$23.3 million in community development lending represents 1.2 percent of average total assets and 2.2 percent of average total loans since the prior CRA evaluation. This level of activity is a slight decrease compared to the prior evaluation period, when Florence Bank's community development loans represented 1.9 percent of average total assets and 2.7 percent of average total loans. The following table details the bank's community development lending by year and purpose.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
2021 (Partial)	0	0	0	0	0	0	2	7,900	2	7,900
2022	0	0	5	5,000	0	0	3	6,213	8	11,213
2023	1	2,137	0	0	0	0	1	2,000	2	4,137
YTD 2024	0	0	0	0	0	0	0	0	0	0
Total	1	2,137	5	5,000	0	0	6	16,113	12	23,250
<i>Source: Bank Data</i>										

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

- In 2021, Florence Bank originated a \$5.4 million loan for construction and permanent financing of a commercial property for retail businesses in Holyoke. The building is in a low-income tract, and the businesses at the property hire and provide services to residents of this tract and surrounding low- and moderate-income tracts. This loan supported revitalization and stabilization.
- In 2022, the bank renewed a \$1.5 million line of credit and increased the amount to \$2.5 million. The borrower is a non-profit organization that provides in-home foster care services, training, shared living, adult family care and support, and specialized care for developmentally disabled Massachusetts individuals. The majority of the borrower's clients are low- or moderate-income individuals or families. This loan supported community services for low- and moderate-income families in the assessment area.
- In 2023, the bank provided \$2.1 million in a \$5.7 million loan participation to build affordable housing in Springfield. This loan participation is part of a \$24 million development of 40 townhomes across 11 buildings. All of the units will have income restrictions and availability for purchase by individuals and families with low- to moderate-incomes. In addition, all loan applicants will receive first-time homebuyer and condominium association training. The City of Springfield and MassHousing, through its Commonwealth Builder program, are also providing funding. This loan helped promote affordable housing in the assessment area.

INVESTMENT TEST

Florence Bank's Investment Test is rated Outstanding. The following sections discuss the bank's performance under each criterion.

Investment and Grant Activity

Florence Bank has an excellent level of qualified community development investments and donations, often in a leadership position, particularly those that are not routinely provided by private investors. The bank made 242 qualified investments totaling approximately \$34.0 million during the examination period. The bank's investments and donations increased from the prior evaluation period, when the bank had 219 qualified investments totaling approximately \$4.0 million, representing a significant improvement in performance. The total dollar amount of investments and donations equates to 1.8 percent of average total assets and 5.7 percent of average total securities since the previous evaluation. These ratios also increased significantly compared to the prior evaluation period when qualified investments represented 0.3 percent of average total assets and 1.4 percent of average total securities, respectively.

Examiners compared the bank's investment activity to that of similarly situated institutions. Similarly situated institutions were selected based on asset size, geographic location, and lending focus. Florence Bank's performance by total dollar amount of qualified investments and donations was significantly higher than similarly situated institutions. The following table illustrates the bank's qualified investments by year and purpose.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
Prior Period	11	1,956	3	14,154	2	542	3	2,702	19	19,354
4/20/2021 – 12/31/2021	0	0	0	0	0	0	0	0	0	0
2022	1	1,282	0	0	0	0	0	0	1	1,282
2023	2	5,000	0	0	1	1,000	2	6,543	5	12,543
YTD 2024	0	0	0	0	0	0	0	0	0	0
Subtotal	14	8,238	3	14,154	3	1,542	5	9,245	25	33,179
Qualified Grants & Donations	19	225	188	501	4	28	6	59	217	813
Total	33	8,463	191	14,655	7	1,570	11	9,304	242	33,992
<i>Source: Bank Data</i>										

Equity Investments

The bank maintains 25 equity investments totaling \$33.2 million, of which 6 investments totaling approximately \$13.8 million are new and 19 investments totaling approximately \$19.4 million remain from prior period investments. The following are examples of the bank's equity investments.

Prior Period:

- The bank maintains a Massachusetts Development Finance Agency Revenue Bond with a current value of \$6.6 million that benefits a Federally Qualified Healthcare Center in

Springfield. The Healthcare Center maintains multiple locations in low- and moderate-income census tracts in Springfield. To qualify as a Federally Qualified Healthcare Center, a non-profit health center must serve medically underserved areas or populations and provide primary care services regardless of ability to pay. Services must be provided on a sliding scale fee based on a patient's ability to pay. The bank's investment in this bond helped provide community services to low-income individuals within the bank's assessment area.

- The bank maintains three Massachusetts Development Finance Agency Revenue Bonds with a combined current book value of \$2.7 million. The bonds supported the relocation of a manufacturing company to a moderate-income census tract in Springfield by assisting with the purchase of a facility, renovations to the facility, and new equipment to expand the business. The bank's purchase of these bonds helped to revitalize a moderate-income census tract within the bank's assessment area.

Current Period:

- In 2023, the bank purchased two Massachusetts Development Finance Agency Revenue Bonds for a combined \$6.5 million to help fund the purchase and renovation of a new headquarters for a non-profit community service organization. The new headquarters is in a moderate-income census tract in Chicopee, and the building was previously vacant. The bank's purchase of the bonds helped to revitalize and stabilize a moderate-income geography in the assessment area.
- The bank holds 13 mortgage-backed securities totaling approximately \$6.7 million, of which three are new investments totaling \$6.3 million, and 10 are prior period investments for \$400,000. All of the bank's new mortgage-backed securities are secured by multi-family apartment complexes located in Springfield and West Springfield. These apartments consist of 258 units, all of which are rented to low- or moderate-income tenants. The bank's investments helped support affordable housing for low- and moderate-income individuals and families in the assessment area.

Grants and Donations

During the evaluation period, the bank made \$812,591 in qualified donations in the assessment area. Donations primarily supported community development services to low- and moderate-income individuals and families, services to low- and moderate-income areas, and support for affordable housing throughout the assessment area.

The following are examples of the bank's qualified donations:

- *Massachusetts Small Business Development Center* – A part of the University of Massachusetts Amherst, the Massachusetts Small Business Development Center provides free, confidential, one-on-one business assistance and free or low-cost educational training programs to prospective and existing small businesses. This includes support with business plan development, pre-venture feasibility, cash flow analysis, personnel and organizational

issues, conventional and non-conventional financing, marketing, international trade, growth by innovation through the Small Business Innovation Research (SBIR) Program, and government procurement. The bank's support of this organization supports economic development through the support of small businesses in the assessment area.

- *Hilltown Community Development Corporation (CDC)* – During the evaluation period, the bank made multiple donations to Hilltown CDC. The CDC works to create and preserve affordable housing opportunities for low- and moderate-income individuals and families in the Hilltowns, a collection of rural communities covering parts of Berkshire, Franklin, Hampshire, and Hampden Counties. The organization also offers community services and small business development programs. The bank's support of this organization helps to create and preserve affordable housing in the assessment area.
- *Wayfinders* – The bank made several donations to Wayfinders during the evaluation period. The organization is a non-profit housing organization that creates affordable housing and provides housing, supportive services, first-time homebuyer education, foreclosure intervention, and more in and around Springfield and Holyoke. The bank's support of this organization helps to create and preserve affordable housing in the assessment area.
- *Food Pantries* – During the evaluation period, the bank made numerous donations to food pantries and other organizations providing food services to low and moderate-income individuals and families throughout the assessment area. The recipients include the Amherst Survival Center, Belchertown United Church of Christ, Chesterfield Community Food Cupboard, Community Action of Pioneer Valley, Easthampton Community Center, Easthampton Congregational Church, Food Bank of Western Massachusetts, Friends of Hampshire County Homeless Individuals, Inc., Gray House, Inc., Grow Food Northampton, Inc., Lorraine's Soup Kitchen & Pantry, Inc., Manna Soup Kitchen, Margaret's Pantry, Most Holy Redeemer Church, Northampton Survival Center, Northampton Interfaith Cot Shelter, Not Bread Alone, Open Pantry Community Services, Inc., South Hadley Food Pantry, Southampton Community Cupboard, Springfield Rescue Mission, and The Parish Cupboard.

Responsiveness to Credit and Community Development Needs

Florence Bank exhibits good responsiveness to credit and community economic development needs. The bank provided \$8.5 million in investments and donations for affordable housing initiatives, which the community contacts and examiners identified as a significant need within the assessment area. Florence Bank responded to this need through investments in mortgage-backed securities secured by multifamily properties, with a majority or all of the tenants being low-or-moderate income, and through 1-4 family mortgages to low- and moderate-income borrowers within the assessment area. The bank was also responsive to the need for affordable housing through grants and donations to organizations that create and maintain affordable housing. Additionally, the bank was responsive to community service and revitalization/stabilization needs through equity investments and donations.

Community Development Initiatives

Florence Bank makes significant use of innovative and/or complex investments to support community development initiatives in the assessment area. The bank's investment portfolio includes Massachusetts Development Finance Agency Revenue Bonds that are facilitated through the loan origination process and require coordination with multiple partners and technical expertise. The bank also makes investments in CRA and SBA Funds, as well as less complex investments such as mortgage-backed securities.

SERVICE TEST

Florence Bank's Service Test is rated High Satisfactory. The following sections discuss the bank's performance under each criterion.

Accessibility of Delivery Systems

Florence Bank's delivery systems are accessible to essentially all portions of the assessment area. The following table shows the distribution of branches and ATM network by census tract and income level.

Branch and ATM Distribution by Geography Income Level								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	17	10.8	57,345	8.2	0	0.0	1	4.3
Moderate	33	20.9	144,800	20.7	4	33.3	6	26.1
Middle	58	36.7	251,076	35.9	2	16.7	5	21.7
Upper	45	28.5	227,220	32.5	5	41.7	10	43.5
NA	5	3.2	18,721	2.7	1	8.3	1	4.3
Total	158	100.0	699,162	100.0	12	100.0	23	100.0
<i>Source: 2020 US Census Data; Bank Data Due to rounding, totals may not equal 100.0%.</i>								

The bank currently maintains a network of 12 full-service branches, one limited-service drive-up branch, and 23 full-service ATMs throughout the assessment area. The limited-service drive-up branch is not included in the previous table. The limited-service branch is located across the street and in the same census tract as the bank's main office and serves as a drive-up ATM and teller service for that location. There are no branches in the low-income tracts; however, four branches are in moderate-income census tracts in Chicopee, Easthampton, Springfield, and West Springfield. All branches have at least one deposit-taking ATM, and all branches, except for the downtown Northampton branch, have a drive-up ATM. The downtown Northampton branch, as well as the branch on King Street in Northampton and the branches in Easthampton, Florence, and Hadley each have walk-up ATMs.

The bank has seven free-standing ATMs that provide additional accessibility to banking services in low- and moderate-income tracts. There is one free-standing ATM in a low-income tract at the Basketball Hall of Fame in Springfield, which is accessible to the public, and six ATMs located in moderate-income tracts. All of the bank's ATMs are "smart" ATMs that can perform transactions beyond a typical ATM that are typically only offered by tellers, such as changing a PIN, depositing cash/checks to a Florence Bank account, and transferring funds between Florence Bank accounts.

The bank's distribution of branches and ATMs in low-income census tracts is below the percentage of census tracts designated as low-income and the percentage of population in low-income areas. However, in moderate-income census tracts, the bank's distribution of branches and ATMs is greater than the percentage of moderate-income census tracts and the percentage of moderate-income individuals. Further, the West Springfield branch, located in a moderate-income census tract, is situated in close proximity to multiple adjacent low-income census tracts in Springfield and is adjacent to another moderate-income census tract. Although a river separates West Springfield from Springfield, the branch is located approximately 1.0 to 1.3 miles from two bridges accessible to vehicle and passenger traffic, and a Pioneer Valley Transit Authority bus line travels over one of the bridges.

In addition to its branches and ATMs, Florence Bank offers alternative delivery systems to expand retail and commercial banking service access to all individuals and business customers. Specifically, the bank participates in the NYCE ATM Network, which offers customers surcharge-free access to cash and account information at thousands of participating ATM locations nationwide. The bank also offers personal and business online and mobile banking, remote deposit capture, remote payments, and support through its 24-hour telephone banking system.

Since the prior evaluation period, the bank upgraded all ATMs and its telephone banking system to offer services in Spanish. Of the 50 low- and moderate-income census tracts in the assessment area, 34 have a minority population of 50.0 percent or greater, including 21 tracts having a Hispanic population of 50.0 percent or greater.

Changes in Branch Locations

To the extent changes have been made, the bank's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly to low- and moderate-income geographies and/or to low- and moderate-income individuals. During the evaluation period, the bank closed two cash-dispensing ATMs, one at Cooley Dickinson Hospital, Northampton (middle-income census tract), and one inside its main branch office lobby location (upper-income census tract). The bank did not open or close any branches.

Reasonableness of Business Hours and Services

Services, including business hours, do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies and/or individuals. All retail branches offer the same loan and deposit products. Except for the Downtown Northampton location (in and surrounded by upper- and middle-income census tracts), all locations offer drive-thru teller

services. All branches generally maintain the same operating hours, except the Belchertown, Easthampton, and Williamsburg locations, which open a half hour earlier on Fridays. Branches are open Monday to Wednesday 9:00 a.m. to 4:00 p.m., and Thursday to Friday 9:00 a.m. to 5:00 p.m. The Amherst, Chicopee, Easthampton, Granby, King Street-Northampton, Springfield, and West Springfield locations are open on Saturdays from 9:00 a.m. to 12:00 p.m. The bank maintains separate drive-thru hours that generally mirror branch lobby hours. The Belchertown, Easthampton, and Williamston locations open Friday at 8:30 a.m. The Chicopee, Downtown Northampton, Springfield, and West Springfield locations do not have drive-up teller Saturday hours.

During the evaluation period, Florence Bank added Saturday branch lobby hours at the Chicopee, Springfield, and West Springfield locations. These branches are in moderate-income census tracts. The bank also added Saturday drive-up teller hours at the Belchertown location, which is a middle-income census tract. The bank also provides online banking, mobile banking, remote deposit, 24-hour smart ATMs, and 24-hour telephone banking, which provides customers with alternative access to services.

Community Development Services

Florence Bank provides a relatively high level of community development services. A majority of services consisted of employees and senior management serving on boards and committees of qualified community development organizations. The bank provided 154 instances of community development services for 46 different organizations during the evaluation period. This is an increase from the bank's performance during the prior evaluation period, when the bank provided 113 instances of community development services for 39 organizations. As shown in the following table, most qualified community development services were community services for low- and moderate-income individuals, representing 70.1 percent of all qualified services. The bank provided more community development services than both similarly situated institutions used for comparison.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2021	3	33	6	2	44
2022	4	21	8	1	34
2023	5	33	9	0	47
YTD 2024	2	21	4	2	29
Total	14	108	27	5	154
<i>Source: Bank Data</i>					

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

- *Boys & Girls Club of Greater Holyoke, Inc. (BGC)* – The Boys & Girls Club of Greater Holyoke serves children in the assessment area. The majority of the club's service area consists of low- and moderate-income census tracts, and the club is in a low-income census tract. A bank manager served on the organization's Advisory Board in 2021. The bank's

involvement with this organization helped provide community services for low- and moderate-income families in the assessment area.

- *Pioneer Valley Habitat for Humanity* – Pioneer Valley Habitat for Humanity is a non-profit housing organization that fosters self-reliance through building affordable housing in partnership with low- and moderate-income families using donated materials and volunteer labor. Two senior bank executives and a senior loan underwriter served on the Board of Directors during the evaluation period. The bank's involvement with this organization helped promote affordable housing in the assessment area.
- *United Way of the Franklin & Hampshire Region (UWFH)* – The UWFH works to identify and address the most pressing needs in Franklin and Hampshire Counties. Programs are designed to improve health and financial stability, and to address emergency food and shelter needs through food pantries, the UWFH's diaper program, and other programs. Several bank employees serve on the Finance Committee, the Community Investment Committee, the Campaign Committee, and the Board of Directors. The bank's involvement with this organization helped support community services for low- and moderate-income individuals and families in the assessment area.

Financial Literacy Education

- *Junior Achievement of Western Massachusetts (JA)* – Six bank employees volunteered in the Springfield Public Schools to help teach young people job readiness and financial literacy skills. Employees participated in a variety of volunteer activities with Junior Achievement, including teaching in the classrooms about economics, personal finance, and other professional topics. A bank manager also served as a Board member from 2021 through 2023. More than 50.0 percent of Springfield Public Schools students come from low-income households.

Technical Assistance

- *Community Action Pioneer Valley: Volunteer Income Tax Assistance (VITA)* – This organization provides support for low-income individuals to achieve economic stability and security. The VITA program provides tax assistance free of charge through trained volunteers. Six bank employees, three bank managers, a senior underwriter, and two senior executives served as VITA volunteers during the evaluation period.

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 bank's overall CRA rating.

APPENDICES

DIVISION OF BANKS FAIR LENDING POLICIES AND PROCEDURES

FAIR LENDING POLICIES AND PROCEDURES

The Division of Banks provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106. A review of the bank's public comment file indicated the bank received no complaints pertaining to the institution's CRA performance since the previous examination. The fair lending review was conducted in accordance with the Federal Financial Institutions Examination Council (FFIEC) Interagency Fair Lending Examination Procedures. Based on these procedures, no evidence of disparate treatment was noted.

MINORITY APPLICATION FLOW

The bank's HMDA LARs for 2022 and 2023 were reviewed to determine if the application flow from the different racial groups within the Bank's assessment area was reflective of the assessment area's demographics.

According to the 2020 US Census Data, the Bank's assessment area contained a total population of 699,162 individuals. The minority population represented is 6.8 percent Black/African American, 3.5 percent Asian, 0.4 percent American Indian, 19.5 percent Hispanic or Latino, 0.1 Native Hawaiian or other Pacific Islander, and 5.1 percent other.

The bank's level of lending in 2022 was compared with that of the aggregate's lending performance in 2022. The comparison of this data assists in deriving reasonable expectations for the rate of applications the bank received from minority home mortgage loan applicants. Aggregate data for 2023 was not available at the time of the examination and, as such, only the bank's level of lending was presented. 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 2022 HMDA		2022 Aggregate Data	Bank 2023 HMDA	
	#	%	%	#	%
American Indian/ Alaska Native	1	0.1	0.5	2	0.2
Asian	23	2.0	2.4	22	2.6
Black/ African American	17	1.5	5.8	2	0.2
Hawaiian/Pacific Islander	3	0.3	0.2	0	0.0
2 or more Minority	2	0.2	0.2	0	0.0
Joint Race (White/Minority)	23	2.1	1.4	7	0.8
Total Racial Minority	69	6.2	10.5	33	3.9
White	901	80.4	64.5	693	83.0
Race Not Available	151	13.4	25.0	109	13.1
Total	1,120	100.0	100.0	835	100.0
ETHNICITY					
Hispanic or Latino	28	2.5	11.7	20	2.4
Joint (Hisp/Lat /Not Hisp/Lat)	20	1.8	1.5	11	1.3
Total Ethnic Minority	48	4.3	13.2	31	3.7
Not Hispanic or Latino	859	76.7	63.7	666	79.8
Ethnicity Not Available	213	19.0	23.1	138	16.5
Total	1,120	100.0	100.0	835	100
<i>Source: 2020 US Census Data, HMDA Aggregate Data 2022, HMDA LAR Data 2022 and 2023</i>					

In 2022, the bank received 1,120 HMDA reportable loan applications within its assessment area. Of these applications, 69 or 6.2 percent were received from racial minority applicants, of which 41 or 60.1 percent resulted in originations. The aggregate received 10.5 percent of its applications from racial minority consumers, of which 53.7 percent were originated. The bank also received 48 or 4.4 percent of applications from ethnic groups of Hispanic origin within its assessment area, of which 26 or 54.2 percent were originated, compared to an aggregate ethnic minority application rate of 13.2 percent with a 54.9 percent origination rate.

In 2023, the bank received 835 HMDA reportable loan applications within its assessment area. Of these applications, 33 or 3.9 percent were received from racial minority applicants. Of these applications, 16 or 48.5 percent resulted in originations. For the same time, the bank received 31 or 3.7 percent of all applications from ethnic groups of Hispanic origin within its assessment area, of which 17 or 54.8 percent were originated.

Employees at the bank speak several languages and can provide translation services to customers in need. Languages spoken include Khmer, Polish, Russian, Spanish, and Ukrainian.

Considering the demographic composition of the assessment area and languages spoken at the bank, and origination rate compared to aggregate performance, the bank's minority application flow is adequate.

LARGE BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) through its lending activities by considering a bank's home mortgage, small business, small farm, and community development lending. If consumer lending constitutes a substantial majority of a bank's business, the FDIC will evaluate the bank's consumer lending in one or more of the following categories: motor vehicle, credit card, other secured, and other unsecured. The bank's lending performance is evaluated pursuant to the following criteria:

- 1) The number and amount of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, in the bank's assessment area;
- 2) The geographic distribution of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on the loan location, including:
 - i. The proportion of the bank's lending in the bank's assessment area(s);
 - ii. The dispersion of lending in the bank's assessment areas(s); and
 - iii. The number and amount of loans in low-, moderate-, middle- and upper-income geographies in the bank's assessment area(s);
- 3) The distribution, particularly in the bank's assessment area(s), of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on borrower characteristics, including the number and amount of:
 - i. Home mortgage loans low-, moderate-, middle- and upper-income individuals
 - ii. Small business and small farm loans to businesses and farms with gross annual revenues of \$1 million or less;
 - iii. Small business and small farm loans by loan amount at origination; and
 - iv. Consumer loans, if applicable, to low-, moderate-, middle- and upper-income individuals;
- 4) The bank's community development lending, including the number and amount of community development loans, and their complexity and innovativeness; and
- 5) The bank's use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low- and moderate-income individuals or geographies.

Investment Test

The Investment Test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through qualified investments that benefit its assessment area(s) or a broader

statewide or regional area that includes the bank's assessment area(s). Activities considered under the Lending or Service Test may not be considered under the investment test. The bank's investment performance is evaluated pursuant to the following criteria:

- 1) The dollar amount of qualified investments;
- 2) The innovativeness or complexity of qualified investments;
- 3) The responsiveness of qualified investments to available opportunities; and
- 4) The degree to which qualified investments are not routinely provided by private investors.

Service Test

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

The bank's retail banking services are evaluated pursuant to the following criteria:

- 1) The current distribution of the bank's branches among low-, moderate-, middle-, and upper-income geographies;
- 2) In the context of its current distribution of the bank's branches, the bank's record of opening and closing branches, particularly branches located in low- or moderate-income geographies or primarily serving low- or moderate-income individuals;
- 3) The availability and effectiveness of alternative systems for delivering retail banking services (*e.g.*, RSFs, RSFs not owned or operated by or exclusively for the bank, banking by telephone or computer, loan production offices, and bank-at-work or bank-by-mail programs) in low- and moderate-income geographies and to low- and moderate-income individuals; and
- 4) The range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

The bank's community development services are evaluated pursuant to the following criteria:

- 1) The extent to which the bank provides community development services; and
- 2) The innovativeness and responsiveness of community development services.

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.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

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 or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

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.

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

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

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

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

Community Development Loan: A loan that:

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

Community Development Service: A service that:

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

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

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

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

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

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

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 (e.g., geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g., 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 Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

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 (e.g., 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 (also known as non-MSA): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

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

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

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

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

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

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

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

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area’s population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

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

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

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