

# **PUBLIC DISCLOSURE**

April 20, 2021

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Florence Bank  
Certificate Number: 23293

85 Main Street  
Florence, Massachusetts 01062

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

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

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

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## INSTITUTION RATING

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

The following table indicates the performance level of Florence Bank with respect to the Lending, Investment, and Service Tests.

PERFORMANCE LEVELS	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory		X	X
Satisfactory**	X		
Needs to Improve			
Substantial Noncompliance			

*\* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.*

*\*\* 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.*

**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 adequate 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 makes limited use of innovative and/or 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 High Satisfactory.**

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

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

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

## SCOPE OF EVALUATION

### **General Information**

This performance evaluation, conducted jointly by the Federal Deposit Insurance Corporation (FDIC) and the Commonwealth of Massachusetts Division of Banks (DOB), covers the period from the prior evaluation, dated February 12, 2018, to the current evaluation dated April 20, 2021. Examiners used the Interagency Large Institution Community Reinvestment Act (CRA) Examination Procedures. These procedures evaluate the institution's CRA performance pursuant to three tests: Lending, Investment, and Service.

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

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

The Investment Test considered the following criteria.

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

The Service Test considered the following criteria.

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

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

### **Loan Products Reviewed**

Examiners determined that the bank's major product lines are home mortgage and small business loans. This conclusion considered the institution's business strategy and the number and dollar volume of loans originated during the evaluation period. No other loan types, such as small farm or consumer loans, represent a major product line; therefore, examiners did not present these product lines in the evaluation.

Examiners analyzed originated home mortgage and small business loans from January 1, 2018, through December 31, 2020 reported on Florence Bank's 2018, 2019, and 2020 Home Mortgage Disclosure Act (HMDA) Loan Application Register (LARs) and CRA loan registers. Examiners presented lending data for all years in the assessment area concentration section of the Lending Test, but presented only 2019 and 2020 lending data in the geographic distribution and borrower profile tables. The evaluation emphasized 2019 lending performance because it is the most recent year for which aggregate data is available.

Florence Bank originated 433 home mortgage loans totaling \$99.8 million in 2018; 450 loans totaling \$99.0 million in 2019; and 475 loans totaling \$117.0 million in 2020. Examiners compared the institution's home mortgage lending performance from 2018, 2019, and 2020 to 2015 American Community Survey (ACS) demographic data and 2018 and 2019 HMDA aggregate data. The bank originated 120 small business loans totaling \$21.5 million in 2018; 127 loans totaling \$28.9 million in 2019; and 165 loans totaling \$32.7 million in 2020. Examiners compared the bank's small business lending performance from 2018, 2019, and 2020 to D&B demographic data for each respective year and to CRA aggregate data for 2018 and 2019.

Examiners placed more weight on Florence Bank's home mortgage lending due to higher origination activity compared to small business lending during the evaluation period. However, according to management, the bank has initially emphasized commercial lending at its new Hampden County branches. Examiners also focused on the number of loans, rather than dollar volume, when assessing the institution's performance, as it better indicates the number of individuals and businesses served.

Under the Lending Test, examiners also evaluated the bank's community development lending and innovative and flexible lending from February 12, 2018 through April 20, 2021. Under the Investment and Service Tests, examiners considered qualified investments, community development services, and retail services during the same period.

## DESCRIPTION OF INSTITUTION

### **Background**

Incorporated in 1873, Florence Bank is a state-chartered savings bank owned by Florence Bank Holding Co, Inc., a one-bank holding company also headquartered in Florence, Massachusetts (MA). The FDIC and the DOB last evaluated the institution's CRA performance on February 12, 2018 and assigned a Satisfactory rating from the FDIC and a High Satisfactory rating from the DOB using Intermediate Small Institution CRA Examination Procedures.

### **Operations**

Florence Bank has its main office at 85 Main Street in Florence, (MA) and 11 full-service branches located in Amherst, Belchertown, Chicopee, Easthampton, Granby, Hadley, Northampton (2), Springfield, West Springfield, and Williamsburg. Prior to opening the West Springfield branch in late 2017, the bank's branches were limited to Hampshire County. The bank added the Springfield and Chicopee branches, both located in Hampden County, since the previous examination. Both the Springfield and Chicopee branches are located in moderate-income census tracts.

The bank offers traditional loan products including home mortgage, commercial, and consumer loans. Additionally, it offers a variety of deposit products, including checking and savings accounts for consumers and businesses.

Automated teller machines (ATM) are located at each banking office. The bank also has seven stand-alone ATMs located in Amherst, Cummington, Northampton (3), Southamptn, and Springfield, and it operates a drive-up branch in Florence. Additional services include online and mobile banking.

### **Ability and Capacity**

Florence Bank reported total assets of \$1.7 billion as of December 31, 2020, which includes total loans of \$1.0 billion. The bank reported total deposits of \$1.5 billion as of December 31, 2020 and \$280.0 million average total securities from December 31, 2017 to December 31, 2020. The institution is primarily a residential lender, with loans secured by residential real estate accounting for 69.4 percent of the loan portfolio. Commercial loans, consisting of loans secured by nonfarm nonresidential real estate and commercial and industrial loans, make up 28.2 percent of the portfolio.

The following table illustrates Florence Bank's loan portfolio distribution as of December 31, 2020.

<b>Loan Portfolio Distribution as 12/31/2020</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	23,992	2.3
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	674,458	65.6
Multifamily (5 or more) Residential Properties	39,345	3.8
Secured by Nonfarm Nonresidential Properties	248,771	24.2
<b>Total Real Estate Loans</b>	<b>986,566</b>	<b>96.0</b>
Commercial and Industrial Loans	41,081	4.0
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	177	0.0
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	104	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
<b>Total Loans</b>	<b>1,027,928</b>	<b>100.0</b>
<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 financial institutions to define one or more assessment areas within which examiners will evaluate its CRA performance. Florence Bank designated one single assessment area to include the following cities and towns located in the Springfield, MA Metropolitan Statistical Area (MSA):

**Franklin County:** Ashfield, Buckland, Deerfield, Greenfield, Montague, Shutsebury, and Whately

**Hampden County:** Agawam Town, Chicopee, East Longmeadow, Hampden, Holyoke, Longmeadow, Ludlow, Southwick, Springfield, West Springfield, Westfield, and Wilbraham

**Hampshire County:** Amherst, Belchertown, Chesterfield, Easthampton, Granby, Hadley, Hatfield, Huntington, Northampton, Pelham, South Hadley, Southampton, Ware, Westhampton, Williamsburg, and Worthington

### Economic and Demographic Data

Florence Bank's assessment area includes 143 census tracts. The following indicates these census tracts by income designation according to 2015 ACS data.

- 25 low-income census tracts,
- 23 moderate-income census tracts,
- 44 middle-income census tracts,
- 47 upper-income census tracts, and
- 4 census tracts without an income designation.

Hampden County contains 45 of the assessment area's 48 total low- and moderate-income census tracts, and 42 are specifically within Springfield, Holyoke, and Chicopee. The geographic distribution criterion of the Lending Test focuses on bank performance in lending within the assessment area's low- and moderate-income census tracts. With such a high concentration of these census tracts in Hampden County, the bank's historical branch network and business focus on Hampshire County, having only recently opened branches in Hampden County, affects its ability to lend in most of the area's low- and moderate-income census tracts.

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

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	143	17.5	16.1	30.8	32.9	2.8
Population by Geography	640,390	14.5	15.7	32.1	34.9	2.8
Housing Units by Geography	260,764	14.2	16.4	35.1	34.2	0.1
Owner-Occupied Units by Geography	149,502	4.9	12.8	36.7	45.6	0.0
Occupied Rental Units by Geography	92,192	27.8	21.1	33.5	17.3	0.3
Vacant Units by Geography	19,070	21.5	22.0	30.1	25.9	0.4
Businesses by Geography	42,605	13.7	15.1	31.1	39.2	0.8
Farms by Geography	1,366	3.1	5.7	37.8	53.4	0.0
Family Distribution by Income Level	152,004	24.9	15.9	18.1	41.1	0.0
Household Distribution by Income Level	241,694	27.4	14.8	15.6	42.3	0.0
Median Family Income MSA - 44140 Springfield, MA MSA		\$67,203	Median Housing Value			\$210,265
			Median Gross Rent			\$860
			Families Below Poverty Level			12.1%
<i>Source 2015 ACS and 2020 D&amp;B Data. Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The number of families below the poverty level is relatively high (12.1 percent), indicating a need for community services targeted to low-income individuals. Low- and moderate-income census tracts have limited owner-occupied units, as the majority of housing units are rented. In addition, the median housing value is approximately three times the median family income. Furthermore, there is a designated opportunity zone in Easthampton designated to help low-income individuals.

Examiners used the FFIEC-updated median family income level to analyze home mortgage loans under the Borrower Profile criterion. The following table presents the low-, moderate-, middle-, and upper-income categories based on 2018, 2019, and 2020 FFIEC-updated median family incomes. Franklin County switched from a nonmetropolitan area in 2018 to becoming part of the Springfield, MA MSA in 2019.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>Springfield, MA MSA Median Family Income (44140)</b>				
2018 (\$73,900)	<\$36,950	\$36,950 to <\$59,120	\$59,120 to <\$88,680	≥\$88,680
2019 (\$76,700)	<\$38,350	\$38,350 to <\$61,360	\$61,360 to <\$92,040	≥\$92,040
2020 (\$76,900)	<\$38,450	\$38,450 to <\$61,520	\$61,520 to <\$92,280	≥\$92,280
<i>Source FFIEC</i>				

U.S. Bureau of Labor Statistics data indicated that the unemployment rate from 2018 to January 2021 for the Springfield, MA MSA averaged 6.2 percent, higher than the statewide and national unemployment rate of 5.3 percent. Unemployment rates increased during the evaluation period due to economic effects of the COVID-19 pandemic.

The service industry represents the largest portion of assessment area businesses at 40.2 percent; followed by non-classifiable establishments (15.5 percent); retail trade (13.4 percent); finance, insurance, real estate (9.3 percent); and construction (7.2 percent). The analysis of small business loans under the Borrower Profile criterion in the Lending Test compares the distribution of small business loans to the distribution of business by gross annual revenue (GAR) level. The following are the GARs for the area’s businesses based on 2018 D&B data:

- 83.6 percent have GARs of \$1.0 million or less;
- 5.4 percent have GARs of more than \$1.0 million;
- 11.0 percent have unknown revenues.

**Competition**

Competition is high for deposits within the assessment area. According to the June 30, 2020 FDIC Deposit Market Share data, 18 institutions operate 198 branches within the Springfield, MA MSA. The presence of large national institutions creates significant competition. Specifically, the top three depository institutions were Bank of America, TD Bank, and People’s United Bank, which operate a total of 50 offices with a combined deposit market share of 33.1 percent. Community banks with the largest deposit market share include Peoplesbank, Westfield Bank, and Florence Bank. Peoplesbank operates 19 offices with a market share of 9.8 percent, Westfield Bank operates 23 offices with a market share of 9.0 percent, and Florence Bank operates 12 offices with a 7.0 percent market share.

FDIC Deposit Market Share data at the county level highlights the bank’s stronghold in Hampshire County. Specifically, Florence Bank ranked 1<sup>st</sup> out of 14 institutions in Hampshire County, holding 25.0 percent of all deposits as of June 30, 2020. In Hampden County; however, the bank ranks 14<sup>th</sup> out of 16 institutions, holding only 0.4 percent of all deposits. Hampden County has six institutions with more than an 11.0 percent deposit market share, highlighting the higher level of competition Florence Bank faces in Hampden County relative to Hampshire County.

The institution also faces significant competition for home mortgage loans. According to 2019 HMDA aggregate data, 345 lenders originated or purchased 16,359 loans in the assessment area. Florence Bank ranked 10<sup>th</sup> with a market share of 2.7 percent. The top three lenders were Citizens Bank, N.A.; Quicken Loans; and Peoplesbank; but even these top lenders had market shares under 5.0 percent, highlighting the high level of competition from numerous lenders.

A review of 2019 HMDA aggregate data by counties in the assessment area highlights Florence Bank's mortgage lending stronghold in Hampshire County and the substantial competition it faces lending in Hampden County. The bank ranked 1<sup>st</sup> among 214 lenders that originated or purchased loans in Hampshire County, with a 7.5 percent market share. In Hampden County, however, the bank ranked 35<sup>th</sup> among 302 lenders, with a 0.9 percent market share. These statistics reflect the bank's competitive advantage in Hampshire County, where it has had a significant physical branch presence for many years. Conversely, HMDA market share data also highlights challenges faced by Florence Bank to lend in Hampden County, which has many lenders, including larger community banks headquartered in the county, and in which the bank has only recently opened branches.

The small business lending market is also highly competitive. According to 2019 CRA aggregate data, large national institutions control a large portion of the small business lending market. For example, the top three institutions, American Express, JPMorgan Chase, and Citibank, have a combined market share of 42.1 percent in the full Springfield, MA MSA. The top three community banks for small business lending are Westfield Bank, Florence Bank, and Easthampton Savings Bank, with Florence Bank ranking 19<sup>th</sup> with a 0.8 percent market share out of 100 reporting lenders.

### **Community Contact**

As part of the evaluation process, examiners contact organizations active in the assessment area to understand and assess the credit and community development needs and opportunities within the assessment area. This information helps examiners determine the responsiveness of local financial institutions to community development needs.

Examiners contacted a local organization that focuses on economic development and revitalization of low- and moderate-income areas. The organization's contact emphasized the need for development in low- and moderate-income areas, in particular Holyoke. In addition, the contact explained the importance of local institutions collaborating with area non-profits to build trust in the banking system among low- and moderate-income individuals. The contact further noted that financial institutions in the area have been responsive in supplying donations to benefit economic development, but additional work can be done.

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

Based on information from the community contact, bank management, and demographic data, examiners determined that affordable housing, economic development, revitalization of low- and moderate-income portions of Springfield and Holyoke, and community services for low- and moderate-income individuals are all needed in the assessment area. Relatively high levels of

poverty and unemployment demonstrate a need for community services and economic development. In addition, high property values demonstrate needs for affordable housing. Furthermore, the large percentage of businesses with GARs of less than \$1.0 million demonstrates potential for economic development within the assessment area. Last, the cities of Springfield and Holyoke have opportunities for revitalization and stabilization; both cities contain a fair number of low- and moderate-income census tracts.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

Florence Bank's Lending Test rating is Satisfactory. Adequate performance in the Geographic Distribution and Borrower Profile, along with an adequate level of Community Development Loans supports the rating.

### **Lending Activity**

The institution's lending levels reflect good responsiveness to assessment area credit needs. Of all state-chartered institutions, Florence Bank's home mortgage market share ranked 3<sup>rd</sup> in 2019, illustrating good responsiveness to assessment area credit needs. In 2019 and 2020, Florence Bank originated or purchased 893 home mortgage loans totaling \$203.6 million and 276 small business loans totaling \$57.7 million inside the assessment area.

The Description of Assessment Area section previously discussed the bank's market share rankings for home mortgage and small business lending. For home mortgage lending, the institutions ranked above Florence Bank in overall market share in 2019 included large financial institutions and mortgage companies. Similarly, for small business lending, many of the institutions that ranked above Florence Bank in 2019 were large national banks and credit card companies.

In addition, the institution increased its origination activity for both product types in each successive year of the evaluation period, further demonstrating good responsiveness to assessment area credit needs. Notably, Florence Bank originated more than half of its small business loans in Hampden County, reflecting its strategic focus on commercial lending after opening three branches in Hampden County since late 2017. Approximately two-thirds of the bank's HMDA loans were made in Hampshire County. Franklin County contains the smallest share of both the bank's HMDA and small business loans, with market share reports reflecting a much smaller number of loans by all lenders in Franklin County compared to Hampshire and Hampden Counties.

### **Assessment Area Concentration**

The institution originated a substantial majority of loans within its assessment area. The table below highlights Florence Bank's lending inside and outside the assessment area by loan category.

<b>Lending Inside and Outside of the Assessment Area</b>										
<b>Loan Category</b>	<b>Number of Loans</b>				<b>Total #</b>	<b>Dollar Amount of Loans \$(000s)</b>				<b>Total \$(000s)</b>
	<b>Inside</b>		<b>Outside</b>			<b>Inside</b>		<b>Outside</b>		
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
Home Mortgage										
2018	412	95.2	21	4.9	433	90,510	90.7	9,290	9.3	99,800
2019	434	96.4	16	3.6	450	91,809	92.8	7,146	7.2	98,955
2020	459	96.6	16	3.4	475	111,749	95.5	5,218	4.5	116,967
<b>Subtotal</b>	<b>1,305</b>	<b>96.1</b>	<b>53</b>	<b>3.9</b>	<b>1,358</b>	<b>294,068</b>	<b>93.1</b>	<b>21,654</b>	<b>6.9</b>	<b>315,722</b>
Small Business										
2018	115	95.8	5	4.2	120	20,150	93.5	1,399	6.5	21,549
2019	118	92.9	9	7.1	127	26,677	92.4	2,180	7.6	28,857
2020	158	95.8	7	4.2	165	31,005	94.9	1,671	5.1	32,676
<b>Subtotal</b>	<b>391</b>	<b>94.9</b>	<b>21</b>	<b>5.1</b>	<b>412</b>	<b>77,832</b>	<b>93.7</b>	<b>5,250</b>	<b>6.3</b>	<b>83,082</b>
<b>Total</b>	<b>1,696</b>	<b>95.8</b>	<b>74</b>	<b>4.2</b>	<b>1,770</b>	<b>371,900</b>	<b>93.3</b>	<b>26,904</b>	<b>6.7</b>	<b>398,804</b>

Source: Bank Data. Due to rounding, totals may not equal 100.0%

**Geographic Distribution**

The geographic distribution of loans reflects adequate dispersion throughout the assessment area. Despite poor home mortgage lending performance, examiners gave weight to the bank’s adequate small business lending performance. With a vast majority of low- and moderate-income census tracts in Hampden County, the bank’s recent branch expansion to Hampden County mitigates the impact of home mortgage lending performance. Examiners focused on the percentage by number of loans in low- and moderate-income census tracts.

***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects poor dispersion throughout the assessment area. Examiners gave more weight to the comparison of 2019 bank performance to 2019 aggregate data, due to 2020 aggregate data not being available.

The following table shows that the bank’s 2019 performance in low-income census tracts trails that of aggregate lending by 3.3 percentage points and the percentage of owner-occupied housing units by 1.7 percentage points. In 2020, bank lending decreased slightly, trailing the percentage of owner-occupied units in low-income census tracts by 2.5 percentage points. However, market share data helps mitigate the lower percentage of bank loans in in low-income census tracts. In 2019 the institution ranked 25<sup>th</sup> out of 128 lenders for lending in low-income census tracts, with a 1.3 percent market share.

In moderate-income census tracts, the bank trailed aggregate lending and the percentage of owner-occupied units in 2019. In 2020, the bank lending again declined slightly, continuing to trail the percentage of owner-occupied units in moderate-income census tracts. Market share

data, however, helps mitigate the bank's low percentage of loans to moderate-income census tracts. In 2019, the institution ranked 41<sup>st</sup> out of 174 lenders for lending in moderate-income census tracts, with a 0.7 percent market share.

As noted in the Description of Institution and Description of Assessment Area, Florence Bank has historically only had branch locations in Hampshire County, and only recently opened branches in Hampden County. Hampden County contains 45 of the assessment area's 48 total low- and moderate-income census tracts, but over 60 percent of the bank's home mortgage lending occurred in Hampshire County in both 2019 and 2020. As a result, any analysis looking at the bank's entire assessment area skews towards Hampshire County, where there are no low- and just one moderate-income census tract in which the bank could lend.

When analyzing performance only in the Hampden County portion of the assessment area, the bank's level of lending in low- and moderate-income census tracts more closely matches aggregate lending. In 2019, within the Hampden County portion of the assessment area, the bank originated 12.4 percent of its loans in low-income census tracts and 16.2 percent of its loans in moderate-income census tracts. This is comparable to aggregate performance, where 8.7 percent of loans were originated or purchased within low-income census tracts and 20.2 percent of loans were originated or purchased within moderate-income census tracts. The bank's performance in these geographies decreased in 2020, with 10.0 percent of loans from low-income census tracts and 9.0 percent of loans from moderate-income census tracts.

The bank's market share in low- and moderate-income census tracts in the Hampden County portion of the assessment area is comparable to its overall market ranking. In 2019, Florence Bank ranked 35<sup>th</sup> overall within the Hampden County portion of its assessment area, with a market share of 0.9 percent. Within the low- and moderate-income census tracts of Hampden County, the bank ranked 25<sup>th</sup> and 39<sup>th</sup> with market shares of 1.3 percent and 0.7 percent, respectively. Furthermore, the bank's two branches opened since the previous examination are located in moderate-income census tracts in Hampden County, indicating the institution's efforts to expand its lending in these areas. Considering all performance context, the bank's poor home mortgage lending in low- and moderate-income census tracts does not carry much weight when determining the Lending Test rating and conclusions.

<b>Geographic Distribution of Home Mortgage Loans</b>						
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2019	4.9	6.5	14	3.2	2,687	2.9
2020	4.9	--	11	2.4	1,824	1.6
<b>Moderate</b>						
2019	12.8	15.1	18	4.1	3,712	4.0
2020	12.8	--	10	2.2	1,547	1.4
<b>Middle</b>						
2019	36.7	35.7	182	41.9	34,458	37.5
2020	36.7	--	166	36.2	35,494	31.8
<b>Upper</b>						
2019	45.6	42.6	219	50.5	50,563	55.1
2020	45.6	--	271	59.0	62,841	56.2
<b>Not Available</b>						
2019	0.0	0.0	1	0.2	387	0.4
2020	0.0	--	1	0.2	10,043	9.0
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>434</b>	<b>100.0</b>	<b>91,809</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>--</b>	<b>459</b>	<b>100.0</b>	<b>111,749</b>	<b>100.0</b>
<i>Source 2015 ACS; Bank Data, 2019 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

***Small Business Loans***

The geographic distribution of small business loans reflects adequate dispersion throughout the assessment area. The following table shows that, in 2019, bank lending in low-income census tracts trailed the aggregate by just 1.5 percentage points and the demographic comparator by 2.7 percentage points. In 2020, the institution’s performance declined by 2.8 percentage points.

In 2019, the institution’s lending performance in moderate-income census tracts was comparable to both the aggregate and the demographic comparator. In 2020, the institution’s level of lending in moderate-income census tracts increased by 1.8 percentage points. Considering context previously noted about competition and the bank’s physical presence and historical focus primarily in Hampshire County, these levels reflect positive performance.

<b>Geographic Distribution of Small Business Loans</b>						
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2019	13.7	12.5	13	11.0	2,026	7.6
2020	13.7	--	13	8.2	4,739	15.3
Moderate						
2019	15.1	15.5	18	15.3	3,430	12.9
2020	15.1	--	27	17.1	8,202	26.5
Middle						
2019	31.2	30.6	37	31.4	9,109	34.1
2020	31.1	--	53	33.5	7,223	23.3
Upper						
2019	39.2	41.2	49	41.5	12,077	45.3
2020	39.2	--	62	39.2	9,969	32.2
Not Available						
2019	0.8	0.2	1	0.8	35	0.1
2020	0.8	--	3	1.9	872	2.8
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>118</b>	<b>100.0</b>	<b>26,677</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>--</b>	<b>158</b>	<b>100.0</b>	<b>31,005</b>	<b>100.0</b>
<i>Source 2019 &amp; 2020 D&amp;B Data; Bank Data; 2019 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

**Borrower Profile**

The distribution of borrowers reflects adequate penetration among individuals of different income levels and businesses of different sizes. The institution’s adequate performances in home mortgage and small business lending support this conclusion. Examiners focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers and small business loans to businesses with GARs of \$1.0 million or less.

***Home Mortgage Loans***

The distribution of home mortgage loans to individuals of different income levels is adequate. According to 2019 data, the institution trailed aggregate by 1.3 percentage points in home mortgage loans to low-income borrowers and by 7.7 percent in home mortgage loans to moderate-income borrowers; however, the high performing lenders in the assessment area ahead of Florence Bank are national banks, credit unions, and mortgage companies. In 2019, the institution ranked 16<sup>th</sup> of 118 lenders in lending to low-income borrowers with a market share of 2.2 percent. The institution ranked 19<sup>th</sup> in lending to moderate-income borrowers with a market share of 1.7 percent.

The institution also trailed the total percentage of low-income borrowers; however, 12.1 percent of families within the assessment level are below the poverty level and with a median housing value of \$210,265, and these families would likely not qualify for a mortgage. The 2020 aggregate data was not available at the time of the review; however, the percentage of loans to low-income borrowers decreased by 2.7 percentage points.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2019	24.9	7.1	25	5.8	2,625	2.9
2020	24.9	--	14	3.1	1,259	1.1
<b>Moderate</b>						
2019	15.9	22.2	63	14.5	9,029	9.8
2020	15.9	--	69	15.0	11,050	9.9
<b>Middle</b>						
2019	18.1	23.7	106	24.4	19,550	21.3
2020	18.1	--	120	26.1	21,811	19.5
<b>Upper</b>						
2019	41.1	30.9	193	44.5	47,371	51.6
2020	41.1	--	225	49.0	57,390	51.4
<b>Not Available</b>						
2019	0.0	16.2	47	10.8	13,234	14.4
2020	0.0	--	31	6.8	20,240	18.1
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>434</b>	<b>100.0</b>	<b>91,809</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>--</b>	<b>459</b>	<b>100.0</b>	<b>111,749</b>	<b>100.0</b>
<i>Source 2015 ACS; Bank Data, 2019 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

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

The distribution of small business loans reflects adequate penetration of loans to businesses with GARs of \$1.0 million or less. The following table shows that 38.1 percent of small business loans originated in 2019 were to businesses with GARs of \$1.0 million or less. This lending is comparable to the aggregate performance.

In 2020, the percentage of small business loans originated by the institution decreased to 16.5 percent. Despite the percentage of loans being lower than the total percentage of businesses with GARs of \$1.0 million or less within the assessment area, the institution performance is reasonable. The decrease in the institution's performance between 2019 and 2020 can be

explained by the large amount of Paycheck Protection Program (PPP) loans, which do not require GAR reporting and are reflected in the Revenue Not Available category.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>						
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>&lt;=\$1,000,000</b>						
2019	82.8	41.6	45	38.1	8,119	30.4
2020	83.6	--	26	16.5	5,027	16.2
<b>&gt;1,000,000</b>						
2019	5.8	--	73	61.9	18,558	69.6
2020	5.4	--	59	37.3	16,369	52.8
<b>Revenue Not Available</b>						
2019	11.4	--	0	0.0	0	0.0
2020	11.0	--	73	46.2	9,609	31.0
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>118</b>	<b>100.0</b>	<b>26,677</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>--</b>	<b>158</b>	<b>100.0</b>	<b>31,005</b>	<b>100.0</b>

*Source 2019 & 2020 D&B Data; Bank Data; 2019 CRA Aggregate Data; "--" data not available.  
Due to rounding, totals may not equal 100.0%*

**Innovative and Flexible Lending**

The institution makes limited use of innovative and flexible lending practices in order to serve assessment area credit needs. Florence Bank offers several programs designed to assist low- and moderate-income individuals and first-time homebuyers with low minimum down payments, discounted interest rates, and no mortgage insurance requirements. The institution also offers several loan programs designed to provide credit to small businesses, including programs offering government guarantees.

The institution originated 115 innovative and flexible loans, totaling approximately \$31.1 million, to individuals and businesses during the evaluation period. Of these innovative and flexible loans, the institution originated 20 loans totaling approximately \$4.0 million under affordable housing programs. The institution originated the remaining 95 loans totaling approximately \$27.2 million under small business lending programs. Of the 95 loans under the small business lending programs, 77 were PPP loans for approximately \$11.9 million.

Innovative or Flexible Lending Programs								
Type of Program	2018		2019		2020		Totals	
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
5/1 ARM FTHB	1	164	1	171	2	486	4	821
Home Possible	1	165	0	0	1	174	2	339
MassHousing Loans with No Mortgage Insurance	1	165	0	0	0	0	1	165
MassHousing	3	533	0	0	5	886	8	1,419
USDA	1	293	2	400	2	525	5	1,218
<b>Subtotal Residential Loans</b>	<b>7</b>	<b>1,320</b>	<b>3</b>	<b>571</b>	<b>10</b>	<b>2,071</b>	<b>20</b>	<b>3,962</b>
SBA 7(a)	1	172	0	0	1	220	2	392
SBA 504	2	1,347	4	1,060	3	2,650	9	5,057
SBA Express	1	75	1	115	1	250	3	440
PPP	0	0	0	0	77	11,922	77	11,922
Tax-Exempt Bonds	0	0	0	0	4	9,374	4	9,374
<b>Subtotal Commercial Loans</b>	<b>4</b>	<b>1,594</b>	<b>5</b>	<b>1,175</b>	<b>86</b>	<b>24,416</b>	<b>95</b>	<b>27,185</b>
<b>Totals</b>	<b>11</b>	<b>2,914</b>	<b>8</b>	<b>1,746</b>	<b>96</b>	<b>26,487</b>	<b>115</b>	<b>31,147</b>
<i>Source Bank Records</i>								

The following highlights the various innovative and flexible loan programs offered by the bank.

#### Home Mortgage Lending Programs

- *5/1 Adjustable Rate Mortgage (ARM) for First-Time Homebuyer (FTHB):* This product is designed to assist first-time homebuyers who may not qualify for a traditional mortgage by offering a 5/1 ARM with lower initial rates, flexible down payment and income qualifications, no points, and a credit towards closing costs.
- *Freddie Mac Home Possible:* The Home Possible program facilitates home ownership among low- and moderate-income individuals by offering loans with low down payments, high loan-to-value limits, and reduced mortgage insurance costs.
- *MassHousing Loan program:* Through the Massachusetts Housing Finance Agency, Florence Bank offers 30-year, fixed-rate financing for the purchase on a one-to-four family properties for first-time homebuyers that meet income and asset limitations. Borrowers may finance up to 97.0 percent of the sales price or the appraised value, whichever is less, on a single-family home.
- *U.S Department of Agriculture (USDA) Guaranteed:* This program assists approved lenders in providing low- and moderate-income households the opportunity to build, rehabilitate, improve, or relocate a dwelling as their primary residence in eligible rural areas.

## Small Business Lending Programs

- *Small Business Administration (SBA) 7(a)*: Florence Bank is a preferred lender for the SBA 7(a) loan program. This loan product is the SBA's primary program for providing financing to small businesses; it offers small businesses a maximum loan amount of \$5.0 million.
- *SBA 504 Certified Development Company Program* - The SBA 504 Program is an economic development program offering small business financing while creating jobs and promoting job growth. The program provides approved small businesses with long-term, fixed-rate financing for major fixed assets.
- *SBA Express Loan Program*: This program offers borrowers an accelerated turnaround time of up to 36 hours for approval on loan amounts up to \$350,000. The SBA provides a maximum guaranty of 50.0 percent, and no collateral is required for loans of \$25,000 or less.
- *Paycheck Protection Program*: The PPP provides low-cost, forgivable loans to qualifying small businesses to help cover payroll costs, mortgage interest, rent, and utilities during periods of severe business disruption or temporary closure caused by the COVID-19 pandemic.
- *Tax-Exempt Bonds*: The bank offers financing to businesses through the Massachusetts Development Finance Agency's revenue bonds. This flexible financing option is available for non-profits, affordable housing developers, municipal entities, manufacturers, and environmental enterprises. This program offers low rates and flexible terms to support economic development.

## Community Development Lending

Florence Bank made an adequate level of community development loans. The bank originated 23 community development loans, totaling approximately \$28.1 million, inside the assessment area during the evaluation period. This total includes eight loans for \$7.8 million that benefit a broader statewide and regional area including the bank's assessment area. In addition, the bank originated a loan totaling approximately \$940,000 outside the assessment area. This represents a significant decrease in community development loan activity by dollar amount but an increase in the number of loans since the prior evaluation. At the prior evaluation, the bank originated 14 community development loans, totaling \$43.1 million.

The current level of activity represents 1.9 percent of average total assets and 2.7 percent of average total loans since the prior CRA evaluation. This level of activity is a decrease from the last evaluation when the level of activity represented 3.5 percent of average total assets and 4.6 percent of average total loans. The following table details the bank's community development lending by community development purpose and by year.

<b>Community Development Lending</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
2018 (Partial)	0	0	6	4,945	0	0	0	0	6	4,945
2019	1	30	6	5,288	0	0	5	12,857	12	18,175
2020	0	0	4	4,275	0	0	0	0	4	4,275
YTD 2021	0	0	1	750	0	0	0	0	1	750
<b>Total</b>	<b>1</b>	<b>30</b>	<b>17</b>	<b>15,258</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>12,857</b>	<b>23</b>	<b>28,145</b>
<i>Source Bank Data</i>										

The following originations represent community development loans made to organizations and corporations that benefit towns inside the assessment area and the surrounding neighborhoods:

- In 2019, the institution originated a \$2.6 million loan to fund the renovation and restoration of an abandoned mill building inside an opportunity zone located in Easthampton. The building was converted into a commercial space. The loan supports revitalization and stabilization.
- In 2018, the institution originated a \$2.1 million loan to provide bridge funding to facilitate the procurement of New Market Tax Credits to construct a childcare learning facility in Springfield. The facility is located in a low-income tract and primarily serves low- and moderate-income families.
- In 2020, the institution extended a line of credit for \$600,000 to fund the renovation and conversion of a single-family home in Holyoke. The property was converted into a 16-unit substance abuse facility that is geared towards treating the Lesbian, Gay, Bisexual, Transgender, and Queer (LGBTQ) community. The loan primarily supports the provision of community services targeted to low- and moderate-income individuals.
- In 2020 and 2021, the bank originated two PPP loans with a combined amount of \$1.9 million to an organization that provides medical and supportive services to disabled individuals in Western Massachusetts and parts of Connecticut. Individuals who qualify for Mass Health receive services completely free. The organization primarily serves low- and moderate-income individuals.

**INVESTMENT TEST**

Florence Bank’s Investment Test rating is High Satisfactory. The significant level of qualified investments and good responsiveness to the needs of the community primarily support this conclusion.

## Investment Activity

The institution has a significant level of qualified community development investments and grants, occasionally in a leadership position, particularly those that are not routinely provided by private investors.

Florence Bank's qualified investments during the evaluation period totaled \$4.0 million, which is 1.4 percent of its average total securities and 0.3 percent of its average total assets. These ratios have increased since the prior evaluation values of 1.3 percent and 0.2 percent respectively. This performance is comparable to similarly situated institutions by asset size and location that received the same performance conclusion in their most recent CRA evaluation. The majority of the bank's qualified donations and grants supported community services. The following table illustrates the bank's qualified investments, grants, and donations.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	12	2,590	0	0	0	0	0	0	12	2,590
2018	0	0	0	0	1	125	0	0	1	125
2019	0	0	0	0	1	375	0	0	1	375
2020	0	0	0	0	0	0	0	0	0	0
YTD 2021	0	0	0	0	0	0	0	0	0	0
<b>Subtotal</b>	<b>12</b>	<b>2,590</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>500</b>	<b>0</b>	<b>0</b>	<b>14</b>	<b>3,090</b>
Qualified Grants & Donations	7	22	150	502	8	24	40	316	205	863
<b>Total</b>	<b>19</b>	<b>2,612</b>	<b>150</b>	<b>502</b>	<b>10</b>	<b>524</b>	<b>40</b>	<b>316</b>	<b>219</b>	<b>3,953</b>

*Source Bank Data*

The institution has approximately \$3.1 million in qualified equity investments. Since the previous evaluation, new investments represent \$500,000. All prior period equity investments helped provide affordable housing, and all current period equity investments helped economic development. The following are notable examples of qualified investments and donations.

### Equity and Debt Security Investments

#### *Current Period Investments*

- The institution invested \$500,000 in a loan fund, which included SBA loans to finance small businesses that created jobs for low- and moderate-income individuals.

#### *Prior Period Investments*

- The institution has \$1.0 million outstanding invested in mortgage-backed securities collateralized by home mortgage loans made to low- and moderate-income individuals.

- The institution has \$1.6 million outstanding invested in a mutual fund which identifies and purchases securities that support community services that benefit low- and moderate-income individuals and census tracts within the bank's assessment area.

### Charitable Contributions

- The institution provided approximately \$90,000 to a community development organization that offers services and programs that benefit low- and moderate-income individuals through affordable housing and economic opportunities.
- The institution donated approximately \$107,000 to two organizations that provide services and support for those in poverty in Hampshire County.
- The institution donated approximately \$30,000 to provide affordable housing to low- and moderate-income individuals within the Springfield, MA MSA.

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

The institution exhibits good responsiveness to credit and community economic development needs. The institution's qualified investments, especially donations, have community development purposes that benefit communities throughout the entire assessment area that address key community development needs. The majority of the institution's qualified investments and donations by dollar amount and count benefit affordable housing and community service respectively. Additionally, needs such as economic development and revitalization and stabilization are also met by qualified investments.

### **Community Development Initiatives**

The institution occasionally uses innovative and complex investments to support community development initiatives. The institution used both grants and investments in loan funds to support community development needs; however, it makes limited use of innovative or complex investment vehicles. The institution primarily relies on mortgage backed securities and donations to make qualified investments.

**SERVICE TEST**

Florence Bank’s Service Test rating is High Satisfactory. The institution’s accessibility of delivery systems, changes in branch location, and level of community development services primarily support this conclusion.

**Accessibility of Delivery Systems**

Florence Bank’s service delivery systems are accessible to essentially all portions of the institution’s assessment area. The following table shows the institution’s branch structure and ATM network by census tract income level.

<b>Branch and ATM Distribution by Geography Income Level</b>								
<b>Tract Income Level</b>	<b>Census Tracts</b>		<b>Population</b>		<b>Branches</b>		<b>ATMs</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	25	17.5	92,915	14.5	0	0.0	1	4.0
Moderate	23	16.1	100,403	15.7	3	23.1	3	12.0
Middle	44	30.8	205,791	32.1	4	30.8	11	44.0
Upper	47	32.9	223,217	34.9	5	38.5	9	36.0
NA	4	2.8	18,064	2.8	1	7.7	1	4.0
<b>Totals</b>	<b>143</b>	<b>100.0</b>	<b>640,390</b>	<b>100.0</b>	<b>13</b>	<b>100.0</b>	<b>25</b>	<b>100.0</b>

*Source 2015 ACS & Bank Data. Due to rounding, totals may not equal 100.0%*

The institution currently operates three branches in moderate-income census tracts, located in Chicopee, Springfield, and West Springfield Town. Although the institution’s branch and ATM distribution compares favorably to the number of census tracts and population of moderate-income tracts, the institution operates only one ATM in a low-income tract.

With the exception of the Springfield branch, each branch has at least one ATM. Easthampton, Florence, Hadley, and Northampton locations each have a walk-up and drive-up ATM. In addition, the Florence location has another ATM in its lobby that is not deposit-taking for employee use. Furthermore, the institution operates eight remote ATMs. The Basketball Hall of Fame ATM is located in a low-income census tract and is accessible to the public. All deposit-taking ATMs are “smart” ATMs, which can perform most transactions tellers perform to give consumers access to these functions even during branch closures, such as the instant capturing of checks.

Additionally, Florence Bank’s alternative delivery systems help compensate for any lack of immediate access to its branches or ATMs. Specifically, the institution provides online banking at no cost to allow customers to pay bills, transfer funds, and view account balances. Seventy-five percent of customers are enrolled in online banking, giving them ready access to their accounts. Furthermore, Florence Bank allows customers to use mobile and telephone banking to

provide customers access to their accounts regardless of the time. Lastly, the institution has expanded its access to bank functions by adding the use of online account opening during the review period. Mobile banking has similar features to online banking further increasing accessibility of funds.

**Changes in Branch Locations**

To the extent changes have been made, the institution’s record of opening and closing branches has improved the accessibility of its delivery systems, particularly to low- and moderate-income geographies and to low- and moderate-income individuals. Since the prior evaluation, the institution opened two full-service branches. The new Springfield branch, opened in 2018, is in a moderate-income census tract and the new Chicopee branch, opened in 2021, is also located in moderate-income census tract. The institution has not closed any branches since the last CRA evaluation. The addition of two branches in moderate-income census tracts reflects positively on the bank’s Service Test performance.

**Reasonableness of Business Hours and Services**

Services, including business hours, do not vary in a way that inconveniences portions of the assessment area, particularly low- and moderate-income geographies and individuals. Generally, lobby hours in all branch locations do not vary materially on weekdays; however, the only three branches not open on Saturdays (located in Springfield, West Springfield Town, and Chicopee) are all located in moderate-income census tracts. Online and mobile banking, in addition to the presence of 24-hour ATMs help offset limited hours because it provides customers access to most banking services. In addition, services do not materially vary across branches.

**Community Development Services**

The institution provides a relatively high level of community development services. During the evaluation period, the institution provided 113 instances of community service to 39 community development organizations that support affordable housing, community service, economic development, and neighborhood revitalization efforts.

The following table illustrates the institution’s community development services by year and purpose.

<b>Community Development Services</b>					
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
2018 (Partial)	1	26	2	10	<b>39</b>
2019	1	24	2	10	<b>37</b>
2020	0	25	2	10	<b>37</b>
<b>Total</b>	<b>2</b>	<b>75</b>	<b>6</b>	<b>30</b>	<b>113</b>
<i>Source Bank Data</i>					

Examples of notable community development services provided by bank employees are listed below.

- The institution's President/Chief Executive Officer (CEO) serves on the Board of Directors of the Western Massachusetts Economic Development Council, which is a non-profit public benefit organization that promotes economic development and low- and moderate-income job creation and retention within the assessment area.
- A Vice President serves on the Development Committee for Amherst Survival Center, an organization that connects low-income individuals from Franklin and Hampshire Counties to food, healthcare, and other basic services.
- Two Vice Presidents serve as Board members on Revitalize Community Development Center, an organization that performs critical repairs, modifications, and rehabilitation on the homes of low-income families in Holyoke and Springfield.

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

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

## APPENDIX

### SCOPE OF EVALUATION

SCOPE OF EVALUATION			
<b>TIME PERIOD REVIEWED</b>	February 12, 2018 through April 20, 2021		
<b>FINANCIAL INSTITUTION</b>			<b>PRODUCTS REVIEWED</b>
Florence Bank			HMDA and Small Business Loans (2018, 2019, and 2020)  Community Development Loans, Investments, and Services (February 12, 2018 – April 20, 2021)
<b>AFFILIATE(S)</b>	<b>AFFILIATE RELATIONSHIP</b>		<b>PRODUCTS REVIEWED</b>
NA	NA		NA

LIST OF ASSESSMENT AREAS AND TYPE OF EVALUATION			
<b>ASSESSMENT AREA</b>	<b>TYPE OF EXAMINATION</b>	<b>BRANCHES VISITED</b>	<b>OTHER INFORMATION</b>
Springfield, MA MSA	Full Scope	None	N/A

## **MASSACHUSETTS DIVISION OF BANKS - 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 institution's public comment file indicated the institution received no complaints pertaining to the institution's CRA performance since the previous examination. The fair lending review was conducted in accordance with the FFIEC Interagency Fair Lending Examination Procedures. Based on these procedures, no evidence of disparate treatment was noted.

### **MINORITY APPLICATION FLOW**

Examiners reviewed the institution's 2019 and 2020 HMDA LARs to determine if the institution's application flow from different racial and ethnic groups reflected the assessment area's demographics.

According to 2015 ACS U.S. Census data, the institution's assessment area contains a population of 640,390 individuals, of which 29.6 percent are minorities. The assessment area's minority population is 6.4 percent Black/African American, 3.0 percent Asian, 0.1 percent American Indian, 18.1 percent Hispanic or Latino, and 2.0 percent Other.

In 2019, the institution received 555 HMDA-reportable loan applications from within its assessment area. Of these applications, the institution received 21 (3.8 percent) from racial minorities, 12 of which were originated. These figures trail aggregate data, which indicates 8.8 percent of applications received were from racial minorities. For the same period, 6 applications (1.1 percent) were received from Hispanic-only applicants and 10 (1.8 percent) were received from joint Hispanic/non-Hispanic applicants, compared to aggregate data which indicates 10.3 and 1.8 percent of total applications were received from these ethnic groupings in the assessment area, respectively.

In 2020, the institution received 684 HMDA-reportable loan applications from within its assessment area. Of these, the institution received 40 (5.8 percent) from racial minorities, of which 24 were originated. For the same period, the institution received 5 applications (0.7 percent) from Hispanic-only applicants, and 16 (2.3 percent) joint Hispanic/non-Hispanic applicants. Aggregate data for 2020 was unavailable as of the date of this evaluation; therefore examiners made no comparison to aggregate performance.

The institution's performance in 2018 with respect to applications received from racial minorities was below aggregate performance overall, and the institution performed below the aggregate with Hispanic or Latino applicants. The institution showed an increasing trend with racial minorities in 2020, though its performance with Hispanic and Latino applicants remained stable.

The following table details the institution's minority application flow and aggregate data in its assessment area.

RACE	Bank 2019		2019 Aggregate Data	Bank 2020	
	#	%	%	#	%
American Indian/Alaska Native	1	0.2	0.3	1	0.2
Asian	10	1.8	2.4	21	3.1
Black/African American	1	0.2	4.8	4	0.6
Hawaiian/Pacific Islander	0	0.0	0.2	1	0.2
2 or more Minority	0	0.0	0.2	0	0.0
Joint Race (White/Minority)	9	1.6	1.0	13	1.9
<b>Total Minority</b>	<b>21</b>	<b>3.8</b>	<b>8.8</b>	<b>40</b>	<b>5.8</b>
White	478	86.1	70.0	545	79.7
Race Not Available	56	10.1	21.2	99	14.4
<b>Total</b>	<b>555</b>	<b>100.0</b>	<b>100.0</b>	<b>684</b>	<b>100.0</b>
<b>ETHNICITY</b>					
Hispanic or Latino	6	1.1	10.3	5	0.7
Not Hispanic or Latino	483	87.0	67.9	519	75.9
Joint (Hisp/Lat/Not Hisp/Lat)	10	1.8	1.4	16	2.3
Ethnicity Not Available	56	10.1	20.5	144	21.1
<b>Total</b>	<b>555</b>	<b>100.0</b>	<b>100.0</b>	<b>684</b>	<b>100.0</b>

Considering the demographic composition of the assessment area and comparisons to aggregate data in 2019, the institution's minority application flow is adequate.

## GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

**Community Development Loan:** A loan that

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

**Community Development Service:** A service that

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## PERFORMANCE EVALUATION DISCLOSURE GUIDE

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

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

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

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

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

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

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