

PUBLIC DISCLOSURE

December 16, 2024

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Greenfield Savings Bank
Certificate Number: 90206

400 Main Street
Greenfield, Massachusetts 01301

Division of Banks
One Federal Street, Suite 710
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.

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INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Outstanding** by the FDIC and Massachusetts Division of Banks (Division). An institution in this group has an outstanding 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 Lending Test is rated Outstanding by the FDIC and Division.

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- A substantial majority of loans and other lending-related activities are in the institution's assessment area.
- The geographic distribution of loans reflects excellent dispersion throughout the assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, excellent penetration among individuals of different income levels and businesses of different sizes.
- The institution has taken appropriate action in response to a substantiated complaint about its performance in meeting assessment area credit needs.

The Community Development Test is rated Satisfactory by the FDIC and High Satisfactory by the Division.

Note: While both agencies agree on the bank's community development performance, Part 345 of FDIC Rules and Regulations does not provide for a High Satisfactory rating.

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

DESCRIPTION OF INSTITUTION

Background

Greenfield Savings Bank (GSB) is a state-chartered mutual savings bank headquartered in Greenfield, Massachusetts (MA). GSB is wholly owned by GSB, MHC, a mutual holding company. The bank has two wholly owned, non-depository subsidiaries: GSB Securities Corporation and Shelburne Securities Corporation. Neither subsidiary offers credit-related products or services. The bank has not engaged in any merger or acquisition activity since the previous evaluation.

The FDIC and Division assigned an overall “Outstanding” rating at the previous CRA Performance Evaluation dated June 21, 2021, using the Federal Financial Institutions Examination Council’s (FFIEC) Interagency Intermediate Small Institution (ISI) Examination Procedures. The bank received a Lending Test rating of “Outstanding” and a Community Development Test rating of “Satisfactory” by the FDIC and “High Satisfactory” by the Division.

Operations

Including its main office at 400 Main Street in Greenfield, GSB operates eight full-service branches throughout Franklin County and Hampshire County in Massachusetts. Specifically, the full-service branches are in Conway (1), Greenfield (1), Shelburne Falls (1), South Deerfield (1), and Turners Falls (1) in Franklin County, and Amherst (1), Hadley (1), and Northampton (1) in Hampshire County. Since the previous evaluation, the bank closed two branches in Hampshire County in Amherst and Northampton and did not open any branches. The bank closed these branches due to lower usage and a lack of drive-up automated teller machines (ATMs) at both locations. Both branches were in middle-income census tracts; therefore, their closures did not adversely affect access to banking services in low- or moderate-income areas.

All branches maintain 24-hour deposit-taking ATMs and Interactive Teller Machines (ITMs), which allow customers to interact with a live banker during specific hours to process transactions and/or answer questions. In addition to branch ATMs, GSB operates six stand-alone ATMs: two deposit-taking ATMs in Greenfield and four non-deposit-taking ATMs in Charlemont (1), Erving (1), Northampton (1), and Turners Falls (1).

GSB offers traditional residential, consumer, and commercial loans, with a continued primary focus on residential lending. Residential lending products include fixed- and adjustable-rate home mortgage loans, Massachusetts Housing Partnership loans, MassHousing loans, construction loans, rehabilitation loans, home improvement loans, home equity loans, and home equity lines of credit. Consumer lending products include Mass Save HEAT loans and passbook and certificate of deposit collateral loans. Commercial lending products include secured commercial mortgages, demand loans, express loans, land loans, investment mortgages, construction mortgages, business term loans, working capital lines of credit, and Small Business Association (SBA) loans. Further, the bank offers loans guaranteed by the Massachusetts Capital Access Program, which provides financing to small businesses that face challenges in securing traditional financing. Personal and

commercial deposit products include checking, savings, certificates of deposit, money market, and individual retirement accounts.

In addition to loan and deposit products, GSB offers wealth management, insurance, and trust services. Investment and insurance services are offered through Osaic Institutions, Inc. Alternative delivery systems include internet, mobile, and 24-hour telephone banking, ATMs, ITMs, remote deposit capture, night depository services, bank-to-bank transfers (Zelle), Apple Pay, and Google Pay.

Ability and Capacity

As of September 30, 2024, the bank reported \$1.2 billion in total assets, \$956.7 million in total loans, \$179.7 million in total securities, and \$1.0 billion in total deposits. The bank's total assets increased by \$111.6 million, or 10.3 percent, and total loans increased by \$189.3 million, or 24.7 percent, since the last quarter utilized at the prior evaluation.

The bank is primarily a residential lender, with loans secured by 1-4 family and multi-family properties representing 78.5 percent of the loan portfolio. Commercial lending, which includes commercial and industrial loans and loans secured by nonfarm, nonresidential properties, represents the second largest portion of the portfolio at 18.5 percent. The following table illustrates the loan portfolio distribution.

| Loan Portfolio Distribution as of 9/30/2024 | | |
|---|-----------------|--------------|
| Loan Category | \$(000s) | % |
| Construction, Land Development, and Other Land Loans | 27,935 | 2.9 |
| Secured by Farmland | 101 | <0.1 |
| Secured by 1-4 Family Residential Properties | 646,333 | 67.6 |
| Secured by Multifamily (5 or more) Residential Properties | 103,833 | 10.9 |
| Secured by Nonfarm Nonresidential Properties | 139,884 | 14.6 |
| Total Real Estate Loans | 918,086 | 96.0 |
| Commercial and Industrial Loans | 37,085 | 3.9 |
| Agricultural Production and Other Loans to Farmers | 0 | 0.0 |
| Consumer Loans | 1,359 | 0.1 |
| Obligations of State and Political Subdivisions in the U.S. | 0 | 0.0 |
| Other Loans | 137 | <0.1 |
| Lease Financing Receivable (net of unearned income) | 0 | 0.0 |
| Less: Unearned Income | 0 | 0.0 |
| Total Loans | 956,667 | 100.0 |
| <i>Source: Reports of Condition and Income</i> | | |

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

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which examiners will evaluate its CRA performance. GSB designated a single assessment area in the Springfield, MA Metropolitan Statistical Area (MSA). Since the previous evaluation, the bank expanded its assessment area to include the town of Orange, MA in Franklin County. Therefore, the assessment area encompasses the entirety of Franklin County and the following contiguous portions of Hampshire County: Amherst, Hadley, Hatfield, and Northampton. The following sections discuss demographic and economic information relevant to the assessment area.

Economic and Demographic Data

The bank's assessment area consists of 36 census tracts with the following income designations according to 2020 United States (U.S.) Census data:

- 0 low-income tracts,
- 3 moderate-income tracts,
- 19 middle-income tracts,
- 11 upper-income tracts, and
- 3 tracts with no income designation.

At the prior evaluation, examiners used census tract designations based on the 2015 American Community Survey (ACS), and the assessment area consisted of 33 census tracts, which included 1 low-income, 1 moderate-income, 15 middle-income, 12 upper-income, and 4 census tracts with no income designations. Overall, the release of the 2020 U.S. Census data and expansion of the assessment area resulted in a net change of 1 less low-income census tract, 2 additional moderate-income census tracts, 4 additional middle-income census tracts, 1 less upper-income census tract, and 1 less census tract with no income designation.

The moderate-income census tracts are all located in Greenfield. The assessment area contains ten Qualified Opportunity Zones (QOZs) in Heath (1), Wendell (1), Orange (2), Turners Falls (1), and Greenfield (2) in Franklin County, and Amherst (1) and Northampton (2) in Hampshire County. QOZs are economically distressed communities approved by the U.S. Department of Treasury, with the goal of promoting economic development and job creation. There are no underserved or distressed nonmetropolitan middle-income census tracts within the assessment area.

On July 21, 2023, the Office of Management and Budget (OMB) established a revised delineation for the nation's MSAs, Micropolitan Statistical Areas, Combined Statistical Areas (CSAs), and Metropolitan Divisions (MDs), collectively referred to as Core Based Statistical Areas through OMB Bulletin 23-01. These changes were effective immediately; however, they only impacted data collection for institutions beginning on January 1, 2024. Since 2024 lending data is not included in the scope of this evaluation, examiners referred to MSA delineations established by OMB as of March 6, 2020 through OMB Bulletin 20-01 for this evaluation.

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

| Demographic Information of the Assessment Area | | | | | | |
|--|---------|---------------|------------------------------|------------------|-----------------|---------------|
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts) | 36 | 0.0 | 8.3 | 52.8 | 30.6 | 8.3 |
| Population by Geography | 148,540 | 0.0 | 5.1 | 50.4 | 34.2 | 10.3 |
| Housing Units by Geography | 60,691 | 0.0 | 6.5 | 56.1 | 37.2 | 0.2 |
| Owner-Occupied Units by Geography | 35,165 | 0.0 | 3.5 | 59.5 | 37.0 | 0.0 |
| Occupied Rental Units by Geography | 20,140 | 0.0 | 12.4 | 48.5 | 38.9 | 0.2 |
| Vacant Units by Geography | 5,386 | 0.0 | 4.5 | 62.9 | 31.4 | 1.2 |
| Businesses by Geography | 14,530 | 0.0 | 6.6 | 48.5 | 42.8 | 2.1 |
| Farms by Geography | 716 | 0.0 | 2.4 | 60.1 | 37.6 | 0.0 |
| Family Distribution by Income Level | 31,020 | 19.0 | 15.3 | 19.5 | 46.1 | 0.0 |
| Household Distribution by Income Level | 55,305 | 24.6 | 15.2 | 15.7 | 44.5 | 0.0 |
| Median Family Income MSA - 44140 Springfield, MA MSA | | \$79,907 | Median Housing Value | | | \$290,220 |
| | | | Median Gross Rent | | | \$1,080 |
| | | | Families Below Poverty Level | | | 6.0% |
| Source: 2020 U.S. Census and 2023 D&B Data Due to rounding, totals may not equal 100.0% (*) The NA category consists of geographies that have not been assigned an income classification. | | | | | | |

The Geographic Distribution criterion compares the bank's home mortgage loans to the distribution of owner-occupied housing units. As previously mentioned, there are no low-income census tracts in the bank's assessment area. Further, as shown in the previous table, only 3.5 percent of the owner-occupied housing units are in moderate-income tracts, limiting the bank's home mortgage lending opportunities in such tracts.

Examiners used the FFIEC-updated median family income levels to analyze home mortgage lending under the Borrower Profile criterion. The following table reflects the median family income ranges for the low-, moderate-, middle-, and upper-income categories in the bank's assessment area for 2021, 2022, and 2023.

| 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 |
| Source: FFIEC | | | | |

The Borrower Profile criterion compares the bank's home mortgage loan distribution to the percentage of low- and moderate-income families, which represents more than one-third of all families in the assessment area (34.2 percent) and includes 6.0 percent that live below the poverty level. Comparing the median housing value in the assessment area to the income ranges for low- and moderate-income families, there may be limited opportunities for low- and moderate-income borrowers to qualify for home mortgage loans through conventional underwriting standards. Specifically, the median housing value of \$290,220 is over six times the maximum income of low-income families and at least three times the maximum income of moderate-income families. In addition, housing prices in the area are experiencing sustained above-average growth, largely due to limited inventory and a lack of robust homebuilding initiatives to meet demand. These factors limit the bank's home mortgage lending opportunities to low- and moderate-income borrowers in the assessment area and increase competition for home mortgage lending to these families.

The analysis of small business loans under the Borrower Profile criterion compares the distribution of loans to businesses by gross annual revenue (GAR) to D&B data. According to 2023 D&B data, 14,530 non-farm businesses operated in the assessment area. Most businesses are small, with 65.2 percent employing less than four employees and 89.3 percent operating from a single location. The following reflects the breakdown of businesses in the assessment area by GAR category.

- 86.0 percent have GARs of \$1.0 million or less,
- 3.7 percent have GARs greater than \$1.0 million, and
- 10.3 percent have unknown revenues.

According to Moody's Analytics, major employment sectors in the Springfield, MA MSA include service industries (the largest sector), followed by non-classifiable establishments and retail trade. The salaries and hourly wages in the service and retail sectors, specifically in the Springfield, MA MSA, are primarily lower, on average, than jobs in other industries. The top three employers in the Springfield, MA MSA are Baystate Health, Mass Mutual Financial Group, and General Dynamics Advanced Info Systems.

According to the U.S. Bureau of Labor Statistics, unemployment rates in the assessment area improved during the evaluation period, moving towards pre-pandemic levels. Specifically, the unemployment rates in Franklin and Hampshire counties fell below the statewide unemployment rate in 2022 and remained below both the national and statewide unemployment rates in 2023. This data suggests that both counties benefited from stronger local economic conditions relative to broader state and national averages. The following table illustrates the unemployment rates in the assessment area compared to the state and national unemployment rates throughout the evaluation period.

| Unemployment Rates | | | |
|--|------|------|------|
| Area | 2021 | 2022 | 2023 |
| | % | % | % |
| Franklin County | 4.7 | 3.3 | 2.9 |
| Hampshire County | 4.0 | 3.0 | 2.4 |
| Massachusetts | 3.9 | 3.5 | 3.2 |
| National Average | 5.3 | 3.6 | 3.6 |
| <i>Source: U.S. Bureau of Labor Statistics</i> | | | |

Competition

GSB operates in a moderately competitive market for financial products and services. According to FDIC Deposit Market Share data as of June 30, 2024, 12 financial institutions operated 44 full-service branches in the bank's assessment area. GSB ranked 1st with a deposit market share of 20.1 percent.

GSB faces a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders in the assessment area. According to 2023 aggregate home mortgage lending data, 178 lenders originated or purchased 1,992 home mortgage loans in the assessment area. GSB ranked 1st with a 13.6 percent market share and outperformed other similarly situated institutions such as Florence Bank, which ranked 2nd with a 12.4 percent market share, and Greenfield Cooperative Bank, which ranked 3rd with a 7.6 percent market share.

GSB is not required to report its small business loan data and elected not to do so. Therefore, the analysis of small business loans under the Lending Test does not include comparisons to aggregate data. However, aggregate data reflects the competition level for small business loans at the county level and is included here for performance context. In 2022, aggregate small business lending data showed 81 lenders originated or purchased 4,856 small business loans in Franklin and Hampshire counties. The top five small business lenders were American Express with a 22.6 percent market share, JPMorgan Chase Bank with a 14.1 percent market share, CitiBank with a 10.8 percent market share, Capital One with an 8.6 percent market share, and Bank of America with a 6.8 percent market share. This data indicates that the bank faces a high level of competition for small business loans in its assessment area. Additionally, these top-ranked banks all offer business credit cards, a product not offered by GSB. Aggregate small business lending data for 2023 is not yet available for review.

Community Contacts

As part of the evaluation process, examiners contact community organizations active in the assessment area to understand the area's credit and community development needs. The information helps determine whether local financial institutions are responsive to these needs. The information also shows what credit and community development opportunities are available.

Examiners contacted a representative from a local community development organization that promotes economic development in the assessment area. The contact identified that rising costs pose a significant challenge for small businesses in the food industry. While operating costs have

increased, businesses face limitations in raising consumer prices to offset these expenses. One of the most impactful cost pressures stems from rising wages driven by labor competition, which is a result of limited human capital in the area. The contact also stated that housing prices have continued to rise in recent years, adding further economic strain to low- and moderate-income families. The contact highlighted several initiatives that could positively impact the area, including workforce development programs, such as local heating, ventilation, and air conditioning (HVAC) training classes aimed at developing in-demand job skills. The contact also identified opportunities for local financial institutions to collaborate with non-profit organizations to increase financial literacy services to low- and moderate-income individuals and small businesses. The contact identified GSB as being particularly responsive to the area needs, including proactively joining new initiatives to aid and amplify small businesses. The contact noted that individual development accounts, paired with financial literacy education, could be highly beneficial for the community. Lastly, the contact expressed a need for additional support of innovative programs that help people obtain affordable and reliable transportation.

Examiners also reviewed a recent contact from another community development organization that serves the assessment area. The organization supports low- and moderate-income individuals, disadvantaged populations, and small businesses by developing affordable housing, promoting accessible homeownership, and providing technical assistance and economic opportunities. The contact stated that the area faces significant challenges, including business closures, population decline, a lack of affordable housing, and limited credit availability for startups and small businesses. Similar to the other organization, the contact stated that existing businesses struggle with labor shortages and rising costs. Further, the contact noted that local immigrants face language barriers and difficulties navigating the banking system. The contacts expressed that the major needs in the area include affordable housing, credit access for startup businesses, financial literacy programs, bilingual services, and community services to address basic needs for low- and moderate-income individuals. The contact indicated that local banks, including GSB, have been responsive to the community needs.

Credit and Community Development Needs and Opportunities

Examiners considered information gathered from community contacts, bank management, and demographic and economic data to determine the assessment area's primary credit and community development needs. Examiners determined that flexible home mortgage loan products for low- and moderate-income individuals and flexible loans to support start-up and existing small businesses represent the primary credit needs. Loans to develop affordable housing projects also represent a primary credit need. Examiners determined that affordable housing, community services for low- and moderate-income individuals, and grants to small businesses to support startup businesses and year-round job creation and retention are the primary community development needs. Community development opportunities include the creation of flexible loan programs and financial literacy initiatives benefiting low- and moderate-income individuals. Additionally, both Franklin and Hampshire counties contain QOZs, which further indicates opportunities for financial institutions to participate in projects to address the needs in those communities. There are also opportunities to provide product and service information in multiple languages and to provide translation assistance for the growing non-English-speaking minority population.

SCOPE OF EVALUATION

General Information

This evaluation, conducted jointly by the FDIC and the Division, covers the period from the prior evaluation dated June 21, 2021, to the current evaluation dated December 16, 2024. Examiners evaluated the bank's CRA performance using Interagency ISI Examination Procedures. The procedures include the Lending Test and the Community Development Test (please see the Appendices for a complete description). Banks must achieve at least a Satisfactory rating under each test to receive an overall Satisfactory rating. This evaluation does not include any lending activity performed by affiliates.

Activities Reviewed

Examiners determined that the bank's major product lines are home mortgage and small business loans. This conclusion considered the bank's business strategy, and the number and dollar volume of loans originated during the evaluation period. Examiners did not consider the bank's small farm or consumer loans as the bank did not originate any small farm loans during the evaluation period and consumer loans represent a nominal portion of the loan portfolio.

Examiners analyzed all home mortgage loans reported on the bank's 2021, 2022, and 2023 Home Mortgage Disclosure Act (HMDA) loan application registers (LARs). GSB originated 559 home mortgage loans totaling \$148.2 million in 2021, 417 home mortgage loans totaling \$108.7 million in 2022, and 370 home mortgage loans totaling \$126.8 million in 2023. The declining volume in 2022 and 2023 resulted from the simultaneous increases in interest rates and local home prices, which resulted in decreased demand for home mortgage loans. Examiners presented all three years of home mortgage lending data in the Assessment Area Concentration table. For the Geographic Distribution and Borrower Profile criteria, examiners only presented home mortgage lending data from 2022 and 2023, as 2023 is the most recent year for which aggregate data is available and 2022 provides for trend analysis. Examiners compared the bank's 2022 and 2023 home mortgage lending performance to aggregate data for 2022 and 2023. Examiners also compared 2022 and 2023 home mortgage lending performance to 2020 U.S Census demographic data.

As an ISI, GSB was not required to collect or report small business loan data; however, the bank voluntarily collected relevant CRA data, which allowed examiners to analyze the bank's full universe of small business loans for 2021, 2022, and 2023. In 2021, the bank originated 610 small business loans totaling \$52.0 million. Notably, 550 of the 610 small business loans, totaling \$39.9 million, were SBA Paycheck Protection Program (PPP) loans. In 2022, the bank originated 103 small business loans totaling \$20.5 million. In 2023, the bank originated 111 small business loans totaling \$21.6 million. Examiners presented all three years of small business lending data in the Assessment Area Concentration table. For the Geographic Distribution and Borrower Profile criteria, examiners only presented data from 2022 and 2023, as 2023 is the most recent full calendar year and 2022 provides trend analysis. Examiners compared the bank's small business lending performance to D&B business demographic data. Examiners did not compare the bank's small business lending performance to aggregate data because the bank did not report CRA data.

For the Lending Test, examiners analyzed the number and dollar volume of home mortgage and small business loans. Although examiners presented the number and dollar volume of loans, they emphasized performance by number of loans, as it is a better indicator of the number of individuals and businesses served. When arriving at overall conclusions and ratings, examiners placed greater weight on the bank's home mortgage lending performance due to the bank's business strategy and origination activity during the evaluation period.

For the Community Development Test, examiners considered the bank's community development loans, qualified investments, and community development services since the prior evaluation dated June 21, 2021, to the current evaluation date of December 16, 2024. Examiners reviewed the number and dollar amount of loans and investments, the number of instances of qualified services, and the bank's responsiveness to community needs through those activities.

Examiners obtained demographic and economic information referenced in this evaluation from the 2015 ACS, 2020 U.S. Census data, D&B, Moody's Analytics, and the U.S. Bureau of Labor Statistics. Financial data is based on the September 30, 2024 Report of Income and Condition (Call Report).

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

The bank demonstrated Outstanding performance under the Lending Test. The substantial majority of loans inside the assessment area and excellent performance under the Geographic Distribution and Borrower Profile criteria support this conclusion. The following sections summarize the bank's performance under each criterion.

Loan-to-Deposit Ratio (LTD)

The LTD ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's net LTD ratio, calculated from Call Report data, averaged 82.8 percent over the past 14 calendar quarters from June 30, 2021 to September 30, 2024. The quarterly net LTD ratio ranged from a low of 75.74 percent as of September 30, 2021, to a high of 92.6 percent as of September 30, 2024. GSB maintained a ratio towards the top of the range of comparable institutions selected based on asset size, loan portfolio, and geographic location.

| Loan-to-Deposit (LTD) Ratio Comparison | | |
|---|---|--|
| Name | Total Assets as of 09/30/2024 (\$000s) | Average Net LTD Ratio (%) |
| Greenfield Savings Bank | 1,193,277 | 82.8 |
| Florence Bank | 2,135,011 | 64.5 |
| Country Bank for Savings | 1,985,811 | 92.8 |
| Greenfield Co-operative Bank | 767,007 | 68.1 |
| <i>Source: Reports of Condition and Income 06/30/2021– 09/30/2024</i> | | |

Assessment Area Concentration

The 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 performance by loan category and year.

| Lending Inside and Outside of the Assessment Area | | | | | | | | | | |
|---|-----------------|------|---------|------|------------|------------------------|------|---------|------|-------------|
| Loan Category | Number of Loans | | | | Total # | Dollar Amount of Loans | | | | Total \$ |
| | Inside | | Outside | | | Inside | | Outside | | |
| | # | % | # | % | | \$ | % | \$ | % | |
| Home Mortgage | | | | | | | | | | |
| 2021 | 470 | 84.1 | 89 | 15.9 | 559 | 116,574 | 78.6 | 31,652 | 21.4 | 148,226 |
| 2022 | 350 | 83.9 | 67 | 16.1 | 417 | 89,376 | 82.2 | 19,364 | 17.8 | 108,740 |
| 2023 | 270 | 73.0 | 100 | 27.0 | 370 | 83,685 | 66.0 | 43,111 | 34 | 126,796 |
| Subtotal | 1,090 | 81.0 | 256 | 19.0 | 1,346 | 289,635 | 75.5 | 94,127 | 24.5 | 383,762 |
| Small Business | | | | | | | | | | |
| 2021 | 514 | 84.3 | 96 | 15.7 | 610 | 43,780 | 84.1 | 8,254 | 15.9 | 52,034 |
| 2022 | 86 | 83.5 | 17 | 16.5 | 103 | 17,459 | 85.1 | 3,068 | 14.9 | 20,527 |
| 2023 | 84 | 75.7 | 27 | 24.3 | 111 | 16,316 | 75.4 | 5,328 | 24.6 | 21,644 |
| Subtotal | 684 | 83.0 | 140 | 17.0 | 824 | 77,555 | 82.3 | 16,650 | 17.7 | 94,205 |
| Total | 1,774 | 81.8 | 396 | 18.2 | 2,170 | 367,190 | 76.8 | 110,777 | 23.2 | 477,967 |
| Source: Bank Data Due to rounding, totals may not equal 100.0% | | | | | | | | | | |

Geographic Distribution

The geographic distribution of loans reflects excellent dispersion throughout the assessment area. The bank's excellent performance in both home mortgage and small business lending supports this conclusion. The assessment area does not contain any low-income census tracts; therefore, examiners focused on the percentage, by number, of home mortgage loans in moderate-income census tracts.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects excellent dispersion throughout the assessment area. As shown in the following table, GSB's performance in moderate-income census tracts exceeded demographic data and aggregate performance in 2022. Despite a decline in 2023, the bank's performance in moderate-income census tracts continued to exceed demographic data and aggregate performance. Further, 2023 Peer Mortgage Data supports the bank's excellent performance in moderate-income tracts. Specifically, GSB ranked 1st out of 36 lenders that originated or purchased a home mortgage loan in the assessment area, achieving a market share of 16.9 percent and outperforming similarly situated institutions, such as Greenfield Cooperative Bank (ranked 2nd) and Florence Bank (ranked 5th).

| Geographic Distribution of Home Mortgage Loans | | | | | | |
|--|-----------------------------------|------------------------------|------------|--------------|---------------|--------------|
| Tract Income Level | % of Owner-Occupied Housing Units | Aggregate Performance % of # | # | % | \$(000s) | % |
| Low | | | | | | |
| 2022 | 0.0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| 2023 | 0.0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Moderate | | | | | | |
| 2022 | 3.5 | 4.0 | 25 | 7.1 | 4,443 | 5.0 |
| 2023 | 3.5 | 4.2 | 14 | 5.2 | 7,753 | 9.3 |
| Middle | | | | | | |
| 2022 | 59.5 | 60.6 | 230 | 65.7 | 59,827 | 66.9 |
| 2023 | 59.5 | 60.2 | 166 | 61.5 | 38,052 | 45.5 |
| Upper | | | | | | |
| 2022 | 37.0 | 35.3 | 95 | 27.1 | 25,106 | 28.1 |
| 2023 | 37.0 | 35.6 | 90 | 33.3 | 37,880 | 45.3 |
| Not Available | | | | | | |
| 2022 | 0.0 | 0.1 | 0 | 0.0 | 0 | 0.0 |
| 2023 | 0.0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Totals | | | | | | |
| 2022 | 100.0 | 100.0 | 350 | 100.0 | 89,376 | 100.0 |
| 2023 | 100.0 | 100.0 | 270 | 100.0 | 83,685 | 100.0 |
| Source: 2020 U.S. Census; Bank Data; 2022 & 2023 HMDA Aggregate Data Due to rounding, totals may not equal 100.0% | | | | | | |

Small Business Loans

The geographic distribution of small business loans reflects excellent dispersion throughout the assessment area. As shown in the following table, GSB's performance in moderate-income census tracts exceeded demographic data in 2022. Despite a decline in 2023, the bank's performance in moderate-income census tracts was still comparable to area demographics. Considering the significant competition for small business loans from large national lenders and credit card banks in the assessment area, the bank's performance is excellent.

| Geographic Distribution of Small Business Loans | | | | | |
|--|------------------------|-----------|--------------|------------------|--------------|
| Tract Income Level | % of Businesses | # | % | \$ (000s) | % |
| Low | | | | | |
| 2022 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| 2023 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Moderate | | | | | |
| 2022 | 6.8 | 8 | 9.3 | 2,074 | 11.9 |
| 2023 | 6.6 | 5 | 6.0 | 725 | 4.4 |
| Middle | | | | | |
| 2022 | 48.5 | 39 | 45.3 | 9,050 | 51.8 |
| 2023 | 48.5 | 45 | 53.6 | 8,705 | 53.4 |
| Upper | | | | | |
| 2022 | 42.5 | 39 | 45.3 | 6,335 | 36.3 |
| 2023 | 42.8 | 33 | 39.3 | 6,286 | 38.5 |
| Not Available | | | | | |
| 2022 | 2.2 | 0 | 0.0 | 0 | 0.0 |
| 2023 | 2.1 | 1 | 1.2 | 600 | 3.7 |
| Totals | | | | | |
| 2022 | 100.0 | 86 | 100.0 | 17,459 | 100.0 |
| 2023 | 100.0 | 84 | 100.0 | 16,316 | 100.0 |
| <i>Source: 2022 & 2023 D&B Data; Bank Data Due to rounding, totals may not equal 100.0%</i> | | | | | |

Borrower Profile

The distribution of borrowers reflects excellent penetration among individuals of different income levels and businesses of different sizes. The bank's excellent performance in home mortgage lending primarily supports this conclusion.

Home Mortgage Loans

The distribution of home mortgage loans reflects excellent penetration among individuals of different income levels, including low- and moderate-income borrowers. As shown in the following table, the bank's lending to low-income borrowers was comparable to aggregate performance in both years. GSB and the aggregate market significantly trailed demographic data in both years; however, low-income families in the assessment area, earning less than \$47,300, most likely face difficulty qualifying for a mortgage under conventional underwriting standards considering the median housing value of \$290,220. Additionally, the percentage of low-income families in the assessment area includes families living below the poverty level. These factors help explain the disparity between lenders and the percentage of low-income families. Further, market share reports for 2022 and 2023 support the bank's excellent performance. In 2022, GSB was the leader in lending to low-income borrowers in the assessment area, ranking 1st out of 56 lenders with a market

share of 12.1 percent. In 2023, GSB again ranked 1st, tied with Florence Bank, out of 40 lenders with a market share of 11.3 percent.

GSB's lending to moderate-income borrowers in 2022 exceeded demographic data and aggregate performance. While the bank's lending to moderate-income borrowers fell below demographic data and aggregate performance in 2023, the 2023 market share report supports the bank's excellent performance. Specifically, in 2023, GSB ranked 1st out of 81 lenders in lending to moderate-income borrowers with a market share of 9.6 percent. In 2022, GSB also ranked 1st out of 93 lenders with a market share of 13.8 percent.

| Distribution of Home Mortgage Loans by Borrower Income Level | | | | | | |
|--|----------------------|---|------------|--------------|------------------|--------------|
| Borrower Income Level | % of Families | Aggregate Performance % of # | # | % | \$ (000s) | % |
| Low | | | | | | |
| 2022 | 19.0 | 6.1 | 21 | 6.0 | 2,309 | 2.6 |
| 2023 | 19.0 | 6.3 | 14 | 5.2 | 859 | 1.0 |
| Moderate | | | | | | |
| 2022 | 15.3 | 21.2 | 83 | 23.7 | 12,145 | 13.6 |
| 2023 | 15.3 | 16.8 | 33 | 12.2 | 3,909 | 4.7 |
| Middle | | | | | | |
| 2022 | 19.5 | 23.7 | 84 | 24.0 | 16,443 | 18.4 |
| 2023 | 19.5 | 23.6 | 62 | 23.0 | 10,496 | 12.5 |
| Upper | | | | | | |
| 2022 | 46.1 | 38.0 | 120 | 34.3 | 32,934 | 36.8 |
| 2023 | 46.1 | 41.7 | 126 | 46.7 | 37,142 | 44.4 |
| Not Available | | | | | | |
| 2022 | 0.0 | 11.0 | 42 | 12.0 | 25,545 | 28.6 |
| 2023 | 0.0 | 11.6 | 35 | 13.0 | 31,280 | 37.4 |
| Totals | | | | | | |
| 2022 | 100.0 | 100.0 | 350 | 100.0 | 89,376 | 100.0 |
| 2023 | 100.0 | 100.0 | 270 | 100.0 | 83,685 | 100.0 |
| Source: 2020 U.S. Census; Bank Data; 2022 & 2023 HMDA Aggregate Data Due to rounding, totals may not equal 100.0% | | | | | | |

Small Business Loans

The distribution of small business loans reflects reasonable penetration among businesses of different sizes. Although the bank's performance fell below demographic data in both years, it originated a significant percentage of small business loans to businesses with GARs of \$1.0 million or less. Since GSB is not a CRA reporter, examiners could not directly compare the bank's performance to aggregate performance. However, to obtain a perspective on competition and the bank's lending activity, examiners reviewed 2022 aggregate small business lending data. In 2022, aggregate small business lending data showed that only 53.1 percent of the reported small business

loans were to businesses with GARs of \$1.0 million or less. Further, the aggregate data showed that large national credit card lenders reported a substantial majority of the small business loans. Specifically, the top ten lenders in the assessment area captured 85.1 percent of reported small business loans, and each of these lenders offers business credit cards. GSB does not offer business credit cards.

Additionally, in 2022 and 2023, the bank originated a relatively high volume of small business loans for which revenue information was not available. Examiners reviewed these loans and referred to loan size as a proxy for GAR. In both years, all loans categorized as “Revenue Not Available” had loan amounts of \$100,000 or less, further indicating that the bank is likely helping to serve the needs of small businesses in the assessment area.

| Distribution of Small Business Loans by Gross Annual Revenue Category | | | | | |
|--|------------------------|-----------|--------------|-----------------|--------------|
| Gross Revenue Level | % of Businesses | # | % | \$(000s) | % |
| <=\$1,000,000 | | | | | |
| 2022 | 85.3 | 57 | 66.3 | 12,963 | 74.2 |
| 2023 | 86.0 | 58 | 69.0 | 10,599 | 65.0 |
| >\$1,000,000 | | | | | |
| 2022 | 3.9 | 14 | 16.3 | 3,401 | 19.5 |
| 2023 | 3.7 | 14 | 16.7 | 5,038 | 30.9 |
| Revenue Not Available | | | | | |
| 2022 | 10.8 | 15 | 17.4 | 1,095 | 6.3 |
| 2023 | 10.3 | 12 | 14.3 | 679 | 4.2 |
| Totals | | | | | |
| 2022 | 100.0 | 86 | 100.0 | 17,459 | 100.0 |
| 2023 | 100.0 | 84 | 100.0 | 16,316 | 100.0 |
| <i>Source: 2022 & 2023 D&B Data; Bank Data Due to rounding, totals may not equal 100.0%</i> | | | | | |

Response to Complaints

The institution has taken appropriate action in response to a substantiated complaint about its performance in meeting assessment area credit needs. The bank received a complaint related to the closure of one of its branches during the evaluation period. Bank management reviewed the complaint and provided an appropriate formal response in line with the bank’s policies.

COMMUNITY DEVELOPMENT TEST

GSB demonstrated good responsiveness to the assessment area’s community development needs through community development loans, qualified investments, and community development services. Examiners considered the institution’s capacity and the need for and availability of community development opportunities in the assessment area.

Community Development Loans

During the evaluation period, GSB originated 59 community development loans totaling \$27.4 million. The level of activity more than doubled by number and increased by approximately 28.6 percent by dollar amount since the previous evaluation, when the bank originated 25 community development loans totaling \$21.3 million. The bank's community development lending activity represents approximately 3.3 percent of average total loans and 2.6 percent of average total assets. The bank's community development lending compares reasonably to similarly situated institutions.

Most of the bank's community development loans supported affordable housing and economic development initiatives, demonstrating its responsiveness to the assessment area's credit and community development needs and opportunities. Specifically, affordable housing represents nearly 50.0 percent of community development lending, by dollar amount, and economic development represents 69.5 percent, by number, and 45.0 percent, by dollar amount. As a result, examiners were able to consider activity that occurred in the statewide or broader regional area. Of the 59 community development loans, 7 loans totaling \$5.3 million benefitted an area outside of the assessment area, but within the broader statewide or regional area.

The following table illustrates 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) | 1 | 2,500 | 0 | 0 | 16 | 1,717 | 0 | 0 | 17 | 4,217 |
| 2022 | 3 | 2,012 | 2 | 550 | 12 | 3,574 | 0 | 0 | 17 | 6,136 |
| 2023 | 5 | 5,661 | 3 | 515 | 4 | 1,348 | 0 | 0 | 12 | 7,524 |
| YTD 2024 | 1 | 3,500 | 3 | 350 | 9 | 5,686 | 0 | 0 | 13 | 9,536 |
| Total | 10 | 13,673 | 8 | 1,415 | 41 | 12,325 | 0 | 0 | 59 | 27,413 |
| <i>Source: Bank Data</i> | | | | | | | | | | |

The following are notable examples of community development loans:

- In 2024, the bank originated a \$3.5 million loan to a community development corporation. The loan funded the construction of a 20-unit affordable housing project in Northampton, MA. The tenancy is composed of individuals that earn less than 60.0 percent of the area median income. This loan qualifies for community development by supporting affordable housing for low- and moderate-income residents in the assessment area.
- In 2022, the bank originated a \$500,000 demand loan to a Western Massachusetts non-profit health organization. In 2024, the bank increased the demand loan by \$200,000, bringing the total community development credit for this project to \$700,000. The purpose of the funds is to provide working capital support. The organization provides health services, food access, and harm reduction programs to individuals and families in low- and moderate-income communities. This loan qualifies for community development by supporting

community services for low- and moderate-income individuals in the broader statewide area, including the assessment area.

- In 2023, the bank originated a \$3.1 million loan for the purchase of a multifamily property totaling 48 units in Springfield, MA. The majority of tenants are subject to rent prices below the Housing and Urban Development's (HUD) Fair Market Rent for the area, indicating occupancy by low- or moderate-income individuals. This loan qualifies for community development by supporting affordable housing for low- and moderate-income residents outside of the assessment area in the broader statewide area.
- In 2023, the bank originated two loans totaling \$2.8 million to a small business to construct a new business location in Easthampton, MA. This loan supports job creation and retention as part of the SBA 504 program. This loan qualifies for community development by supporting economic development through financing small businesses outside of the assessment area in the broader statewide area.

Qualified Investments

During the evaluation period, GSB made 240 qualified investments totaling approximately \$2.7 million. This activity comprises one prior period investment with a book value of approximately \$1.1 million and 239 donations totaling approximately \$1.6 million. The dollar amount of qualified investment represents 0.3 percent of average total assets and 1.2 percent of average total investments. The number of investments increased significantly since the prior evaluation period, when the bank made 166 qualified investments totaling \$5.5 million. By dollar amount, the performance decreased due to the maturation of debt security investments.

Most of the bank's investments, by both number and dollar amount, promoted community services to low- and moderate-income individuals, demonstrating its responsiveness to the assessment area's needs and opportunities. When compared to similarly situated institutions, the bank's performance by number exceeded the other institutions, and by dollar amount, it fell below the other institutions.

| Qualified Investments | | | | | | | | | | |
|------------------------------|---------------------------|-----------------|---------------------------|-----------------|-----------------------------|-----------------|--------------------------------|-----------------|---------------|-----------------|
| Activity Year | Affordable Housing | | Community Services | | Economic Development | | Revitalize or Stabilize | | Totals | |
| | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) |
| Prior Period | 0 | 0 | 0 | 0 | 1 | 1,049 | 0 | 0 | 1 | 1,049 |
| 2021 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2022 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2023 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| YTD 2024 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Subtotal | 0 | 0 | 0 | 0 | 1 | 1,049 | 0 | 0 | 1 | 1,049 |
| Qualified Grants & Donations | 8 | 70 | 203 | 1,349 | 28 | 222 | 0 | 0 | 239 | 1,641 |
| Total | 8 | 70 | 203 | 1,349 | 29 | 1,271 | 0 | 0 | 240 | 2,690 |
| <i>Source: Bank Data</i> | | | | | | | | | | |

Debt Security Investments

The following describes the bank's prior period investment.

- **HYE Partners LLC** – Shelburne Securities Corporation, the bank's wholly-owned subsidiary, continues to hold one CRA-qualified debt security investment in its portfolio. The current book value of the investment is approximately \$1.1 million. The investment is a Massachusetts Development Finance Agency Industrial Revenue Bond (IRB). The bond is part of a Refunding Project to assist a small business in Franklin County in expanding and creating new jobs. The small business manufactures complex machine components, and the jobs created are likely to be held by individuals from low- or moderate-income households. This investment qualifies for community development by supporting economic development through financing small businesses in the assessment area.

Donations

The following are notable examples of the bank's qualified donations.

- **Community Involved in Sustaining Agriculture (CISA)** – CISA is an organization focused on supporting local farms and providing food security and sustainability. The organization sponsors several outreach programs that provide technical assistance to sustain local farms and support local food banks. The bank's donations to this organization qualify for community development by supporting economic development of small farms, but also by supporting community services for low- and moderate-income individuals in the broader statewide area, including the assessment area.
- **DIAL/SELF** – DIAL/SELF Youth and Community Services is a Greenfield-based organization that serves all of Franklin County. The mission of the organization is to serve at-risk teens. The organization offers the following programs and services: resource centers with food, hygiene products, and clothing; emergency housing to prevent homelessness and aid young people in unsafe situations; and partnerships with local schools and community organizations to develop educational work opportunities. The bank's donations to the organization qualify for community development by providing community services to low- and moderate-income individuals in the assessment area.
- **Junior Achievement of Western Massachusetts** – Junior Achievement provides financial literacy and stability for children of all ages. The organization promotes individual financial responsibility and teaches basic financial skills to students. Junior Achievement of Western Massachusetts is in Springfield and primarily serves schools and organizations in low- and moderate-income areas, including Chicopee, Holyoke, and Springfield. The bank's donations to this organization qualify for community development by supporting community services for low- and moderate-income individuals in the broader statewide area, including the assessment area.
- **Safe Passage** – Safe Passage is an organization that provides support services for battered and assaulted individuals throughout the Northampton area. Safe Passage provides

emergency shelter and housing services, and has legal, immigration, and children’s counseling programs to serve vulnerable populations. The bank’s donations to this organization qualify for community development by providing community services to low- and moderate-income individuals.

Community Development Services

The bank provided a record of its community development services for the full years within the evaluation period (2022 and 2023). During this period, bank employees provided approximately 2,169 hours of financial expertise or technical assistance to 54 different community development organizations in the assessment area. During the prior evaluation period, the bank provided 91 instances of financial expertise or technical assistance to 33 different community development organizations. For the current evaluation period, examiners qualified community development services in hours; therefore, examiners could not draw a direct comparison between the evaluations using two different metrics (instances vs. hours). Examiners noted that the bank provided services to more organizations during the current evaluation period than the prior evaluation period. Overall, the bank exhibited good responsiveness to the community development service needs of its assessment area. Further, GSB’s performance compared favorably to similarly situated institutions. The following table illustrates the bank’s community development services by year and purpose.

| Community Development Services | | | | | |
|---|---------------------------|---------------------------|-----------------------------|--------------------------------|---------------|
| Activity Year | Affordable Housing | Community Services | Economic Development | Revitalize or Stabilize | Totals |
| | # | # | # | # | # |
| 2021 (partial) | - | - | - | - | - |
| 2022 | 27 | 897 | 111 | 6 | 1,041 |
| 2023 | 76 | 847 | 199 | 6 | 1,128 |
| 2024 YTD | - | - | - | - | - |
| Total | 103 | 1,744 | 310 | 12 | 2,169 |
| <i>Source: Bank Data; “-“ data not provided</i> | | | | | |

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

Employee Activity

- **Franklin County Community Meals Program (FCCMP)** – The FCCMP helps alleviate food insecurity in the assessment area. The organization operates a food pantry and coordinates meal offerings in four towns throughout Franklin County and provides basic home supplies for low- and moderate-income individuals. A bank employee serves on the Board of FCCMP and assists with checkbook reconciliations and other accounting functions. This service qualifies for community development by supporting community services for low- and moderate-income individuals.
- **Pioneer Valley Habitat for Humanity** – The Pioneer Valley Habitat for Humanity focuses on building decent and affordable homes for low-income families. The organization achieves its mission through volunteer labor and donations concentrating on materials, supplies, land, and services. Bank employees provided services by underwriting loans for

affordable housing. These services qualify for community development by supporting affordable housing for low- and moderate-income individuals in the assessment area.

- **Greater Northampton Chamber of Commerce** – The Greater Northampton Chamber of Commerce (Chamber) is focused on business growth and economic development in the area. The Chamber works to fund startups and provide business connections and technical assistance resources. The majority of businesses served maintain five or less employees and are small. A bank employee supports the organization by facilitating and participating in annual committee meetings to aid the organization in developing its strategies. This service qualifies for community development by promoting economic development in the broader statewide area, including the assessment area.
- **Children’s Advocacy Center of Franklin County and North Quabbin** – The Children’s Advocacy Center of Franklin County and North Quabbin works to prevent child abuse in the community. The organization provides education, safety, health, and legal assistance for children with no resources. A bank employee serves as treasurer of the organization. This service qualifies for community development by supporting community services for low- and moderate-income individuals in the assessment area.

Other Services

- **GSB Financial Literacy** – In 2023, the bank developed a financial literacy curriculum for local organizations. The six-week workshop covers key banking topics such as budgeting, credit, and financial goals. The bank coordinated with organizations that primarily benefit low- and moderate-income individuals, including Greenfield Community College, Mass Hire, The Franklin County Reentry Program, and the Literacy Project.
- **Branch Locations** – The bank provides services to low- and moderate-income individuals through branches located in moderate-income census tracts. Specifically, the bank operates three branches (Greenfield, Turners Falls, and Northampton) in moderate-income census tracts, which demonstrates the availability of banking services to low- and moderate-income individuals.
- **Massachusetts Interest on Lawyers Trust Accounts (IOLTAs)** – The bank participates in the Massachusetts IOLTA Program. The interest earned on these accounts is used to fund free legal service programs to help low-income clients. The bank remitted approximately \$5,000 in IOLTA funds 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

The Division of Banks provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106. Examiners conducted the fair lending review in accordance with the Federal Financial Institutions Examination Council (FFIEC) Interagency Fair Lending Examination Procedures. Based on these procedures, the bank has an adequate record relative to fair lending policies and procedures.

MINORITY APPLICATION FLOW

Examiners reviewed the bank's 2022 and 2023 HMDA LARs to determine if the bank's application flow from different racial and ethnic groups are reflective of the assessment area's demographics.

According to the 2020 U.S. Census, the bank's assessment area contained a total population of 148,540 individuals, of which 21.8 percent are minorities. Population demographics within the bank's assessment area reflect a minority population consisting of 0.2 percent American Indian or Alaskan Native, 7.1 percent Asian, 3.0 percent Black/African American, 7.0 percent Hispanic or Latino, and 5.6 percent Other.

The bank's level of applications was compared with that of aggregate performance. The comparison of this data assists in deriving reasonable expectations for the rate of applications the bank received from minority home mortgage loan applicants. The table below illustrates the bank's minority application flow as well as that of the aggregate lenders in the bank's assessment area.

| MINORITY APPLICATION FLOW | | | | | | |
|---|------------|--------------|---------------------------|------------|--------------|---------------------------|
| RACE | 2022 | | 2022 Aggregate Data | 2023 | | 2023 Aggregate Data |
| | # | % | % | # | % | % |
| American Indian/ Alaska Native | 1 | 0.2 | 0.3 | 0 | 0.0 | 0.5 |
| Asian | 6 | 1.3 | 2.7 | 10 | 2.7 | 3.2 |
| Black/ African American | 2 | 0.4 | 1.5 | 1 | 0.3 | 1.7 |
| Hawaiian/Pacific Islander | 1 | 0.2 | 0.1 | 0 | 0.0 | 0.0 |
| 2 or more Minority | 1 | 0.2 | 0.2 | 0 | 0.0 | 0.1 |
| Joint Race (White/Minority) | 7 | 1.5 | 2.0 | 14 | 3.7 | 1.8 |
| Total Racial Minority | 26 | 4.0 | 6.7 | 25 | 6.4 | 7.3 |
| White | 365 | 79.5 | 74.3 | 281 | 74.5 | 72.7 |
| Race Not Available | 77 | 16.8 | 19.0 | 71 | 18.8 | 20.0 |
| Total | 459 | 100.0 | 100.0 | 377 | 100.0 | 100.0 |
| ETHNICITY | | | | | | |
| Hispanic or Latino | 5 | 1.1 | 2.3 | 10 | 2.7 | 3.1 |
| Joint (Hisp/Lat /Not Hisp/Lat) | 8 | 1.7 | 2.0 | 10 | 2.7 | 1.7 |
| Total Ethnic Minority | 13 | 2.8 | 4.3 | 20 | 5.4 | 4.8 |
| Not Hispanic or Latino | 353 | 76.9 | 75.9 | 279 | 74.0 | 74.7 |
| Ethnicity Not Available | 93 | 20.3 | 19.8 | 78 | 20.6 | 20.5 |
| Total | 459 | 100.0 | 100.0 | 377 | 100.0 | 100.0 |
| <i>Source: U.S. Census 2020, HMDA Aggregate Data 2022 and 2023, HMDA LAR Data 2022 and 2023</i> | | | | | | |

The bank received 459 home mortgage loan applications from within its assessment area in 2022. Of these applications, 26, or 4.0 percent, were received from racial minority applicants. The bank's performance was below the aggregate racial minority application flow. For the same period, the bank received 13 applications or 2.8 percent from ethnic groups of Hispanic origin within its assessment area. The bank's performance was below the aggregate ethnic minority application flow.

The bank's minority application flow performance improved in 2023. The bank received 377 home mortgage loan applications from within its assessment area in 2023. Of these applications, 6.4 percent were received from racial minority applicants, which was comparable to aggregate lender performance. For the same period, the bank received 5.4 percent of its applications from ethnic groups of Hispanic origin within its assessment area, comparable to the ethnic minority application flow of aggregate lenders, approximately 4.8 percent.

While the total number of applications decreased in 2023, minority applications remained consistent or increased in some cases. This reflects ongoing efforts from the institution to ensure applicants from all demographics have access to credit. Considering the bank's improved performance in 2023 and the bank's resources and capabilities, examiners consider the minority application flow to be adequate.

INTERMEDIATE SMALL 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) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and,
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

Community Development Test

The Community Development Test considers the following criteria:

- 1) The number and amount of community development loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the bank provides community development services; and,
- 4) The bank's responsiveness through such activities to the area's community development needs considering the amount and combination of these activities, along with their qualitative aspects.

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. Institution CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Institution 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 institution:
 - (i) Has not been reported or collected by the institution or an affiliate for consideration in the institution'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 institution's assessment area(s) or a broader statewide or regional area including the institution'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 institution'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.

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.