

# **PUBLIC DISCLOSURE**

January 26, 2021

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

HarborOne Bank  
Certificate Number: 59070

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

PERFORMANCE LEVELS	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding	X	X	X
High Satisfactory			
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			
* Lending Test is weighted more heavily than the Investment and Service Tests The when arriving at an overall rating.			

**The Lending Test is rated Outstanding.**

- Lending levels reflect excellent responsiveness to assessment area credit needs.
- A high percentage of loans were made in the institution's assessment area.
- The geographic distribution of loans reflects excellent penetration throughout the assessment area.
- The distribution of borrowers reflects, given the product lines offered by the institution, excellent penetration among retail customers of different income levels and business customers of different size.
- The institution makes extensive use of innovative and flexible lending practices in order to serve assessment area credit needs.
- The institution is a leader in making community development loans.

**The Investment Test is rated Outstanding.**

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

**The Service Test is rated Outstanding.**

- Delivery systems are readily accessible to all portions of the assessment area.
- To the extent changes have been made, the institution's opening and closing of branches has improved the accessibility of its delivery systems, particularly in low- and moderate-income geographies and to low- and moderate-income individuals.
- Services and business hours are tailored to the convenience and needs of the assessment area, particularly low- and moderate-income geographies and individuals.
- The institution is a leader in providing 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), assessed HarborOne Bank's (HOB) CRA performance since the prior evaluation dated December 18, 2017, to the current evaluation dated January 26, 2021. Examiners used the Interagency Large Institution Examination Procedures, which include a Lending Test, Investment Test, and Service Test. Examiners obtained demographic and economic information referenced in the evaluation from the 2010 United States (U.S.) Census, 2015 American Community Survey (ACS), D&B, Moody's Analytics, and U.S. Bureau of Labor Statistics. In addition, examiners obtained the bank's financial data from its September 30, 2020, Report of Income and Condition (Call Report).

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

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

The Investment Test considered the following criteria.

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

The Service Test considered the following criteria.

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

This evaluation includes 2019 lending activity from the bank's wholly-owned mortgage subsidiary, HarborOne Mortgage, LLC (HOME). As of January 2019, the bank consolidated all home mortgage lending operations under HOME, except for home equity products and loans secured by residential real estate originated from its commercial lending area.

### **Activities Reviewed**

Based on the number and dollar volume of loans originated during the evaluation period, examiners determined that the bank's major product lines are home mortgage and small business loans. Examiners focused on these loan types based on the bank's business strategy and the number and

dollar volume of loan originations during the evaluation period. Other product lines such as small farm loans, consumer, and other loan types were not be considered due to lower origination totals and the small portion of the loan portfolio these loan types represent.

Examiners reviewed all loans reported on HOB's Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs) for 2017, 2018, and 2019. The bank reported 504 loans totaling \$185.9 million in 2017, 195 loans totaling \$69.5 million in 2018, and 38 loans totaling \$120.2 million in 2019. Examiners also reviewed loans reported on HOME's 2019 LAR secured by residential real estate within the bank's assessment area, which totaled 1,179 loans for \$339.6 million. Bank management requested that examiners include HOME's 2019 lending activity because the bank fully consolidated its home mortgage lending operations under HOME in 2019. Examiners presented combined 2019 HMDA data from HOB and HOME in the geographic distribution and borrower profile tables. The geographic distribution and borrower profile tables only present 2019 data because 2019 is the most recent year of available aggregate data.

Examiners also reviewed all small business loans reported on HOB's CRA Loan Registers for 2017, 2018, and 2019. The bank reported 160 loans totaling \$27.8 million, 218 loans totaling \$45.9 million, and 290 loans totaling \$53.6 million. Examiners presented 2019 small business loans in the geographic distribution and borrower profile tables due to the availability of 2019 aggregate data.

The evaluation compared bank home mortgage and small business lending performance against aggregate lending data for 2017 and 2018 for analysis purposes, although the data is not presented in the tables for geographic distribution and borrower profile criteria. Examiners presented all years of bank performance in the assessment area concentration section. When determining Lending Test conclusions and ratings, examiners gave greater weight to home mortgage lending based on the higher volume of home mortgage loans compared to small business loans.

The evaluation considered HOB and HOME's innovative and flexible lending programs and community development loans made between December 18, 2017 and January 26, 2021. The Investment Test and Service Test considered the number and dollar amount of qualified investments and community development services during this timeframe.

### **Assessment Areas Reviewed**

HOB designated assessment areas in Massachusetts and the Providence-Warwick, RI-MA Metropolitan Statistical Area (MSA). Examiners conducted a full-scope review of the Massachusetts assessment area, which includes portions of the Boston, MA Metropolitan Division (MD) and contains most of the bank's lending activity from the evaluation period. HOB performance in Massachusetts received greater weight when determining overall conclusions.

Examiners also conducted a full-scope review of the Providence-Warwick, RI-MA assessment area, which consists of the entire MSA. Performance in this area received less weight when determining the overall rating and conclusions. Although HOB and HOME originated more home mortgage loans in the Providence-Warwick, RI-MA MSA in 2019, higher lending totals in the Boston, MA MD during prior years and the fact that the bank did not begin operating in Rhode Island until October 2018 affected assessment area performance weighting.

## **DESCRIPTION OF INSTITUTION**

### **Background**

HOB is wholly owned by HarborOne Bancorp, Inc., a publicly traded bank holding company. The bank wholly owns HOME, a subsidiary that is a full-service residential mortgage lender that operates in ten states, including Massachusetts and Rhode Island. HOB also operates two community-centered non-profit foundations in Massachusetts and Rhode Island.

The institution received an Outstanding rating at the previous FDIC and DOB CRA Performance Evaluation dated December 18, 2017, based on Interagency Large Institution Examination Procedures. The Lending Test, Investment Test, and Service Test were all rated Outstanding.

### **Operations**

HOB is headquartered in Brockton, Massachusetts and operates 26 full-service branches throughout Eastern Massachusetts (17) and Rhode Island (9). Massachusetts branches are located in Norfolk County (4), Plymouth County (8), Bristol County (4), and Suffolk County (1). The branches in Rhode Island are located in Providence County (6) and Kent County (3). The bank also maintains commercial lending offices in Boston, Massachusetts (1) and Providence, Rhode Island (1).

HOB consolidated and shifted its mortgage operations to originate residential home mortgage loans fully through HOME in 2018. The bank also offers commercial and consumer loans. The bank's deposit services include checking, savings, money market deposit accounts, and certificates of deposit. The institution also offers wealth management services through MEMBERS Financial Services. Other banking services include internet and mobile banking, telephone banking, electronic bill pay, and 45 ATMs, 41 of which accept deposits.

Furthermore, in October 2018, HOB acquired Coastway Community Bank (CCB) of Providence, Rhode Island. As part of the CCB acquisition, HOB acquired 10 full-service branches and a limited-service branch across Providence County and Kent County. HOB also expanded its branch network by opening three branches in the following towns in Massachusetts: Stoughton (February, 2019), Boston (November, 2019), and Quincy (October, 2020). Additionally, the bank closed its limited-service branches in Attleboro (December, 2018) and Brockton (November, 2020).

### **Ability and Capacity**

As of September 30, 2020, HOB reported assets of \$4.4 billion, of which loans totaled \$3.7 billion and securities totaled \$280.3 million. According to the bank's Call Report, residential lending represented the majority of the loan portfolio, which is consistent with the previous evaluation. Commercial lending follows residential lending, which increased approximately 20 percent, as bank management has made a concerted effort to increase commercial lending. The following table illustrates the loan portfolio distribution.

<b>Loan Portfolio Distribution as of 9/30/2020</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	225,273	6.1
Secured by Farmland	194	0.0
Secured by 1-4 Family Residential Properties	1,319,572	35.6
Secured by Multi-family (5 or more) Residential Properties	184,575	5.0
Secured by Non-farm Non-Residential Properties	1,250,018	33.7
<b>Total Real Estate Loans</b>	<b>2,979,632</b>	<b>80.4</b>
Commercial and Industrial Loans	377,628	10.2
Agricultural Production and Other Loans to Farmers	35	0.0
Consumer	311,867	8.4
Obligations of States and Political Subdivisions in the United States	36,239	1.0
Other Loans	803	0.0
Lease Financing Receivables (net of unearned income)	-	-
Less: Unearned Income	-	-
<b>Total Loans</b>	<b>3,706,204</b>	<b>100</b>
<i>Source: Reports of Condition and Income</i>		

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

## **DESCRIPTION OF ASSESSMENT AREAS**

HOB designated assessment areas in the Boston, MA MD and the Providence-Warwick, RI-MA MSA. The bank's combined assessment area includes 781 census tracts. The bank significantly expanded its assessment area as a result of the CCB acquisition in late 2018 to encompass all of Plymouth County and Bristol County in Massachusetts, as well as the whole state of Rhode Island. The bank again expanded its assessment area in 2020 as a result of opening a new branch location in Boston, adding the City of Boston in Suffolk County and all of Norfolk County in Massachusetts. Specific demographic data is presented for each assessment area under the Massachusetts and Providence-Warwick, RI-MA MSA rated area sections.



## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

The Lending Test is rated Outstanding. HOB demonstrated excellent performance under the Lending Test. The bank's Lending Test performance in each rated area is consistent with the overall Lending Test rating and conclusions. The following sections summarize the bank's overall performance under each criterion.

#### **Lending Activity**

The bank's lending levels reflect excellent responsiveness to assessment area credit needs. This conclusion is primarily supported by excellent responsiveness in the Massachusetts rated area. Refer to rated area sections for a complete discussion of bank performance under this factor. The bank's consolidation and shifting of residential mortgage operations into HOME provides significant performance context when determining conclusions for this factor in Massachusetts. For the Providence-Warwick, RI-MA MSA rated area, HOB's acquisition of CCB in October 2018 provides significant performance context.

#### **Assessment Area Concentration**

The bank made a high percentage of home mortgage and small business loans within its combined assessment area. The percentage of home mortgage lending activity in the assessment area was consistently high throughout the review period, but the volume of bank home mortgage loans in the assessment area decreased starting in 2018 due to the bank consolidating its home mortgage lending operations under HOME. CRA regulations indicate that this factor of the Lending Test does not include affiliate lending, which explains the notably decreasing trend in loan volume.

With the exception of a dip in the percentage of small business loan originations inside the assessment area in 2018, the bank had a similar concentration of lending in the assessment area during each year reviewed. The total volume of loans consistently increased throughout the evaluation period; however, the percentage of small business lending activity inside the assessment area decreased in 2018. The concentration of assessment area lending indicates the bank has focused on credit needs in the assessment area. The following table illustrates lending activity inside and outside of the combined assessment area.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total  #	Dollar Amount of Loans \$(000s)				Total  \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2017	416	82.5	88	17.5	504	115,854	62.3	70,066	37.7	185,920
2018	173	88.7	22	11.3	195	45,623	65.6	23,926	34.4	69,548
2019	27	71.1	11	28.9	38	77,852	64.8	42,304	35.2	120,156
Subtotal	616	83.6	121	16.4	737	239,329	63.7	136,296	36.3	375,625
Small Business										
2017	140	87.5	20	12.5	160	18,291	71.0	7,471	29.0	25,762
2018	159	72.9	59	27.1	218	26,178	57.1	19,679	42.9	45,857
2019	244	84.1	46	15.9	290	38,011	70.9	15,576	29.1	53,587
Subtotal	543	81.3	125	18.7	668	82,480	65.9	42,726	34.1	125,206
Total	1,159	82.5	246	17.5	1,405	321,809	64.3	179,022	35.7	500,831
Source: Bank Data. Due to rounding, totals may not equal 100.0%										

### **Geographic Distribution**

The geographic distribution of home mortgage and small business loans reflects excellent penetration throughout the combined assessment area. Excellent home mortgage and small business loan distributions by census tract income level in the Massachusetts rated area primarily support this conclusion. The bank had a good distribution of loans by census tract income level in the Providence-Warwick, RI-MA MSA. Refer to rated area sections for a complete discussion of bank performance under this factor.

### **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 both rated areas supports this conclusion. Refer to rated area sections for a complete discussion of bank performance under this factor.

### **Innovative or Flexible Lending Practices**

HOB makes extensive use of innovative and flexible lending practices in order to serve assessment area credit needs. The bank and HOME offer many innovative or flexible lending programs that serve both assessment areas, and only one program (RIHousing Loans) benefitted one area. During the evaluation period, the bank and HOME originated 4,532 loans through innovative or flexible

programs that totaled \$945.9 million. These programs benefited low- and moderate-income individuals and small businesses.

The bank showed leadership under this factor through responsive in-house programs such as the ONECommunity, Success for Small Business, Secured VISA, and Money Smart LOC loan programs. The extensive volume of innovative or flexible lending combined with these particularly responsive in-house programs supports the strong performance conclusion.

Additionally, HOB offered deferral and forbearance modifications to existing loans to provide flexibility to borrowers affected by financial hardship and the COVID-19 Pandemic. These modifications help individuals and businesses avoid foreclosure and retain homeownership and businesses, and illustrate the bank's commitment to providing continued credit to low- and moderate-income families and small businesses. In 2020, the bank provided 2,139 pandemic-related deferrals for first mortgage and home equity loans totaling \$506.3 million and 191 deferrals for small businesses totaling \$306.4 million. The bank also provided 778 deferrals for personal loans totaling \$18.5 million. Additionally, HOB made four residential mortgage modifications totaling \$620,000 during the evaluation period.

The following summary captures the bank's innovative and flexible loan programs offered during the evaluation period. All but one of these programs (RIHousing Loans) were offered in both assessment areas.

### ***Home Mortgage Programs***

*Federal Housing Administration (FHA)* – FHA loans are federally backed mortgages designed for low-to-moderate-income borrowers who may have lower than average credit scores. FHA loans require a lower minimum down payments and credit scores than many conventional loans. During the evaluation period, HOME made 858 FHA loans totaling \$228.2 million.

*MassHousing Loans* – MassHousing loan programs include features such as low down payments, competitive interest rates, reduced mortgage insurance premiums, special programs for veterans, and down payment assistance for first-time home buyers. During the evaluation period, HOB and HOME originated 242 MassHousing loans totaling \$41.3 million.

*RIHousing Loans* – RIHousing provides access to programs that include first-time homebuyer loans, down payment assistance, and home renovation loans. Loans to qualified low- and moderate-income borrowers offer no required down payment and flexible pricing and underwriting guidelines. During the evaluation period, HOME originated 356 RIHousing loans totaling \$43.5 million. This program only serves the Providence-Warwick, RI-MA rated area.

*Freddie Mac Home Possible Mortgage Program* – The Home Possible mortgage program offers more options and credit flexibilities to help very low-to low-income borrowers attain the dream of owning a home. The financing offers fixed-rate mortgages with low down payment options, and flexible underwriting and pricing standards. During the evaluation period, HOME originated 171 loans under this program totaling \$37.7 million.

*Fannie Mae Home Ready Program* – HomeReady product is designed to help lenders serve credit-worthy low-income borrowers by providing financing for first-time or repeat homebuyers. The financing offers fixed-rate mortgages with low down payment options and flexible underwriting and pricing standards. During the evaluation, HOME made 96 originations totaling \$20.9 million.

*ONECommunity Mortgage Program* – The ONECommunity mortgage program helps those creditworthy low-income borrowers to purchase or refinance a home in its assessment area. This program allows for low 97% financing, no mortgage insurance and all while allowing the borrower to take advantage of gifts and grants towards the transaction. During the evaluation period, HOB and HOME made 46 loans under this program for \$7.8 million.

*VA Mortgage Loans* – The VA offers flexible financing to eligible active military service personnel and U.S. veterans. The program offers a fixed-rate mortgage with no down payment, no income limits, expanded qualifying criteria, and no required mortgage insurance. During the evaluation period, HOME originated 285 VA loans totaling \$135.2 million.

*U.S. Department of Agriculture (USDA) Rural Development Housing Programs* – The Rural Development program provides low interest, fixed-rate homeownership loans to and provides families and individuals the opportunity to buy, build, or own safe and affordable homes located in rural America. Eligibility for these loans, loan guarantees, and grants is based on income and varies according to the average median income for each area. During the evaluation period, HOME originated 79 loans under this program for \$16.7 million.

*The Equity Builder Program (EBP)* – EBP, offered through the Federal Home Loan Bank of Boston (FHLBB), provides flexible terms, conditions, and underwriting guidelines to help serve the credit needs of low- and moderate-income homebuyers. The FHLBB offers its member banks grants to provide households up to 80 percent of the area median income with assistance in areas such as down payment, closing costs, and homebuyer education and counseling. During the evaluation period, HOB awarded \$7,500 in down payment assistance to one borrower through the EBP.

### ***Small Business Programs***

*Success for Small Business (SSB)* – HarborOne created the SSB program to be an informative source of business skill highlights, while also providing a flexible and innovative credit product to serve as seed funding for a start-up or a business less than two years old that may otherwise have difficulty obtaining capital. Upon completing the SSB curriculum at HarborOne U, a small business owner or entrepreneur looking to start a new business can obtain seed funding through a \$5,000 line of credit with flexible underwriting, including personal credit scores as low as 600. After a year of successfully handling the credit line, the loan may be increased to \$10,000. The bank originated 28 SSB loans totaling \$150,000 during the evaluation period.

*Small Business Administration (SBA) Payroll Protection Program (PPP) Loans* – PPP loans are SBA insured loans designed to support the basic operating needs of small businesses, including rent, utilities, and payroll, during the COVID-19 pandemic. The SBA will forgive the PPP loans if recipients meet all employee retention criteria and use the funds according to SBA guidelines. PPP loans offer below market interest rates, six-month payment deferrals, no origination fees, and no

collateral requirements. During the evaluation period, the bank originated 1,047 PPP loans totaling \$153.0 million.

*SBA Loans* – HOB is an approved SBA lender and offers 504 and 7(a) program loans. These programs offer financing to qualified small businesses that may not be eligible for traditional bank financing. In 2018 and 2020, the SBA named HarborOne Bank the “Rhode Island 7(a) & 504 Combined Lender of the Year.” During the evaluation period, the bank originated 1,241 SBA loans totaling \$243.9 million.

*Small Business Banking Partnership (MA Treasury)* – HOB partnered with the Massachusetts Office of State Treasurer and Receiver General (MA Treasury). This program promotes small business loans and aims to move state deposits into community banks that have been at the forefront of providing capital to creditworthy small businesses to help them expand and create new jobs. During the evaluation period, HOB made 82 qualified small business loans under this partnership totaling \$17.6 million.

### ***Consumer Loan Programs***

*Money Smart Line of Credit* – HOB offers this product to individuals who complete a multi-part financial education series at HarborOne U, after which they may be approved for a \$500 line of credit, even in cases of no or challenging credit history. One year later, if the credit account has been handled responsibly, the line may be increased to \$1,000. The bank originated two new loans totaling \$1,000 and granted increases to eight borrowers totaling \$8,000 under this program during the evaluation period.

*Secured VISA* – HOB offers a VISA credit card secured with a savings account with credit limits as low as \$300 to help customers start or re-establish their credit history. During the evaluation period, the bank opened 936 credit card accounts with credit limits totaling \$417,050 under this program.

Additionally, during the evaluation period, the bank offered two consumer loan programs for the benefit of the local community. The bank provided unsecured personal loans to help cover the cost of the U.S. citizenship application to be used in conjunction with HarborOne U’s Citizenship Preparation course. The bank also recently began offering a micro-lending program in coordination with the Society of St. Vincent de Paul (SVDP) to provide emergency credit to families in need. While the bank has not originated any loans under these programs during the evaluation period, both programs exhibit the bank’s willingness to extend credit in innovative and responsive ways.

### **Community Development Loans**

HOB is a leader in making community development loans. During the evaluation period, the bank originated a total of 36 community development loans totaling \$86.1 million. Of the 36 total loans, 27 loans totaling \$54.1 million directly benefited assessment area needs of affordable housing, community services, and economic development. The bank also made nine community development loans totaling \$32.0 million for initiatives that benefited a broader statewide or

regional area and were also located outside the bank's assessment areas. Examiners considered these loans because the bank met the credit needs of its assessment areas.

The following is a notable example of a community development loan not tied to a specific assessment area. The bank made other similar community development loans to small businesses outside the assessment areas to construct hotels. These developments added permanent jobs for low- and moderate-income people in moderate-income geographies.

- In 2018, the bank originated a \$6.8 million loan through the SBA's 504 program that financed the construction of a hotel in Barnstable County, Massachusetts. The hotel development resulted in the creation of 25 permanent jobs for low- and moderate-income individuals. In addition to having an economic development purpose, the project helped revitalize a moderate-income census tract just outside the bank's assessment area.

The number of community development loans increased slightly compared to the prior evaluation, while the total dollar volume decreased. However, both the number and dollar amount of loans specifically benefitting the bank's assessment area increased, as the vast majority of community development loans at the prior evaluation did not directly benefit the bank's assessment area. The bank also enhanced its responsiveness to area credit needs by increasing loans that meet affordable housing needs.

The total dollar amount of community development loans represents 2.9 percent of average total loans. HOB's community development lending compared favorably to similarly situated institutions. The bank exceeded the dollar volume of community development loans originated by Bristol County Savings Bank and BayCoast Bank, and exceeded these institutions' ratios of community development loans to total loans. These institutions were either a leader or made a relatively high level of community development loans. Refer to rated area sections for a breakdown of community development lending by each assessment area and notable examples.

## **INVESTMENT TEST**

The bank is rated Outstanding under the Investment Test. The bank and its foundations have an excellent level of qualified community development investments, grants, and donations, often in a leadership position, particularly those that are not routinely provided by private investors. The bank exhibits excellent responsiveness to credit and community development needs. Qualified investments and donations supported activities that predominately promote affordable housing and community services to low- and moderate-income individuals, which community contacts identified as great needs in the combined assessment area. The bank makes significant use of innovative and/or complex investments to support community development initiatives. Bank performance in the Massachusetts rated area is consistent with the overall Investment Test rating, while performance in the Providence-Warwick, RI-MA rated area is slightly below the overall rating.

During the evaluation period, qualified investments, grants, and donations totaled \$32.3 million, which represents 0.9 percent of average total assets and 13.1 percent of average total securities. Specifically, equity investments totaled \$29.2 million and donations totaled \$3.1 million. The \$32.3

million in qualified investments and donations represents a notable increase since the last evaluation period, when qualified investments totaled \$21.3 million, representing 0.8 percent of total assets and 8.4 percent of total securities.

The bank's qualified investment total and performance ratios are comparable with or exceed similarly situated institutions. Hingham Institution for Savings had \$9.0 million in qualified investments, representing 0.5 percent of total assets and 3.0 percent of total securities, earning a High Satisfactory rating. The bank also exceeded qualified investment totals for BayCoast Bank (\$25.6 million) and Bristol County Savings Bank (\$20.2 million). These institutions received Outstanding Investment Test ratings with comparable performance ratios.

The following are notable qualified investments benefitting all assessment areas or a broader statewide/regional area.

*Small Business Investment Companies (SBIC)* – The bank maintained three SBIC investments from the previous evaluation period. Funds from the bonds help finance small businesses through loans with low interest rates. The rates are set according to the cost of funds to the Federal Government. The book value of these investments was \$6.3 million as of the evaluation date.

*Massachusetts Business (MB) Capital Fund IV* – MB Capital Fund is a limited partnership managed by the Massachusetts Business Development Corporation (MBDC). MBDC provides supplemental financing and financial services to growing companies throughout the regional area. The objective of the partnership is to provide capital to established small businesses in need of capital growth. The book value of the investment was \$941,284 as of the evaluation date.

*MA Low Income Housing Tax Program* – In 2020, the bank invested \$2.0 million in the Massachusetts Housing Equity Fund XXVI LLC (MHEF). MHEF will acquire interests in various limited partnerships and/or limited liability companies that will engage in low-income housing improvement projects in Massachusetts. Specifically, the investment promotes affordable housing and is projected to create over 100 units of affordable housing.

Refer to rated area sections for performance details under each factor and notable qualified investment examples in these areas.

## **SERVICE TEST**

The bank's overall Service Test performance is rated Outstanding. Delivery systems are readily accessible to all portions of the assessment area. To the extent changes have been made, the institution's opening and closing of branches has improved the accessibility of its delivery systems, particularly in low- and moderate-income geographies and to low- and moderate-income individuals. Services and business hours are tailored to the convenience and needs of the assessment area, particularly low- and moderate-income geographies and individuals. The institution is a leader in providing community development services. During the evaluation period, the bank provided 5,705 hours of qualified community development services.

The bank's performances in the Massachusetts and the Providence-Warwick, RI-MA MSA rated areas are consistent with the overall Service Test rating. The bank notably surpassed similarly situated institutions in providing community development services, both in financial education and providing expertise to community development organizations. Bank hours devoted to community development services far surpassed the substantial hours devoted at the prior examination, reflecting the bank's commitment to continue its leadership in financial education and community outreach. Refer to rated area sections for bank performance details under each factor and notable community development service examples.

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

Examiners did not identify any evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.



## MASSACHUSETTS

### CRA RATING FOR MASSACHUSETTS: OUTSTANDING

The Lending Test is rated: Outstanding

The Investment Test is rated: Outstanding

The Service Test is rated: Outstanding

### SCOPE OF EVALUATION – MASSACHUSETTS

Examiners used full-scope examination procedures to review the bank's operations in Massachusetts, which includes portions of the Boston, MA MD. Examiners evaluated and considered loans, qualified investments and donations, and services provided in the bank's assessment area within the Boston, MA MD. The Massachusetts evaluation does not include assessment area portions in Bristol County, Massachusetts, as this county is part of the Providence-Warwick, RI-MA MSA; therefore, examiners evaluated the bank's activities in Bristol County within the multistate MSA evaluation, which is presented later in this document.

Examiners evaluated the Lending Test's geographic distribution and borrower profile factors using the assessment area designated prior to 2020. As noted previously, HOB added the City of Boston in 2020, which added a significant number of census tracts to the Boston, MA MD assessment area, including a vast majority of the area's low- and moderate-income census tracts. Again, the geographic distribution and borrower profile analyses did not consider 2020 lending or any lending activity in the 2020 expanded assessment area that includes the City of Boston.

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN MASSACHUSETTS

HOB operates 13 of its 26 branch offices in the Boston, MA MD. Since the last CRA evaluation, HOB expanded its branch network by opening three branches in the following towns: Stoughton (February 2019), Boston (November 2019), and Quincy (October 2020). Additionally, the bank closed its limited-service branch in Brockton (November 2020). The Boston, MA MD assessment area contains the following counties, cities, and towns.

- **Norfolk County, MA** – Avon, Bellingham, Braintree, *Brookline*, Canton, Cohasset, *Dedham*, *Dover*, Foxborough, *Franklin*, Holbrook, *Medfield*, *Medway*, *Millis*, Milton, *Needham*, *Norfolk*, *Norwood*, Plainville, Quincy, Randolph, Sharon, Stoughton, *Walpole*, Wellesley, *Westwood*, Weymouth, and *Wrentham*
- **Plymouth County, MA** – Abington, Bridgewater, Brockton, Carver, Duxbury, East Bridgewater, Halifax, Hanover, Hanson, Hingham, Hull, Kingston, Lakeville, Marion, Marshfield, Mattapoisett Middleborough, Norwell, Pembroke, Plymouth, Plympton, Rochester, Rockland, Scituate, Wareham, West Bridgewater, and Whitman
- **Suffolk County, MA** – *Boston*

Since the previous evaluation, the bank expanded its Massachusetts assessment area to encompass all of Plymouth County in Massachusetts in 2018. In 2020, the bank expanded its assessment area after opening a new branch in Boston to include the City of Boston in Suffolk County and all

remaining towns of Norfolk County in Massachusetts not previously included. The italicized communities in the list above represent those communities added to the assessment area in 2020.

The expanded Boston, MA MD assessment area comprises 411 census tracts with the following income designations according to the 2015 ACS:

- 51 low-income census tracts,
- 77 moderate-income census tracts,
- 140 middle-income census tracts,
- 128 upper-income census tracts,
- 15 tracts with no income designation.

The low-income census tracts are located in Boston (45), Brockton (5), and Quincy (1). The moderate-income census tracts are located in Boston (49), Brockton (10), Quincy (6), Plymouth (2), Randolph (2), Wareham (2), Braintree (1), Holbrook (1), Weymouth (1), Stoughton (1), Middleborough (1), and Carver (1). The tracts with no income designation contain universities, medical centers, state parks, golf courses, ports and terminals, and bodies of water on the coast of southern Massachusetts.

As already stated, the City of Boston contains the vast majority of the area's low- and moderate-income census tracts. Since these were added in 2020, they will not factor into the geographic distribution analysis, which only considered home mortgage and small business loans from 2017, 2018, and 2019. The following table illustrates demographic information of the current assessment area.

Demographic Information of the Assessment Area						
Assessment Area: Massachusetts						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	411	12.4	18.7	34.1	31.1	3.6
Population by Geography	1,841,683	10.1	19.0	36.4	33.8	0.7
Housing Units by Geography	752,848	9.2	19.5	37.2	33.6	0.6
Owner-Occupied Units by Geography	404,392	3.0	13.3	42.2	41.2	0.3
Occupied Rental Units by Geography	292,872	17.4	27.4	30.2	24.1	0.9
Vacant Units by Geography	55,584	10.7	23.4	36.8	28.4	0.8
Businesses by Geography	159,956	5.9	13.4	31.0	48.8	0.9
Family Distribution by Income Level	422,865	23.8	15.5	18.5	42.2	0.0
Household Distribution by Income Level	697,264	27.0	13.6	15.6	43.8	0.0
Median Family Income MSA - 14454 Boston, MA		\$90,699	Median Housing Value			\$411,520
		Median Gross Rent			\$1,305	
		Families Below Poverty Level			8.5%	
Source: 2015 ACS and 2019 D&B Data. Due to rounding, totals may not equal 100.0%						
(*) The NA category consists of geographies that have not been assigned an income classification.						

The median housing value for the assessment area is \$441,520 and the median family income is \$90,699 in the Boston, MA MD. In addition, approximately 8.5 percent of families are below poverty level, which is a subset of the low-income level category. Families in this category are faced with more financial hardship and likely face challenges qualifying for traditional residential loans for homes with median housing value of \$411,520. Additionally, with low-income geographies containing only 3.0 percent of the area's owner-occupied housing units, lenders have limited opportunities to make home mortgage loans in these geographies. The median family income ranges are in the following table.

<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>Boston, MA MD Median Family Income (14454)</b>				
2017 (\$94,300)	<\$47,150	\$47,150 to <\$75,440	\$75,440 to <\$113,160	≥\$113,160
2018 (\$99,300)	<\$49,650	\$49,650 to <\$79,440	\$79,440 to <\$119,160	≥\$119,160
2019 (\$105,500)	<\$52,750	\$52,750 to <\$84,400	\$84,400 to <\$126,600	≥\$126,600
<i>Source: FFIEC</i>				

The assessment area includes both affluent and low-income communities. Therefore, overall demographic information for this assessment area does not reflect significant economic and demographic disparities at the city and town level. Affluent areas include suburban towns such as Wellesley and Hingham, which contain census tracts with median incomes over \$200,000 and median housing values as high as \$1.2 million. In comparison, Brockton is an urban community consisting of mostly low- and moderate-income census tracts.

Demographic data for low- and moderate-income census tracts indicate limited opportunities for home mortgage lending. Specifically, the median housing values are as high as \$267,000 and median family income as low as \$16,000. Additionally, owner occupied units are as low as 1.4 percent of all housing with rental units as high as 85.9 percent, illustrating lack of opportunity for owner-occupied home mortgage lending. The high concentration of rental units contrasts significantly with housing demographics for the rest of the Boston, MA MD assessment area. Furthermore, poverty levels as high as 60.8 percent indicate limited opportunities for home mortgage lending.

According to 2019 D&B data, 173,405 non-farm businesses and 2,802 farms are located in the assessment area. Of those, 151,136 or 85.7 percent have gross annual revenues of \$1.0 million or less. Service industries represent the largest portion of businesses at 39.6 percent, followed by retail trade at 10.9 percent, and finance/insurance businesses at 12.8 percent. Additionally, 61.6 percent of business operate with four employees or less.

According to the U.S Bureau of Labor Statistics, unemployment rates in the assessment area increased since the previous evaluation period, as illustrated in the following table. According to Moody's Analytics, the Boston, MA MD experienced a sharp increase in unemployment due to the onset of the COVID-19 pandemic. At the highest point in June 2020, unemployment in the Boston,

MA MD was 19.0 percent. The following table reflects unemployment rates in the Boston, MA MD compared to the state and national figures throughout the evaluation period.

Unemployment Rates			
Location	2018	2019	2020
	%	%	%
Boston, MA MD	3.1	2.7	10.2
Massachusetts	3.4	2.9	7.4
Nationwide	3.9	3.7	8.1
<i>Source: Bureau of Labor Statistics, Moody's Analytics</i>			

According to Moody's Analytics, the Boston, MA MD has challenges of high business and living costs and high exposure to cyclical finance and technology industries. It also has strengths such as being the business capital of New England, having access to skilled labor and venture capital for emerging companies, dynamic high-tech and biomedical research industries, and labor market stability due to education/healthcare. All major industries reduced staff since February 2020, with leisure, hospitality, and transportation suffering the biggest losses. Top employers in the area include Partners HealthCare, University of Massachusetts, and Stop & Shop Supermarket Co.

### **Competition**

Examiners excluded the City of Boston and the Norfolk County towns added to the assessment area in 2020 when evaluating the bank's competitive landscape, as the bank had no branches and was not active in those areas prior to 2020. HOB operates in a highly competitive market for banking services. The presence of large national, regional, and community banks and credit unions creates significant competition in the area. According to the June 30, 2020 FDIC Deposit Market Share data, there were 31 financial institutions with 256 branches in the area, among which Rockland Trust Company; Citizens Bank, N.A. (CBNA); and Bank of America, N.A. were the top three, with a combined deposit market share of 46.9 percent. HOB ranked 4<sup>th</sup> with a market share of 8.1 percent. Banks that trailed behind were Eastern Bank (5<sup>th</sup>) and Hingham Institution for Savings (6<sup>th</sup>), with market shares of 7.9 percent and 6.5 percent, respectively.

HOB faces a high level of competition for home mortgage lending from national lenders, mortgage companies, credit unions, and community banks. In 2019, 471 HMDA-reporting lenders originated or purchased 42,552 home mortgage loans in the assessment area. Combined, HOB and HOME ranked 26<sup>th</sup> with a 1.2 percent market share. Lenders that ranked higher were large and national lenders and local credit unions, including CBNA, Wells Fargo Bank N.A., and Quicken Loans. Other community banks, such as The Cape Cod Five Cents Savings Bank, trailed behind, ranking 40<sup>th</sup> with a market share of 0.4 percent. BayCoast Mortgage Company and BayCoast Bank also trailed behind, ranking 56<sup>th</sup> and 65<sup>th</sup> with a combined market share of 0.6 percent.

The bank also faces a high level of competition for small business loans. In 2019, 138 lenders originated 37,411 small business loans in the area. The top three lenders were American Express National Bank, Bank of America, N.A., and JPMorgan Chase Bank, N.A. with a combined market share of 46.7 percent.

## **Community Contacts**

As part of the evaluation process, examiners contact third-parties active in the assessment area to assist in identifying the credit and community development needs. This information helps determine whether local financial institutions are responsive to these needs. It also shows available credit and community development opportunities.

Examiners contacted a representative from a non-profit organization serving the Boston, MA MD. Services include homelessness prevention, a food relief program, thrift shop, and mental health counseling. Due to the COVID-19 Pandemic, the contact acknowledged an increase in demand and opportunity for the provision of food supplies for low- and moderate-income individuals and those below the poverty level. In terms of credit-related assistance, the contact discussed the need for mortgage and rental relief to retain residents in their homes and stabilize communities. The contact indicated that financial institutions have been responsive with donations to provide the needed funding to support essential programs and cited HOB as a supporter to the local community.

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

Considering information from the community contact, bank management, and demographic and economic data, examiners determined affordable housing and community services to support low- and moderate-income individuals are primary community development needs in the assessment area. Currently pressing needs include housing stabilization in low- and moderate-income areas and to low- and moderate-income individuals.

Brockton represents the community with most significant community development needs and opportunities during most of the evaluation period. Homelessness, unemployment, and wellness gaps in Brockton reflect a significant need for community services and affordable housing for low- and moderate-income people. In addition, support for small businesses and economic development in general is a critical need in Brockton. With a substantial number of low- and moderate-income tracts in Boston added to the assessment area in 2020, credit and community development needs and opportunities significantly expanded. Financial literacy represents a significant need in these areas in order to create economic development and help reduce high poverty levels in many of the area's low-income census tracts for the long term.

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

### **LENDING TEST**

HOB demonstrated Outstanding performance under the Lending Test. The following sections discuss the bank's performance under each criterion.

### **Lending Activity**

Lending levels reflect excellent responsiveness to the Boston, MA MD assessment area credit needs. In 2019, HOB and HOME combined to originate or purchase 514 home mortgage loans totaling \$191.1 million. Combined, HOB and HOME ranked 26<sup>th</sup> out of 471 lenders with a market share 1.2

percent, outperforming local community bank competitors. Lending activity increased notably from 2017 and 2018, although the consolidation of lending operations under HOME in 2019 make comparisons to prior years less meaningful.

HOB originated 119 small business loans totaling \$18.1 million in the rated area in 2019. HOB outperformed other community banks, except Rockland Trust Company, which is a much larger institution than HOB. The top lenders are national credit card lenders that offer average loan sizes of as little as 5,000, compared to HOB whose average loan size was \$153,000.

### **Geographic Distribution**

The geographic distribution of home mortgage and small business loans reflects excellent penetration throughout the Massachusetts rated area.

#### **Home Mortgage Loans**

The geographic distribution of home mortgage loans reflects excellent penetration throughout the assessment area. The bank's performance in low-income geographies remained fairly consistent during the evaluation period and remained above comparable demographic data and the aggregate performance for the majority of the evaluation period. The bank's percentage of loans decreased in 2019; however, the bank performed slightly above aggregate performance and demographic data. Given the lack of home mortgage lending opportunities due to a low percentage of owner-occupied units within these tracts, the bank's performance is excellent.

Similarly, the bank's performance consistently outperformed aggregate performance and demographic data in moderate-income geographies. HOB's performance also significantly increased in moderate-income census tracts throughout the evaluation period. In 2019, HOB and HOME ranked 26<sup>th</sup> out of 110 lenders in low-income geographies and 17<sup>th</sup> out of 304 lenders in moderate-income geographies, outperforming its local community bank competitors. The increasing trend in performance and market share rankings support an excellent performance. The bank's strong performance in moderate-income census tracts particularly stands out.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Massachusetts						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	0.9	1.1	6	1.2	1,385	0.7
Moderate						
2019	13.5	13.2	104	20.1	24,604	12.9
Middle						
2019	54.7	53.1	292	56.4	121,459	63.6
Upper						
2019	30.9	32.7	116	22.4	43,440	22.8
Not Available						
2019	0.0	0.1	0	0.0	0	0.0
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>518</b>	<b>100.0</b>	<b>190,888</b>	<b>100.0</b>
Source: 2015 ACS; Bank Data, 2019 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

### Small Business Loans

The geographic distribution of small business loans reflects excellent penetration throughout the assessment area. In low-income geographies, the bank exceeded aggregate performance and demographic data for the majority of the evaluation period. In moderate-income geographies, the bank increased its originations during the evaluation period, exceeding demographic data and aggregate performance in 2019. The bank's strong performance compared to its peers and percentages of businesses and positive trends support the bank's excellent performance.

Geographic Distribution of Small Business Loans						
Assessment Area: Massachusetts						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	1.8	1.6	7	5.9	1,750	9.7
Moderate						
2019	14.6	14.5	24	20.2	3,963	21.9
Middle						
2019	51.3	53.2	62	52.1	8,034	44.4
Upper						
2019	32.2	30.8	26	21.8	4,345	24.0
Not Available						
2019	0.1	0.0	0	0.0	0	0.0
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>119</b>	<b>100.0</b>	<b>18,092</b>	<b>100.0</b>
Source: 2019 D&B Data; Bank Data; 2019 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

### **Borrower Profile**

The distribution of borrowers reflects, given the demographics of the assessment area, excellent penetration among individuals of different income levels and good penetration among businesses of different sizes.

### **Home Mortgage Loans**

The distribution of borrowers reflects, given the demographics of the assessment area, excellent penetration among individuals of different income levels. The bank's 2019 home mortgage lending to low-income borrowers increased compared to prior years and was significantly above aggregate performance. Although the bank trailed demographic percentages throughout the evaluation period, the percentage of low-income families overstates home mortgage loan demand for this group due to difficulties with affording home ownership at these income levels.

The bank significantly increased originations to moderate-income individuals during the evaluation period. The bank's performance in moderate-income borrowers was consistently significantly above aggregate and demographic data throughout the evaluation period. In 2019, HOB and HOME ranked 12<sup>th</sup> out of 202 lenders that made loans to low-income borrowers and 19<sup>th</sup> out of 278 lenders that made loans to moderate-income borrowers. These market share rankings demonstrate an excellent level of lending to low- and moderate-income borrowers as the bank outperformed other local community banks. Given the bank's increase in lending activity and consistent



performance above its peers, the bank's performance to low- and moderate-income borrowers supports excellent distribution.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Massachusetts						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	20.4	5.4	49	9.6	7,469	3.9
Moderate						
2019	16.9	19.4	122	23.5	29,998	15.7
Middle						
2019	20.7	24.6	170	32.8	51,484	27.0
Upper						
2019	42.0	35.7	166	32.0	62,484	32.7
Not Available						
2019	0.0	14.9	11	2.1	39,453	20.7
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>518</b>	<b>100.0</b>	<b>190,888</b>	<b>100.0</b>
Source: 2015 ACS; Bank Data, 2019 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

### Small Business Loans

The distribution of small business loans reflects good penetration among businesses of different sizes. Although the bank's lending activity has decreased slightly throughout the evaluation period, HOB ranked above the aggregate performance each year. Although the bank's performance is below the percentage of businesses in the assessment area, the bank consistently outperformed its peers and other institutions in lending to businesses with gross annual revenues of \$1.0 million or less.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Assessment Area: Massachusetts						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2019	85.8	38.0	56	47.1	6,318	34.9
>1,000,000						
2019	5.6	--	54	45.4	11,441	63.2
Revenue Not Available						
2019	8.6	--	9	7.6	333	1.8
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>119</b>	<b>100.0</b>	<b>18,092</b>	<b>100.0</b>
Source: 2019 D&B Data; Bank Data; 2019 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%						

### **Community Development Loans**

HOB is a leader in making community development loans in the Massachusetts assessment area. HOB originated 14 community development loans totaling \$27.6 million that met the needs of affordable housing, community services, and economic development. The following table illustrates the bank's community development lending activity.

Community Development Lending								
Assessment Area: Massachusetts								
Activity Year	Affordable Housing		Community Services		Economic Development		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Partial 2017	0	0	0	0	0	0	0	0
2018	2	4,800	2	400	2	4,009	6	9,209
2019	3	8,015	1	25	0	0	4	8,040
2020	4	10,307	0	0	0	0	4	10,307
<b>Total</b>	<b>9</b>	<b>23,122</b>	<b>3</b>	<b>425</b>	<b>2</b>	<b>4,009</b>	<b>14</b>	<b>27,556</b>
Source: Bank Data								

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

- In 2019, the bank was a lead lender in a participation loan totaling \$36.5 million that financed a 180-unit apartment development in Stoughton, Massachusetts. Of 180 units, 45 units were designated as affordable. The bank's participation was \$13.6 million, of which \$3.4 million was qualified for community development purpose of affordable housing.

- In 2020, HOB originated a loan to finance a development of a 60-unit apartment building in Canton, Massachusetts. Of the total 60 units, 15 were designated as affordable. The total loan amount was \$16.4 million, of which \$4.1 qualified for the community development purpose of affordable housing.
- In 2019, the bank originated a loan for construction of a 100-unit apartment building in Mansfield, Massachusetts. Of the 100, 12 units were designated as affordable. The total loan amount was \$19.0 million, of which \$2.8 million met the community development purpose of supporting affordable housing.
- In 2018, the bank made a \$2.9 million SBA loan as part of the 504 Certified Development Company program. SBA 504 loans meet the community development purpose of economic development.

### **Innovative or Flexible Lending Practices**

HOB makes extensive use of innovative and flexible lending practices in order to serve the MA assessment area credit needs. The bank showed leadership under this factor through responsive in-house programs such as the ONECommunity, Success for Small Business, Secured VISA, and Money Smart LOC loan programs. The extensive volume of innovative or flexible lending combined with these particularly responsive in-house programs supports the strong performance conclusion.

### **INVESTMENT TEST**

The Investment Test for Massachusetts is rated Outstanding. The bank and its foundations have an excellent level of qualified community development investment and grants, often in a leadership position, particularly those that are not routinely provided by private investors. The bank exhibits excellent responsiveness to credit and community development needs. HOB makes significant use of innovative and/or complex investments to support community development initiatives. The bank's performance in this assessment area is consistent with the overall performance.

### **Investment and Grant Activity**

The bank has an excellent level of qualified community development investments, grants and donations. During the evaluation period, the bank made or maintained 324 qualified investments totaling \$18.8 million within Massachusetts. The following table illustrates the bank's qualified community development investments and qualified grants and donations by year and purpose.

<p style="text-align: center;"><b>Qualified Investments</b> <b>Assessment Area: Massachusetts</b></p>								
Activity Year	Affordable Housing		Community Services		Economic Development		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	1	2,600	0	0	1	2,600
2018	0	0	1	7,000	0	0	1	7,000
2019	0	0	1	7,300	0	0	1	7,300
2020	1	65	0	0	1	300	2	365
<b>Subtotal</b>	<b>1</b>	<b>65</b>	<b>3</b>	<b>16,900</b>	<b>1</b>	<b>300</b>	<b>5</b>	<b>17,265</b>
Qualified Grants & Donations	37	241	264	1,280	18	58	319	1,579
<b>Total</b>	<b>38</b>	<b>306</b>	<b>267</b>	<b>18,180</b>	<b>19</b>	<b>358</b>	<b>324</b>	<b>18,844</b>
Source: Bank Data								

Following are notable examples of the bank's qualified investments benefitting the Massachusetts assessment area.

*Brockton Venture Fund* – In 2020, HOB was the leading financial institution and collaborated with Neighborworks Solutions and other regional institutions to create The Brockton Venture Fund to help businesses locate, expand, and hire in Brockton. The fund provides for loans up to \$50,000 along with small business education training for eligible borrowers, targeting applicants with the most upside for job growth to stimulate housing, neighborhood revitalization, and increased spending on other services in the city. The program particularly seeks businesses that are women-, minority-, or veteran-owned. HarborOne provided \$300,000 for the fund, which collectively committed to \$1 million in loans to eligible businesses.

*Conservatory Lab Charter School* – In 2019, the bank participated in a \$7.3 million bond consisting of an overall \$17.3 direct purchase tax-exempt bond to the Conservatory Lab Charter Foundation, Inc. to finance construction of the new Conservatory Lab Charter School. The bank's participation represents 41.8 percent. The project financing also utilized New Market Tax Credits. The school is located in a moderate-income census tract in the Dorchester section of Boston, and 68.0 percent of students qualify for free or reduced lunch programs.

### Charitable Contributions

HOB and HarborOne Charitable Foundation Massachusetts made \$1.5 million in qualified donations benefitting the Boston, MA MD. The majority of donations went to organizations that provide community services to low- and moderate-income individuals and families. The following examples highlight a few of the many organizations receiving bank or foundation donations during the evaluation period. These example received notable qualitative credit under the Investment Test due to their community impact.

*Father Bills & Mainspring* – Father Bills and Mainspring is a social service agency focused on emergency and permanent housing, job training and placement, and homelessness prevention services. HarborOne’s yearly contribution supported homelessness prevention, food security and basic essentials for individuals, families and veterans in need. In 2019, HOB made a grant for stabilization services at their newest permanent supportive housing developments in Brockton. In 2020, HOB gave a grant to support essential services for homeless individuals and families during the COVID-19 pandemic.

*Fresh Truck* – HOB established a relationship with Fresh Truck, a Boston based non-profit organization whose mission seeks to improve the health of low-income communities by getting healthy food to those who need it most. The bank’s relationship is driven by monetary contributions and also a volunteer component that is both innovative and responsive. A grant from the HarborOne Foundation helped launch and facilitate Fresh Truck’s Fresh Connect Food Prescription Program. A partner with Boston Medical Center (BMC), Fresh Truck is able to track and measure the impact of nutritious food on BMC patients’ health outcomes.

*Pro Home, Inc.* – Pro Home, Inc. is a nonprofit organization established for the production and protection of affordable housing. HOB made donations to Pro Home, Inc. in 2018, 2019, and 2020. The contributions support financial literacy programs, counseling for first-time homebuyers, tenant-landlords, and those facing foreclosure, as well as down payment and closing cost assistance.

*Community Servings* – Community Servings provides medically tailored and nutritious meals to chronically and critically ill individuals and their families throughout the assessment area. More than 90 percent of clients served are below the poverty level. The Bank and Foundation’s yearly contributions support the food program. HOB also made an additional contribution in 2020 for emergency COVID-19 relief.

*In-kind Donations* – The bank made substantial in-kind donations, including over \$90,000 of in-kind educational tools to assemble over 12,000 backpacks full of new school supplies and handwritten notes of encouragement to help local at-risk children start the school year. Additionally, HOB offered free periodic meeting space to additional community development organizations, economic development agencies, networking groups, and community service organizations that provide human services and resources for micro businesses and entrepreneurs, especially those that are women-, veteran- and/or minority-owned.

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

The bank exhibits excellent responsiveness to credit and community needs in the Massachusetts assessment area. The investments and donations supported activities that predominantly promote community services to low- and moderate-income individuals, which the community contact identified as the assessment area’s greatest need.

In order to determine community development needs, HOB uses a comprehensive strategy that involves significant outreach to and partnership with nonprofits and government agencies within its assessment areas. Through analysis of community-based studies and direct outreach to community groups, the bank considers how to ensure its qualified investments address all area needs, with focus on the most critical credit and community development needs.

Guided by information gathered through its various needs assessment methods, HOB and the HarborOne Foundation MA targeted investments primarily to community services for low- and moderate-income individuals, followed by economic development and affordable housing. In addition to meeting critical food, energy, and short-term housing needs for fixed-income elderly and low-income residents, the bank also invested in organizations and efforts aimed at small business growth and financial literacy, which provide long-term solutions for assessment area individuals to achieve economic independence and stability.

### **Community Development Initiatives**

The bank makes significant use of innovative or complex investments to support community development initiatives. The recently established Brockton Venture Fund is a primary example of the bank's leadership to create innovative ways to invest in community development in an area with significant needs. Additionally, the bank's relationship with Fresh Truck combines financial contributions with providing technical expertise and volunteer support. The bank has also proactively pursued Low Income Housing Tax Credit and New Market Tax Credit investments, which involve greater complexity and require expertise.

### **SERVICE TEST**

The bank's Service Test performance is rated Outstanding. The following sections discuss the bank's performance under each criterion for Massachusetts. The bank's performance in this assessment area is consistent with overall performance.

### **Accessibility of Delivery Systems**

The bank's delivery systems are readily accessible to all portions of its assessment area. The bank maintains 13 branches and 23 ATMs located in Norfolk, Plymouth, and Suffolk Counties in Massachusetts. All branches have at least one 24-hour deposit-taking ATM and have staff who are bi-lingual in English and Spanish. The following table illustrates branches and ATMs by census tract income level.

<b>Branch and ATM Distribution by Geography Income Level</b>								
<b>Assessment Area: Massachusetts</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	51	12.4	186,187	10.1	2	15.5	3	13.0
Moderate	77	18.7	349,908	19.0	4	30.7	5	21.8
Middle	140	34.0	669,558	36.4	4	30.7	12	52.2
Upper	128	31.2	623,041	33.8	3	23.1	3	13.0
NA	15	3.7	12,989	0.7	0	0.0	0	0.0
<b>Total</b>	<b>411</b>	<b>100.0</b>	<b>1,841,683</b>	<b>100.0</b>	<b>13</b>	<b>100.0</b>	<b>23</b>	<b>100.0</b>
<i>Source: 2015 ACS Data; Bank Data</i>								

Bank branches in low- and moderate-income census tracts, including one Quincy branch and four Brockton branches, are accessible by public transportation, and some are within walking distance from other low- and moderate-income census tracts. Notably, the distribution of bank branches and ATMs in low- and moderate-income census tracts exceed population percentages in these tracts.

HOB's Quincy and Randolph branches, as well as the Brockton branches at 68 Legion Parkway and 443 Belmont Street, are in designated opportunity zones. These zones are recommended by the Governor of Massachusetts and approved by the U.S. Department of Treasury. Opportunity zones are identified as areas of economic need, and many have the lowest median family income within the state of Massachusetts. These branch locations further demonstrate the accessibility of banking services available to low- and moderate-income individuals and businesses.

In addition to its branches and ATMs, HOB offers alternative delivery systems to expand retail banking service access to all individuals. The bank offers online banking, mobile banking, and support through its Customer Call Center. Businesses and consumers can access their accounts 24 hours a day to perform various transactions.

The bank also offers a "Bank at Work" program that currently serves 294 companies, many of which employ low- and moderate-income individuals, minorities, and immigrants throughout the bank's assessment area, making financial services more accessible to the community.

### **Changes in Branch Locations**

To the extent changes have been made, HOB's record of opening and closing branches has improved the accessibility of its delivery systems, particularly to low- and moderate-income community members and in low- and moderate-income geographies. Since the last evaluation, the bank increased its branch presence in low- and moderate-income areas.

During the exam period, HOB expanded operations into the Boston area and opened branch offices in a moderate-income area of Quincy, a middle-income area of Stoughton, and in an upper-income area of Boston.

The bank closed one branch in a middle-income census tract in the Massachusetts assessment area since the prior evaluation. This closure was a limited service branch at Brockton high school on November 2020. The office had low transaction volume due the branch having limited accessibility to the public. Therefore, the closure had a very limited effect on the accessibility of delivery systems to low- and moderate-income individuals or geographies in the assessment area.

The bank's opening and closing of branches in the Massachusetts assessment area is consistent with the bank's overall opening and closing of branches.

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

Services and business hours are tailored to the convenience and needs of the Massachusetts assessment area, particularly low- and moderate-income geographies and individuals. All branch locations offer the same loan and deposit products and retail banking services. The bank's business

hours and services in the Massachusetts assessment area are consistent with the bank's overall assessment area business hours and services. All full-service branch locations offer lobby and drive-up teller services and at least one 24-hour deposit taking ATM. All full service branches have extended hours at least one night a week and all are open on Saturdays. Weekday hours include 8:30 A.M. to 4:00 P.M. on Mondays through Wednesday, 8:30 A.M. to 6:00 P.M. on Thursdays, 8:30 A.M. to 5:00 P.M. on Fridays, and 9:00 A.M. to 1:00 P.M. on Saturdays. In addition, the bank employs multilingual staff, ensuring clients receive critical account information and services in their native language. Multilingual services have been particularly beneficial at the bank's Brockton locations, which service many immigrants, including Haitian, Dominican, and Cape Verdean individuals.

The Bank also offers several no- and low-cost deposit products to provide opportunities for those unbanked and underbanked to more easily enter mainstream banking. Further, HarborOne's CRA Officer leads the *Bank On Brockton* initiative locally and participates on committees to help re-launch *Bank On Boston*. *Bank On* is a national program sponsored by the Cities for Financial Empowerment that introduces unbanked and underbanked families to traditional deposit and credit products in order to promote financial independence and wealth building for historically disadvantaged populations.

The bank also reaches low- and moderate-income individuals through the HarborOne U Brockton campus, which was formed in 2007 as a formal educational community outreach program to provide financial and other services to the unbanked and underbanked. The campus offers a wide range of financial education, seminars and financial counseling tailored to help youth, adults, and business owners better understand and manage their finances. These services are also offered in multiple languages to meet the needs of the large immigrant population in Brockton. The "Bank at Work" program described previously also received positive consideration under this factor.

### **Community Development Services**

HOB is a leader in providing community development services in the Massachusetts assessment area. The bank's community development leadership primarily shows through its innovative approach and substantial resources devoted to providing free financial education to low- and moderate-income individuals and small businesses. The bank's efforts to provide extensive and innovative community development services have resulted in excellent responsiveness to community development needs. In addition to outstanding financial education, the bank's leadership also shows through its commitment to providing financial expertise to community organizations that serve low- and moderate-income individuals and small businesses.

### **Financial Education**

#### *HarborOne U*

During the evaluation period, HarborOne U delivered 88 classes through its Brockton campus to low- and moderate-income youths and adults. The extent of free, multilingual financial education to low- and moderate-income individuals and small business owners through HarborOne U surpasses that of all similarly situated institutions, highlighting the bank's leadership in financial education.



For youths ages 7-21, financial education classes focus on savings, budgeting, and credit. Adult classes focus on setting financial goals, creating and maintaining a budget, and improving credit history. One-on-one financial coaching is available for those looking to develop a plan to achieve personal financial goals, improve a credit score, or increase savings. For businesses, topics focus on business planning, bookkeeping and tax planning, financial management, business credit, and cash flow.

#### *Other Financial Education*

Additionally, the bank provides financial education and training throughout the assessment area, both in schools and at local nonprofit organizations. This education and training includes courses presented in foreign languages, in low- and moderate-income geographies, to youth and adults, and to nonprofits who serve the needs of low- and moderate-income communities.

#### *Credit for Life Fairs*

The bank has been instrumental in implementing this widely successful financial literacy program for high school students on the basics of personal finance since 2001. The program is an interactive fair where each student is given a scenario that provides them with net income and a blank budget sheet. Then they must visit various booths to decide what lifestyle choices their budget allows. During the evaluation period, bank employees volunteered at 20 Credit for Life Fairs, including the first one at Blue Hills Regional Vocational Technical High School in 2018. These fairs reached 5,755 students, including nearly 2,000 in Brockton. In 2018, 2019 and 2020, HOB staff successfully secured a \$2,500 grant from the MA State Treasurer's Office to defray fair costs for Brockton High School. The bank also assisted Randolph High School in obtaining a grant from the MA State Treasurer's Office to sponsor their own Credit for Life Fair.

Since many Credit for Life Fairs did not occur in 2020 due to COVID-19, HOB joined forces with seven other banks to share the cost of a vendor to develop a virtual Credit for Life "experience," hoping to make a free web-based program available to all Massachusetts schools in 2021. This platform will also become available to non-profit organizations for use with their clients.

### **Board Involvement and Technical Expertise**

In addition to financial education, the bank provided 3,702 hours of qualified community development services in the Massachusetts rated area. These hours represent 65.0 percent of the bank's total financial and technical assistance activities. Bank officers have taken a leadership role within community organizations to provide significant support to the most economically diverse areas of the assessment area, many being low- and moderate-income areas.

HOB's officers serve on boards and committees of leading area nonprofits including, but not limited to: Old Colony YMCA, Old Colony Hospice, the United Way of Greater Plymouth County, NeighborWorks Southern Mass, and Brockton Boys and Girls Club. All of these organizations serve low- and moderate-income individuals in the Massachusetts assessment area. HarborOne Officers also serve on the boards and financial/investment committees of economic development organizations including Brockton Area Workforce Development, Southeastern Economic Development (SEED) Corporation, and other similar organizations.

The following table shows the number of hours bank officers devoted to qualified community development services by year and purpose in the Massachusetts assessment area.

<b>Community Development Service Hours Assessment Area: Massachusetts</b>				
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
2018	167	1,019	96	<b>1,282</b>
2019	190	687	488	<b>1,365</b>
2020	172	830	53	<b>1,055</b>
<b>Total</b>	<b>529</b>	<b>2,536</b>	<b>637</b>	<b>3,702</b>
<i>Source: Bank Data</i>				

The following represents notable examples of how the bank has been a community development service leader through partnerships with government and community development organizations.

*Small Business Banking Pilot (with MA State Treasurer's Office)*

In early 2019, the Office of the Massachusetts State Treasurer and Receiver General and HarborOne Bank entered into an agreement to collaborate and develop a pilot program as part of the Small Business Banking Pilot. The purpose of the pilot was to specifically help citizens who reside in Gateway Cities (midsize urban centers that anchor regional economies) across Massachusetts obtain the knowledge, understanding, and funding necessary to establish, sustain, expand, and/or renovate their small businesses.

*NeighborWorks Housing Solutions*

In 2019, HOB received the Boston Business Journal's Partner of the Year Award (Annual Corporate Citizenship Program) for its longstanding collaboration and partnership with NeighborWorks, now called NeighborWorks Housing Solutions (NHS). For over a decade, HOB and NHS have formed a mutually beneficial relationship aimed at improving the financial wellbeing of Greater Brockton area residents. Since 2008, HarborOne has provided technical expertise and in-kind office and classroom space at its HarborOne educational facility in downtown Brockton. NHS has utilized the space to deliver first-time homebuyer classes, foreclosure mitigation counseling, and courses on personal finance and other critical life-skills for new Americans and historically disadvantaged populations.

## PROVIDENCE-WARWICK, RI-MA MULTISTATE MSA

### CRA RATING FOR RI-MA MULTISTATE MSA: OUTSTANDING

The Lending Test is rated: Outstanding

The Investment Test is rated: High Satisfactory

The Service Test is rated: Outstanding

### SCOPE OF EVALUATION – RI-MA MULTISTATE MSA

Examiners used full-scope examination procedures to review the bank's operations in the Providence-Warwick, RI-MA MSA. Examiners evaluated and considered loans, qualified investments and donations, and services originated, made, or provided in the assessment area. Examiners evaluated the lending activity, geographic distribution, and borrower profile factors, focusing on the bank's performance in 2019 because the bank did not operate in Rhode Island until October 2018, and it did not include all of Bristol County, MA in its assessment area until that time.

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN PROVIDENCE-WARWICK, RI-MA MSA

HOB operates 13 of its 26 branches in the Providence-Warwick, RI-MA MSA. As part of the CCB acquisition, the bank acquired 10 full-service branches and a limited-service branch. In addition, HOB closed its limited-service branches in Attleboro (December 2018). This portion of the bank's assessment area contains the following counties, cities, and towns in the Providence-Warwick, RI-MA MSA (Providence, RI-MA MSA).

- **Bristol County, MA** – Attleboro, *Acushnet*, Berkley, *Dartmouth*, Dighton, Easton, *Fairhaven*, *Fall River*, *Freetown*, Mansfield, *New Bedford*, North Attleboro, Norton, Raynham, Rehoboth, Seekonk, *Somerset*, *Swansea*, Taunton, and *Westport*
- **Bristol County, RI** – Barrington, Bristol, and Warren
- **Kent County, RI** – Coventry, East Greenwich, Warwick, West Greenwich, and West Warwick
- **Newport County, RI** – Jamestown, Little Compton, Middletown, Newport, Portsmouth, and Tiverton
- **Providence County, RI** – Burrillville, Central Falls, Cranston, Cumberland, East Providence, Foster, Glocester, Johnston, Lincoln, North Providence, North Smithfield, Pawtucket, Providence, Scituate, Smithfield, and Woonsocket
- **Washington County, RI** – Charlestown, Exeter, Hopkinton, Narragansett, New Shoreham, North Kingstown, Richmond, South Kingstown, and Westerly

After acquiring CCB in October 2018, the bank expanded its assessment area in the Providence, RI-MA MSA to encompass all of Bristol County in Massachusetts (added communities italicized above) and add the whole state of Rhode Island. Acquiring CCB drastically changed the bank's operations and assessment area within the Providence, RI-MA MSA, notably adding Providence, New Bedford, Fall River, and other urban areas with large low- and moderate-income populations.

While former CCB branches provide a physical presence in and near Providence, neither CCB nor HOB had ever operated in or included New Bedford or Fall River in their assessment areas. HOB's recent inclusion of New Bedford and Fall River in the assessment area and lack of a physical presence in these cities affected the bank's ability to meet credit and community development needs in these areas. Combined, New Bedford and Fall River contain 20 low- and 25 moderate-income census tracts, representing over a third of total low- and moderate-income census tracts in the Providence, RI-MA MSA.

The Providence, RI-MA MSA assessment area comprises 370 census tracts that reflect the following income designations according to the 2015 ACS:

- 53 low-income census tracts,
- 69 moderate-income census tracts,
- 129 middle-income census tracts,
- 112 upper-income census tracts,
- 7 census tracts with no income designation.

The following table illustrates demographic information of the assessment area.

Demographic Information of the Assessment Area						
Assessment Area: RI-MA Multistate MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	370	14.3	18.6	34.9	30.3	1.9
Population by Geography	1,606,424	11.8	16.8	35.9	34.8	0.6
Housing Units by Geography	693,886	12.1	17.5	36.4	33.5	0.4
Owner-Occupied Units by Geography	378,517	4.3	11.2	41.5	42.8	0.2
Occupied Rental Units by Geography	244,114	22.9	27.3	31.0	18.1	0.7
Vacant Units by Geography	71,255	16.9	17.8	28.1	36.8	0.4
Businesses by Geography	117,259	9.7	15.2	35.4	39.0	0.7
Farms by Geography	3,210	3.8	8.7	32.8	54.7	0.0
Family Distribution by Income Level	396,417	23.6	16.4	19.2	40.8	0.0
Household Distribution by Income Level	622,631	26.4	14.7	16.0	42.9	0.0
Median Family Income MSA - 39300 Providence-Warwick, RI-MA MSA		\$73,950	Median Housing Value			\$258,088
			Median Gross Rent			\$897
			Families Below Poverty Level			9.9%
Source: 2015 ACS and 2019 D&B Data; Due to rounding, totals may not equal 100.0% (*) The NA category consists of geographies that have not been assigned an income classification.						

The median housing value is \$258,088, and the median family income is \$73,950 in the Providence, RI-MA MSA. In addition, approximately 9.9 percent of families are below poverty level, which is a subset of the low-income level category. Families in this category generally face financial hardship and likely have challenges qualifying for traditional residential loans for homes considering the median housing value of \$258,088. Additionally, low-income geographies contain only 4.3 percent of the area's owner-occupied housing units, limiting lender opportunities to make home mortgage loans in these geographies. The following table shows median family income ranges.

<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>Providence-Warwick, RI-MA MSA Median Family Income (39300)</b>				
2017 (\$74,500)	<\$37,250	\$37,250 to <\$59,600	\$59,600 to <\$89,400	≥\$89,400
2018 (\$80,600)	<\$40,300	\$40,300 to <\$64,480	\$64,480 to <\$96,720	≥\$96,720
2019 (\$85,100)	<\$42,550	\$42,550 to <\$68,080	\$68,080 to <\$102,120	≥\$102,120
<i>Source: FFIEC</i>				

The assessment area includes both affluent and low-income communities. Therefore, demographic information for the whole assessment area does not reflect the significant economic and demographic disparities across assessment area communities. Affluent areas include suburban towns such as Westerly, which contains upper-income census tracts with median incomes of over \$100,000 and median housing values as high as \$640,000. In comparison, Fall River, New Bedford, and Central Falls are urban communities with many low- and moderate-income census tracts.

Demographic data for low- and moderate-income geographies indicate limited opportunities for home mortgage lending. Specifically, median housing values are as high as \$240,000 and median family income as low as \$14,000. Additionally, owner-occupied units are as low as 5.3 percent of all housing with rental units as high as 80.4 percent, illustrating lack of opportunities for owner-occupied home mortgage lending. The high concentration of rental units contrasts significantly with housing demographics for the rest of the assessment area. Furthermore, poverty levels as high as 52.7 percent in these census tracts indicate limited opportunities for home mortgage lending.

The assessment area also includes cities such as Providence, that have diverse and varying demographics within different neighborhoods that provide insight on the level of opportunity and challenges within the assessment area. Specifically, 43.6 percent of the Providence population is low-income and 17.0 percent is moderate-income, with 24.0 percent of families having incomes below poverty level. Median housing values vary between approximately \$110,000 and \$776,000, similar to median family income, which is as high as \$184,000 and as low as \$19,000, with poverty levels in some areas as high as 46.9 percent. Percentages of owner-occupied units compared to rental units demonstrate the lack of homeownership opportunities in low-income geographies, as owner-occupied units are as low as 7.0 percent with rental units as high as 85.0 percent within low-income areas.

According to 2019 D&B data, 125,609 non-farm businesses and 3,378 farms are located in the assessment area. Of those, 111,472 or 86.4 percent have gross annual revenues of \$1 million or less. Service industries represent the largest portion of businesses at 37.3 percent, followed by retail trade at 13.0 percent and finance/insurance businesses at 9.8 percent. Additionally, 62.8 percent of businesses operate with four employees or less.

According to the U.S Bureau of Labor Statistics, unemployment rates in the Providence, RI-MA MSA increased since the previous evaluation, as illustrated in the following table. According to Moody's Analytics, the MSA experienced a sharp increase in unemployment due to the onset of the COVID-19 pandemic. The highest point was in June 2020, when the monthly unemployment rate in the Providence, RI-MA MSA was 17.2 percent. The following table illustrates annual unemployment rates by location throughout the evaluation period.

Unemployment Rates			
Location	2018	2019	2020
	%	%	%
Providence-Warwick, RI-MA MSA	4.1	3.6	10.2
Rhode Island	4.0	3.6	8.1
Nationwide	3.9	3.7	8.1

*Source: Bureau of Labor Statistics, Moody's Analytics*

Furthermore, according to Moody's Analytics, the Providence RI-MA MSA has challenges such as unequal distribution of wealth, heavy tax burden, and poor infrastructure. The MSA's economic strengths include a strong housing market, strong links to fast-growing Boston, a collection of colleges and universities, and synergies among universities, hospitals, and R&D firms. Top employers in the area include Lifespan, Care New England, and CVS Health Corporation, all of which are healthcare-related employers that have been crucial since the onset of the pandemic.

## **Competition**

HOB operates in a highly competitive market for banking services. The presence of large national, regional, and community banks and credit unions within the assessment area creates significant competition in the area. According to the June 30, 2020 FDIC Deposit Market Share data, there were 28 financial institutions with 394 branches in the assessment area, among which Citizens Bank, N.A.; Bank of America, N.A.; and The Washington Trust Company were the top three institutions with a combined deposit market share of approximately 58.8 percent. HOB ranked 10<sup>th</sup> with a market share of 2.3 percent. Banks that also ranked above HOB were Bank Rhode Island (5<sup>th</sup>), Bristol County Savings Bank (6<sup>th</sup>), and BayCoast Bank (7<sup>th</sup>) with a combined market share of 12.1 percent. Centreville Bank ranked 13<sup>th</sup> with a market share of 1.9 percent.

HOB faces a high level of competition for home mortgage lending from national banks, mortgage companies, credit unions, and community banks. In 2019, 520 HMDA-reporting lenders originated or purchased 63,429 home mortgage loans in the Providence, RI-MA MSA. Combined, HOB and HOME ranked 26<sup>th</sup> with a market share of 1.1 percent. Lenders that ranked higher were large national lenders and local credit unions, including CBNA, Quicken Loans, Navigant Credit Union, and Pawtucket Credit Union. The Washington Trust Company ranked 7<sup>th</sup>, outperforming HOB and

HOME's combined activity. For community-based lenders, BayCoast Mortgage Company and BayCoast Bank ranked 19<sup>th</sup> and 27<sup>th</sup> with a combined market share of 2.3 percent. Bristol County Savings Bank trailed behind, ranking 49<sup>th</sup> with a market share of 0.6 percent.

The bank also faces a high level of competition for small business loans. In 2019, the bank ranked 19<sup>th</sup> out of 132 lenders with a market share of 0.7 percent. In comparison, Bank Rhode Island, Bristol County Savings Bank, and BayCoast Bank ranked 20<sup>th</sup>, 21<sup>st</sup>, and 25<sup>th</sup> with market shares of 0.7 percent, 0.7 percent and 0.5 percent, respectively.

### **Community Contact**

Examiners contacted an organization in Providence that revitalizes buildings and homes to provide safe and affordable housing for low- and moderate-income families. The contact indicated that affordable home ownership and home repair opportunities are needs within the area. A majority of the housing stock in Providence was built pre-1940s, and low- and moderate-income homeowners struggle to afford purchasing and caring for these properties.

According to the contact, the first-time homebuyers and low- and moderate-income persons that struggled to afford purchasing a home in Providence have achieved home ownership through loans with flexible down payment options and down payment loans. However, low- and moderate-income borrowers using these targeted programs often have large mortgages or multiple liens on their property, which reduces their available home equity. As a result, the contact stated that many low- and moderate-income homeowners struggle to qualify for home equity loans or lines of credit, which forces them to pay for repairs and improvements out of pocket, or defer necessary maintenance and allow their homes to fall into disrepair. Much of the available housing stock needs rehabilitation, as many homes have code violations, lead paint, and foundation or roofing problems.

The contact also expressed that small business owners need financial assistance because of the COVID-19 Pandemic. Businesses have struggled to provide the required application documentation for PPP loans and found the application process confusing, and many were ultimately denied for PPP loans. According to the contact, not all businesses are able to pull required payroll records or receipts quickly, especially those operated by non-native English speakers, and businesses denied for PPP loans often closed due to lack of financial support. The contact also suggested small businesses need financial literacy and financial assistance.

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

Examiners determined the primary needs of the assessment area based on demographic and economic information, discussions with bank management, and information from community contacts. The needs and opportunities include affordable housing, community services, and economic development. Financial institutions have an opportunity to support community needs through innovative and flexible lending programs, community development loans, investments, and services.

There is an overall need for affordable housing in the area, especially in low- and moderate-income geographies, due to relatively high home prices and varied income and housing demographics

depending on the town or city. Low- and moderate-income individuals would benefit from low-cost home mortgage loans, first-time homebuyer programs, and down payment assistance. Additionally, there is a need for economic development as low- and moderate-income areas continue to struggle with unemployment and business retention, a need elevated by the ongoing COVID-19 Pandemic. Small dollar loans would help low- and moderate-income individuals struggling to pay basic expenses due to job loss. Small businesses affected by the pandemic and individuals struggling to navigate the loan application process would benefit from small dollar loans, financial literacy programs, and multi-lingual loan officers.

Lastly, there is a need for revitalization and stabilization projects in the cities of Providence, Fall River, and New Bedford, where housing stock is outdated and needs restoration. Low- and moderate-income homeowners in these areas would benefit from home repair loans that support owners with limited to no home equity.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN RI-MA MSA**

### **LENDING TEST**

HOB demonstrated Outstanding performance under the Lending Test. The following sections provide support for the bank's performance under each factor criteria.

#### **Lending Activity**

The bank's lending levels reflect good responsiveness to Providence, RI-MA MSA credit needs. In 2019, HOB and HOME originated or purchased a combined total of 688 home mortgage loans, ranking 26<sup>th</sup> among 520 lenders, with a market share of 1.1 percent. Although HOB and HOME were outperformed by Washington Trust Company and BayCoast Mortgage Company, they outperformed other community banks operating in the area, which is notable considering HOB's recent expansion into most of the Providence, RI-MA MSA.

The bank's small business lending activity further supports this conclusion. The bank originated 125 small business loans totaling \$19.9 million in 2019 in the Providence, RI-MA MSA. According to 2019 Peer Small Business Data, the bank outperformed other community banks. Given significant competition and the bank's recent assessment area expansion, HOB's lending performance demonstrates good responsiveness to assessment area credit needs.

#### **Geographic Distribution**

The geographic distribution of home mortgage reflects good penetration and small business loans reflects adequate penetration throughout the Providence, RI-MA MSA.

#### **Home Mortgage Loans**

Home mortgage lending reflects good penetration throughout the assessment area. HOB's performance was below aggregate and the percentage of owner-occupied units in both low- and moderate-income tracts; however, the difference was only approximately two percentage points or less. Combined, HOB and HOME ranked 37<sup>th</sup> out of 206 lenders in low-income geographies and 38<sup>th</sup> out of 272 lenders in moderate-income geographies. Although examiners also evaluated



geographic distribution for 2017 and 2018, this analysis did not significantly affect conclusions. Prior to acquiring CCB in October 2018, the bank's assessment area contained only one low-income tract and seven moderate-income tracts across portions of Bristol County, Massachusetts.

The bank faces a high level of competition from institutions that are more established in Providence, New Bedford, and Fall River, where most of the low-and moderate-income geographies are located. Additionally, most lenders that ranked above HOB and HOME are national lenders and mortgage companies and local credit unions. Given the bank's recent expansion and the highly competitive market, the bank's performance and market rank support the rating.

<b>Geographic Distribution of Home Mortgage Loans</b>						
<b>Assessment Area: RI-MA Multistate MSA</b>						
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2019	4.3	5.3	27	3.9	5,705	2.5
Moderate						
2019	11.2	11.5	65	9.4	14,058	6.2
Middle						
2019	41.5	39.4	252	36.6	88,297	39.0
Upper						
2019	42.8	43.5	343	50.0	118,108	52.1
Not Available						
2019	0.2	0.2	1	0.1	385	0.2
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>688</b>	<b>100.0</b>	<b>226,553</b>	<b>100.0</b>
<i>Source: 2015 ACS; Bank Data, 2017, 2018 &amp; 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 penetration throughout the Providence, RI-MA MSA. In low-income geographies, the bank performed slightly below the aggregate market and demographic percentages. In moderate-income geographies, the bank performed below the aggregate market and demographic percentages. The bank faces significant competition from small business lenders in the area, and given the recent expansion into the area, the bank's performance supports the rating.

Geographic Distribution of Small Business Loans						
Assessment Area: RI-MA Multistate MSA						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	9.7	9.8	10	8.0	722	3.6
Moderate						
2019	15.2	15.1	10	8.0	1,751	8.8
Middle						
2019	35.4	34.4	50	40.0	7,621	38.3
Upper						
2019	39.0	40.3	54	43.2	9,775	49.1
Not Available						
2019	0.7	0.4	1	0.8	50	0.3
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>125</b>	<b>100.0</b>	<b>19,919</b>	<b>100.0</b>
Source: 2017, 2018 & 2019 D&B Data; Bank Data; 2017, 2018 & 2019 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

### **Borrower Profile**

The distribution of borrowers reflects, given the demographics of the Providence, RI-MA MSA, excellent penetration among individuals of different income levels and businesses of different sizes.

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

The distribution of borrowers reflects, given the demographics of the assessment area, excellent penetration among individuals of different income levels. The bank's lending performance to low-income borrowers was slightly below aggregate performance and trailed the demographic data; however, the difference compared to aggregate performance was minimal. The bank's performance in moderate-income borrowers was above both the aggregate and demographic data.

Combined, HOB and HOME ranked 27<sup>th</sup> out of 180 lenders that made loans to low-income borrowers and 21<sup>st</sup> out of 284 lenders that made loans to moderate-income individuals. The market share ratings demonstrate the bank's excellent level of lending to both borrower income levels as most banks that ranked above were national lenders or larger community banks and credit unions, such as The Washington Trust Company and Navigant Credit Union, which are more established within the market. The bank's performance is excellent, particularly due to strong lending to moderate-income borrowers and considering the bank's recent expansion into Rhode Island and the lack of branch presence in the most populated parts of Bristol County, Massachusetts.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: RI-MA Multistate MSA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	23.6	5.7	36	5.2	6,127	2.7
Moderate						
2019	16.4	20.2	172	25.0	34,829	15.4
Middle						
2019	19.2	24.1	204	29.6	50,882	22.4
Upper						
2019	40.8	35.3	257	37.4	94,440	41.7
Not Available						
2019	0.0	14.6	19	2.8	40,275	17.8
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>688</b>	<b>100.0</b>	<b>226,553</b>	<b>100.0</b>
Source: 2015 ACS; Bank Data, 2017, 2018 & 2019 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

### Small Business Loans

The distribution of small business loans reflects an excellent penetration among businesses of different sizes. The bank's lending performance was significantly above the aggregate performance. Although the bank's performance is below the percentage of businesses in the assessment area, the bank outperformed its peers and other institutions and provides a majority of its loans to businesses with annual revenue below \$1.0 million.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Assessment Area: RI-MA Multistate MSA						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2019	85.3	39.4	80	64.0	8,368	42.0
>1,000,000						
2019	5.6	--	44	35.2	11,501	57.7
Revenue Not Available						
2019	9.1	--	1	0.8	50	0.3
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>125</b>	<b>100.0</b>	<b>19,919</b>	<b>100.0</b>
Source: 2017, 2018 & 2019 D&B Data; Bank Data; 2017, 2018 & 2019 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%						

### Community Development Loans

HOB is a leader in making community development loans in the Providence, RI-MA MSA. HOB originated 13 community development loans totaling \$26.6 million that met the needs of affordable housing, community services, and revitalization and stabilization. The extent of community development loans is notable considering the bank's expanded presence in the Providence, RI-MA MSA did not occur until October 2018. In addition, these loans supported activities that were responsive to community development needs identified by the community contact. The following table illustrates community development lending activity during the evaluation period.

Community Development Lending								
Assessment Area: RI-MA Multistate MSA								
Activity Year	Affordable Housing		Community Services		Revitalization/ Stabilization		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Partial 2017	0	0	0	0	2	14,786	2	14,786
2018	2	2,927	0	0	0	0	2	2,927
2019	1	375	1	500	0	0	2	875
2020	3	825	4	7,150	0	0	7	7,975
<b>Total</b>	<b>6</b>	<b>4,127</b>	<b>5</b>	<b>7,650</b>	<b>2</b>	<b>14,786</b>	<b>13</b>	<b>26,563</b>
Source: Bank Data								

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

- In 2020, the bank made a commercial mortgage loan of \$6.6 million to an organization that assists non-profit organizations focused on helping low-income individuals affected by disabilities, alcohol and drug dependence, and child abuse.

- In 2019, the bank made a \$500,000 loan to an organization supporting low- and moderate-income individuals through financial education, credit counseling, and equitable lending to underserved markets in the Providence, RI-MA MSA.
- In 2017, the bank made two loans totaling \$14.8 million to finance the construction of a hotel located in a moderate-income census tract in Downtown Providence. In addition to creating permanent jobs for low- and moderate-income individuals, the hotel provides a steady influx of patrons for local businesses, helping business creation and retention in this moderate-income area.

## INVESTMENT TEST

HOB's Investment Test performance in the Providence, RI-MA MSA is rated High Satisfactory. The bank has a significant level of qualified investments, particularly those that are not routinely provided by private investors, occasionally in a leadership position. The bank has demonstrated a good responsiveness to credit and community development needs. HOB makes occasional use of innovative or complex qualified investments.

The bank's level of qualified investments in the Rhode Island assessment area represents a smaller percentage by dollar amount, totaling \$4.0 million or 12 percent, of their overall investment activity. However, this does not have a negative impact on the Providence, RI-MA MSA rating or overall rating due to the bank's expansion into this area during the evaluation period. While the overall investment dollars and percentage are smaller, the bank's charitable contributions, representing \$1.3 million, is similar to the total in the Massachusetts rated area.

### Investment and Grant Activity

The bank has a significant level of qualified investments. During the evaluation period, the bank made 378 qualified investments totaling \$4.0 million, of which \$2.7 million represents an equity investment and the remaining \$1.3 million represents qualified community development grants by HOB, HarborOne Foundation MA, or HarborOne Foundation RI.

Qualified Investments								
Assessment Area: RI-MA Multistate MSA								
Activity Year	Affordable Housing		Community Services		Economic Development		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	0	0	0	0	0	0
2018	0	0	1	2,741	0	0	1	2,741
<b>Subtotal</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>2,741</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>2,741</b>
Qualified Grants & Donations	53	134	310	1,104	14	25	377	1,263
<b>Total</b>	<b>53</b>	<b>134</b>	<b>311</b>	<b>3,845</b>	<b>14</b>	<b>25</b>	<b>378</b>	<b>4,004</b>
<i>Source: Bank Data</i>								

As a result of the acquisition of CCB, HOB assumed operations of the Coastway Cares Foundation, purchased \$2.7 million of funds, and renamed the foundation HarborOne Foundation RI. Throughout the examination period, the bank made donations directly through the institution and through its foundations. The following highlights notable examples of qualified grants and donations benefitting the Providence, RI-MA MSA.

*Capitol Good Fund, South Eastern MA and RI* – Contributions help fund the Crisis Loan Fund that assists families with unexpected financial or health issues during the COVID-19 pandemic. Loans range from \$300-\$1,500 and include a three-month deferment period with no payment of interest or principal.

*ONE Neighborhood Builders, Providence* – Donations support the Neighborhood Builders wireless project to provide reliable internet access to historically disadvantaged neighborhoods of Olneyville, a neighborhood in Providence, RI. Currently, 40 percent of residents lack online capability, which substantially limits educational opportunities, socialization, work, and other services.

*Harvest for Hunger* – Harvest for Hunger was established by HOB to raise awareness and provide assistance to food insecurity in underserved populations of the region. The program provides monetary support to local food pantries throughout the assessment area. During the evaluation period, HOB provided contributions directly benefiting Rhode Island Community Food Bank and West Bay Community Action, which serves the Warwick, Rhode Island neighborhoods.

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

The bank exhibits good responsiveness to credit and community development needs in the Rhode Island assessment area. HarborOne Foundation RI extends HOB's responsiveness and provides grants to organizations within Rhode Island that are focused on providing families and individuals with programs and services that provide for education that fuels economic success, opportunities for safe and affordable housing, and basic human needs.

### **Community Development Initiatives**

The bank makes occasional use of innovative or complex qualified investments. HOB focused much of its charitable contributions on low- and moderate-income residents, at-risk youth, and elderly and veteran populations, while creating innovative strategies for stimulating growth of small business and constructive development intended to fuel revitalization of some of the region's least robust areas.

### **SERVICE TEST**

The bank's Service Test performance in the Providence, RI-MA MSA is rated Outstanding. The bank's service delivery systems are accessible to geographies and individuals of different income levels in its assessment area. To the extent changes have been made, its 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. Its services (including, where appropriate, business hours) do not vary in a way that inconveniences certain portions of its assessment area, particularly low- and moderate-income geographies and low- and moderate-income individuals. The bank is a leader in providing community development services in the Providence, RI-MA MSA.

The bank's strong performance in providing community development services primarily supports the Outstanding Service Test rating. Considering the recent expansion and limited time operating in Rhode Island, the bank's level and responsiveness of community development services is noteworthy. The following sections discuss the bank's performance under each criterion.

### **Accessibility of Delivery Systems**

The bank's service delivery systems are accessible to essentially all portions of the Rhode Island assessment area. The bank maintains 13 branches and 22 ATMs in Bristol County, Massachusetts and Providence and Kent County, Rhode Island. Four branches are located in Massachusetts: Attleboro, Easton, Mansfield, and Raynham, while the other nine are located in Rhode Island and include Cranston (2), East Greenwich, East Providence, Lincoln, Providence (2), and Warwick (2). All branches have at least one 24-hour deposit taking ATM and employ staff who are bi-lingual in English and Spanish. There is one standalone ATM at 211 Park Street in Attleboro in a moderate-income area.

In addition to its branches and ATMs, HOB offers alternative delivery systems to expand retail banking service access to all individuals. The bank offers online, mobile banking and support through its Customer Call center. Businesses and consumers can access their accounts 24 hours a day to perform various transactions.

The following table illustrates the distribution of branches and ATMs by census tract income level in the Providence, RI-MA MSA.

<b>Branch and ATM Distribution by Geography Income Level</b>								
<b>Assessment Area: RI-MA Multistate MSA</b>								
<b>Tract Income Level</b>	<b>Census Tracts</b>		<b>Population</b>		<b>Branches</b>		<b>ATMs</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	53	14.3	190,030	11.8	1	7.7	1	4.5
Moderate	69	18.7	270,527	16.8	1	7.7	3	13.6
Middle	129	34.9	576,780	35.9	4	30.7	7	31.8
Upper	112	30.3	559,205	34.8	7	53.9	11	50.0
NA	7	1.9	9,882	0.7	0	0.0	0	0.0
<b>Total</b>	<b>370</b>	<b>100.0</b>	<b>1,606,424</b>	<b>100.0</b>	<b>13</b>	<b>100.0</b>	<b>22</b>	<b>100.0</b>
<i>Source: 2015 ACS Data; Bank Data</i>								

The distribution of branches and ATMs in low- and moderate-income census tracts is less than the percentage of population residing in these tracts. Within the assessment area, particularly in southeastern Massachusetts and Rhode Island, there are high concentrations of low- and moderate-

income census tracts. Providence, RI contains the highest with 16 low-income and 12 moderate-income census tracts. HOB has the capacity to serve customers from these census tracts at two branch locations in low- and moderate-income areas in Providence, RI. In addition, there is a loan production office in a moderate-income area of Providence. The bank's 2830 Pawtucket Ave, East Providence branch (middle-income), abuts three moderate-income census tracts.

Within Southeastern Massachusetts, Fall River and New Bedford also have high concentrations of low- and moderate-income census tracts. While the bank does not operate any branches in any of these tracts, the availability of online and mobile banking and the ability to submit mortgage loan applications online helps make the bank's retail services available in these areas. HOB has been actively involved in community outreach within New Bedford and Fall River through educational programming and small business support since including these communities in its assessment area.

### **Changes in Branch Locations**

To the extent changes have been made, HOB's record of opening and closing branches has improved the accessibility of its delivery systems, particularly to low- and moderate-income individuals and in low- and moderate-income geographies. Due to the acquisition of CCB in 2018, HOB acquired nine branches in Rhode Island. Of the branches, two are in low- and moderate-income areas in Providence, RI, three are in middle-income areas, and four are in upper-income areas.

In December 2018, the bank closed a limited-service branch in an upper-income tract located at 529 Pleasant Street in Attleboro. The office had low transaction volume due to the branch having limited accessibility to the public as it specifically served a business center rather than the general public. The bank's opening and closing of branches in Providence, RI-MA MSA is consistent with the bank's overall record of opening and closing of branches.

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

Services (including, where appropriate, business hours) do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies and low- and moderate-income individuals.

All branches offer the same loan and deposit products and services and have at least one 24-hour deposit-taking ATM, with some branches having multiple ATMs. Although branch hours vary from location to location, no hours vary in a way that inconveniences a specific geography, including low- or moderate-income census tracts. Branch hours are reasonable and comparable to other institutions.

The bank extends their financial services beyond the branch network through the HarborOne U Mansfield campus, which was established inside the Mansfield Branch in 2010. The campus offers a wide range of financial education seminars and financial counseling tailored to help youth, adults, and business owners better understand and manage their finances. The Mansfield campus also houses a small business information center, which offers free workspace, internet access, and a resource library.



After the acquisition of CCB, HOB expanded financial literacy services into Rhode Island. HOB employees offered personalized customer service in multiple languages to reach low- and moderate-income individuals, through non-profit and community-based organizations in Rhode Island.

### **Community Development Services**

HOB is a leader in providing community development services. As previously noted within the Massachusetts section of this evaluation, HOB is a community leader and uniquely active in providing free financial education to low- and moderate-income individuals and small businesses. Prior to the acquisition of CCB, HOB was not strategically involved in this portion of the assessment area. Nonetheless, the bank's efforts in providing innovative qualified community development services reflects excellent responsiveness to community development needs.

### **Financial Education**

HarborOne U conducted 144 classes in the Providence, RI-MA MSA at its Mansfield campus, which accounts for a majority of the bank's total financial literacy classes delivered to low- and moderate-income youths and adults. Financial education classes are available in partnership with non-profit organizations and are located within the Mansfield campus of HarborOne U. Furthermore, in 2020, all the HarborOne U courses became available online in both live and pre-recorded sessions.

In an effort to bring financial literacy into Rhode Island, HOB collaborates with the Center for Women and Enterprise to bring classes to entrepreneurs around the state. In 2019, HOB delivered its Success for Small Business series multiple times in English and Spanish in Providence, Newport and Woonsocket. Another noteworthy partnership involves the Comprehensive Community Action Program. The organization offers an array of services to low- and moderate-income individuals.

Additionally, the Community Development Manager and Assistant Manager of HarborOne U delivered 17 financial education presentations to more than 250 low- and moderate-income youth at schools or youth centers in Rhode Island. Financial education classes are offered in multiple languages.

### **Board Involvement and Technical Expertise**

In addition to financial education, bank officers and staff participated in 1,452 hours of qualified community development services in the Providence, RI-MA MSA. Bank officers and staff serve on boards and committees of leading nonprofits, including but not limited to: Family Services of Rhode Island, Mentor Rhode Island, City of Cranston Revolving Loan Fund, and South Kingstown Affordable Housing Committee. All of these organizations serve low- and moderate-income individuals in Rhode Island.

A substantial majority of these qualified community development services provided community services to low- and moderate-income individuals. The following table shows the number of hours devoted to qualified community development services by year and purpose.

Community Development Services Assessment Area: RI-MA Multistate MSA					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2018	0	40	70	0	<b>110</b>
2019	48	672	0	0	<b>720</b>
2020	40	494	89	0	<b>623</b>
<b>Total</b>	<b>88</b>	<b>1,206</b>	<b>159</b>	<b>0</b>	<b>1,453</b>
<i>Source: Bank Data</i>					

## **APPENDICES**

### **LARGE BANK PERFORMANCE CRITERIA**

#### **Lending Test**

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

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

#### **Investment Test**

The Investment Test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through qualified investments that benefit its assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s). Activities considered under the Lending or Service Test may not be considered under the investment test. The bank's investment performance is evaluated pursuant to the following criteria:

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

## **Service Test**

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

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

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

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

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

## SCOPE OF EVALUATION

SCOPE OF EVALUATION		
<b>TIME PERIOD REVIEWED</b>	December 18, 2017 through January 26, 2021	
<b>FINANCIAL INSTITUTION</b>	<b>PRODUCTS REVIEWED</b>	
HarborOne Bank	Home Mortgage Loans	Small Business Loans
<b>AFFILIATE(S)</b>	<b>AFFILIATE RELATIONSHIP</b>	<b>PRODUCTS REVIEWED</b>
HarborOne Mortgage, LLC.	Wholly-owned subsidiary	Home Mortgage Loans

LIST OF ASSESSMENT AREAS AND TYPE OF EVALUATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
Boston, MA MD	Full-Scope	0	N/A
Providence-Warwick, RI-MA MSA	Full-Scope	0	N/A

## SUMMARY OF RATINGS FOR RATED AREAS

Rated Area	Lending Test	Investment Test	Service Test	Rating
Boston, MA MD	Outstanding	Outstanding	Outstanding	Outstanding
Providence-Warwick, RI-MA MSA	Outstanding	High Satisfactory	Outstanding	Outstanding

## **DIVISION OF BANKS FAIR LENDING POLICIES AND PROCEDURES**

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

The Division of Banks provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106. A review of the bank's public comment file indicated the bank received no complaints pertaining to the institution's CRA performance since the previous examination. The fair lending review was conducted in accordance with the Federal Financial Institutions Examination Council (FFIEC) Interagency Fair Lending Examination Procedures. Based on these procedures, examiners did not note any evidence of disparate treatment.

### **MINORITY APPLICATION FLOW**

Division of Banks examiners reviewed the bank's HMDA LARs for 2018 and 2019 to determine if the application flow from the different racial groups within the bank's assessment area was reflective of the assessment area's demographics.

According to the 2015 ACS Census Data, the Bank's assessment area contained a total population of 3.4 million individuals of which 27.5 percent are minorities. The minority population represented is 8.9 percent Black/African American, 5.2 percent Asian, 0.2 percent American Indian, 10.1 percent Hispanic or Latino, and 3.1 percent other.

Examiners compared the bank's application activity with that of the aggregate for 2018 and 2019. The comparison of this data assists in deriving reasonable expectations for the rate of applications the bank received from minority home mortgage loan applicants. Refer to the table below for information on the bank's minority application flow as well as the aggregate lenders in the bank's assessment area.



In 2019, the bank received 1,881 HMDA reportable loan applications within its assessment area. Of these applications, 271 or 14.4 percent were received from minority applicants, 64.9 percent of which resulted in originations. The aggregate received 11.7 percent of its applications from minority consumers, of which 54.1 percent of which were originated. For the same time period, the bank received 117 or 6.2 percent of all applications from ethnic groups of Hispanic origin within its assessment area all of which 57.3 percent were originated, compared to an aggregate ethnic minority application rate of 6.1 percent with a 52.1 percent origination rate.

The bank's lending in 2018 and 2019 reflect a reasonable racial minority application flow. Considering the demographic composition of the assessment area and comparisons to aggregate data in 2019, the bank's minority application flow is reasonable.



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

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

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

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

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

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

funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

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

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

**Community Development Loan:** A loan that:

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

**Community Development Service:** A service that:

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

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

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

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

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or

- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

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

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

**Full-Scope Review:** A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (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 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 (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** (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.