

# **PUBLIC DISCLOSURE**

January 16, 2024

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

### **Haverhill Bank**

Certificate Number: 26411

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Haverhill, Massachusetts 01830

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

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

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

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## INSTITUTION RATING

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

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

**The Lending Test is rated Satisfactory.**

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

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

- The institution's community development performance demonstrates adequate responsiveness to community development needs in its assessment areas through community development loans, qualified investments, and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment areas.

**Discriminatory or Other Illegal Credit Practices**

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

## DESCRIPTION OF INSTITUTION

### **Background**

Haverhill Bank (HB) is a mutual co-operative bank headquartered in Haverhill, Massachusetts (MA). HB Holdings MHC, formed in 2020, wholly owns the institution. In addition, HB has one subsidiary, Haverhill Securities Corporation, which buys and sells securities. The bank received a “Satisfactory” rating at the prior Massachusetts Division of Banks (Division) and FDIC Performance Evaluation dated November 2, 2020, based on Interagency Intermediate Small Institution Examination Procedures.

### **Operations**

HB operates six full-service branches throughout northeastern MA in the Essex County municipalities of Haverhill (two) and one each in Bradford, Merrimac, and West Newbury, as well as one branch in Salem, Rockingham County, New Hampshire (NH). The bank did not open or close any full-service branches during the evaluation period; however, HB closed its two limited-service branches located at Haverhill High School (moderate-income tract) and Whittier Vocational Technical School (middle-income tract) in May 2021 due to nominal activity during the COVID-19 pandemic. HB did not engage in any merger or acquisition activity during the evaluation period. Of HB’s full-service branches, its main office is located in a low-income census tract, and its other Haverhill branch is located in a moderate-income census tract.

HB is a residential and commercial lender, with increased residential activity and decreased commercial activity since the prior evaluation. Its loan products include residential fixed- and adjustable-rate mortgages, home equity loans and lines of credit, personal loans, automobile loans, commercial mortgages, equipment loans, business lines of credit, and construction loans. Deposit offerings include personal and business savings and checking accounts, individual retirement accounts, and certificates of deposit. The bank offers alternative banking services including online, mobile, and telephone banking, and Automated Teller Machines (ATMs). In addition to ATMs at each of its branches, HB also operates withdrawal-only ATMs at the Hilldale Shopping Center in Haverhill, the Haverhill Country Club, and Whittier Vocational High School also in Haverhill. Of these ATMs, one (Hilldale Shopping Center) is in a moderate-income census tract.

### **Ability and Capacity**

As of September 30, 2023, assets totaled \$578.2 million, and included total loans of \$433.6 million and total securities of \$82.0 million. Since the prior evaluation, assets increased by 19.3 percent, total loans increased by 30.6 percent, and total securities increased 62.4 percent. In addition, commercial and industrial loans decreased from 25.1 percent of the loan portfolio to 6.0 percent during this timeframe. This decrease is primarily attributed to the discontinuation of the Small Business Administration’s (SBA) Paycheck Protection Program (PPP) loan program. The following table depicts the bank’s loan portfolio distribution as of September 30, 2023.

<b>Loan Portfolio Distribution as of September 30, 2023</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	45,453	10.5
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	277,686	64.0
Secured by Multifamily (5 or more) Residential Properties	11,331	2.6
Secured by Nonfarm Nonresidential Properties	63,631	14.7
<b>Total Real Estate Loans</b>	<b>398,101</b>	<b>91.8</b>
Commercial and Industrial Loans	26,148	6.0
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	9,329	2.2
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	20	<0.1
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
<b>Total Loans</b>	<b>433,598</b>	<b>100.0</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 AREA**

HB has designated a single assessment area comprising 66 census tracts including 62 census tracts in the Boston-Cambridge-Newton, MA-NH Multistate Metropolitan Statistical Area (MSA) and 4 tracts in the Manchester-Nashua, NH MSA. As the bank’s assessment area does not extend substantially beyond the Boston-Cambridge-Newton, MA-NH Multistate MSA boundaries, this evaluation presents a rating and conclusions for the single assessment area. The assessment area has not changed since the prior evaluation. The following sections discuss demographic and economic information of the assessment area.

The bank’s assessment area includes the municipalities of Amesbury, Boxford, Groveland, Haverhill, Merrimac, Methuen, Newbury, Newburyport, North Andover, and West Newbury in Essex County, MA, and Atkinson, Derry, Newton, Plaistow, Salem, and Windham in Rockingham County, NH (all within the Boston-Cambridge-Newton, MA-NH Multistate MSA), and the four census tracts comprising Pelham in Hillsborough County, Manchester-Nashua, NH MSA.

### **Economic and Demographic Data**

According to 2020 U.S. Census data, the assessment area contains 66 census tracts with the following income designations:

- 4 low-income tracts,
- 14 moderate-income tracts,
- 35 middle-income tracts,
- 13 upper-income tracts.

The low- and moderate-income census tracts are located in: Amesbury, MA (one moderate-income); Haverhill, MA (three low-income; five moderate-income); Methuen, MA (one low-income; five moderate-income); Salem, NH (one moderate-income); and Derry, NH (two moderate-income). There are no underserved or distressed nonmetropolitan middle-income geographies or designated disaster areas in the bank’s assessment area. However, there are five census tracts designated as Qualified Opportunity Zones (QOZs) within the bank’s assessment area. QOZs are economically distressed communities approved by the U.S. Department of Treasury with the goal of spurring economic development and job creation. Specifically, the QOZs are located in low- or moderate-income census tracts within Haverhill, MA (2), Methuen, MA (2), and Derry, NH (1).

Due to the release of 2020 U.S. Census data, census tract income designations and demographic data within the bank’s assessment area changed from 2021 to 2022. Prior to these changes, the 2015 American Community Survey (ACS) determined census tract income designations. According to the 2015 ACS, the assessment area consisted of 63 census tracts, which included five low- and ten moderate-income census tracts.

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

<b>Demographic Information of the Assessment Area</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	66	6.1	21.2	53.0	19.7	0.0
Population by Geography	334,492	6.2	20.2	52.2	21.4	0.0
Housing Units by Geography	129,463	6.1	20.6	53.0	20.3	0.0
Owner-Occupied Units by Geography	90,621	1.9	16.1	57.1	24.9	0.0
Occupied Rental Units by Geography	32,408	17.4	33.3	43.3	6.0	0.0
Vacant Units by Geography	6,434	7.3	20.4	44.5	27.8	0.0
Businesses by Geography	33,158	5.2	16.6	54.9	23.3	0.0
Farms by Geography	840	0.7	11.3	56.7	31.3	0.0
Family Distribution by Income Level	86,460	21.0	18.5	22.6	37.9	0.0
Household Distribution by Income Level	123,029	24.4	15.8	18.7	41.1	0.0
Median Family Income MSA - 15764 Cambridge-Newton-Framingham, MA	\$121,481	Median Housing Value			\$375,465	
Median Family Income MSA - 31700 Manchester-Nashua, NH MSA	\$103,238	Median Gross Rent			\$1,290	
Median Family Income MSA - 40484 Rockingham County-Strafford County, NH	\$107,377	Families Below Poverty Level			4.5%	
<i>Source: 2020 U.S. Census, 2022 D&amp;B Data, and FFIEC Estimated Median Family Income; (* The NA category consists of geographies that have not been assigned an income classification.</i>						

The number of vacant units in the assessment area accounts for 5.0 percent of the total housing units available in the area. The low percentage of vacant units potentially reflects a high demand for a limited number of housing units possibly having an increased pressure on affordability of rental units in the assessment area. Additionally, the number of rental units accounts for 26.0 percent of

total housing units in the area. With 70.0 percent of housing units being owner-occupied, the assessment area presents opportunity for home mortgage lending. Opportunities in low- and moderate-income census tracts are limited, as only 18.0 percent of all owner-occupied units in the assessment area are in the low- (1.9 percent) and moderate-income census tracts (16.1 percent).

The median housing value is moderately high when compared to the median family income. The median housing value is \$375,465, which is more than three times higher than the median family income of \$121,481. Individuals of low- and moderate-income levels may face challenges in qualifying for a home mortgage under traditional underwriting criteria. These factors impact the level of demand and opportunity for institutions to lend to low- and moderate-income individuals.

The Federal Financial Institutions Examination Council (FFIEC) updated median family income level is used to analyze home mortgage loans under the Borrower Profile criterion. The following table illustrates the low-, moderate-, middle-, and upper-income levels by year.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>Cambridge-Newton-Framingham, MA Median Family Income (15764)</b>				
2020 (\$118,800)	<\$59,400	\$59,400 to <\$95,040	\$95,040 to <\$142,560	≥\$142,560
2021 (\$120,200)	<\$60,100	\$60,100 to <\$96,160	\$96,160 to <\$144,240	≥\$144,240
2022 (\$138,700)	<\$69,350	\$69,350 to <\$110,960	\$110,960 to <\$166,440	≥\$166,440
<b>Manchester-Nashua, NH MSA Median Family Income (31700)</b>				
2020 (\$105,000)	<\$52,500	\$52,500 to <\$84,000	\$84,000 to <\$126,000	≥\$126,000
2021 (\$101,900)	<\$50,950	\$50,950 to <\$81,520	\$81,520 to <\$122,280	≥\$122,280
2022 (\$114,500)	<\$57,250	\$57,250 to <\$91,600	\$91,600 to <\$137,400	≥\$137,400
<b>Rockingham County-Strafford County, NH Median Family Income (40484)</b>				
2020 (\$106,600)	<\$53,300	\$53,300 to <\$85,280	\$85,280 to <\$127,920	≥\$127,920
2021 (\$110,600)	<\$55,300	\$55,300 to <\$88,480	\$88,480 to <\$132,720	≥\$132,720
2022 (\$122,500)	<\$61,250	\$61,250 to <\$98,000	\$98,000 to <\$147,000	≥\$147,000
<i>Source: FFIEC</i>				

Based on U.S. Bureau of Labor Statistics data, unemployment rates had increased significantly due to the 2020 COVID-19 pandemic and have decreased since that event. In 2020, 2021, and 2022, Essex County had a higher unemployment rate than the state and nation. As of November 2023, the Essex County unemployment rate was below the state and national rates.

<b>Unemployment Rates</b>				
<b>Area</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>November 2023</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Essex County (not seasonally adjusted)	10.3	6.1	3.9	2.8
Massachusetts	9.4	5.5	3.8	3.2
National Average (seasonally adjusted)	8.1	5.4	3.6	3.7*
<i>Source: Bureau of Labor Statistics</i>				
<i>*2023 Preliminary Annual Percentage</i>				

According to 2022 D&B data, 33,158 non-farm businesses and 840 farms operated within the assessment area. Of these, 89.7 percent of businesses had gross annual revenues (GARs) of \$1.0 million or less and 65.7 percent operated with four employees or fewer. The largest industries were services at 37.2 percent, non-classifiable establishments at 19.6 percent, retail trade at 10.7 percent, and finance, insurance & real estate at 10.3 percent.

### **Competition**

HB's assessment area is fairly competitive for financial services. According to FDIC Deposit Market Share data as of June 30, 2023, 23 financial institutions operated 91 branches in the assessment area. HB ranked 11<sup>th</sup> with a market share of 3.7 percent, which was comparable to or above similarly situated community banks such as Salem Co-operative Bank and Pentucket Bank. TD Bank, N.A.; Santander Bank, N.A.; Institution For Savings in Newburyport and Its Vicinity; and Bank of America, N.A. operate a combined total of 36 branches in the assessment area, with a combined deposit market share of 52.5 percent.

The market for mortgage lending is also competitive. According to 2022 Peer Mortgage Data, 404 lenders reported 11,820 originated or purchased home mortgage loans. HB ranked 33<sup>rd</sup>, with 0.8 percent market share, of 404 lenders who originated or purchased at least one home mortgage loan within the assessment area. The top four lenders, Citizens Bank, N.A.; TD Bank N.A.; Rocket Mortgage, LLC; and Crosscountry Mortgage, Inc. collectively held 17.8 percent of the market share.

HB is not required to collect or report its small business loan data; therefore, the analysis of small business loans under the Lending Test does not include comparisons against aggregate data. However, examiners reviewed the 2020, 2021, and 2022 Peer Small Business Data to evaluate the competition for small business loans in the assessment area. According to 2020 Peer Small Business Data, 192 lenders reported 43,806 originated or purchased small business loans in the assessment area; in 2021, 176 lenders reported 46,923 originated or purchased small business loans; and in 2022, 158 lenders reported 41,651 originated or purchased small business loans. The market for small business lending is competitive, including the presence of national lenders and credit card banks lending in the assessment area. The top three lenders, American Express National Bank; JP Morgan Chase Bank, N.A.; and Bank of America, N.A. collectively held 38.2 percent of the market share.



## **Community Contact**

Examiners contacted a representative from a local community development corporation operating in the assessment area. The organization assists with affordable housing, workforce training and economic development, and community development programs. The contact indicated that affordable housing is the primary need within its service area noting that family incomes in some areas are substantially lower than many surrounding communities leading to difficulty affording local market rate rents. Demand for a limited number of affordable units is significant. Further, substantial construction cost increases have made developing new affordable units more difficult. The area has many community service needs, and the contact noted a newly opened food pantry. Residents impacted post COVID-19 continue experiencing food insecurity needs after some federal and state pandemic programs were discontinued.

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

Examiners considered information from the community contact and bank management, as well as available economic and demographic data, to determine the assessment area's primary credit and community development needs. Examiners determined that affordable housing and community services such as homelessness prevention programs are primary community development needs. Economic development opportunities also exist for small businesses. Finally, opportunities exist for consumer products to build and/or repair credit history as well as consumer and small business financial literacy.

# **SCOPE OF EVALUATION**

## **General Information**

This evaluation covers the period from the prior evaluation dated November 2, 2020, to the current evaluation dated January 16, 2024. Examiners used the Interagency Intermediate Small Institution Examination Procedures to evaluate HB's CRA performance. As the Appendices describe, the Intermediate Small Institution procedures include two tests: the CRA Small Bank Lending Test and the Community Development Test. Banks must achieve at least a Satisfactory rating under each test to receive an overall Satisfactory rating. This evaluation does not include any lending activity performed by affiliates.

## **Activities Reviewed**

Examiners determined that the bank's major product lines are home mortgage and small business loans. This conclusion considered the bank's business strategy and the number and dollar volume of originations during the evaluation period. The bank does not originate any agricultural loans; therefore, examiners did not evaluate small farm loans. No other loan type, such as consumer loans, represent a major product line. They provide no material support for conclusions or ratings; therefore, examiners did not present them.

Examiners considered all home mortgage loans reported on the bank's 2020, 2021, and 2022 Home Mortgage Disclosure (HMDA) Loan Application Registers (LARs). The bank reported 121 home mortgage loans totaling \$30.9 million in 2020, 196 loans totaling \$55.6 million in 2021, and 174 loans totaling \$60.8 million in 2022. Aggregate data, 2015 ACS data, and 2020 U.S. Census Data provided a standard of comparison for home mortgage loans.

As an Intermediate Small Institution, the bank is not required to and does not report small business loans; however, the bank voluntarily collected all required data starting in calendar year 2020. Therefore, examiners considered and analyzed all small business loans for 2020, 2021, and 2022. The bank originated 247 small business loans totaling \$19.7 million, 193 small business loans totaling \$28.0 million in 2021, and 75 small business loans for \$17.7 million in 2022. The totals for 2020 and 2021 include loans in amounts of \$1.0 million or less the bank made through the SBA) PPP in 2020 and 2021 that are not captured in the prior or current CRA Performance Evaluation's Community Development Test. In 2020, the bank originated 240 PPP loans totaling \$17.8 million, and in 2021, the bank originated 142 PPP loans totaling \$12.4 million. The decreasing trend in small business loan activity is largely attributed to the termination of the SBA's PPP in May 2021. As the bank did not elect to report small business data, examiners did not use aggregate data as a standard of comparison. D&B data for 2020, 2021, and 2022 provided a standard of comparison for small business lending.

For the Lending Test, examiners reviewed the number and dollar volume of home mortgage and small business loans. Although examiners presented the number and dollar volume of loans, examiners emphasized performance by number of loans, as it is a better indicator of the number of individuals and businesses served. HB's record of originating home mortgage loans contributed more weight to overall conclusions due to the larger number and dollar volume when compared to small business lending during the evaluation period.

For the Community Development Test, examiners reviewed community development loans, investments, and services since the prior CRA evaluation dated November 2, 2020, through the current evaluation date of January 16, 2024.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

The bank demonstrated reasonable performance under the Lending Test. The following sections summarize the bank's performance under each criterion.

#### **Loan-to-Deposit Ratio**

The LTD ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.

The bank's LTD ratio, calculated from Call Report data, averaged 78.1 percent over the past 12 calendar quarters from December 31, 2020 to September 30, 2023. The LTD ratio ranged from a

high of 88.6 percent as of September 30, 2023 to a low of 70.2 percent as of September 30, 2021. The LTD ratio demonstrated an overall increasing trend over the evaluation that included some fluctuation. The LTD ratio was compared to similarly situated institutions based on asset size, geographic location, and loan portfolio. As illustrated in the following table, the ratio is below those of similarly situated institutions. Considering performance context and the increasing trend over the most recent four quarters, performance under this factor is reasonable.

<b>Loan-to-Deposit Ratio Comparison</b>		
<b>Institution</b>	<b>Total Assets as of 9/30/2023 (\$000s)</b>	<b>Average LTD Ratio (%)</b>
Bank Gloucester	382,087	91.4
<b>Haverhill Bank</b>	<b>578,167</b>	<b>78.1</b>
Pentucket Bank	967,216	89.7
Salem Co-operative Bank	525,416	100.7
<i>Source: Reports of Condition and Income 12/31/2020 through 12/31/2023</i>		

### **Assessment Area Concentration**

A majority of loans, by both number and dollar amount, were made inside the bank’s assessment area. The following table demonstrates home mortgage and small business lending activity both inside and outside the assessment area. The decrease in home mortgage lending within the assessment area over the evaluation period reflects the bank’s strategy to address area market conditions.

<b>Lending Inside and Outside of the Assessment Area</b>										
<b>Loan Category</b>	<b>Number of Loans</b>				<b>Total #</b>	<b>Dollar Amount of Loans \$(000s)</b>				<b>Total \$(000s)</b>
	<b>Inside</b>		<b>Outside</b>			<b>Inside</b>		<b>Outside</b>		
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
Home Mortgage										
2020	89	73.6	32	26.4	121	22,132	71.6	8,794	28.4	30,926
2021	130	66.3	66	33.7	196	35,017	63.0	20,559	37.0	55,576
2022	98	56.3	76	43.7	174	27,985	46.0	32,819	54.0	60,804
<b>Subtotal</b>	<b>317</b>	<b>64.6</b>	<b>174</b>	<b>35.4</b>	<b>491</b>	<b>85,134</b>	<b>57.8</b>	<b>62,172</b>	<b>42.2</b>	<b>147,306</b>
Small Business										
2020	173	70.0	74	30.0	247	12,392	63.0	7,266	37.0	19,658
2021	138	71.5	55	28.5	193	16,683	59.6	11,295	40.4	27,978
2022	51	68.0	24	32.0	75	10,459	59.0	7,273	41.0	17,732
<b>Subtotal</b>	<b>362</b>	<b>70.3</b>	<b>153</b>	<b>29.7</b>	<b>515</b>	<b>39,534</b>	<b>60.5</b>	<b>25,834</b>	<b>39.5</b>	<b>65,368</b>
<b>Total</b>	<b>679</b>	<b>67.5</b>	<b>327</b>	<b>32.5</b>	<b>1,006</b>	<b>124,668</b>	<b>58.6</b>	<b>88,006</b>	<b>41.4</b>	<b>212,674</b>
<i>Source: Bank Data Due to rounding, totals may not equal 100.0%</i>										

## **Geographic Distribution**

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. HB's reasonable performance in home mortgage lending and reasonable performance in small business lending support this conclusion.

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

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. Examiners focused on activity within low- and moderate-income census tracts.

The bank's performance in low-income census tracts was above both demographic data and aggregate performance in 2020, 2021, and 2022. Notably, as aggregate performance decreased from 2021 to 2022, bank performance continued an increasing trend.

The bank's 2020 performance in moderate-income census tracts exceeded aggregate and demographic data while 2021 performance was in line with aggregate and demographic data, and 2022 performance fell below these benchmarks. Overall, these trends and comparisons reflect reasonable performance.

The following table illustrates the bank's home mortgage lending activity by census tract income level.

<b>Geographic Distribution of Home Mortgage Loans</b>						
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2020	2.6	3.0	4	4.5	594	2.7
2021	2.6	3.9	8	6.2	2,495	7.1
2022	1.9	3.1	7	7.1	1,511	5.4
<b>Moderate</b>						
2020	12.7	12.8	17	19.1	3,380	15.3
2021	12.7	13.5	17	13.1	3,312	9.5
2022	16.1	18.1	13	13.3	1,998	7.1
<b>Middle</b>						
2020	58.6	54.8	56	62.9	13,987	63.2
2021	58.6	55.4	84	64.6	22,238	63.5
2022	57.1	54.9	64	65.3	18,600	66.5
<b>Upper</b>						
2020	26.1	29.4	12	13.5	4,171	18.9
2021	26.1	27.2	21	16.2	6,972	19.9
2022	24.9	23.9	14	14.3	5,876	21.0
<b>Not Available</b>						
2020	0.0	0.0	0	0.0	0	0.0
2021	0.0	0.0	0	0.0	0	0.0
2022	0.0	0.0	0	0.0	0	0.0
<b>Total</b>						
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>89</b>	<b>100.0</b>	<b>22,132</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>100.0</b>	<b>130</b>	<b>100.0</b>	<b>35,017</b>	<b>100.0</b>
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>98</b>	<b>100.0</b>	<b>27,985</b>	<b>100.0</b>
<i>Source: 2015 ACS; Bank Data, 2020, 2021 and 2022 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 reasonable dispersion among low- and moderate-income census tracts. Examiners compared the bank's lending activity to business demographics. The bank's 2020 performance in low-income census tracts was below the percentage of businesses; however, in 2021 and 2022, bank performance was well above the demographic data. Similarly, the bank's performance within moderate-income census tracts was below demographic in 2020 and increased well above demographic for both 2021 and 2022. Considering these trends and comparisons throughout the evaluation period, performance is

reasonable. The following table illustrates the bank’s small business loans by census tract income level.

<b>Geographic Distribution of Small Business Loans</b>						
<b>Tract Income Level</b>		<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
	2020	5.5	6	3.5	731	5.9
	2021	5.7	22	16.0	2,529	15.2
	2022	5.2	5	9.8	1,050	10.0
Moderate						
	2020	14.0	17	9.8	1,329	10.7
	2021	13.9	30	21.7	6,161	36.9
	2022	16.6	11	21.6	2,941	28.1
Middle						
	2020	55.4	133	76.9	9,610	77.6
	2021	55.1	76	55.1	7,071	42.4
	2022	54.9	31	60.8	5,572	53.3
Upper						
	2020	25.2	17	9.8	722	5.8
	2021	25.3	10	7.2	923	5.5
	2022	23.3	4	7.8	896	8.6
<b>Totals</b>						
	<b>2020</b>	<b>100.0</b>	<b>173</b>	<b>100.0</b>	<b>12,392</b>	<b>100.0</b>
	<b>2021</b>	<b>100.0</b>	<b>138</b>	<b>100.0</b>	<b>16,684</b>	<b>100.0</b>
	<b>2022</b>	<b>100.0</b>	<b>51</b>	<b>100.0</b>	<b>10,459</b>	<b>100.0</b>

*Source: 2020, 2021, & 2022 D&B Data; 2020, 2021, & 2022 Bank Data*

**Borrower Profile**

The distribution of borrowers, given the demographics of the assessment area, reflects excellent penetration among individuals of different income levels. HB’s excellent home mortgage lending performance primarily supports this conclusion.

***Home Mortgage Loans***

The distribution of borrowers reflects excellent penetration among individuals of different income levels, including low- and moderate-income borrowers. Examiners focused on the percentage by number of home mortgage loans made to low- and moderate-income borrowers.

The bank’s performance of lending to low-income borrowers exceeded aggregate in 2020, and significantly exceeded aggregate in both 2021 and 2022. Bank performance in 2020, 2021, and 2022 was below demographic data. However, low-income families in the assessment area, earning less than \$60,100 in the Cambridge-Newton-Framingham, MA MD, less than \$50,950 in the Manchester-Nashua, NH MSA, and less than \$55,300 in the Rockingham County-Strafford County, NH MSA, would likely have difficulty qualifying for a mortgage under conventional underwriting

standards, considering the median housing value of \$375,465. Additionally, the percentage of low-income families in the assessment area includes families living below the poverty level. These facts help explain the disparity between bank and aggregate lending compared to the percentage of families.

The bank's lending to moderate-income borrowers exceeded aggregate and demographic data in 2020 and 2022. In 2021, bank performance was in line with aggregate and was above demographic data.

Market share data further supports this conclusion. In 2021, HB ranked 18<sup>th</sup> out of 195 lenders with a 1.5 percent market share for home mortgage loans to low-income borrowers, and in 2022, ranked 25<sup>th</sup> out of 167 lenders with a 1.0 percent market share. These market rates well exceed the bank's overall market share, and illustrate the bank's commitment to lending to low-income borrowers.

The following table illustrates the bank's home mortgage lending activity by borrower income level. Borrower income levels indicated by the designation "Not Available" reflects home mortgage loans to business entities.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2020	21.2	6.8	7	7.9	1,149	5.2
2021	21.2	7.7	18	13.8	3,291	9.4
2022	21.0	9.9	12	12.2	2,296	8.2
<b>Moderate</b>						
2020	18.1	21.8	34	38.2	5,990	27.1
2021	18.1	23.3	30	23.1	5,982	17.1
2022	18.5	23.9	27	27.6	5,376	19.2
<b>Middle</b>						
2020	22.0	24.4	25	28.1	6,113	27.5
2021	22.0	24.3	35	26.9	9,450	27.0
2022	22.6	24.7	30	30.6	9,727	34.8
<b>Upper</b>						
2020	38.6	33.7	23	25.8	8,880	40.1
2021	38.6	30.9	39	30.0	13,033	37.2
2022	37.9	29.9	23	23.5	9,454	33.8
<b>Not Available</b>						
2020	0.0	13.3	0	0.0	0	0.0
2021	0.0	13.8	8	6.2	3,261	9.3
2022	0.0	11.7	6	6.1	1,133	4.0
<b>Total</b>						
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>89</b>	<b>100.0</b>	<b>22,132</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>100.0</b>	<b>130</b>	<b>100.0</b>	<b>35,017</b>	<b>100.0</b>
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>98</b>	<b>100.0</b>	<b>27,985</b>	<b>100.0</b>
<i>Source: 2015 ACS; Bank Data, 2020, 2021, and 2022 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

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

The distribution of small business loans reflects reasonable penetration to businesses with GARs of \$1.0 million or less. Although the bank's performance is below demographic data, the level of lending to small businesses increased notably during the evaluation period.

The following table shows that the bank originated a majority of its small business loans to businesses with revenue information not available. This significant number is attributed to the SBA's PPP loan program, which did not require borrowers to provide revenue information. The second table shows the composition of the bank's small business loans by loan amount in 2020 and



2021. The analysis of these loans by loan size provides a more representative view of the bank's performance because smaller businesses predominantly require smaller loan amounts. Loans under \$100,000 comprise a vast majority of the bank's small business originations, with 82.7 percent in 2020 and 75.2 percent in 2021, reflecting reasonable penetration. The following tables illustrate the bank's small business lending by GAR category and PPP loans by loan amount.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Business Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
≤ \$1,000,000					
2020	88.2	4	2.3	1,218	9.8
2021	89.0	16	11.6	2,500	15.0
2022	89.0	33	64.7	5,586	53.4
> \$1,000,000					
2020	4.8	1	0.6	115	0.9
2021	4.3	13	9.4	3,073	18.4
2022	4.3	18	35.3	4,873	46.6
Revenue Not Available					
2020	7.0	168	97.1	11,059	89.2
2021	6.7	109	79.0	11,110	66.6
2022	6.7	0	0.0	0	0.0
<b>Totals</b>					
<b>2020</b>	<b>100.0</b>	<b>173</b>	<b>100.0</b>	<b>12,392</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>138</b>	<b>100.0</b>	<b>16,683</b>	<b>100.0</b>
<b>2022</b>	<b>100.0</b>	<b>51</b>	<b>100.0</b>	<b>10,459</b>	<b>100.0</b>

*Source: 2020, 2021, & 2022 D&B Data; 2020, 2021, & 2022 Bank Data*

<b>Distribution of PPP Loans By Loan Size</b>				
<b>Loan Size</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
< \$100,000				
2020	139	82.7	3,395	30.7
2021	82	75.2	2,773	25.0
\$100,000 - \$249,999				
2020	15	8.9	2,072	18.7
2021	19	17.4	2,911	26.2
\$250,000 - \$1,000,000				
2020	14	8.3	5,592	50.6
2021	8	7.3	5,427	48.8
<b>Total</b>				
<b>2020</b>	<b>168</b>	<b>100.0</b>	<b>11,059</b>	<b>100.0</b>
<b>2021</b>	<b>109</b>	<b>100.0</b>	<b>11,111</b>	<b>100.0</b>

*Source: Bank Data*

**Response to Complaints**

The institution did not receive any CRA-related complaints since the prior evaluation; therefore, this factor did not affect the Lending Test rating.

**COMMUNITY DEVELOPMENT TEST**

HB demonstrated adequate responsiveness to the community development needs of its assessment areas through community development loans, qualified investments, and community development services. Examiners considered the institution’s capacity and the need and availability of such opportunities.

**Community Development Loans**

HB originated 25 community development loans totaling \$9.1 million during the evaluation period. The bank’s community development lending reflects a significant decrease from the last evaluation period, during which time the bank made 134 community development loans totaling \$20.7 million. The current level of community development loan activity represents 1.7 percent of average total assets and 2.4 percent of average total loans as of September 30, 2023. The bank’s percentage of community development loans to average total loans is well within the range of similarly situated banks that were also rated Satisfactory under the Community Development Test.

During the prior evaluation period, the bank elected to have PPP loans considered under the Community Development Test. Of total community development loans at the time, 112 for \$14.8 million were PPP loans. As the bank started collecting its small business loan data following the last evaluation, management opted to have PPP loans in amounts of \$1.0 million or less considered under the Lending Test for the current evaluation. This change in data collection accounts for the significant change in community development lending activity from the prior evaluation period to current. Overall, HB was responsive to opportunities for community development lending throughout the assessment area, particularly those related to affordable housing, which was a need identified by the community contact.

The following table illustrates the bank’s community development loans by year and purpose.

<b>Community Development Lending</b>										
<b>Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Total</b>	
	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>
2020 (Partial)	3	414	-	-	-	-	-	-	<b>3</b>	<b>414</b>
2021	1	620	1	37	-	-	-	-	<b>2</b>	<b>657</b>
2022	6	1,459	-	-	-	-	-	-	<b>6</b>	<b>1,459</b>
2023 (YTD)	14	6,600	-	-	-	-	-	-	<b>14</b>	<b>6,600</b>
<b>Total</b>	<b>24</b>	<b>9,093</b>	<b>1</b>	<b>37</b>	-	-	-	-	<b>25</b>	<b>9,130</b>

*Source: Bank Data*

The following points illustrate an example of HB’s community development loans.

- In 2021, HB originated a \$37,125 equipment loan to a non-profit that provides essential services for low- and moderate-income individuals in Haverhill. The loan was to purchase a new truck to support the day-to-day operations of the organization.
- In 2022, HB originated a \$250,000 working capital line of credit to a non-profit organization in Haverhill that provides affordable housing to individuals with developmental disabilities. A majority of those served by this organization are low- or moderate-income individuals.
- In 2023, HB originated a \$1,359,150 loan for the construction of a group home for individuals with developmental disabilities in Haverhill. This loan has an affordable housing purpose, as the individuals who will live in this group home are low- or moderate-income residents. The primary source of funding is Medicaid and other needs-based assistance.

**Qualified Investments**

HB made 130 qualified investments totaling \$314,364 during the evaluation period. This total consists entirely of qualified donations. The total qualified investment activity represents 0.06 percent of average total assets and 0.40 percent of average total securities as of September 30, 2023. This total reflects an increasing trend since the prior evaluation, at which time the bank had 123 qualified donations totaling \$191,000. The bank’s percentage of community development investments to average total securities is within the range of similarly situated banks that were also rated Satisfactory under the Community Development Test. The following table illustrates the bank’s qualified investments by year and purpose.

<b>Qualified Investments</b>										
<b>Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Total</b>	
	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>
2020 (Partial)	-	-	2	1,500	-	-	-	-	2	1,500
2021	3	3,126	29	67,930	5	21,685	-	-	37	92,741
2022	6	5,863	28	76,513	-	-	-	-	34	82,376
2023 (YTD)	6	4,869	51	132,878	-	-	-	-	57	137,747
<b>Total</b>	<b>15</b>	<b>13,858</b>	<b>110</b>	<b>278,821</b>	<b>5</b>	<b>21,685</b>	<b>-</b>	<b>-</b>	<b>130</b>	<b>314,364</b>

*Source: Bank Data*

The following are examples of HB’s qualified donations.

- Throughout the evaluation period, HB donated approximately \$9,000 to Bethany Communities, which provides affordable housing for low- and moderate-income seniors in Haverhill, MA.

- Between 2021 and 2023, HB donated approximately \$8,200 to the Whittier Tech Foundation in support of its educational programming and scholarships designated toward students from low- and moderate-income families.
- During the evaluation period, HB made annual sponsorship contributions totaling \$34,500 for the YMCA of Greater Haverhill. This organization provides a variety of community services for low- and moderate-income youth, as approximately 85 percent of those served are from low- and moderate-income families.

### **Community Development Services**

During the evaluation period, nine bank employees dedicated 813 hours of financial expertise or technical assistance to 13 different community development-related organizations. Since the last evaluation, the number of employees providing community development services remained constant, the number of hours increased by 291, and the number of organizations served increased by three. The increase in hours reflects organizations meeting in-person more frequently post-pandemic, and the smaller number of hours in 2020-2021 is attributed to limited service opportunities amidst the pandemic. Overall, this level of service activity shows HB was responsive to the community development service needs of its assessment area. In addition, the number of hours and number of organizations served is comparable to those figures for similarly situated banks that also received a Satisfactory rating under the Community Development Test.

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

<b>Community Development Services</b>					
<b>Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Total</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
2020 (Partial)	-	-	-	-	-
2021	16	36	-	-	<b>52</b>
2022	36	419	26	-	<b>481</b>
2023	16	250	14	-	<b>280</b>
2024 (YTD)	-	-	-	-	-
<b>Total</b>	<b>68</b>	<b>705</b>	<b>40</b>	<b>-</b>	<b>813</b>
<i>Source: Bank Data</i>					

The following points illustrate an example of HB’s community development services.

- The President/Chief Executive Officer continued to serve on the Penacook Place Board of Directors throughout the evaluation period. This community service organization, based in Haverhill, MA, provides short- and long-term nursing and rehabilitative care for the elderly. A majority of individuals served by this organization are low- or moderate-income.
- The Executive Vice President/Chief Operating Officer serves on the Board and Finance Committee of Veterans Northeast Outreach. This non-profit organization, based in Haverhill, MA, provides essential services for veterans, primarily those who are homeless or of a low-

income level.

- A Vice President serves on the Board of Directors of the Salem Boys & Girls Club based out of Salem, NH. This non-profit organization provides community services for children, primarily those of low- or moderate-income levels who are eligible for free- or reduced-price school lunch programs.

In addition to its community development services, HB operates one branch in a low-income tract and one in a moderate-income tract. Both of these branches are located in Haverhill, MA, and demonstrate that the bank is helping to meet the retail banking needs of low- and moderate-income areas and individuals.

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

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

## **APPENDICES**

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

The Division of Banks provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106. A review of the bank's public comment file indicated the bank received no complaints pertaining to the institution's CRA performance since the prior evaluation. 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**

The bank's HMDA LARs for 2021 and 2022 were reviewed to determine if the bank's application flow from different racial and ethnic groups reflected the assessment area's demographics.

According to 2020 ACS U.S. Census data, the bank's assessment area contained a total population of 334,492 individuals of which 21.2 percent are minorities. This illustrates a demographic change of a 7.0 percent increase in total minorities since the 2015 ACS U.S. Census data. The assessment area's minority and ethnic population is 12.4 percent Hispanic or Latino, 2.5 percent Black/African American, 2.8 percent Asian, and 6.6 percent other.

Population demographic changes under the 2020 ACS U.S. Census data within the bank's assessment area showed an increase of 5.1 percent increase in individuals recorded as other ethnicities, an increase of 3.2 percent in Hispanic individuals, and an increase of 1.4 percent increase in Black/African American individuals.

The bank's level of applications was compared with that of the 2021 and 2022 aggregate performance. The comparison of this data assists in deriving reasonable expectations for the rate of applications the bank received from minority home mortgage loan applicants. 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.

<b>MINORITY APPLICATION FLOW</b>						
<b>RACE</b>	<b>2021</b>		<b>2021 Aggregate Data</b>	<b>2022</b>		<b>2022 Aggregate Data</b>
	<b>#</b>	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>%</b>
American Indian/ Alaska Native	0	0.0	0.3	0	0.0	0.3
Asian	1	0.6	2.5	2	1.6	2.8
Black/ African American	1	0.6	2.5	4	3.2	3.0
Hawaiian/Pacific Islander	0	0.0	0.0	0	0.0	0.1
2 or more Minority	1	0.6	0.1	0	0.0	0.2
Joint Race (White/Minority)	0	0.0	1.3	1	0.8	1.4
<b>Total Racial Minority</b>	<b>3</b>	<b>1.7</b>	<b>6.6</b>	<b>7</b>	<b>5.6</b>	<b>7.7</b>
14.5White	108	61.7	68.7	77	61.1	67.7
Race Not Available	64	36.6	24.5	42	33.3	24.7
<b>Total</b>	<b>175</b>	<b>100.0</b>	<b>100.0</b>	<b>126</b>	<b>100.0</b>	<b>100.0</b>
<b>ETHNICITY</b>						
Hispanic or Latino	6	3.4	8.2	5	4.0	9.3
Joint (Hisp/Lat /Not Hisp/Lat)	0	0.0	1.5	5	4.0	1.6
<b>Total Ethnic Minority</b>	<b>6</b>	<b>3.4</b>	<b>9.6</b>	<b>10</b>	<b>7.9</b>	<b>11.0</b>
Not Hispanic or Latino	90	51.4	66.7	68	54.0	65.8
Ethnicity Not Available	79	45.1	23.7	48	38.1	23.3
<b>Total</b>	<b>175</b>	<b>100.0</b>	<b>100.0</b>	<b>126</b>	<b>100.0</b>	<b>100.0</b>
<i>Source: ACS Census 2015, ACS 2020, HMDA Aggregate Data 2021 and 2022, HMDA LAR Data 2021 and 2022</i>						

In 2021, the bank received 175 home mortgage loan applications from within its assessment area. Of these applications three, or 1.7 percent, were received from racial minority applicants, of which two, or 66.7 percent, resulted in originations. The aggregate received 6.6 percent of its applications from minority consumers, of which 60.1 percent were originated. For the same period, the bank also received six applications, or 3.4 percent, from ethnic groups of Hispanic origin within its assessment area. Of these applications, four or 66.7 percent were originated, compared with an aggregate application rate of 9.6 percent with a 63.4 percent origination rate.

In 2022, the bank received 126 home mortgage loan applications from within its assessment area. Of these applications, seven or 5.6 percent were received from racial minority applicants, of which five or 71.4 percent, resulted in originations. The aggregate received 7.7 percent of its applications from minority consumers, of which 56.7 percent were originated. For the same period, the bank also received ten applications or 7.9 percent, from ethnic groups of Hispanic origin within its assessment area. Of these applications, six or 60.0 percent, were originated, compared with an aggregate application rate of 11.0 percent with a 57.2 percent origination rate.

The bank's applications to borrowers of racial minority, by number and percentage, were below aggregate data, however, the performance displayed a notably increasing trend. Similarly, applications to borrowers of Hispanic ethnicity were below aggregate data, however also displayed an increasing trend. Despite the bank's application flow percentages being below aggregate data, performance has demonstrated observable improvement since the bank's prior evaluation, particularly the notable improvement under the number of applications from Hispanic borrowers. The bank's fair lending controls, strategic efforts, and improved performance mitigate the below-aggregate performance.

## **INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA**

### **Lending Test**

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

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

### **Community Development Test**

The Community Development Test considers the following criteria:

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



## GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Home Mortgage Loans:** Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

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

**Limited-Scope Review:** A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.

Performance under applicable tests is often analyzed using only quantitative factors (e.g, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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