

PUBLIC DISCLOSURE

June 25, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Hingham Institution for Savings
Certificate Number: 90211

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Hingham, MA 02043

Division of Banks
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Boston, Massachusetts 02118

Federal Deposit Insurance Corporation
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New York, New York 10118

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

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INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Outstanding**. An institution in this group has an outstanding record of helping to meet the credit needs of its assessment areas, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The following table indicates the performance level of Hingham Institution for Savings with respect to the Lending, Investment, and Service Tests.

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

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

*** FDIC rules and regulations stipulate use of a "high satisfactory" and "low satisfactory" rating for the three tests. This jointly issued public evaluation uses the term "satisfactory" in lieu of "low satisfactory" for the Lending, Investment, and Service Test ratings, as the Division does not have a "low Satisfactory" rating.*

The Lending Test is rated Outstanding.

- The lending activity reflects excellent responsiveness to the assessment area's credit needs.
- A high percentage of home mortgage and small business loans were originated within the assessment area.
- The geographic distribution of loans reflects good penetration throughout the assessment area.
- The distribution of borrowers reflects excellent penetration among borrowers of different income levels and businesses of different sizes.
- The bank exhibits an excellent record of serving the credit needs of the most economically disadvantaged areas of its assessment area, low- and moderate- income individuals, and very small businesses, consistent with safe and sound banking practices.
- The bank is a leader in making community development loans.

- The bank uses innovative and/or flexible lending practices in order to serve the assessment area's credit needs.

The Investment Test is rated High Satisfactory.

- The bank has a significant level of qualified investments and donations.
- The bank exhibits good responsiveness to credit and community economic development needs.
- The bank occasionally uses innovative and/or complex investments to support community development initiatives.

The Service Test is rated High Satisfactory.

- The bank provides a relatively high level of community development services.
- Delivery systems are reasonably accessible to essentially all portions of the bank's assessment areas, and alternative delivery systems supplement the bank's branches.
- Business hours are tailored to the convenience and needs of the assessment area, with accessibility throughout this area.

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 (Division), covers the period from the prior evaluation, dated September 15, 2014, to the current evaluation dated June 25, 2018. Examiners used the Interagency Large Institution Examination Procedures to evaluate Hingham Institution for Savings' (HIFS) CRA performance. These procedures include three tests: the Lending, Investment, and Service Tests.

Demographic and economic information referenced in the evaluation was obtained from the 2010 U.S. Census when comparing it with 2016 bank lending data; 2015 American Community Service data when comparing it with 2017 bank lending data; D&B; Moody's Analytics; and the U.S. Bureau of Labor Statistics. HIFS financial data was obtained from its March 31, 2018, Report of Income and Condition (Call Report).

The Lending Test evaluates the bank's performance according to the following criteria:

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

The Investment Test evaluates the bank's performance according to the following criteria:

- The dollar amount of qualified investments
- The innovativeness or complexity of qualified investments
- The responsiveness of qualified investments to credit and community developments needs
- The degree to which the qualified investments are not routinely provided by private investors

The Service Test evaluates the bank's performance according to the following criteria:

- The distribution of the bank's branches among geographies of different income levels
- The record of opening and closing branches, particularly branches in low- and moderate-income geographies or that primarily serve low- or moderate-income individuals
- The availability and effectiveness of alternate systems for delivering retail banking services
- The extent and innovativeness of the bank's community development services

The bank does not have any affiliates that make retail loans; therefore, this evaluation does not include lending activity performed by affiliates.

Loan Products Reviewed

The evaluation focused on the bank's major product lines, which are home mortgage and small business lending. Examiners focused on these loan types based on the bank's business strategy and the number and dollar volume of loans originated during the evaluation period. Examiners did not consider other product lines, such as small farm loans or consumer loans, because they represent only a small portion of the portfolio.

Examiners evaluated home mortgage and small business loans originated from January 1, 2016, through December 31, 2017. The bank's record of originating home mortgage loans contributed more weight to overall conclusions due to the larger loan volume when compared to small business lending during the evaluation period.

Home mortgage lending data was derived from the bank's HMDA Loan Application Registers (LARs). HIFS originated 515 loans totaling \$372.4 million in 2016 and 445 loans totaling \$340.8 million in 2017. The Lending Test compares bank lending from both years to demographic data, and 2016 bank lending to 2016 HMDA aggregate data. Aggregate data includes lending activity in the assessment area from all HMDA-reporting institutions. HIFS lending in 2016 received more weight in determining Lending Test conclusions, as this is the most recent year with available aggregate data as of the evaluation date.

Small business loan data was derived from the bank's CRA Loan Registers (LRs). The CRA defines small business loans as commercial real estate loans and commercial and industrial loans with original balances of \$1 million or less. The bank originated 55 small business loans totaling \$16.0 million in 2016 and 52 loans totaling \$22.3 million in 2017. The evaluation compared 2016 bank lending to 2016 CRA aggregate data, and lending from both years to D&B business demographic data.

For the Lending Test, examiners reviewed both the number and dollar volume of home mortgage and small business loans; however, examiners focused on the number of loans when assessing bank performance, as it better indicates the number of individuals or businesses served.

The Lending Test also considered innovative or flexible lending and community development loans from September 15, 2014, the date of the previous evaluation, through June 25, 2018, the date of the current evaluation. The Investment and Service Tests considered qualified investments and community development services during the same period.

Assessment Areas Reviewed

In addition to the overall evaluation, examiners separately reviewed the bank's CRA performance in each assessment area. HIFS has two assessment areas: the Boston/South Shore assessment area and the Nantucket assessment area. The Boston/South Shore assessment area falls within the Boston-Cambridge-Newton, MA-NH Metropolitan Statistical Area (MSA), while the Nantucket assessment area is located in the non-metropolitan portion of Massachusetts.

Examiners completed full-scope reviews of both areas; however, performance in the Boston/South Shore assessment area received significantly more weight in determining the overall rating because the bank's main office, most of its branches, and a substantial majority of deposit and lending activity are in this area.

The following table indicates loans, deposits, and branches per MSA.

Area Breakdown of Loans, Deposits, and Branches								
Assessment Area	Home Mortgage Loans		Small Business Loans		Deposits		Branches	
	\$	%	\$	%	\$	%	#	%
Boston/South Shore	498,445	85.9	22,578	89.0	1,374,138	96.1	11	92.3
Nantucket	82,001	14.1	2,797	11.0	55,831	3.9	1	7.7
Total	580,446	100.0	25,375	100.0	1,429,969	100.0	12	100.0
<i>Source: HMDA and CRA Data 01/01/2016 through 12/31/2017; FDIC Summary of Deposits 6/30/2017.</i>								

DESCRIPTION OF INSTITUTION

Background

HIFS is a state-chartered community bank headquartered at 55 Main Street, Hingham, Massachusetts. The bank is stock-owned and is not part of a holding company. The bank has four subsidiaries, which are single-purpose entities for holding bank-owned real estate (Hingham Realty Trust and 49 Main Street Realty Trust), foreclosed property (Dunbar Walnut, which is currently inactive), and investment securities (Hingham Unpledged Securities Corporation and Hingham Pledged Securities Corporation). The bank did not have any mergers or acquisitions since the previous evaluation.

The Division and the FDIC assigned the bank a Satisfactory rating at the previous CRA evaluation, dated September 15, 2014, using Interagency Large Institution Examination Procedures.

Operations

HIFS operates 11 full-service branches, one limited-service drive-up branch, one loan center, and an administrative office. Three branches are in Hingham, two each in Boston and Cohasset, and one each in Hull, Scituate, Weymouth, and Nantucket. One branch is at a retirement community in Hingham that is only open to community residents and employees. The drive-up branch, loan center, and administrative office are all in Hingham. The bank has not closed or opened any branches since the prior evaluation. The bank also operates 17 ATMs, of which 14 accept deposits. All but two ATMs are located at HIFS branch locations. The two additional ATMs are at the Fruit Center Marketplace in Hingham and at the Launch at Hingham Shipyard.

The bank offers a range of deposit products for consumers and businesses, including various checking and savings accounts. It also offers alternative banking services including online and mobile banking, electronic bill pay, and telephone banking.

HIFS offers various types of home mortgage loans, which represent the bank's primary lending focus. Home mortgage lending types include conventional fixed- and variable-rate loans, jumbo loans, home equity lines of credit, and construction loans. Commercial loan offerings include fixed-rate loans, term loans, and lines of credit.

Ability and Capacity

HIFS had assets totaling \$2.2 billion as of the March 31, 2018, Call Report. The bank is primarily a residential lender, with 72.0 of the loan portfolio secured by residential real estate. The \$2.2 billion in total assets represents a 48.8 percent increase from the previous evaluation, attributable to a 55.0 percent increase in total loans since the prior evaluation. Total loans represent 83.6 percent of total assets. Total deposits increased by 45.1 percent from \$1.1 billion to \$1.5 billion during the evaluation period. The following table illustrates the bank's loan portfolio distribution as of March 31, 2018.

Loan Portfolio Distribution as of 03/31/2018		
Loan Category	\$(000s)	%
Construction and Land Development	130,734	6.9
Secured by Farmland	0	0.0
1-4 Family Residential	1,004,249	53.3
Multi-family (5 or more) Residential	352,237	18.7
Commercial Real Estate	397,065	21.1
Total Real Estate Loans	1,884,285	100.0
Commercial and Industrial	216	Negligible
Agricultural	0	0.0
Consumer	423	Negligible
Other	74	Negligible
Less: Unearned Income	0	0.0
Total Loans	1,884,998	100.0
<i>Source: Report of Condition and Income</i>		

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

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to designate one or more assessment area(s) within which it will focus its lending efforts and examiners will evaluate its CRA performance. HIFS' combined assessment area is composed of two individual assessment areas encompassing five counties throughout Massachusetts. Each assessment area is described below.

- Boston/South Shore – a contiguous area consisting of portions of the Boston, MA Metropolitan Division (MD) (#14454) and the Cambridge-Newton-Framingham, MA MD (#15764), all of which are part of the Boston-Cambridge-Newton, MA-NH Metropolitan Statistical Area (MSA). The bank expanded this assessment area by adding eight Boston neighborhoods and five towns in Middlesex County since the previous evaluation.
- Nantucket – a contiguous, non-metropolitan area.

The Boston/South Shore assessment area includes: Braintree, Brookline, Cohasset, Milton, Quincy and Weymouth, all located in Norfolk County; Hanover, Hingham, Hull, Marshfield, Norwell and Scituate, all located in Plymouth County, and the following cities, towns and neighborhoods of Boston: Allston, Beacon Hill, Brighton, Charlestown, Chinatown, Dorchester, East Boston, Fenway, Hyde Park, Jamaica Plain, Mattapan, North End, Roslindale, Roxbury, South Boston, South End, and West Roxbury, all located in Suffolk County; and Cambridge, Everett, Malden, Medford, and Somerville, all located in Middlesex County.

The Nantucket assessment area includes Nantucket County, an island off the southeastern coast of Massachusetts.

Economic and Demographic Data

The bank's combined assessment area consists of 340 census tracts. Based on 2015 American Community Survey (ACS) Data, these tracts reflect the following income designations:

- 54 low-income tracts
- 87 moderate-income tracts
- 101 middle-income tracts
- 87 upper-income tracts
- 11 census tracts with no income designation (N/A)

The Boston/South Shore assessment area consists of 334 census tracts, including 54 low-income tracts, 87 moderate-income tracts, 101 middle-income tracts, 82 upper-income tracts, and 10 tracts without income designations. The Boston neighborhoods and the five towns in Middlesex County the bank added since the previous evaluation resulted in an increase of 13 low-income census tracts and 56 moderate-income census tracts.

The Nantucket assessment area consists of five upper-income census tracts and one tract with no income designation. One of the upper-income census tracts was middle-income based on the 2010 U.S. Census and was designated by the FFIEC as an underserved tract. The designation of "underserved" is determined by the FFIEC assessment of nonmetropolitan middle-income

geographies through evaluating (a) rates of poverty, unemployment, and population loss or (b) population size, density, and dispersion. This census tract is now upper-income and is no longer designated as underserved, but activities that help revitalize or stabilize the census tract qualified for credit through June 2018 based on the one-year lag period following the change in designation.

The bank's 2016 lending performance was compared to demographic data based in part on the 2010 U.S. Census, while 2017 lending performance was compared to demographic data based in part on the 2015 ACS. The changes from 2016 to 2017 demographic information are as follows:

- The number of low-income census tracts remained the same (54);
- The number of moderate-income census tracts remained the same (87);
- The number of middle-income census tracts increased from 99 to 101;
- The number of upper-income census tracts decreased from 89 to 87;
- The number of census tracts with no income designation increased from 10 to 11.

The following table shows select demographic characteristics of the combined assessment area.

Demographic Information of the Combined Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	340	15.9	25.6	29.7	25.6	3.2
Population by Geography	1,390,673	15.1	27.2	32.4	24.7	0.6
Housing Units by Geography	597,725	13.3	26.3	32.4	27.4	0.7
Owner-Occupied Units by Geography	241,462	6.3	20.4	38.6	34.3	0.4
Occupied Rental Units by Geography	306,529	18.9	31.5	28.8	19.9	0.8
Vacant Units by Geography	49,734	12.3	22.5	24.8	39.5	0.8
Businesses by Geography	104,446	9.9	18.6	26.7	43.7	1.1
Farms by Geography	1,000	5.3	14.5	34.4	45.6	0.2
Family Distribution by Income Level	288,775	29.9	16.3	17.4	36.4	0.0
Household Distribution by Income Level	547,991	30.9	14.4	15.6	39.1	0.0
Median Family Income MSA - 14454 Boston, MA MD		\$90,699	Median Housing Value			\$455,160
Median Family Income MSA - 15764 Cambridge-Newton-Framingham, MA MD		\$100,380	Median Gross Rent			\$1,384
Median Family Income Non-MSAs – MA		\$73,868	Families Below Poverty Level			11.2%
Source: 2010 U.S. Census, 2015 ACS Census, and 2017 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.						

Examiners used the 2016 and 2017 FFIEC-updated median family income levels to analyze home mortgage loans under the Borrower Profile criterion. The following table presents the low-, moderate-, middle-, and upper-income categories.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Boston, MA MD Median Family Income (14454)				
2016 (\$90,800)	<\$45,400	\$45,400 to <\$72,640	\$72,640 to <\$108,960	≥\$108,960
2017 (\$94,300)	<\$47,150	\$47,150 to <\$75,440	\$75,440 to <\$113,160	≥\$113,160
Cambridge-Newton-Framingham, MA MD Median Family Income (15764)				
2016 (\$98,600)	<\$49,300	\$49,300 to <\$78,880	\$78,880 to <\$118,320	≥\$118,320
2017 (\$104,800)	<\$52,400	\$52,400 to <\$83,840	\$83,840 to <\$125,760	≥\$125,760
MA NA Median Family Income (99999)				
2016 (\$77,600)	<\$38,800	\$38,800 to <\$62,080	\$62,080 to <\$93,120	≥\$93,120
2017 (\$80,000)	<\$40,000	\$40,000 to <\$64,000	\$64,000 to <\$96,000	≥\$96,000
<i>Source: FFIEC Due to rounding, totals may not equal 100.0</i>				

Approximately 37.5 percent of low-income families have incomes below the poverty level. The high poverty rate (11.2 percent of total families) typically indicates a reduced ability for low-income families to secure a mortgage loan, thereby reducing residential lending opportunities for low-income borrowers, especially considering the cost of housing discussed below.

Of the 597,725 housing units, 241,462, or 40.4 percent, are owner-occupied, and the median housing value in 2010 for the assessment area was \$455,160. Additionally, 306,529, or 51.3 percent of all housing units are rental units, and the median gross monthly rent is \$1,384. The demographic information table shows lower than expected distributions of owner-occupied housing units in the low- and moderate-income tracts when compared to the population percentage in these tracts. Low owner-occupancy rates in low- and moderate-income tracts limits opportunities to make home mortgage loans in these geographies.

Data from the U.S. Bureau of Labor Statistics indicates that the annual unemployment rate in 2016 for Norfolk County was 3.4 percent, Middlesex County was 3.2 percent, Plymouth County was 4.1 percent, Nantucket County was 4.5 percent, and Suffolk County was 3.6 percent, as compared to the Massachusetts unemployment rate of 3.9 percent and the National unemployment rate of 4.9 percent. In 2017, the unemployment rate decreased not only for the State (3.7 percent), but for all of the combined assessment area counties: Norfolk County (3.3 percent), Middlesex County (3.0 percent), Plymouth County (3.9 percent), Nantucket (4.4 percent), and Suffolk County (3.4 percent). All unemployment rates decreased since the prior evaluation.

According to 2017 D&B data, 104,446 non-farm businesses operated within the assessment area. The analysis of small business loans under the Borrower Profile section of the Lending Test compares the distribution of businesses by gross annual revenue (GAR) level. GAR data for businesses in the assessment area are estimated below.

- 82.4 percent have \$1 million or less
- 7.5 percent have more than \$1 million
- 10.1 percent did not report revenues

Service industries represent the largest portion of businesses at 47.3 percent; followed by retail trade at 13.1 percent; and finance, industrial, and real estate at 12.3 percent. In addition, 67.8 percent of businesses in the area employ four or fewer people, and 87.7 percent operate from a single location. Included among the largest employers in the assessment area are Massachusetts General Hospital, State Street Corporation, Reebok International, and Talbots Inc.

Competition

According to FDIC Deposit Market Share Data as of June 30, 2017, 131 depository institutions operated 1,523 offices within the Boston-Cambridge-Newton MSA. HIFS ranked 25th with a deposit market share of 0.5 percent. The top three depository institutions were State Street Bank and Trust Company (26.1 percent), Bank of America (22.1 percent), and Citizens Bank (5.0 percent). There were four depository institutions operating eight offices within Nantucket County, and HIFS ranked fourth with a deposit market share of 6.9 percent. The top three depository institutions were Blue Hills Bank (42.1 percent), Cape Cod Five Cents Savings Bank (30.6 percent), and Bank of America (20.4 percent).

The bank faces strong competition from other larger financial institutions that originate loans within the assessment area. These institutions range in size from small credit unions and mortgage companies to the largest banks in the nation. Among the more prominent community are Rockland Trust Company, Blue Hills Bank, Cape Cod Five Cents Savings Bank, and First Republic. Aggregate home mortgage lending data for 2016 shows that 516 lenders originated 44,571 loans within the assessment area. HIFS ranked 23rd, originating 411 loans with a 0.9 percent market share. The top lender was JP Morgan Chase Bank with a 5.1 percent market share, followed by Wells Fargo (4.9 percent), and Leader Bank (4.8 percent).

CRA aggregate data shows small business lending information for whole counties; therefore, peer small business data considers all lenders in Middlesex, Norfolk, Plymouth, Suffolk, and Nantucket Counties. Based on CRA aggregate data for 2016, 172 lenders made 90,198 loans for approximately \$3.1 billion. HIFS ranked 69th with a 0.05 percent market share. Three national institutions capture approximately half of the total market share.

Community Contacts

As part of the evaluation process, examiners contact third parties active in the assessment area to help assess credit and community development needs. The information obtained helps to determine whether local financial institutions are responsive to these community needs and to determine what credit and community development opportunities, if any, are available. During this CRA evaluation, examiners made two community contacts.

The first community contact was with a local community action organization focused on assisting low- and moderate-income individuals in the area. The contact identified affordable housing as the primary need within the assessment area. The area has experienced significant

housing expense increases and a shortfall of affordable housing. The contact noted recent area studies on the cost of housing, which identified that many low- and moderate-income individuals pay a disproportionately high percentage of their income for housing-related expenses. In addition to affordable housing needs, the contact also noted a need for affordable financing for non-profit organizations that target community services within the assessment area. Such financing enables these organizations to better serve the needs of low- and moderate-income individuals.

A second contact was conducted with a nonprofit agency whose mission is to provide affordable housing to low- and moderate-income individuals and families residing on the island of Nantucket. The contact stated that Nantucket has an imminent need for diverse rental housing options to address the housing needs of year-round residents and seasonal workers. With a median home price of approximately \$1.5 million on Nantucket, these individuals do not have the means to afford a home. Furthermore, those who do own homes generally live in them only for a few months per year and rent them out when the homes are unoccupied; however, rental rates are exorbitant and unaffordable to those most in need.

With housing options limited, year-round residents and seasonal workers struggle to find suitable accommodations at a reasonable price, ultimately leading to a poorer quality of life. The contact indicated that local financial institutions are helpful in providing grant funding and other resources to improve financial education and affordable housing on Nantucket, but the discrepancy in incomes compared to home prices, the lack of housing agencies and resources, and a less-than-competitive banking environment make it difficult to address the issue of affordable housing.

Credit and Community Development Needs and Opportunities

Considering information from the community contacts, bank management, and demographic and economic data, examiners determined that the assessment area has credit needs similar to most metropolitan areas. Affordable mortgage loans, particularly those that do not include traditional underwriting standards are in high demand. For example, both the Boston/South Shore and Nantucket assessment areas have high home prices, reflecting the need for loans requiring low downpayments to assist potential low- and moderate-income homebuyers.

The primary community development need for both assessment areas is affordable housing. In addition, the area contains many low- and moderate-income households, reflecting the need for activities that promote community services for these households.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

The bank's overall Lending Test performance is rated Outstanding. Excellent performance in lending activity, borrower profile, and community development lending support this conclusion. Furthermore, HIFS's performance is enhanced by its flexible and innovative programs, which demonstrate additional responsiveness to assessment area needs. The following sections address the bank's lending performance in the combined assessment area.

Lending Activity

The bank's lending level reflects excellent responsiveness to assessment area credit needs.

Home Mortgage

The bank originated 411 home mortgage loans totaling \$302.9 million in 2016 and 337 home mortgage loans totaling \$277.5 million in 2017. In 2016, HIFS ranked 23rd out of 516 lenders with a 0.9 percent market share. This significant number of lenders shows the strong competition for residential mortgage loans. Most institutions ranked ahead of HIFS are large national banks with significantly more resources to originate loans than HIFS. The bank ranked similarly to Rockland Trust Company despite having significantly fewer assets and branches, further supporting the bank's excellent responsiveness to home mortgage credit needs.

Small Business

For small business lending, the bank originated 36 loans totaling \$9.2 million in 2016 and 35 loans totaling \$16.2 million in 2017. As stated previously, HIFS ranked 69th in 2016 out of 172 financial institutions that originated at least one small business loan within the counties that are part of the assessment area.

Assessment Area Concentration

The bank originated a high percentage of loans within the combined assessment area. HIFS originated 76.8 percent by number and 80.6 percent by dollar amount of its home mortgage and small business loans within the assessment area. The table below details lending activity inside and outside of the assessment area in 2016 and 2017.

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										
2016	411	79.8	104	20.2	515	302,915	81.3	69,485	18.7	372,400
2017	337	75.7	108	24.3	445	277,531	81.4	63,229	18.6	340,760
Subtotal	748	77.9	212	22.1	960	580,446	81.4	132,714	18.6	713,160
Small Business										
2016	36	65.5	19	34.5	55	9,206	57.7	6,752	42.3	15,958
2017	35	67.3	17	32.7	52	16,169	72.5	6,134	27.5	22,303
Subtotal	71	66.4	36	33.6	107	25,375	66.3	12,886	33.7	38,261
Total	819	76.8	248	23.2	1,067	605,821	80.6	145,600	19.4	751,421
Source: Evaluation Period: 1/1/2016 - 12/31/2017 Bank Data Due to rounding, totals may not equal 100.0										

Geographic Distribution

The geographic distribution of loans reflect good penetration throughout the assessment area. Examiners focused on the percentage by number of loans originated in low- and moderate-income census tracts. Home mortgage lending performance received substantial weight in determining the overall conclusion.

Home Mortgage Loans

The geographic distribution of home mortgage loans is good. Examiners considere comparisons to 2016 aggregate data and the percentage of owner-occupied housing units for 2016 and 2017.

The bank's 2016 performance in low-income census tracts at 6.8 percent slightly exceeds both the aggregate (6.6 percent) and owner-occupied housing units (5.8 percent). Market share data for 2016 reflect that the bank ranked 22nd with a 1.0 percent market share for loans in low-income census tracts. The substantial majority of those ranking higher were larger regional or national banks and mortgage lenders.

In moderate-income census tracts, the bank's 2016 lending was slightly below both the aggregate level and owner-occupied housing units. Market share data for 2016 show that the bank ranked 25th with a 0.9 percent market share in the moderate-income census tracts. Similar to the low-income geographies, many of the same national banks and mortgage lenders ranked higher in the moderate-income tracts. Further supporting the bank's good performance, HIFS ranked ahead of Rockland Trust Company for both low- and moderate-tract lending despite trailing its competitor for overall assessment area loans.

Lending in low-income census tracts shows a slight decrease in 2017, and lending in moderate-income tracts remained similar in 2017. The bank cited changes in the economy as the reason

for the decline in loan volume, as they did not change lending or marketing practices from 2016 to 2017. The following table illustrates the geographic distribution of home mortgage loans.

Geographic Distribution of Home Mortgage Loans Combined Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2016	5.8	6.6	28	6.8	12,539	4.1
2017	6.3	--	15	4.5	16,901	6.1
Moderate						
2016	20.6	20.6	79	19.2	50,150	16.6
2017	20.4	--	64	19.0	51,629	18.6
Middle						
2016	37.2	36.0	162	39.4	102,385	33.8
2017	38.6	--	120	35.6	65,908	23.7
Upper						
2016	36.4	36.7	142	34.6	137,841	45.5
2017	34.3	--	137	40.7	139,793	50.4
Not Available						
2016	0.0	0.0	0	0.0	0	0.0
2017	0.5	--	1	0.3	3,300	1.2
Totals						
2016	100.0	100.0	411	100.0	302,915	100.0
2017	100.0	--	337	100.0	277,531	100.0
<i>Source: 2010 U.S. Census & 2015 ACS Census; 1/1/2016 - 12/31/2017 Bank Data, 2016 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0</i>						

Small Business Loans

For small business loans, examiners compared the number of loans to the aggregate and the percentage of businesses in the combined assessment area. The geographic distribution of small business loans reflects adequate penetration. As noted in the table below, the bank's 2016 performance in the low-income census tracts is lower than both the aggregate and business demographics. In 2017, HIFS increased its rate of lending in the low-income tracts to 8.6 percent; however, it is still less than the demographic comparator (9.9 percent). Regarding loans within the moderate-income tracts, the bank's lending again fell below comparable demographics and aggregate lending. Given the significant competition for small business loans and the fact that this is the bank's secondary lending product, this performance is reasonable.

Market share data further supports the bank's reasonable performance. In 2016, HIFS ranked 33rd out of 84 lenders in originating loans in low-income census tracts, with a market share of 0.05 percent. Similarly, the bank ranked 47th out of 102 lenders in originating loans in moderate-income census tracts, with a market share of 0.04 percent. The market share data includes several large credit card lenders who originate and report a high volume of small dollar credit

cards for business purposes. The following table illustrates the geographic distribution of small business loans.

Geographic Distribution of Small Business Loans Combined Assessment area						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2016	9.9	8.7	2	5.6	755	8.2
2017	9.9	--	3	8.6	1,470	9.1
Moderate						
2016	18.7	20.0	4	11.1	1,492	16.2
2017	18.6	--	2	5.7	550	3.4
Middle						
2016	26.1	28.9	12	33.3	2,726	29.6
2017	26.7	--	9	25.7	3,046	18.8
Upper						
2016	44.7	41.8	18	50.0	4,233	46.0
2017	43.7	--	20	57.1	10,646	65.8
Not Available						
2016	0.6	0.6	0	0.0	0	0.0
2017	1.1	--	1	2.9	457	2.8
Totals						
2016	100.0	100.0	36	100.0	9,206	100.0
2017	100.0	--	35	100.0	16,169	100.0
Source: 2016 & 2017 D&B Data; 1/1/2016 - 12/31/2017 Bank Data; 2016 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0						

Borrower Profile

The distribution of borrowers reflects, given the product lines offered by the institution, excellent penetration among individuals of different income levels and businesses of different sizes. Examiners focused primarily on the percentage by number of home mortgage loans to low- and moderate-income borrowers, as well as the percentage of small business loans to businesses with GARs of \$1 million or less.

Home Mortgage Loans

The distribution of borrowers reflects excellent penetration among individuals of different income levels. Examiners considered comparisons to aggregate data and the percentage of families in each income level. The following table details bank lending by borrower income level.

Distribution of Home Mortgage Loans by Borrower Income Level Combined Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2016	28.7	2.7	28	6.8	6,557	2.2
2017	29.9	--	21	6.2	5,826	2.1
Moderate						
2016	16.5	11.2	59	14.4	12,648	4.2
2017	16.3	--	48	14.2	10,922	3.9
Middle						
2016	18.7	21.6	73	17.8	23,068	7.6
2017	17.4	--	64	19.0	20,550	7.4
Upper						
2016	36.1	51.4	153	37.2	99,846	33.0
2017	36.4	--	109	32.3	74,735	26.9
Not Available						
2016	0.0	13.2	98	23.8	160,796	53.1
2017	0.0	--	95	28.2	165,498	59.6
Totals						
2016	100.0	100.0	411	100.0	302,915	100.0
2017	100.0	--	337	100.0	277,531	100.0
Source: 2010 U.S. Census & 2015 ACS Census Data: 1/1/2016 - 12/31/2017 Bank Data, 2016 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0						

In 2016, the bank's home mortgage lending to low-income borrowers, at 6.8 percent, significantly exceeds aggregate data of 2.7 percent. This is noteworthy, as low-income families with incomes less than \$49,300 may have difficulty qualifying for home mortgage loans, especially considering the median housing value of \$455,160. Furthermore, 11.2 percent of all families in the assessment area fall below the poverty level and would likely not qualify for home mortgage loans at all. Therefore, the demand and opportunity for lending to low-income families are limited, which explains the difference between bank lending to low-income families and the percentage of low-income families.

Market share data further supports the bank's excellent performance in lending to low-income borrowers. In 2016, the bank ranked ninth in lending to low-income borrowers with a market share of 2.3 percent, which exceeded all other local banks. This performance is noteworthy and reflects HIFS' strong performance in meeting the credit needs of low-income borrowers. In 2017, the bank's lending to low-income borrowers decreased slightly to 6.2 percent.

The bank's 2016 home mortgage lending to moderate-income borrowers at 14.4 percent exceeds aggregate data of 11.2 percent. Market share data shows HIFS ranked 15th with a 1.2 percent market share, slightly trailing Rockland Trust Company's 1.4 percent market share. In 2017, the bank's performance remained consistent at 14.2 percent.

Small Business Loans

The distribution of small business loans reflects excellent penetration to businesses with GARs of \$1 million or less. HIFS has been able to attract many small businesses close to its branches to apply for loans. In 2016, the bank made a substantial majority, or 97.2 percent, of its loans to small businesses. This significantly exceeds the aggregate performance by 51.9 percentage points and the percent of businesses by 15.2 percentage points. Although the percentage decreased in 2017 to 91.4 percent, the bank still exceeded the percentage of businesses by 9.0 percentage points, and the level of lending to smaller businesses is still excellent. However, with a low low volume of loans, a small change in numbers has a significant impact on the percentages. The table below illustrates the distribution of small business loans by gross annual revenue category.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Combined Assessment Area						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2016	82.0	45.3	35	97.2	9,156	99.5
2017	82.4	--	32	91.4	14,370	88.9
>1,000,000						
2016	7.7	--	1	2.8	50	0.5
2017	7.5	--	3	8.6	1,799	11.1
Revenue Not Available						
2016	10.3	--	0	0.0	0	0.0
2017	10.1	--	0	0.0	0	0.0
Totals						
2016	100.0	100.0	36	100.0	9,206	100.0
2017	100.0	--	35	100.0	16,169	100.0
<i>Source: 2016 & 2017 D&B Data; 1/1/2016 - 12/31/2017 Bank Data; 2016 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0</i>						

Innovative and Flexible Lending

HIFS uses innovative and/or flexible lending practices in order to serve the combined assessment area's credit needs. The bank's programs described below highlight the innovative and/or flexible underwriting standards employed for low- and moderate-income individuals.

First-time Homebuyer Program

The bank created this program with low- and moderate-income borrowers in mind, but with a higher household income cap to allow for the purchase of a home in its assessment area. Program guidelines include: secured property located in the assessment area; maximum household income of \$115,000; borrower must not have owned real estate in the past three years; flexible underwriting ratios (33 percent housing-to-income and 38 percent debt-to-income);

minimum five percent down payment with mortgage insurance required; and a \$250 borrower credit at closing. During the evaluation period, the bank originated 229 loans totaling \$57 million to low- and moderate-income borrowers under this program.

Covenant Lending Program

The Covenant Program creates and maintains stable housing options for year-round residents on the island of Nantucket earning less than 150 percent of the Nantucket median household income. Covenant homes are a sub-market of Nantucket's residential real estate market, and the sales price is restricted to the guidelines established by Nantucket Housing. During the evaluation period, the bank originated 3 loans totaling \$1.1 million under this program.

Alternative Verification of Ability to Repay (AVATAR)

The bank created the AVATAR program to replace its stated-income program and to meet the ability to repay regulations. This was done while creating a pathway to mortgage financing and homeownership for unbanked and underbanked populations that have difficulty demonstrating an ability to repay using Qualified Mortgage standards. HIFS uses its standard residential mortgage underwriting guidelines, using non-conforming methods that still meet the requirements of the ability to repay rule.

The program has particularly benefited certain low- and moderate-income minority populations, as it is paired with application forms in foreign languages and a bank policy of providing court-certified translators free of charge. During the evaluation period, the bank originated 197 loans totaling \$12.6 million under this program.

40 Year Mortgages

In 2004, the bank developed this product to make housing more affordable for first-time and low- and moderate-income homebuyers. The program enables access to credit by providing long-term financing with 40 year amortization. The bank's ability to offer flexible amortization terms results in lower monthly payments and more favorable debt service for borrowers than conventional mortgage financing with 30 year amortization. During the evaluation period, the bank originated 104 loans totaling \$6.1 million to low- and moderate-income borrowers.

Community Development Lending

HIFS is a leader in community development lending.

During the evaluation period, the bank originated 65 community development loans, totaling approximately \$54.9 million inside its combined assessment area. This number significantly exceeds the previous examination when the bank originated 21 community development loans for \$9.8 million inside its assessment area. The current activity level represents 2.9 percent of average total assets and 3.6 percent of average total loans since the prior CRA evaluation. Given bank responsiveness to assessment area needs, examiners qualified an additional 62 loans made outside of the assessment area, totaling \$67.6 million. All of the community development loans were for the purpose of creating affordable housing, which both community contacts identified as the primary assessment area need.

HIFS originated a substantial majority of their affordable housing loans to real estate investors, and the bank secured these loans by multifamily properties, many of which include a low-income component, such as providing housing for Section 8 voucher recipients. For these properties where a majority of the tenants' monthly rents were lower than the fair market rental rates as established by the United States Department of Housing and Urban Development (HUD), the full amount of the loan(s) securing the property were considered for community development purposes. Properties where less than a majority of tenants paid less than the fair market rate received pro rata credit.

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

- In 2018, the bank originated a \$975,000 loan for the purchase of a seven-unit apartment building located in a moderate-income census tract. Six of the seven units provide affordable rental housing to low- and moderate-income individuals.
- In 2017, the bank originated two loans totaling \$2.8 million to finance two 24-unit apartment buildings located in a low-income census tract. All of the units in both properties were priced below fair market rent rates.
- In 2015, the bank originated a \$1.7 million loan to finance a 19-unit property in a low-income tract. The property includes a Section 8 component and all of the tenants paid rents less than the fair market rate.
- In 2014, the bank made a residential mortgage loan totaling \$225,000 for the purchase of a multifamily home. All six apartments are designated as affordable housing for families at or below 80 percent of the median family income for the MSA.

INVESTMENT TEST

HIFS' Investment Test performance is rated High Satisfactory. This rating is supported by a significant level of qualified investments and good responsiveness to credit and community economic development needs. In addition, the bank makes significant use of innovative and/or complex investments to support community development initiatives. The following sections discuss the bank's performance under each criterion.

Investment Activity

Based on the bank's financial ability, its capacity to invest, and the opportunities available within the combined assessment area, HIFS made a significant level of qualified investments. During the evaluation period, the bank made 48 qualified investments totaling nearly \$9.0 million, equating to 0.5 percent of total assets and 3.0 percent of total securities as of March 31, 2018. The total of qualified investments includes \$3.0 million in current period equity investments, \$5.7 million in prior equity investments, and \$246,170 in qualified grants and donations. Qualified investments increased significantly from \$6.1 million at the previous evaluation. Below are examples of the bank's qualified equity investments.

Boston Community Capital's BCLF

Boston Community Capital is a community development financial institution (CDFI) whose mission is to build healthy communities where low-income individuals live and work. Through its BCLF, Boston Community Capital provides loans to non-profit organizations, community development corporations, and local developers that build affordable housing and provide social and community services for underserved communities. During the evaluation period, HIFS maintained its two investments in the BCLF totaling \$1.0 million, which primarily promote affordable housing.

Community Capital Management's CRA Qualified Investment Fund

In addition to existing investments in Community Capital Management's CRA Qualified Investment Fund from a prior period, HIFS made three additional investments in this fund during the evaluation period, consisting of a \$2.0 million investment during the second quarter of 2016, a \$500,000 investment during the first quarter of 2017, and a \$500,000 investment during the first quarter of 2018. These investments earmark funds to CRA-qualified investments inside the bank's assessment area, which resulted in loans originated to low- and moderate- income borrowers in cities and towns such as Boston, Hull, Marshfield, and Weymouth. As of March 31, 2018, the bank's affordable housing investments in the CRA Qualified Investment Fund have a total book value of prior investments plus new investments equaling \$7.7 million.

The following table illustrates the bank's community development qualified equity investments. Equity investments primarily occurred within the Boston/South Shore assessment area.

Qualified Equity Investments by Assessment Area and by Activity Year										
Assessment Area by Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Boston/South Shore Assessment Area										
Prior Period	2	5,724	0	0	0	0	0	0	2	5,724
5/4/2015 - 12/31/2015	0	0	0	0	0	0	0	0	0	0
2016	1	2,000	0	0	0	0	0	0	1	2,000
2017	1	500	0	0	0	0	0	0	1	500
1/1/2018 – 6/25/2018	1	500	0	0	0	0	0	0	1	500
Total	5	8,724	0	0	0	0	0	0	5	8,724
<i>Source: Bank Records</i>										

The volume of community development donations increased notably since the previous evaluation. Qualified donations for 2015, 2016, and 2017 represent 0.2 percent, 0.3 percent, and 0.1 percent of pre-tax net operating income, respectively. A majority of the bank's donations benefited organizations that provide community services to low- and moderate-income individuals.

Following are examples of the bank's qualified donations.

- **Derby Academy:** Derby Academy is a private school on Boston's South Shore for students in preschool through eighth grade. HIFS' donations provided financial assistance through scholarships to students from low- and moderate-income families. The bank donated \$65,670 to Derby Academy during the evaluation period.
- **Ellis Memorial:** Ellis Memorial supports education, social, and health services in Boston. Funds from HIFS were used to benefit year-round full-day programs for low- and moderate-income children, youth, and adults from Boston's inner-city working families. The bank donated \$11,000 to Ellis Memorial during the evaluation period.
- **Massachusetts Affordable Housing Alliance (MAHA):** MAHA educates and mobilizes individuals and communities to increase affordable housing and sustainable homeownership across Massachusetts. Furthermore, it challenges organizations and elected officials to do more for low- and moderate-income homebuyers. The bank donated \$5,000 to MAHA during the evaluation period.
- **Rosie's Place:** Rosie's Place provides meals and shelter, and it assists more than 12,000 women annually through support, housing, and education services in the Boston area. The bank donated \$8,500 to Rosie's Place during the evaluation period.

The following table illustrates the bank's community development donations.

Qualified Grants and Donations by Assessment Area and by Activity Year										
Combined Assessment Areas by Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$	#	\$	#	\$	#	\$	#	\$
9/15/2014 - 12/31/2014	1	2,500	2	3,500	0	0	0	0	3	6,000
2015	2	7,500	11	51,500	0	0	0	0	13	59,000
2016	3	8,000	13	92,835	0	0	0	0	16	100,835
2017	1	4,000	7	69,335	0	0	1	1,000	9	74,335
1/1/2018 - 6/25/2018	0	0	2	6,000	0	0	0	0	2	6,000
Total	7	22,000	35	223,170	0	0	1	1,000	43	246,170
<i>Source: Bank Records</i>										

Responsiveness to Credit and Community Development Needs

HIFS exhibits good responsiveness to credit and community development needs. The bank's equity investments greatly benefited low- and moderate income borrowers to achieve affordable housing. As identified by both community contacts, affordable housing is the primary community development need within the combined assessment area.

Community Development Initiatives

HIFS occasionally uses innovative and/or complex investments to support community development initiatives. The bank's investment in BCLF provides funding to organizations that specifically help communities where low-income individuals live and work, and the investment

in CRA Qualified Investment Fund provides funds that are subsequently used for loans to low- and moderate-income borrowers for affordable housing and community services. These are important investments to organizations that are able to obtain funds from financial organizations for use on more complex programs.

SERVICE TEST

HIFS' Service Test performance is rated high satisfactory. The bank provides a relatively high level of community services and has delivery systems reasonably accessible throughout the assessment area. The bank's level and responsiveness of community development services primarily supports the Service Test rating. The following sections discuss the bank's performance under each criterion.

Accessibility of Delivery Systems

Delivery systems are reasonably accessible to essentially all portions of the bank's assessment areas, and alternative delivery systems supplement the bank's branches. The following table illustrates the distribution of the bank's deposit-taking ATMs and full-service branches, including its main office, in the combined assessment area.

Full-service Branch and ATM Distribution by Geography Income Level								
Tract Income Level	Census Tracts		Population		Branches/Main Office		ATMs	
	#	%	#	%	#	%	#	%
Low	54	15.9	210,061	15.1	0	0.0	0	0.0
Moderate	87	25.6	378,763	27.2	0	0.0	0	0.0
Middle	101	29.7	451,059	32.4	8	72.7	10	71.4
Upper	87	25.6	343,018	24.7	3	27.3	4	28.6
NA	11	3.2	7,772	0.6	0	0.0	0	0.0
Total	340	100.0	1,390,673	100.0	11	100.0	14	100.0
<i>Source: 2010 U.S. Census & Bank Records</i>								

As shown in the table above, the bank does not operate any branches in low- or moderate-income census tracts, despite the fact that 41.5 percent of the assessment area's total tracts are low- or moderate-income and 42.3 percent of the population lives in these tracts. However, this evaluation confirmed that the bank is meeting the needs of these areas by originating loans within the low- and moderate-income tracts.

Changes in Branch Locations

This factor did not affect Service Test conclusions since the bank did not open or close any branches during the evaluation period.

Reasonableness of Business Hours and Services

Banking hours and services do not vary in a way that inconveniences certain portions of the assessment areas, particularly low- and moderate-income geographies or individuals. Branch hours at each location are consistent, with all of the full-service branches opening at 8:30 a.m. on weekdays and 8:30 a.m. or 9:00 a.m. on Saturdays. These branches are all open until 4:00 p.m. or 5:00 p.m. on weekdays and close at 1:00 p.m. on Saturdays. They also offer the same complete line of products and services.

Community Development Services

The bank provides a relatively high level of community development services. During the evaluation period, eight HIFS officers were involved with 15 organizations that provided qualified community development services within the assessment area. These officers provided financial, management, and banking expertise while serving as Board members, committee members, and volunteers. In addition, employees representing the bank partook in 10 qualified financial education training classes with area organizations.

The following table shows the number of officers that represented the bank with the various qualified organizations and the number of financial education training classes provided.

Community Development Services by Assessment Area – Employee Involvement					
Combined Assessment Areas	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
5/4/2015 - 12/31/2015	7	4 (includes 1 class)	1	0	12
2016	7	6 (includes 2 classes)	1	0	14
2017	12 (includes 4 classes)	3	1	1	17
1/1/2018 – 6/25/2018	9 (includes 3 classes)	2	1	1	13
Total	35	15	4	2	56
<i>Source: Bank Records</i>					

Following are notable examples of bank officers' involvement with organizations providing community development services and of bank representatives providing financial training:

- Two officers have been members of the Board of Trustees of the Hingham Affordable Housing Trust since prior to the start of the evaluation period. One of the officers was a trustee until 2017, and the other officer continues as a trustee with the organization.
- An officer has been a member of the Advisory Council of the Massachusetts Affordable Housing Alliance throughout the evaluation period. This organization educates and

mobilizes people and communities to increase affordable and sustainable homeownership throughout Massachusetts.

- An officer has been a member of the Boston Alliance for Economic Inclusion throughout the evaluation period. This organization's mission is to enhance the economic security of unbanked and underbanked individuals in metropolitan Boston. It works to accomplish this by improving access to the banking system, developing and marketing more affordable and responsive financial products and services, promoting financial education, and addressing related technical and regulatory issues.
- The bank partnered with the Asian Real Estate Association of America for a 2017 first-time homebuyer seminar in Boston's Chinatown. This seminar benefited residents from Chinatown's low-income census tract.
- The bank participated in an Alliance for Substance Abuse Prevention sponsored Wellness Expo for Nantucket high school students. An assistant branch manager conducted one session on "financial IQ/responsibilities" that included how to manage a checkbook and a budget. Six students from Nantucket, which included an underserved middle-income census tract, attended this 2016 session.
- The bank partnered with Housing Nantucket to provide three first-time homebuyer seminars in 2017 and three in 2018. Housing Nantucket works to create affordable housing opportunities in Nantucket, and the seminars explained budgeting, credit reports and history, and obtaining a mortgage. Approximately 60 people attended the seminars each year.

Other Activities

HIFS participates in the Interest on Lawyers' Trust Accounts (IOLTA). Lawyers and others with responsibility over client funds place large client deposits, such as escrow accounts, in interest bearing accounts. Deposits that would individually be too small or too short-term to generate interest are pooled into IOLTA accounts. Interest earned on the account is utilized to help fund improvements in the administration of justice and delivery of legal services to low-income clients.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

METROPOLITAN AREA (Full-Scope Review)

Examiners performed a full-scope evaluation of the bank's performance in the Boston/South Shore assessment area and gave significant weight to the bank's performance in this area, as a significant majority of the bank's branches and lending activity occurs in this assessment area.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE BOSTON/SOUTH SHORE ASSESSMENT AREA

The Boston/South Shore assessment area includes the areas indicated in the following table. This area covers 334 census tracts, of which 54 are low-income, 87 are moderate-income, 101 are middle-income, 82 are upper-income, and 10 have no income designation (based on the 2015 ACS Data). HIFS operates ten full service branches and one limited service branch within the Boston/South Shore assessment area, with all of the branches in either middle- or upper-income census tracts.

Boston/South Shore Assessment Area			
MSA 15764 Cambridge-Newton-Framingham, MA MD	MSA 14454 Boston, MA MD		
Middlesex County	Norfolk County	Plymouth County	Suffolk County (Boston Neighborhoods)
Cambridge	Braintree	Hanover	Allston
Everett	Brookline	Hingham	Beacon Hill
Malden	Cohasset	Hull	Brighton
Medford	Milton	Marshfield	Charlestown
Somerville	Quincy	Norwell	Chinatown
	Weymouth	Scituate	Dorchester
			East Boston
			Fenway
			Hyde Park
			Jamaica Plain
			Mattapan
			North End
			Roslindale
			Roxbury
			South Boston
			South End
			West Roxbury

Economic and Demographic Data

The Boston/South Shore assessment area expanded since the previous CRA evaluation to include the following cities from Middlesex County and the Cambridge-Newton-Framingham, MA MD: Cambridge, Everett, Malden, Medford and Somerville. HIFS also added the following Boston neighborhoods from Suffolk County and the Boston, MA MD: Allston, Beacon Hill, Brighton, Charlestown, East Boston, Hyde Park, Roslindale, and West Roxbury.

The following table illustrates select demographic characteristics of the Boston/South Shore assessment area.

Demographic Information of the Assessment Area Boston/South Shore Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	334	16.2	26.0	30.2	24.6	3.0
Population by Geography	1,380,117	15.2	27.4	32.7	24.1	0.6
Housing Units by Geography	585,962	13.5	26.8	33.1	25.9	0.7
Owner-Occupied Units by Geography	238,894	6.3	20.6	39.0	33.6	0.5
Occupied Rental Units by Geography	305,174	19.0	31.7	29.0	19.5	0.8
Vacant Units by Geography	41,894	14.6	26.7	29.4	28.2	1.0
Businesses by Geography	102,521	10.1	19.0	27.2	42.7	1.1
Farms by Geography	906	5.8	16.0	38.0	40.0	0.2
Family Distribution by Income Level	286,480	30.0	16.4	17.4	36.2	0.0
Household Distribution by Income Level	544,068	31.0	14.5	15.6	38.9	0.0
Median Family Income MSA - 14454 Boston, MA MD		\$90,699	Median Housing Value			\$443,008
Median Family Income MSA - 15764 Cambridge-Newton- Framingham, MA MD		\$100,380	Median Gross Rent			\$1,383
			Families Below Poverty Level			11.2%
Source: 2010 U.S. Census & 2015 ACS Census and 2017 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 assessment area has a total population of 1,380,117 individuals residing in 286,480 families. Of total families in the area, 30.0 percent are low-income, 16.4 percent are moderate-income, 17.4 percent are middle-income, and 36.2 percent are upper-income. These figures include 11.2 percent of families that are below the poverty level. This poverty rate typically indicates a reduced ability for low-income families to secure a mortgage loan, thereby reducing residential lending opportunities for low-income borrowers, especially considering the cost of housing.

Of the 585,962 housing units, 238,894, or 40.8 percent, are owner-occupied, and the median housing value in 2010 for the assessment area was \$443,008. Additionally, 305,174, or 52.1 percent of all housing units, are occupied rental units, and these have a median gross rent of \$1,383. The demographic information table shows lower than expected distributions of owner-occupied housing units in the low- and moderate-income tracts when compared to the population percentage in these tracts. The low percentage of owner-occupied units in low- and moderate-income tracts limits opportunities to make home mortgage loans in these geographies.

According to 2017 D&B data, 102,521 non-farm businesses operated within the assessment area. The analysis of small business loans under the Borrower Profile section of the Lending Test compares the distribution of businesses by gross annual revenue (GAR) level. GAR data for businesses in the assessment area are estimated below.

- 82.4 percent have \$1 million or less
- 7.5 percent have more than \$1 million
- 10.1 percent did not report revenues

Service industries represent the largest portion of businesses at 47.5 percent, followed by retail trade at 13.1 percent, and finance, industrial and real estate at 12.4 percent. In addition, 67.7 percent of businesses in the area employ four or fewer people, and 87.6 percent of businesses in the area operate from a single location. Included among the largest employers in the assessment area are Alma Nove, Boston Housing Authority, Liberty Mutual Insurance Company, Massachusetts State Lottery, and Patriot Ledger. There is significant competition between financial institutions to lend to these businesses.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

The bank's Lending Test performance in this metropolitan area is excellent.

Lending Activity

The bank's lending level reflects excellent responsiveness to the assessment area's credit needs. In 2016, the bank originated 356 home mortgage loans totaling \$248.5 million, and in 2017, it originated 312 home mortgage loans totaling \$250.0 million. For small business lending, the bank originated 35 loans totaling \$8.7 million in 2016 and 29 loans totaling \$13.9 million in 2017.

Geographic Distribution

The geographic distribution reflects good penetration throughout the Boston/South Shore assessment area. Examiners focused on the percentage of loans in the low- and moderate-income census tracts.

Home Mortgage Loans

The bank's 2016 performance in low-income census tracts at 7.9 percent exceeds both the aggregate (6.7 percent) and owner-occupied housing units (5.8 percent). Market share data indicate the bank ranked 22nd with a 1.0 percent market share for loans in low-income census tracts. The substantial majority of those ranking higher were larger regional or national banks and mortgage lenders. In 2017, originations in low-income census tracts decreased to 4.8 percent.

In moderate-income census tracts, the bank's 2016 lending was again higher than both the aggregate level and owner-occupied housing units. In 2017, the bank's loan percentage in moderate-income census tracts decreased to 20.5 percent. In 2016, the bank ranked 25th with a 0.9 percent market share for loans in moderate-income census tracts. Similarly to low-income geographies, many of the same national banks and mortgage lenders ranked higher in moderate-income tracts. The following table details Boston/South Shore AA by borrower income level.

Geographic Distribution of Home Mortgage Loans Boston/South Shore Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2016	5.8	6.7	28	7.9	12,539	5.0
2017	6.3	--	15	4.8	16,901	6.8
Moderate						
2016	20.8	20.9	79	22.2	50,150	20.2
2017	20.6	--	64	20.5	51,629	20.7
Middle						
2016	37.1	36.2	153	43.0	95,215	38.3
2017	39.0	--	120	38.5	65,908	26.4
Upper						
2016	36.2	36.1	96	27.0	90,620	36.5
2017	33.6	--	112	35.9	112,183	44.9
Not Available						
2016	0.0	0.0	0	0.0	0	0.0
2017	0.5	--	1	0.3	3,300	1.3
Totals						
2016	100.0	100.0	356	100.0	248,524	100.0
2017	100.0	--	312	100.0	249,921	100.0
<i>Source: 2010 U.S. Census & 2015 ACS Census; 1/1/2016 - 12/31/2017 Bank Data, 2016 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0</i>						

Small Business Loans

The geographic distribution of small business loans reflects adequate dispersion. The following table shows the bank's performance in the low-income census tracts is below the aggregate performance and the percent of businesses in the assessment area. In 2017, the bank increased

its lending to 10.3 percent, which slightly exceeds business demographics. At 11.4 percent in 2016, the bank's percent of lending in moderate-income census tracts is below both the aggregate and business demographics, and this percentage significantly decreased in 2017. The following table illustrates the geographic distribution of small business loans by census tract income level.

Geographic Distribution of Small Business Loans Boston/South Shore Assessment Area						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2016	10.0	8.9	2	5.7	755	8.7
2017	10.1	--	3	10.3	1,470	10.6
Moderate						
2016	19.0	20.5	4	11.4	1,492	17.1
2017	19.0	--	2	6.9	550	4.0
Middle						
2016	26.0	28.7	11	31.4	2,226	25.6
2017	27.2	--	9	31.0	3,046	22.0
Upper						
2016	44.3	41.2	18	51.4	4,233	48.6
2017	42.7	--	14	48.3	8,349	60.2
Not Available						
2016	0.6	0.7	0	0.0	0	0.0
2017	1.1	--	1	3.4	457	3.3
Totals						
2016	100.0	100.0	35	100.0	8,706	100.0
2017	100.0	--	29	100.0	13,872	100.0
Source: 2016 & 2017 D&B Data; 1/1/2016 - 12/31/2017 Bank Data; 2016 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0						

Borrower Profile

The distribution of borrowers reflects, given the product lines offered by the institution, excellent penetration among individuals of different income levels and businesses of different sizes. Examiners focused primarily on the percentage by number, of home mortgage loans to low- and moderate-income borrowers, as well as the percentage of small business loans to businesses with GARs of \$1 million or less.

Home Mortgage Loans

The distribution of borrowers reflects excellent penetration among individuals of different income levels. The following table details lending by borrower income level.

Distribution of Home Mortgage Loans by Borrower Income Level Boston/South Shore Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2016	28.9	2.7	27	7.6	5,807	2.3
2017	30.0	--	21	6.7	5,826	2.3
Moderate						
2016	16.6	11.3	59	16.6	12,648	5.1
2017	16.4	--	48	15.4	10,922	4.4
Middle						
2016	18.6	21.8	67	18.8	18,665	7.5
2017	17.4	--	61	19.6	18,550	7.4
Upper						
2016	35.9	51.0	117	32.9	64,451	25.9
2017	36.2	--	94	30.1	60,386	24.2
Not Available						
2016	0.0	13.2	86	24.2	146,953	59.1
2017	0.0	--	88	28.2	154,237	61.7
Totals						
2016	100.0	100.0	356	100.0	248,524	100.0
2017	100.0	--	312	100.0	249,921	100.0
Source: 2010 U.S. Census & 2015 ACS Census; 1/1/2016 - 12/31/2017 Bank Data, 2016 & 2017 HMDA Aggregate Data, "--" data not available.						
Due to rounding, totals may not equal 100.0.						

Home mortgage lending to low-income borrowers, at 7.6 percent, significantly exceeded aggregate data of 2.7 percent. Market share data further supports the bank's outstanding performance. In 2016, the bank ranked 10th for low-income borrowers with a market share of 2.3 percent. In 2017, the bank's lending decreased to 6.7 percent. The bank's 2016 performance for moderate-income borrowers at 16.6 percent exceeds aggregate data at 11.3 percent. Market share data shows HIFS ranked 15th with a 1.2 percent market share.

Small Business Loans

The distribution of loans reflects excellent penetration among businesses of different sizes. The following table shows the bank originated 97.1 percent of the 2016 reported small business loans to businesses with GARs of \$1 million or less. This significantly exceeds the 45.2 percent

aggregate lending rate by other reporting lenders to businesses with GARs of \$1 million or less, and it exceeds the 81.9 percent of businesses with GARs of \$1 million or less. Although there is a decrease in lending in 2017, the bank still exceeds business demographics.

Distribution of Small Business Loans by Gross Annual Revenue Category Boston/South Shore Assessment Area						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2016	81.9	45.2	34	97.1	8,656	99.4
2017	82.3	--	26	89.7	12,073	87.0
>1,000,000						
2016	7.7	--	1	2.9	50	0.6
2017	7.5	--	3	10.3	1,799	13.0
Revenue Not Available						
2016	10.4	--	0	0.0	0	0.0
2017	10.1	--	0	0.0	0	0.0
Totals						
2016	100.0	100.0	35	100.0	8,706	100.0
2017	100.0	--	29	100.0	13,872	100.0
<i>Source: 2016 & 2017 D&B Data; 1/1/2016 - 12/31/2017 Bank Data; 2016 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0</i>						

Innovative and Flexible Lending

Refer to comments in the combined assessment area section of this evaluation for innovative and flexible lending.

Community Development Lending

All of the bank's community development loans were originated in the Boston/South Shore assessment area. Refer to comments in the combined assessment area section of this report for the community development loans the bank originated during the evaluation period.

INVESTMENT TEST

The bank's performance under the Investment Test in the Boston/South Shore assessment area is good and consistent with its overall performance, as reflected in the combined assessment area section. HIFS' community development investments primarily benefitted this assessment area, which is expected considering the bank has substantially more branches, deposits, and lending activity in this area.

All of the bank's qualified equity investments benefited the Boston/South Shore assessment area. Regarding the bank's community development grants and donations, 97.6 percent focused on this assessment area. The following table shows qualified grants and donations by year and purpose.

Qualified Grants and Donations by Activity Year										
Boston/South Shore MSA Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$	#	\$	#	\$	#	\$	#	\$
9/15/2014 - 12/31/2014	1	2,500	2	3,500	0	0	0	0	3	6,000
2015	2	7,500	10	46,500	0	0	0	0	12	54,000
2016	3	8,000	13	92,835	0	0	0	0	16	100,835
2017	1	4,000	7	69,335	0	0	1	1,000	9	74,335
1/1/2018 - 6/25/2018	0	0	1	5,000	0	0	0	0	1	5,000
Total	7	22,000	33	217,170	0	0	1	1,000	41	240,170

SERVICE TEST

The bank's performance under the Service Test in the Boston/South Shore assessment area is consistent with its overall performance, reflecting a relatively high level of community development services. With respect to bank employees' participation in community development services, 76.8 percent focused on the Boston/South Shore assessment area. The following table indicates community development services by year and purpose.

Community Development Services by Activity Year – Employee Involvement					
Boston/South Shore MSA Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
5/4/2015 - 12/31/2015	7	1	1	0	9
2016	7	2	1	0	10
2017	9 (includes 1 class)	3	1	1	14
1/1/2018 – 6/25/2018	6	2	1	1	10
Subtotal	29	8	4	2	43

Accessibility of Delivery Systems

Delivery systems are reasonably accessible to essentially all portions of the Boston/South Shore assessment area, and alternative delivery systems supplement the bank's branches. The following table illustrates the distribution of the bank's deposit-taking ATMs and full-service branches, including its main office, within the Boston/South Shore assessment area.

Branch and ATM Distribution by Geography Income Level Boston/South Shore Assessment Area								
Tract Income Level	Census Tracts		Population		Branches/Main Office		ATMs	
	#	%	#	%	#	%	#	%
Low	54	16.2	210,061	15.2	0	0.0	0	0.0
Moderate	87	26.0	378,763	27.4	0	0.0	0	0.0
Middle	101	30.2	451,059	32.7	8	80.0	10	76.9
Upper	82	24.6	332,462	24.1	2	20.0	3	23.1
NA	10	3.0	7,772	0.6	0	0.0	0	0.0
Total	334	100.0	1,380,117	100.0	10	100.0	13	100.0
<i>Source: 2010 U.S. Census & Bank Records</i>								

Refer to the combined assessment areas section for additional details on the bank's community development services.

MASSACHUSETTS NONMETROPOLITAN AREA (Nantucket County) (Full-Scope Review)

Examiners performed a full-scope review of the Nantucket assessment area in the Massachusetts non-MSA. Although a full-scope analysis was completed, performance in this area had minimal effect on the overall rating based on the limited percentage of branches, deposits, and lending.

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE NANTUCKET ASSESSMENT AREA

The Nantucket assessment area includes the town of Nantucket, which is in Nantucket County. Nantucket is an island off the southeastern coast of Massachusetts that is generally a tourist destination and summer colony. HIFS operates one branch, which is in an upper-income census tract, within the Nantucket assessment area.

Economic and Demographic Data

Based on 2015 ACS data, Nantucket consists of six census tracts, with five upper-income tracts and one tract with no income designation. Prior to the 2015 ACS and based on 2010 U.S. Census data, one of the current upper-income tracts was a middle-income tract. In addition, the tract with no income designation was previously upper-income. The following table illustrates select demographic characteristics of the Nantucket assessment area.

Demographic Information of the Assessment Area Nantucket Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	6	0.0	0.0	0.0	83.3	16.7
Population by Geography	10,556	0.0	0.0	0.0	100.0	0.0
Housing Units by Geography	11,763	0.0	0.0	0.0	100.0	0.0
Owner-Occupied Units by Geography	2,568	0.0	0.0	0.0	100.0	0.0
Occupied Rental Units by Geography	1,355	0.0	0.0	0.0	100.0	0.0
Vacant Units by Geography	7,840	0.0	0.0	0.0	100.0	0.0
Businesses by Geography	1,925	0.0	0.0	0.0	100.0	0.0
Farms by Geography	94	0.0	0.0	0.0	100.0	0.0
Families by Income Level	2,295	12.6	12.7	15.0	59.7	0.0
Households by Income Level	3,923	14.3	9.5	18.8	57.3	0.0
Median Family Income Non-MSAs – MA		\$73,868	Median Housing Value			\$1,060,513
			Median Gross Rent			\$1,594
			Families Below Poverty Level			6.1%
Source: 2010 U.S. Census & 2015 ACS Census and 2017 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.						

Although the assessment area has a year-round population of 10,556, it experiences a tourist season with a summer population of more than 50,000 people. Of total housing units, 21.8 percent are owner-occupied and the median housing value in 2010 for the assessment area was \$1.1 million. Additionally, 11.5 percent of housing units are rental units with a median gross rent of \$1,594. A large percentage of housing units are vacant units at 66.7 percent. This is mainly due to the fact that many properties are second homes, owned primarily for seasonal purposes. Affordable housing is a continual need, as local housing prices are inflated by the higher incomes of non-resident, second homeowners. Affordable rental units are also difficult to find, as rental stock is limited due to the premium placed on high-priced vacation rentals during the summer.

According to 2017 D&B data, 1,925 non-farm businesses operate within the assessment area. GAR data for businesses in the assessment area are estimated below.

- 88.0 percent have \$1 million or less
- 5.2 percent have more than \$1 million
- 6.8 percent did not report revenues

Service industries significantly represent the largest portion of businesses at 37.3 percent, and there is strong competition between financial institutions to originate small business loans within this industry. Service industries is followed by retail trade at 16.7 percent, and construction at 14.3 percent. In addition, 73.1 percent of businesses in the area employ four or fewer people, and 92.6 percent of businesses in the area operate from a single location. Included among the largest employers in the assessment area are Bartlett's Farm, Jared Coffin House, Nantucket High School, and Marine Home Center.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

The bank's Lending Test performance in this assessment area is good.

Lending Activity

The bank's lending level reflects good responsiveness to assessment area credit needs. During 2016 and 2017, HIFS originated 80 home mortgage loans totaling \$80 million and seven small business loans totaling \$3.0 million in Nantucket County.

Geographic Distribution

Since geographic distribution emphasizes lending in low- and moderate-income census tracts, and Nantucket County has no such tracts, this factor did not affect Lending Test conclusions.

Borrower Profile

The distribution of borrowers reflects, given the product lines offered by HIFS, adequate penetration among individuals of different income levels and businesses of different sizes.

Home Mortgage Lending

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, reflects reasonable penetration within Nantucket. The following table details the distribution of borrowers by income level.

Distribution of Home Mortgage Loans by Borrower Income Level Nantucket Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2016	10.5	0.7	1	1.8	750	1.4
2017	12.6	--	0	0.0	0	0.0
Moderate						
2016	8.6	2.8	0	0.0	0	0.0
2017	12.7	--	0	0.0	0	0.0
Middle						
2016	20.4	7.4	6	10.9	4,403	8.1
2017	15.0	--	3	12.0	2,000	7.2
Upper						
2016	60.5	74.7	36	65.5	35,395	65.1
2017	59.7	--	15	60.0	14,349	52.0
Not Available						
2016	0.0	14.4	12	21.8	13,843	25.5
2017	0.0	--	7	28.0	11,261	40.8
Totals						
2016	100.0	100.0	55	100.0	54,391	100.0
2017	100.0	--	25	100.0	27,610	100.0
<i>Source: 2010 U.S. Census & 2015 ACS Census; 1/1/2016 - 12/31/2017 Bank Data, 2016 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0</i>						

Home mortgage lending to low-income borrowers, at 1.8, percent is reasonable when compared to 0.7 percent aggregate lending. A low-income family with an average income of \$38,800 would not likely qualify for a mortgage under conventional underwriting standards, especially when the median housing value is \$1.1 million. The demand and opportunity for lending to low-income families is very limited, which explains the difference in percentage between the bank (1.8 percent) and the percent of families (10.5 percent). As noted in the table, the bank did not originate any loans to moderate-income families in 2016 or 2017. The low volume in lending to both low- and moderate-income borrowers is expected given the high cost of housing in the assessment area.

Small Business Lending

The distribution of loans reflects excellent penetration of small business loans. The following table shows the bank originated 100.0 percent of the small business loans to businesses with GARs of \$1 million or less for both 2016 and 2017.

Distribution of Small Business Loans by Gross Annual Revenue Category Nantucket Assessment Area						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2016	88.2	46.8	1	100.0	500	100.0
2017	88.0	--	6	100.0	2,297	100.0
>1,000,000						
2016	4.9	--	0	0.0	0	0.0
2017	5.2	--	0	0.0	0	0.0
Revenue Not Available						
2016	6.9	--	0	0.0	0	0.0
2017	6.8	--	0	0.0	0	0.0
Totals						
2016	100.0	100.0	1	100.0	500	100.0
2017	100.0	--	6	100.0	2,297	100.0
<i>Source: 2016 & 2017 D&B Data; 1/1/2016 - 12/31/2017 Bank Data; 2016 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0</i>						

Community Development Lending

Community development lending activities are evaluated pursuant the criteria previously outlined in the combined assessment area section of this report. HIFS did not make any community development loans in the Nantucket assessment area. The area contains limited community development lending opportunities.

Innovative and Flexible Lending

Refer to comments in the combined assessment area section of this evaluation for innovative and flexible lending.

INVESTMENT TEST

The bank's performance under the Investment Test in the Nantucket assessment area is adequate. In addition to the limited branches, deposits, and lending, this area has fewer community development needs and opportunities than the Boston/South Shore assessment area. Therefore, fewer of HIFS' community development investments benefitted this assessment area.

With respect to the bank's community development grants and donations, 2.4 percent focused on this assessment area. The following table breaks down how the bank qualified grants and donations were used.

Qualified Grants and Donations by Activity Year										
Nantucket Non-MSA Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$	#	\$	#	\$	#	\$	#	\$
9/15/2014 - 12/31/2014	0	0	0	0	0	0	0	0	0	0
2015	0	0	1	5,000	0	0	0	0	1	5,000
2016	0	0	0	0	0	0	0	0	0	0
2017	0	0	0	0	0	0	0	0	0	0
1/1/2018 - 6/25/2018	0	0	1	1,000	0	0	0	0	1	1,000
Subtotal	0	0	2	6,000	0	0	0	0	2	6,000

SERVICE TEST

The bank's performance under the Service Test in the Nantucket assessment area is consistent with its overall performance, reflecting a relatively high level of community development services. In addition to the limited branches, deposits, and lending, this area has fewer community development needs and opportunities than the Boston/South Shore assessment area. Therefore, fewer of HIFS' community development services benefitted this assessment area.

With respect to employees' participation in community development services, 23.2 percent focused on the Nantucket assessment area. The following table indicates community development services by year and purpose.

Community Development Services by Assessment Area – Employee Involvement					
Nantucket Non-MSA Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
5/4/2015 - 12/31/2015	0	3 (includes 1 class)	0	0	3
2016	0	4 (includes 2 classes)	0	0	4
2017	3 (all were classes)	0	0	0	3
1/1/2018 – 6/25/2018	3 (all were classes)	0	0	0	3
Total	6	7	0	0	13
<i>Source: Bank Records</i>					

Accessibility of Delivery Systems

As with the combined assessment areas, delivery systems are reasonably accessible to essentially all portions of the Nantucket assessment area, and alternative delivery systems supplement the bank's branches.

APPENDIX A

Fair Lending Policies and Procedures

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

MINORITY APPLICATION FLOW

The bank's HMDA LARs for 2016 and 2017 were reviewed to determine if the application flow from the different racial groups within the bank's assessment area was reflective of the assessment area's demographics.

According to the 2010 U.S. Census Data, the bank's assessment area contained a total population of 1,390,673 individuals of which 40.8 percent are minorities. The assessment area's minority and ethnic population is 14.4 percent Black/African American, 10.7 percent Asian, 0.1 percent American Indian, 0.0 percent Hawaiian/Pacific Islander, 12.3 percent Hispanic or Latino and 3.3 percent other.

In 2016, the bank received 551 HMDA reportable loan applications from within its assessment area. Of these applications, 211 or 38.3 percent were received from minority applicants, of which 176 or 83.4 percent resulted in originations. The aggregate received 61,522 HMDA reportable loan applications of which 10,292 or 16.8 percent were received from minority applicants and 6,640 or 64.5 percent were originated. For the same time period, the bank also received 7 or 1.3 percent of applications from ethnic groups of Hispanic origin within its assessment area of which 54 or 50.0 percent were originated versus the aggregate that received 60 applications or 2.3 percent of which 39 or 65.0 percent were originated.

For 2017, the bank received 167 HMDA reportable loan applications from within its assessment area. Of these applications, 7 or 4.2 percent were received from minority applicants, of which 5 or 71.4 percent resulted in originations. For the same time period, the bank received 8 or 1.8 percent of applications from ethnic groups of Hispanic origin within its assessment area of which 4 or 50.0 percent were originated.

The bank's level of lending was compared with that of the aggregate's lending performance level for the most recent year that data was available, the year 2016. The comparison of this data assists in deriving reasonable expectations for the rate of applications the bank received from minority residential 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.

MINORITY APPLICATION FLOW					
RACE	Bank 2016		2016 Aggregate Data	Bank 2017	
	#	%		#	%
American Indian/ Alaska Native	1	0.2	0.2	1	0.2
Asian	206	37.4	8.8	129	28.9
Black/ African American	2	0.4	5.8	2	0.4
Hawaiian/Pacific Islander	0	0.0	0.2	0	0.0
2 or more Minority	0	0.0	0.1	0	0.0
Joint Race (White/Minority)	2	0.4	1.7	4	0.9
Total Minority	211	38.3	16.8	136	30.4
White	239	43.4	60.8	196	43.9
Race Not Available	101	18.3	22.4	115	25.7
Total	551	100.0	100.0	447	100.0
ETHNICITY					
Hispanic or Latino	6	1.1	3.6	7	1.6
Not Hispanic or Latino	416	75.5	73.3	304	68.0
Joint (Hisp/Lat /Not Hisp/Lat)	1	0.2	1.1	1	0.2
Ethnicity Not Available	128	23.2	22.0	135	30.2
Total	551	100.0	100.0	447	100.0

Source: US Census 2010, HMDA Aggregate Data 2015, HMDA LAR Data 2015 and 2016.

Considering the demographic composition of the assessment area and comparisons to aggregate data in 2016, the bank's minority application flow is excellent.

APPENDIX B

Loss of Affordable Housing – Massachusetts Division of Banks

The Division of Banks' regulation 209 CMR 46.22(2)(g) requires that the evaluation of the lending performance of a large institution include a review of its efforts to forestall the loss of affordable housing. The Division reviews the institution's loans to ensure that there is no undue concentration and a systematic pattern of lending resulting in the loss of affordable housing units.

The bank's development of credit products with flexible lending criteria, participation in flexible lending programs, community development lending, and lending to low- and moderate-income borrowers has assisted low- and moderate-income individuals to remain in their neighborhoods.

APPENDIX C

Scope of Evaluation

SCOPE OF EVALUATION			
TIME PERIOD REVIEWED	September 15, 2014 to June 25, 2018		
FINANCIAL INSTITUTION			PRODUCTS REVIEWED
Hingham Institution for Savings			HMDA and Small Business Loans (2016 and 2017) Community Development Loans, Investments, and Services (September 15, 2014 – June 25, 2018)
AFFILIATE(S)	AFFILIATE RELATIONSHIP		PRODUCTS REVIEWED
N/A	N/A		N/A

LIST OF ASSESSMENT AREAS AND TYPE OF EVALUATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
Boston/South Shore	Full Scope	None	N/A
Nantucket County	Full Scope	None	N/A

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 non-metropolitan median family income, if a person or geography is located outside an MSA.

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

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

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

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

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

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

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

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

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

Community Development Loan: A loan that

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

Community Development Service: A service that

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

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

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

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

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

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

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

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and non-metropolitan 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: Performance under the applicable tests is analyzed considering performance context, quantitative factors (geographic loan distribution, borrower profile loan distribution, and total number and dollar amount of investments), and qualitative factors (innovativeness, complexity, and responsiveness).

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

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

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

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

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

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

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

Limited-Scope Review: Performance under the applicable tests is analyzed using only quantitative factors (for example, geographic loan distribution, borrower profile loan distribution, 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.

Non-metropolitan Area: All areas outside of metropolitan areas. The definition of non-metropolitan 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 non-metropolitan areas.

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

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

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

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

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

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

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

Underserved middle-income nonmetropolitan geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for

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

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

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

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

PERFORMANCE EVALUATION DISCLOSURE GUIDE

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

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

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks and the Federal Deposit Insurance Corporation, at 55 Main Street, Hingham, MA 02043."

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

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

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