

# **PUBLIC DISCLOSURE**

June 11, 2018

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Hometown Bank  
Certificate Number: 26523

31 Sutton Avenue  
Oxford, Massachusetts 01540

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

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 federal financial supervisory agency concerning the safety and soundness of this financial institution.

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## INSTITUTION RATING

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

Hometown Bank's Community Reinvestment Act (CRA) performance under the Lending Test and Community Development Test supports the overall rating. Examiners did not identify any evidence of discriminatory or other illegal credit practices. The following points summarize the bank's Lending Test and Community Development Test performance.

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

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

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

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

## SCOPE OF EVALUATION

### *General Information*

This evaluation covers the period from the prior evaluation dated May 12, 2014, to the current evaluation dated June 11, 2018. Examiners used the Interagency Intermediate Small Institution (ISI) Examination Procedures established by the Federal Financial Institutions Examination Council (FFIEC) to evaluate Hometown Bank. These procedures include two performance tests: the Lending Test and the Community Development Test.

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

- Loan-to-deposit ratio
- Assessment area concentration
- Geographic distribution
- Borrower profile
- Response to CRA-related complaints

The Community Development Test considered the following factors:

- Number and dollar amount of community development loans, qualified investments, and community development services
- The responsiveness of such activities to the community development needs of the assessment area

Banks must achieve at least a "Satisfactory" rating under each test to obtain an overall Satisfactory rating. This evaluation does not include any lending activity performed by affiliates.

### *Loan Products Reviewed*

Examiners determined the bank's major product lines are home mortgage and small business loans. This conclusion considered the bank's business strategy as well as the number and dollar volume of loans originated during the evaluation period. Examiners placed greater weight on home mortgage loans based on the higher proportion of lending activity during the review period.

The evaluation considered all home mortgage loans reported on the bank's 2016 and 2017 Home Mortgage Disclosure Act (HMDA) loan application registers (LARs). The bank reported 234 loans totaling \$59.7 million in 2016 and 192 loans totaling \$37.9 million 2017. Examiners compared the bank's 2016 HMDA lending to 2016 aggregate HMDA data. Examiners compared bank lending to demographics from the 2010 US Census and 2015 ACS US census, unless otherwise noted.

Small business loans include commercial real estate as well as commercial and industrial loans with original amounts of \$1 million or less. Due to its assets size, the bank is not subject to data collection and reporting of small business loans. Examiners selected a sample of small business loans originated in 2016 and 2017. The sample for 2016 consisted of 86 small business loans

totaling \$14.7 million and for 2017 consisted of 70 loans totaling \$9.3 million. This sample represents the bank's performance during the entire evaluation period. The bank's sampled small business loans were compared to Dunn & Bradstreet business demographic data.

Examiners reviewed the number and dollar volume of home mortgage and small business loans to conduct the Lending Test. While Lending Test tables present the number and dollar volume of loans, examiners emphasized performance by number of loans because the number of loans is a better indicator of the number of individuals or businesses served.

For the Community Development Test, examiners reviewed all community development activities since the previous CRA evaluation dated May 12, 2014.

## DESCRIPTION OF INSTITUTION

### **Background**

Hometown Bank, established in 1889, is a full-service mutual bank headquartered in Oxford, Massachusetts (MA). The bank is a wholly-owned subsidiary of Hometown Financial Group, Inc., which is a wholly-owned subsidiary of company Hometown Financial Group, MHC, a bank-mutual holding.

Hometown Financial Group, Inc., a subsidiary of Hometown Financial Group, MHC, is a State-chartered, bank-mutual holding company headquartered in Oxford, Massachusetts (MA). The bank operates in the central part of MA and northeastern Connecticut (CT) in the counties of Worcester, MA; Franklin, MA; and Windham, CT. Hometown Bank operates three wholly owned subsidiaries, Hometown Securities I, Inc., Hometown Securities II, Inc., and WCB Realty, Inc.

### **Operations**

During the evaluation period, Hometown Bank, a wholly-owned subsidiary of Hometown Community Bancorp, Inc. merged with Easthampton Savings, a wholly-owned subsidiary of ESB Bancorp, Inc. in Massachusetts in 2015. The two banks operate independently and autonomously. Previously in 2015, ESB Bancorp, Inc., a Massachusetts holding company and wholly-owned subsidiary of ESB Bancorp, MHC, a mutual holding company, acquired Citizens National Bancorp, Inc. a bank holding company headquartered in Putnam, CT. Additionally, The Citizens National Bank, a national association headquartered in Putnam, CT and wholly-owned subsidiary of Citizens National Bancorp, Inc. merged into Easthampton Savings Bank.

The bank's main headquarters and separate administrative center are located at 31 Sutton Avenue in Oxford, MA. The bank has 12 full-service branches. The bank operates branches in the following cities and towns in Massachusetts and Connecticut: Athol, MA (one), Auburn, MA (one), Lancaster, MA (one), Leominster, MA (one), Oxford, MA (one), Sturbridge, MA (one), Webster, MA (two), Brooklyn, CT (one), Killingly, CT (one), Putnam, CT (one), Thompson, CT (one), Woodstock, CT (one) and one walk-up ATM-only location at 320 Pomfret Street, Putnam, CT. The bank has six branches in moderate-income census tracts (Athol, MA, Leominster, MA, Webster, MA (two), Putnam, CT, and Killingly, CT). Since the prior evaluation, the bank has opened six branches and has not closed any branches.

The bank offers several lending products to consumers including residential mortgages, home equity loans and lines of credit, residential construction loans, personal loans, and overdraft protection. For commercial customers, the bank offers a business credit card, a business money market, commercial real estate loans, construction loans, land loans, lines of credit, term loans, and Small Business Administration (SBA) loans, government banking accounts, CD's, money markets and services including online and remote deposit.

## **Ability and Capacity**

Assets totaled approximately \$740 million as of March 31, 2018; which included total loans of \$501 million. The loan portfolio is illustrated in the following table.

<b>Loan Portfolio Distribution as of 3/31/2018</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction and Land Development	\$35,556	7.1
Secured by Farmland	\$1,213	0.2
1-4 Family Residential	\$247,031	49.3
Multi-family (5 or more) Residential	\$22,218	4.4
Commercial Real Estate	\$155,134	30.9
<b>Total Real Estate Loans</b>	<b>\$461,152</b>	<b>92.0</b>
Commercial and Industrial	\$38,185	7.6
Agricultural	\$0	0.0
Consumer	\$1,825	0.4
Other	\$0	0.0
Less: Unearned Income	\$0	0.0
<b>Total Loans</b>	<b>\$501,162</b>	<b>100.0</b>

*Source: 3/31/2018 Call Report*

The loan portfolio has grown and the portfolio mix remained relatively static since the last exam noting small increase in Commercial Real Estate as well as Commercial and Industrial loans with a corresponding decrease in 1-4 Family Residential loans. Management continues focus on 1-4 family residential and commercial lending.

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

## DESCRIPTION OF ASSESSMENT AREA

The CRA requires financial institutions to define one or more assessment areas within which the bank will focus its lending efforts. Hometown Bank has designated a single contiguous assessment area encompassing three counties (Worcester County, MA, Franklin County, MA and Windham County, CT) throughout Massachusetts and Connecticut that are within the Worcester, MA-CT Metropolitan Statistical Area (MSA). Although Hometown Bank does not have a deposit-taking facility in Franklin County, the assessment area included portions of Franklin County that do not extend substantially beyond the Worcester MSA.

The assessment area contains the entire 172 census tracts of Worcester County, MA (25.49340). Since the prior evaluation, 50 cities and towns have been added to the assessment area in Worcester County (\* denotes prior assessment area):

Ashburnham	Hopedale	Rutland
Athol*	Hubbardston	Shrewsbury
Auburn*	Lancaster*	Southbridge*
Barre	Leominster	Spencer
Berlin	Lunenburg	Sterling
Blackstone	Mendon	Sturbridge*
Bolton	Milford	Sutton
Boylston	Millbury	Templeton
Brookfield	Millville	Upton
Charlton*	New Braintree	Uxbridge
Clinton*	North Brookfield	Warren
Douglas	Northborough	Webster*
Dudley*	Northbridge	West Boylston
East Brookfield	Oakham	West Brookfield
Fitchburg	Oxford*	Westborough
Gardner	Paxton	Westminster
Grafton	Petersham	Winchendon
Hardwick	Phillipston	Worcester
Harvard	Princeton	
Holden	Royalston	

The assessment area contains 4 of 18 census tracts in Franklin County, MA (99999.011). Since the prior evaluation 6 communities have been added to the assessment area in Franklin County (\* denotes prior assessment area):

Erving/Warwick/Wendell	Leverett/New Salem	Orange*	Shutesbury
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The assessment area contains 12 of 25 census tracts in Windham County, CT (09.49340) and was added since the prior evaluation. It includes the following 8 cities and towns:

Brooklyn	Killingly	Thompson
Eastford	Pomfret	Woodstock
Hampton	Putnam	

The assessment area reflects significant expansion since the prior CRA evaluation.



## **Economic and Demographic Data**

The assessment area includes 188 CTs in Worcester County, MA, Franklin County, MA and Windham County, CT. These census tracts reflect the following income designations according to the 2015 ACS U.S. Census:

- 19 low-income tracts,
- 38 moderate-income tracts,
- 76 middle-income tracts,
- 52 upper-income tracts, and
- 3 N/A.

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

<b>Demographic Information of the Assessment Area</b>						
<b>Assessment Area: Hometown AA</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	188	10.1	20.2	40.4	27.7	1.6
Population by Geography	886,931	8.2	18.2	41.1	32.0	0.5
Housing Units by Geography	362,395	8.9	19.6	41.7	29.4	0.4
Owner-Occupied Units by Geography	217,426	2.6	14.0	45.8	37.6	0.1
Occupied Rental Units by Geography	113,914	20.0	28.5	34.4	16.1	1.0
Vacant Units by Geography	31,055	12.2	26.5	39.5	21.0	0.8
Businesses by Geography,	52,458	7.9	18.6	40.2	33.3	0.0
Farms by Geography	1,598	1.6	8.6	49.7	40.1	0.0
Family Distribution by Income Level	220,594	22.2	16.5	20.3	41.0	0.0
Household Distribution by Income Level	331,340	25.7	14.7	17.1	42.5	0.0
Median Family Income MSA - 49340 Worcester, MA-CT MSA		\$81,137	Median Housing Value			\$247,056
Median Family Income Non-MSAs – MA		\$73,868	Median Gross Rent			\$938
			Families Below Poverty Level			8.1%
<i>Source: 2015 ACS U.S. Census and 2016 D&amp;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.</i>						

According to 2016 D&B data, there were 52,458 non-farm businesses located in the assessment area. The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by GAR level. Gross annual revenues (GARs) for these businesses are detailed below.

- 82.9 percent have \$1 million or less.
- 6.3 percent have more than \$1 million.
- 10.9 percent have unknown revenues.

Service industries represent the largest portion of businesses at 47.1 percent; followed by retail trade (13.2 percent); construction (9.7 percent); and non-classified establishments (5.8 percent). In addition, 72.1 percent of area businesses have four or fewer employees, and 87.8 percent operate from a single location.

Data obtained from the U. S. Bureau of Labor and Statistics indicates that the 2016 year-end unemployment rate was 3.8 percent for Massachusetts and 4.6 percent for Connecticut as a whole. The unemployment rate of Worcester County was slightly lower at 3.6 percent. The unemployment rate of Windham County, CT was the comparable at 4.6 percent. Both the statewide and countywide for MA and CT unemployment rates declined steadily. As of March 2018, county rates have increased slightly to 4.0 percent in Worcester County, MA and to 5.3 percent in Windham County, CT.

The FFIEC-updated median family income level is used to analyze home mortgage loans under the Borrower Profile criterion. The FFIEC analyzes median family income by Metropolitan Divisions (MDs) when applicable. All of the communities within the assessment area are part of the Worcester, MA-CT MSA except the seven communities located in Franklin County which are part of the Massachusetts Non-MSA area. The low-, moderate-, middle- and upper-income categories for the years that were analyzed are presented in the following table.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>Worcester, MA-CT MSA Median Family Income (49340)</b>				
2016 (\$78,500)	<\$39,250	\$39,250 to <\$62,800	\$62,800 to <\$94,200	≥\$94,200
2017 (\$84,000)	<\$42,000	\$42,000 to <\$67,200	\$67,200 to <\$100,800	≥\$100,800
<b>MA NA Median Family Income (99999)</b>				
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>				

Hometown Bank’s assessment area contains 362,395 housing units. Of these, 60.0 percent are owner-occupied, 31.4 percent are occupied rental units, and 8.6 percent are vacant. The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units.

### **Competition**

There is also a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. Aggregate HMDA data for 2016 indicates that 470

lenders originated or purchased a total of 30,925 reportable residential mortgage loans within the assessment area. Hometown Bank ranked 46<sup>th</sup>, with a market share of 0.7 percent. The three most prominent home mortgage lenders (Wells Fargo Bank, NA, Quicken Loans, and Digital Federal Credit Union) accounted for 11.5 percent of total market share.

### **Community Contact**

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

Examiners contacted a representative of a community development corporation located in the north central portion of the assessment area. Multiple economic factors impacting the area include: a large number of properties under water, a lack of affordable housing units, and the prohibitive cost for renovating vacant residential and commercial properties, particularly in the downtown Fitchburg area. It is the contact's opinion that it would be beneficial to their clients if lenders had more flexible lending products, for example, residential loans with slightly higher loan-to-value ratios. While some financial institutions have been responsive to the group's funding needs, there are still opportunities for local institutions.

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

Examiners identified the primary credit needs of the assessment area based on demographic and economic information, discussion with management, and the conversation with the community contact. Although numerous credit needs are apparent, examiners determined the primary credit needs of the community are loans for affordable housing and small business along with financial literacy education, and teller services available in Spanish.

## CONCLUSIONS ON PERFORMANCE CRITERIA

### LENDING TEST

Hometown Bank demonstrated good performance under the Lending Test. Geographic Distribution and Borrower Profile performance primarily support this conclusion.

### Loan-to-Deposit Ratio

The LTD ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. Hometown Bank's LTD ratio, calculated from Call Report data, averaged 90.5 percent over the past 17 calendar quarters from March 31, 2014, to March 31, 2018. During those quarters, the LTD ratio ranged from a low of 76.6 percent on December 31, 2016 to a high of 101.7 percent on December 31, 2015. Hometown Bank's net LTD ratio as of March 31, 2018 is 77.8 percent. The change in LTD ratio reflects the acquisition of five branches in November 2016 having a portfolio of significantly more deposits than loans. The bank did not sell any home mortgage loans during the evaluation period. Examiners selected comparable institutions based on their asset size, geographic location, and lending focus.

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

<b>Loan-to-Deposit Ratio Comparison</b>		
<b>Bank</b>	<b>Total Assets as of 3/31/18 \$(000s)</b>	<b>Average Net LTD Ratio (%)</b>
Clinton Savings Bank	\$556,743	95.9
Fidelity Co-operative Bank	\$822,335	90.5
<b>Hometown Bank</b>	<b>\$740,699</b>	<b>90.5</b>
Webster Five Cents Savings Bank	\$810,579	102.2
<i>Source: Reports of Income and Condition 06/30/2014 through 3/31/2018</i>		

## Assessment Area Concentration

Hometown Bank originated a substantial majority of home mortgage and small business loans within the assessment area. By number, the bank made 89.3 percent of its home mortgage loans inside the assessment area for 2016 and increased to 91.7 percent for 2017, resulting in 90.4 percent of total home mortgage loans made in the assessment area.

At the prior evaluation, the bank made 59.6 percent of total home mortgage loans and 64.6 percent of small business loans within the assessment area, indicating an increase over the evaluation period. The following table details the bank's home mortgage and small business lending activity inside and outside of the assessment area in 2016 and 2017.

<b>Lending Inside and Outside of the Assessment Area</b>										
<b>Loan Category</b>	<b>Number of Loans</b>				<b>Total #</b>	<b>Dollar Amount of Loans \$(000s)</b>				<b>Total \$(000s)</b>
	<b>Inside</b>		<b>Outside</b>			<b>Inside</b>		<b>Outside</b>		
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
Home Mortgage										
2016	209	89.3	25	10.7	234	53,369	89.4	6,359	10.6	59,728
2017	176	91.7	16	8.3	192	34,195	90.2	3,704	9.8	37,899
<b>Subtotal</b>	<b>385</b>	<b>90.4</b>	<b>41</b>	<b>9.6</b>	<b>426</b>	<b>87,564</b>	<b>89.7</b>	<b>10,063</b>	<b>10.3</b>	<b>97,627</b>
Small Business										
2016	75	87.2	11	12.8	86	10,973	74.8	3,690	25.2	14,663
2017	67	95.7	3	4.3	70	9,069	97.1	268	2.9	9,337
<b>Subtotal</b>	<b>142</b>	<b>91.0</b>	<b>14</b>	<b>9.0</b>	<b>156</b>	<b>20,042</b>	<b>83.5</b>	<b>3,958</b>	<b>16.5</b>	<b>24,000</b>
<b>Total</b>	<b>527</b>	<b>90.5</b>	<b>55</b>	<b>9.5</b>	<b>582</b>	<b>107,606</b>	<b>88.5</b>	<b>14,021</b>	<b>11.5</b>	<b>121,627</b>
<i>Source: Evaluation Period: 1/1/2016 - 12/31/2017            Due to rounding, totals may not equal 100.0</i>										

## Geographic Distribution

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

### *Home Mortgage Loans*

Overall, the geographic distribution of home mortgage loans reflects excellent dispersion throughout the assessment area, particularly in low- and moderate-income census tracts. The following table details this review.

<b>Geographic Distribution of Home Mortgage Loans</b>						
<b>Assessment Area: Hometown AA</b>						
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2016	1.9	1.7	15	7.2	7,156	13.4
2017	2.6	-	10	5.7	2,264	6.6
<b>Moderate</b>						
2016	14.4	12.8	61	29.2	8,947	16.8
2017	14.0	-	46	26.1	6,644	19.4
<b>Middle</b>						
2016	48.7	46.1	100	47.8	20,273	38.0
2017	45.8	-	87	49.4	16,547	48.4
<b>Upper</b>						
2016	35.0	39.4	33	15.8	16,993	31.8
2017	37.6	-	33	18.8	8,740	25.6
<b>Not Available</b>						
2016	0.0	0.0	0	0.0	0	0.0
2017	0.1	-	0	0.0	0	0.0
<b>Totals</b>						
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>209</b>	<b>100.0</b>	<b>53,369</b>	<b>100.0</b>
<b>2017</b>	<b>100.0</b>	<b>-</b>	<b>176</b>	<b>100.0</b>	<b>34,195</b>	<b>100.0</b>
<i>Source: 2015 ACS U.S. 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>						

The bank's performance in both low- and moderate-income census tracts exceeded the aggregate performance of the assessment area and the percentage of owner-occupied housing units within these geographies. The bank's lending in low-income census tracts in 2016 by number was 7.2 percent compared to the aggregate of 1.7 percent. The bank's lending in moderate-income tracts in 2016 by number was 29.2 percent compared to the aggregate of 12.8 percent. The bank's

lending in low- and moderate-income census tracts in 2017, 5.7 and 26.1 percent, respectively, decreased slightly as compared with 2016 but still exceeded the demographics.

In 2016, the bank ranked 3<sup>rd</sup> with 2.9 percent market share within low-income tracts, and they ranked 12<sup>th</sup> within moderate-income tracts with 1.5 percent market share.

### *Small Business Loans*

The geographic distribution of small business loans reflects good dispersion throughout the assessment area. The following table shows that the bank's performance in low- and moderate-income census tracts exceeds business demographics.

<b>Geographic Distribution of Small Business Loans</b>					
<b>Assessment Area: Hometown AA</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low					
2016	7.9	6	8.0	1,240	11.3
2017	6.7	1	1.5	50	0.6
Moderate					
2016	18.6	18	24.0	2,523	23.0
2017	17.3	12	17.9	2,028	22.4
Middle					
2016	40.2	42	56.0	5,000	45.6
2017	36.4	42	62.7	5,754	63.4
Upper					
2016	33.3	9	12.0	2,210	20.1
2017	37.1	12	17.9	1,237	13.6
Not Available					
2016	0.0	0	0.0	0	0.0
2017	2.5	0	0.0	0	0.0
<b>Totals</b>					
<b>2016</b>	<b>100.0</b>	75	<b>100.0</b>	10,973	<b>100.0</b>
<b>2017</b>	<b>100.0</b>	67	<b>100.0</b>	9,069	<b>100.0</b>

*Source: 2016 & 2017 D&B Data; 1/1/2016 - 12/31/2017 Bank Data*

The bank's performance of 8.0 percent in low-income census tracts was in-line with business demographics at 7.9 percent in 2016, but 5.4 percent higher than demographics in moderate-income tracts. In 2017, the bank's small business lending to low-income and moderate-income tracts declined as compared to 2016.

## **Borrower Profile**

The distribution of borrowers reflects good penetration among individuals of different income levels and businesses of different sizes and businesses of different sizes. The bank's good performance of home mortgage and small business lending supports this conclusion. Examiners focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers and the percentage by number and dollar amount of small business loans to businesses with GARs of \$1 million or less.

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

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is good. The following data show the distribution of loans by borrower income level within the assessment area, and presents loan activity in comparison to aggregate data and family income levels.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Assessment Area: Hometown AA</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2016	20.7	5.3	19	9.1	2,108	4.0
2017	22.2	-	14	8.0	1,340	3.9
<b>Moderate</b>						
2016	16.7	16.4	34	16.3	5,215	9.8
2017	16.5	-	38	21.6	5,534	16.2
<b>Middle</b>						
2016	22.2	22.3	32	15.3	4,281	8.0
2017	20.3	-	30	17.0	4,134	12.1
<b>Upper</b>						
2016	40.4	39.7	56	26.8	13,112	24.6
2017	41.0	-	53	30.1	14,045	41.1
<b>Not Available</b>						
2016	0.0	16.2	68	32.5	28,653	53.7
2017	0.0	-	41	23.3	9,142	26.7
<b>Totals</b>						
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>209</b>	<b>100.0</b>	<b>53,369</b>	<b>100.0</b>
<b>2017</b>	<b>100.0</b>	<b>-</b>	<b>176</b>	<b>100.0</b>	<b>34,195</b>	<b>100.0</b>
<i>Source: 2015 ACS U.S. 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>						



In 2016, the bank was above the aggregate lending to low-income borrowers by 3.8 percent, but lending slightly decreased to these borrowers to 8.0 percent of total home mortgage loans in 2017. Although these levels fall short of the 22.2 percent of families designated as low-income, a low-income family in the assessment area with an income of \$42,000 in 2017 would not likely qualify for home financing given the median housing value of \$247,056 within the assessment area. Despite this economic barrier, the bank’s performance was good. Lending to moderate-income borrowers was in-line with both the percentage of families within this income classification and aggregate lending to these borrowers.

Market rank reports show that the bank ranked 21<sup>st</sup> with a 1.2 percent market share in lending to low-income borrowers. The bank ranked 45<sup>th</sup> with a 0.7 percent market share in lending to moderate-income borrowers.

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

The distribution of small business loans reflects reasonable penetration of loans to businesses with GARs of \$1 million or less. The following table illustrates the bank’s performance compared to demographic data.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Assessment Area: Hometown AA</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>&lt;=\$1,000,000</b>					
2016	82.9	56	74.7	7,508	68.4
2017	82.9	48	71.6	6,194	68.3
<b>&gt;1,000,000</b>					
2016	6.2	19	25.3	3,465	31.6
2017	6.2	16	23.9	2,332	25.7
<b>Revenue Not Available</b>					
2016	10.9	0	0.0	0	0.0
2017	10.9	3	4.5	543	6.0
<b>Total</b>					
<b>2016</b>	<b>100.0</b>	75	<b>100.0</b>	10,973	<b>100.0</b>
<b>2017</b>	<b>100.0</b>	67	<b>100.0</b>	9,069	<b>100.0</b>

*Source: 2016 & 2017 D&B Data; 1/1/2016 - 12/31/2017 Bank Data*

The bank’s percentage of loans to businesses with GARs of \$1 million or less was below the demographic in 2016. The bank’s performance by number was 74.7 percent compared to the assessment area demographic of 82.9 percent. The percentage for 2017 by number decreased slightly to 71.6 percent. By dollar volume, the percentage remained similar from 2016 to 2017 at 68.4 and 68.3 percent, respectively.

**Response to Complaints**

The bank has not received any complaints regarding its CRA performance since the previous evaluation; therefore, this criterion did not affect the Lending Test rating.

**COMMUNITY DEVELOPMENT TEST**

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

**Community Development Loans**

The bank originated 27 community development loans totaling approximately \$11.1 million during the evaluation period. This level of activity represents 1.5 percent of average total assets and 2.2 percent of average total loans since the prior CRA evaluation. The majority of community development loans promoted affordable housing providing many affordable rental units. The following table illustrates the bank’s community development lending activity by year and purpose.

<b>Community Development Loans</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
5/13/2014-12/31/2014	2	821,500	0	0	0	0	0	0	2	821,500
2015	6	1,977,012	0	0	2	359,500	1	127,500	9	2,464,012
2016	1	177,869	0	0	4	978,793	0	0	5	1,145,662
2017	5	3,117,700	1	372,000	3	545,000	1	2,450,000	10	6,487,700
1/1/2018-6/11/2018	0	0	1	200,000	0	0	0	0	1	200,000
<b>Total</b>	<b>14</b>	<b>6,094,081</b>	<b>2</b>	<b>575,000</b>	<b>9</b>	<b>1,883,293</b>	<b>2</b>	<b>2,577,500</b>	<b>27</b>	<b>11,129,874</b>

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

- The bank provided two SBA 504 loans totaling \$498,500 to local businesses. The U.S. Small Business Administration 504 Loan program is designed to provide financing for the purchase of fixed assets (real estate, buildings, and machinery). The development of these businesses will create employment opportunities and contribute to the overall economic development of the community.
- The bank originated a \$1.335 million loan for the purchase of a mobile home park that will rent the lots at \$50-\$500 per lot, which is below fair market rents in the area.

- The bank originated a \$78,500 loan to a woman/minority-owned small business in the restaurant/catering business to purchase a restaurant property and equipment.
- The bank provided financing in a dual bank participation agreement in the amount of \$2.45 million. Funding was for the building of a solar farm in Fitchburg, MA which has majority low- and moderate-income census tracts.
- The bank originated a \$281,000 loan to a small business in the child care business for the purpose of purchasing the building in which it was operating. This business is located in a low-income census tract that will serve low- and moderate-income families and provide employment opportunities.

### **Qualified Investments**

Hometown Bank’s qualified investment activity during the evaluation period consisted of qualified donations and qualified equity investments. The bank made 180 qualified donations totaling \$173,962. The majority of donations helped various organizations that support community services to low- or moderate-income individuals or families. The bank made 5 qualified equity investments totaling approximately \$2.8 million. The majority of these equity investments supported affordable housing within the assessment area. The bank was credited with an additional equity investment to a women-owned bank outside the assessment area given they had substantially within their area during the review period.

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

Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	0	0	0	0	0	0	0	0
2014	0	0	0	0	0	0	0	0	0	0
2015	0	0	0	0	0	0	0	0	0	0
2016	1	5,000	0	0	0	0	0	0	1	5,000
2017	1	2,500	0	0	1	245,000	0	0	2	247,500
YTD 2018	2	2,575,155	0	0	0	0	0	0	2	2,575,155
<b>Subtotal</b>	<b>4</b>	<b>2,582,655</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>245,000</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>2,827,655</b>
Qualified Grants & Donations	9	35,900	155	122,962	7	13,550	4	1,550	175	173,962
<b>Total</b>	<b>13</b>	<b>2,618,555</b>	<b>155</b>	<b>122,962</b>	<b>8</b>	<b>258,550</b>	<b>4</b>	<b>1,550</b>	<b>180</b>	<b>3,001,617</b>

*Source: Bank Records*

Below are notable examples of the bank's qualified investment activities:

### *Donations*

- **Abbey's House** – Founded in 1976, Abby Kelley Foster House, Inc. (Abby's House) has provided a safe place to more than 11,500 homeless women with and without children. Services include emergency shelter, housing assistance, nutritious meal programs, a thrift shop, a women's center, and a discretionary pool of funds to assist clients facing unexpected expenses.
- **Ginny's Helping Hand** – Ginny's Helping Hand, Inc. is a nonprofit organization in Massachusetts dedicated to improving the daily living needs of the less fortunate and to aid them with a hand up. The group operates a food pantry and thrift store.
- **NewVue Communities** – Founded in 1979, NewVue Communities is a nonprofit organization dedicated to creating strong healthy neighborhoods where residents choose to live, work, and invest by focusing on economic development strategies, affordable housing and community organizing. NewVue's programs include creating sustainable housing and small business solutions, financial literacy and homeownership counseling, and foreclosure prevention.
- **North Central Massachusetts Development Corporation (NCMDC)** – Formed in 2006, the NCMD is the principle resource for the region for economic development services while expanding lending capacity to accommodate the region's unique industry mix. The group implements programs to create jobs and increase economic opportunities in the region which benefits include low- and moderate-income individuals and geographies.
- **Our Father's House** – Our Father's House is a private, non-sectarian agency providing shelter and services to homeless men, women and children in need emphasizing dignity of the individual and generating self-sufficiency. The group's programs include emergency shelter, case management, transitional housing to recovery, substance abuse counseling, street outreach workers, and advocacy.
- **Oxford Ecumenical Council Food Shelf** – The Oxford Food Shelf has provided free food for over 40 years to residents of Oxford, MA or non-residents registered member of an Oxford church. In 2017, 1,442 families were served. The group is authorized to distribute US Department of Agriculture foods.

### *Equity Investments*

- **Freddie Mac** – The bank purchased approximately \$2.5 million in mortgage-backed securities that included 8 mortgages in low- to moderate-income areas.
- **OneUnited Bank** – Hometown Bank invested \$245,000 in this minority-owned bank. OneUnited is a designated Community Development Financial Institution (CDFI) serving low- to moderate-income communities.

- **Worcester Community Housing Resource** – The bank invested in a three-year note with this not-for-profit Community Development Financial Institution (CDFI) whose mission is to create and preserve affordable housing opportunities for low- to moderate-income households and support neighborhood revitalization in the Worcester area.

### Community Development Services

During the evaluation period, bank employees provided 90 instances of financial expertise or technical assistance to 40 different community development organizations throughout the assessment area. A majority of these instances were involvement on the boards of organizations that provide community services to low- and moderate-income individuals. The following table illustrates the bank’s community development services by year and purpose.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
5/13/14 – 12/31/14	0	1	2	0	3
2015	0	1	3	0	4
2016	0	23	12	0	35
2017	3	25	9	0	37
YTD 2018	1	4	3	3	11
<b>Total</b>	<b>4</b>	<b>54</b>	<b>29</b>	<b>3</b>	<b>90</b>

*Source: Bank Records*

Below are notable examples of the bank’s community development services:

- **Better Business Bureau of Central New England (BBB)** – The BBB sets marketplace standards, engages and educates consumers and businesses, and creates a community of trust among businesses and charities. A bank Board of Director performed pro bono legal services for low- and moderate-income individuals.
- **Community Development Block Grant (CDBG), City of Fitchburg** – The Federal Community Block Grant program provides basic funding necessary to administer the many housing, public works, economic development and public service activities which help to further the city’s overall community development objectives. A bank volunteer lends expertise in reviewing programs funded by CDBG.
- **Center for Women & Enterprise (CWE)** – A national non-profit organization founded in 1995, the group promotes education and access to capital for women entrepreneurs so they can launch successful businesses breaking the cycle of poverty and empowering women to become self-sufficient. A bank volunteer conducted an educational workshop about the basics of business start-up and essentials of credit-readiness.

- **Christopher Heights – At** Christopher Heights is an assisted living community where payment options are available based on income and assets. Programs also offer financial assistance to enable residents to remain in their apartments once personal savings are depleted. A bank Vice President educated elders on banking services and financial management.
- **North Central Massachusetts Chamber of Commerce** – With ties back to the early 1900’s, the organization formed when Leominster, Fitchburg and other small chambers merged to form the current regional Chamber. Their core mission includes small business advocacy, economic development, and creating sustained relationships among businesses and communities. A bank executive served on the Chamber to provide expertise in long-term economic growth strategies for the region.
- **Resources for Communities and People (RCAP Solutions)** – Since 1969, this non-profit organization provides Massachusetts residents with affordable housing, homelessness prevention, workforce development, family unification and self-sufficiency services, as well as development and operation of 362 affordable rental units. Through RCAP’s financial subsidiary, a CDFI-certified tax exempt organization, they can serve as an alternative to lender to homeowners and small businesses not eligible to traditional sources. A bank executive advises on economic development strategies.
- **The Orange Innovation Center (OIC)** – OIC supports initiatives in job creation, business, industry, artisanship and community. They bolster permanent economic revitalization in Orange, MA by providing affordable commercial office space in a collaborative incubator-style setting, encourage networking and relationship opportunities. A bank volunteer provided assistance with economic and business development on multiple occasions.
- **Boys and Girls Club of Webster - Dudley** – The organization provides direction and guidance to young people, particularly those who are economically disadvantaged, by providing a safe-haven from the streets and opportunities for recreational, educational, and cultural development and achievement. The Boys and Girls Club provides after school programs and camps for these low- and moderate-income children. A bank Vice President serves on the Board of Directors.
- **United Way of Webster Dudley** - United Way partners with local organizations in order to improve education, assist individuals in achieving financial stability, and promote healthy lives in the communities they serve. Given the large proportion of low- and moderate-income tracts in the assessment area, along with the recipients of funds from the United Way, low- and moderate-income individuals and families are benefited. A bank executive serves on the group’s Board of Directors.

### *Financial Education and Outreach*

- **First Time Homebuyers** – The bank has participated in multiple first-time homebuyer education and financial literacy programs in collaboration with NewVue Communities, Inc. This program targets low- and moderate-income homebuyers. Several bank employees, including a Vice President, a Branch Manager, and Residential Lending and Commercial Lending representatives lead educational sessions during the evaluation period.

The bank has six branches located in moderate-income census tracts within its assessment area in the towns of Athol, MA, Leominster, MA Webster, MA (2), Putnam, CT, and Killingly, CT which demonstrates the availability of banking service to moderate-income individuals.

### *Other Community Services*

- The bank participates in the Interest on lawyers' Trust Accounts (IOLTA). 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.
- The bank's deposit products meet the Basic Banking in Massachusetts guidelines set forth by the Massachusetts Community and Banking Council's (MCBC). This State-wide program is designed to offer low-cost checking and savings accounts to low- and moderate-income individuals.
- The bank has partnered with Thompson Ecumenical Empowerment Group (TEEG) on a car loan program. TEEG provides transitional assistance and helps low- and moderate-income individuals regain independence.
- Beginning 2014, the bank established an annual matching challenge to local residents to raise money in support of are food pantries. Bank donations have ranged from \$8,750 to \$12,500.

## **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.

## APPENDIX

### FAIR LENDING POLICIES AND PRACTICES

The Division provides comments regarding the institution’s fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106.

Based on a review of the bank’s public comment file and its performance relative to fair lending policies and practices, examiners did not identify any violations of the anti-discrimination laws and regulations.

### MINORITY APPLICATION FLOW

Examiners reviewed Hometown Bank’s 2016 and 2017 HMDA LARs to determine if the minority application flow reflected the assessment area’s demographics.

Examiners compared Hometown Bank’s 2016 residential lending to 2016 aggregate data. This comparison assists in deriving reasonable expectations for the minority application rate. Refer to the following table for information regarding Hometown Bank’s minority application flow as well as the aggregates.

<b>MINORITY APPLICATION FLOW</b>					
<b>RACE</b>	<b>Bank 2016</b>		<b>2016 Aggregate Data</b>	<b>Bank 2017</b>	
	#	%	%	#	%
American Indian/ Alaska Native	0	0.0	0.3	1	0.3
Asian	5	1.4	4.7	9	2.9
Black/ African American	0	0.0	2.4	4	1.3
Hawaiian/Pacific Islander	0	0.0	0.2	0	0.0
2 or more Minority	0	0.0	0.0	0	0.0
Joint Race (White/Minority)	5	1.4	1.1	1	0.3
<b>Total Minority</b>	<b>10</b>	<b>2.8</b>	<b>8.7</b>	<b>15</b>	<b>4.8</b>
White	257	72.4	71.2	247	78.2
Race Not Available	88	24.8	20.1	54	17.1
<b>Total</b>	<b>355</b>	<b>100.0</b>	<b>100.0</b>	<b>316</b>	<b>100.0</b>
<b>ETHNICITY</b>					
Hispanic or Latino	7	2.0	4.3	3	1.0
Not Hispanic or Latino	248	69.9	74.7	255	80.7
Joint (Hisp/Lat /Not Hisp/Lat)	8	2.3	1.1	0	0.0
Ethnicity Not Available	92	25.9	19.9	58	18.4
<b>Total</b>	<b>355</b>	<b>100.0</b>	<b>100.0</b>	<b>316</b>	<b>100.0</b>

*Source: 2015 ACS U.S. Census: 2015 and 2016 HMDA Reported Data: 2016 HMDA Aggregate Data*

According to the 2015 ACS U.S. Census data, the bank’s assessment area has a population of 886,931, of which 19.8 percent are minorities. The assessment area’s minority population



includes 0.2 percent American Indian, 4.2 percent Asian/Pacific Islander, 3.9 percent Black, 9.6 percent Hispanic, and 2.0 percent other race.

In 2016, the bank received 355 HMDA reportable loan applications within its assessment area. Of these applications, 10, or 2.8 percent, were received from a racial minority applicant. This was below aggregate performance of 8.7 percent for applications received from minorities. For the same year, the bank received 15 applications, or 4.3 percent, from Hispanic or Latino ethnic groups. This was slightly below the 2016 aggregate performance of 5.4 percent.

In 2017, the bank received 4.8 percent applications from racial minorities and 1.0 percent of applications from Hispanic or Latino applicants.

## GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

**Community Development Loan:** A loan that

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

**Community Development Service:** A service that

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 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 31 Sutton Avenue, Oxford, Massachusetts 01540."

[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.