

PUBLIC DISCLOSURE

April 12, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Institution for Savings in Newburyport and its Vicinity
Certificate Number: 90250

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Newburyport, Massachusetts 01950

Division of Banks
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Boston, Massachusetts 02118

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

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

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INSTITUTION RATING

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

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

Institution for Savings in Newburyport and its Vicinity (Institution for Savings) Community Reinvestment Act (CRA) performance under the Lending, Investment, and Service 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, Investment, and Service Test performance.

PERFORMANCE LEVELS	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory		X	
Satisfactory**	X		X
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 Satisfactory.

- Lending levels reflect good responsiveness to assessment area credit needs.
- The bank originated an adequate percentage of loans in its assessment area.
- The geographic distribution of loans reflects adequate penetration throughout the assessment area.

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- The distribution of borrowers reflects, given the product lines offered by the institution, adequate penetration among retail customers of different income levels and business customers of different size.
- The bank uses innovative or flexible lending practices in order to serve assessment area credit needs.
- The bank made a low level level of community development loans.

The Investment Test is rated High Satisfactory.

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

The Service Test is rated Satisfactory.

- Delivery systems are reasonably accessible to essentially all portions of the bank's assessment area.
- To the extent changes have been made, the institution's opening and closing branches has generally not adversely affected the accessibility of its deliver systems, particularly to low- and moderate-income geographies and/or low- and moderate-income individuals.
- Services (including, where appropriate, business hours) do not vary in a way that inconveniences portions of the assessment area, particularly low- and moderate-income geographies and/or individuals.
- The institution provides an adequate level of community development services.

SCOPE OF EVALUATION

General Information

The evaluation covers Institution for Savings' Community Reinvestment Act (CRA) performance since the prior evaluation dated March 26, 2018, through the current evaluation dated April 12, 2021. Examiners used the Interagency Large Institution Examination Procedures, which evaluate the bank's CRA performance pursuant to three tests: Lending, Investment, and Service.

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

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

The Investment Test considered the following criteria.

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

The Service Test considered the following criteria.

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

This evaluation does not include any lending activities performed by affiliates.

Loan Products Reviewed

Based on Institution for Savings' business strategy and the number and dollar volume of loans originated or purchased during the evaluation period, examiners determined the bank's major product lines to be home mortgage and small business loans.

Examiners analyzed all residential mortgage loan data derived from Institution for Savings' 2018, 2019, and 2020 Home Mortgage Disclosure Act (HMDA) loan application registers (LARs). The bank originated 977 residential loans totaling \$427.7 million in 2018, 968 residential loans totaling \$431.8 million in 2019, and 1,257 residential loans totaling \$634.4 million in 2020. Examiners compared the bank's performance to 2018 and 2019 aggregate, where data is available. Examiners also compared performance for all years to relevant

demographic data. Examiners only presented data for 2019 and 2020 in the Geographic Distribution and Borrower Profile sections as these years represent the bank's performance throughout the review period. However, for the Assessment Area Concentration criteria, examiners also presented the bank's 2018 lending performance.

Examiners also analyzed all small business loan data derived from the bank's 2018, 2019, and 2020 CRA loan registers. Institution for Savings originated 34 small business loans totaling \$10.4 million in 2018, 28 small business loans totaling \$10.6 million in 2019, and 484 small business loans totaling \$44.0 million in 2020. Examiners compared the bank's 2018 and 2019 lending performance to aggregate performance, as 2020 CRA aggregate data was not available as of the evaluation date. Similar to home mortgage lending, the evaluation presents 2019 and 2020 activity under the Geographic Distribution and Borrower Profile factors, as 2018 lending activity was consistent with the lending activity in 2019. Also similar to the home mortgage lending analysis, the Assessment Area Concentration criteria, presents the bank's 2018 lending performance. The significant increase in small business lending in 2020 resulted from the demand for Small Business Administration (SBA) Paycheck Protection Program (PPP) loans during the COVID-19 pandemic.

Examiners weighted Institution for Savings' home mortgage lending performance more heavily when arriving at Lending Test conclusions due to the bank's business focus, origination activity, and loan portfolio distribution. Furthermore, examiners emphasized the bank's 2019 home mortgage and small business lending when drawing performance conclusions, as this is the most recent year that aggregate data is available.

Examiners also evaluated Institution for Savings' community development lending and innovative and/or flexible lending under the Lending Test, evaluating data from March 26, 2018, through April 12, 2021. Under the Investment and Service Tests, examiners considered qualified investments, retail services, and community development services over the same timeframe.

Examiners obtained demographic and economic information referenced in this evaluation from the 2015 American Community Survey (ACS), D&B, Moody's Analytics, and the United States (U.S.) Bureau of Labor Statistics. The December 31, 2020, Report of Income and Condition (Call Report) provided the financial data.

DESCRIPTION OF INSTITUTION

Background

Institution for Savings is headquartered in Newburyport, Massachusetts and operates throughout Essex County. The bank has one affiliate, the Institution for Savings Charitable Foundation, through which the bank makes its CRA donations.

The bank received a Satisfactory rating at its previous FDIC and Massachusetts Division of Banks CRA Performance Evaluation as of March 26, 2018, based on Interagency Large Institution Examination Procedures.

Operations

In addition to its headquarters in Newburyport, Institution for Savings operates 14 full-service branches throughout Essex County, Massachusetts. These full-service branches include an office in Amesbury that opened in February 2019 and an office in Salem that opened in November 2019. Institution for Savings continues to operate a residential lending office in Newburyport. The bank also operated five limited-service high school branches. These branches were only open to school students and personnel. However, due to low activity and temporary school closures during the COVID-19 pandemic, the bank closed these limited-service locations. These branches were located in moderate-income (1), middle-income (3), and upper-income (1) census tracts.

Institution for Savings offers various lending products, including residential and commercial real estate, construction, and commercial and industrial loans. The bank also offers home equity loans and lines of credit. In addition, Institution for Savings offers standard personal and business deposit products, including checking, savings, money market, certificates of deposit, and retirement accounts. Furthermore, deposit-taking automated teller machines (ATMs) are located at all full-service branches, and the bank offers mobile banking, person-to-person transfers, and bill payments.

Ability and Capacity

As of December 31, 2020, Institution for Savings had total assets of approximately \$4.0 billion, which included total loans of \$2.8 billion or approximately 70.0 percent of total assets. The bank's net loan-to-deposit ratio, as of the same date, was 90.3 percent. Since the previous evaluation, Institution for Savings' assets increased 21.2 percent and total loans increased 12.0 percent.

The bank is primarily a residential lender, having a substantially larger volume of residential lending during the evaluation period than small business lending. Therefore, the bank's record of originating home mortgage loans contributed significant weight to the overall conclusions. In addition, home mortgage loans account for the largest portion of the bank's portfolio by dollar amount, at 85.2 percent. The following table illustrates the loan portfolio.

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Loan Portfolio Distribution as of 12/31/2020		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	36,569	1.3
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	2,210,435	79.1
Secured by Multifamily (5 or more) Residential Properties	170,321	6.1
Secured by Nonfarm Nonresidential Properties	337,700	12.1
Total Real Estate Loans	2,755,025	98.6
Commercial and Industrial Loans	31,853	1.1
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	9,077	0.3
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	0	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	2,795,955	100.0
<i>Source: Reports of Condition and Income</i>		

There were no financial, legal, or other impediments that affect the bank's ability to help meet assessment area credit or community development needs.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which examiners will evaluate its CRA performance. Institution for Savings designated all of Essex County as its single assessment area. This area meets the regulation's technical requirements. All branches are within the Cambridge-Newton-Framingham, Massachusetts Metropolitan Division. Therefore, separate assessment area analyses are not required. Examiners conducted a full-scope review of the bank's performance within the assessment area.

The following sections discuss economic and demographic information of the assessment area.

Economic and Demographic Data

The assessment area consists of 162 census tracts that reflect the following income designations.

- 37 low-income census tracts,
- 31 moderate-income census tracts,
- 68 middle-income census tracts, and
- 26 upper-income census tracts.

In March 2020, Institution for Savings expanded its assessment area into the northern and southern portions of Essex County, now including all of Essex County as its

assessment area. This expansion contributed to increases in low-income census tracts (13 tracts), moderate-income census tracts (11 tracts), middle-income census tracts (16 tracts), and upper-income census tracts (9 tracts). The low- and moderate-income census tracts are primarily in Haverhill, Lawrence, and Lynn.

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

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	162	22.7	19.0	41.7	16.0	0.6
Population by Geography	763,849	19.7	19.1	42.8	18.5	0.0
Housing Units by Geography	307,894	18.6	20.3	44.6	16.5	0.0
Owner-Occupied Units by Geography	181,293	7.5	17.3	52.3	22.9	0.0
Occupied Rental Units by Geography	106,619	37.3	24.6	31.6	6.5	0.0
Vacant Units by Geography	19,982	19.5	25.0	44.4	11.1	0.0
Businesses by Geography	64,215	15.0	17.4	44.8	22.9	0.0
Farms by Geography	1,521	9.1	14.3	53.8	22.9	0.0
Family Distribution by Income Level	192,381	28.3	18.0	20.2	33.5	0.0
Household Distribution by Income Level	287,912	31.0	15.5	17.3	36.2	0.0
Median Family Income MSA – 15764 Cambridge-Newton-Framingham, MA		\$100,380	Median Housing Value Median Gross Rent Families Below Poverty Level			\$347,478 \$1,069 8.6%

Source: 2015 ACS Data; 2020 D&B Data; () The NA category consists of geographies that have not been assigned an income classification.*

Largely, resulting from the expanded assessment area, the assessment area grew by nearly 220,000 people or 40.4 percent as compared to the assessment area size during the prior evaluation. In addition, owner-occupied units increased by nearly 50,000 units or 38.1 percent, and occupied rental units increased by more than 29,000 units or 37.9 percent. The percent of families below the poverty level increased only slightly from 8.2 percent to 8.6 percent, which represents nearly a third of low-income families. Such families may not qualify for home mortgages based on the area’s home prices. The assessment area’s median housing value remains considerably high at \$347,478, with a decrease of only 1.9 percent from the prior evaluation. The high median housing value continues to restrict the affordability for low- and moderate-income individuals to purchase a home.

The following table illustrates the median family income for Essex County. It also breaks out the income ranges for low-, moderate-, middle-, and upper-income families.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Cambridge-Newton-Framingham, MA MD Median Family Income (15764)				
2018 (\$110,300)	<\$55,150	\$55,150 to <\$88,240	\$88,240 to <\$132,360	≥\$132,360
2019 (\$115,500)	<\$57,750	\$57,750 to <\$92,400	\$92,400 to <\$138,600	≥\$138,600
2020 (\$118,800)	<\$59,400	\$59,400 to <\$95,040	\$95,040 to <\$142,560	≥\$142,560
<i>Source: FFIEC</i>				

Competition

The financial services industry is highly competitive within Essex County. Based on 2020 FDIC Deposit Market Share data, 35 financial institutions operated 249 branches within the assessment area. Institution for Savings ranked 4th with a 10.1 percent deposit market share. The only community bank ranking higher was Salem Five Cents Savings Bank, with a 10.4 percent market share.

The home mortgage lending market is also highly competitive. The 2019 HMDA aggregate lending data shows that 442 institutions originated or purchased 35,189 home mortgage loans within the assessment area. Institution for Savings ranked 16th, with a 1.7 percent market share. It was the highest ranked community bank, with only large national banks and non-depository lenders ranking higher, including Wells Fargo, Citibank North America, and Quicken Loans.

Based on 2019 CRA aggregate lending data, there is also a high level of competition for small business loans within Essex County. Specifically, 119 lenders originated or purchased 20,572 small business loans within the county. Institution for Savings ranked 49th, with a 0.1 percent market share. The highest ranked institutions in Essex County were American Express, which had a 24.3 percent market share; Bank of America, which had an 11.0 percent market share; and JPMorgan Chase Bank, which had a 10.0 percent market share.

Community Contact

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

Examiners contacted a non-profit organization in the assessment area that provides affordable housing, financial education, and economic opportunity. The contact was complimentary about the community-minded response and good communication of local financial institutions in reaction to the pandemic. These actions, along with a renewed focus on small businesses and the economy, had an overall beneficial impact and shifted area credit needs. The contact indicated that low- and moderate-income individuals and families encounter difficulties in obtaining

residential mortgage financing. There is also a need for an increase in affordable housing units. Additionally, the demand for financial literacy presently exceeds the delivery capacity.

Examiners contacted a second representative of a community service organization that serves the bank's assessment area. The contact discussed affordable housing challenges in the area, noting a decreasing supply of affordable housing, the high housing costs compared to area wages, competition for properties and funding, and an increasing homeless population. The COVID-19 pandemic has further complicated housing and economic issues for low- and moderate-income residents. Furthermore, the contact stated that financial donations, specifically housing stabilization funds tailored to smaller non-profits versus larger non-profits and funding for affordable housing development are significantly needed. Finally, the contact indicated there is opportunity for financial institutions to increase involvement with community service organizations.

Credit and Community Development Needs and Opportunities

Based on demographic and economic information, discussions with bank management, and information from the community contacts, examiners identified the assessment area's primary needs. These needs include affordable housing, community services for low- and moderate-income individuals, and economic development. There is an increased need for affordable housing due to a decrease in supply, high housing costs compared to area wages, and an increase in the homeless population. Furthermore, the COVID-19 pandemic exacerbated the need for affordable housing, food insecurity, and job losses, as many families experienced layoffs.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

The bank's performance under the Lending Test is Satisfactory. The following sections discuss the bank's performance under each criterion.

Lending Activity

Institution for Savings' lending activity reflects good responsiveness to assessment area credit needs. In 2019, with 968 originations totaling \$431.8 million, the bank captured a market share of 1.7 percent and ranked 16th out of 442 lenders who originated or purchased at least one HMDA-reportable loan. All financial institutions ranking higher than Institution for Savings were large national banks or mortgage companies, such as Community Bank, N.A.; Quicken Loans; and Cross Country Mortgage. In 2020, home mortgage lending increased to 1,257 loans totaling \$634.4 million. This increase was not due to anything in particular. Market share data for 2020 was not yet available as of the date of this report.

In 2019, Institution for Savings originated 25 small business loans totaling \$8.3 million in its assessment area. With this, the bank ranked 49th out of 119 reporting lenders who originated or purchased at least one small business loan within Essex County, for a 0.1 percent market share. Th

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leading bank, American Express, had a 24.2 percent market share. As with the HMDA-reportable data, 2020 small business market data was not yet available.

In 2019, Institution for Savings did not make any small farm loans. Aggregate data shows 13 lenders originated 50 loans totaling \$1,642,000.

Assessment Area Concentration

Institution for Savings originated a majority of loans in its assessment area. Overall, the bank originated 65.5 percent of loans by number and 52.0 percent by dollar volume within the expanded assessment area. This performance represents a notable improvement since the prior evaluation, when the bank originated 53.1 percent of loans by number and 38.9 percent by dollar volume inside its assessment area. Examiners placed greater weight on the number of loans as opposed to the dollar amount of loans because number better indicates how Institution for Savings served individuals and businesses. As the table illustrates, the bank originated two small farm loans during the evaluation period. However, given the limited volume, examiners did not evaluate this product line. Refer to the following table for more details regarding the bank’s lending inside and outside of its assessment area.

Lending Inside and Outside of the Assessment Area											
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)	
	Inside		Outside			Inside		Outside			
	#	%	#	%		\$	%	\$	%		
Home Mortgage											
2018	606	62.0	371	38.0	977	227,307	53.2	200,354	46.8	427,661	
2019	586	60.5	382	39.5	968	229,058	53.0	202,753	47.0	431,811	
2020	752	59.8	505	40.2	1,257	301,345	47.5	333,085	52.5	634,430	
Subtotal	1,944	60.7	1,258	39.3	3,202	757,710	50.7	736,192	49.3	1,493,902	
Small Business											
2018	27	79.4	7	20.6	34	6,784	65.5	3,578	34.5	10,362	
2019	25	89.3	3	10.7	28	8,251	77.7	2,370	22.3	10,621	
2020	459	94.8	25	5.2	484	37,659	85.5	6,378	14.5	44,037	
Subtotal	511	93.6	35	6.4	546	52,694	81.0	12,326	19.0	65,020	
Small Farm											
2018	1	100.0	0	0.0	1	188	100.0	0	0.0	188	
2019	0	0.0	0	0.0	0	0	0.0	0	0.0	0	
2020	1	100.0	0	0.0	1	29	100.0	0	0.0	29	
Subtotal	2	100.0	0	0.0	2	217	100.0	0	0.0	217	
Total	2,457	65.5	1,293	34.5	3,750	810,621	52.0	748,518	48.0	1,559,139	

Source: Bank Data
Due to rounding, totals may not equal 100.0%

Geographic Distribution

The geographic distribution of home mortgage and small business loans reflects adequate penetration throughout the assessment area. Examiners focused on the percentage by number of loans in low- and moderate-income census tracts when evaluating geographic distribution.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects adequate penetration throughout the assessment area. Although Institution for Savings' performance in low- and moderate-income census tracts is less than aggregate and demographic data in 2019 and demographic data in 2020, its performance improved slightly in 2020 by number and percentage of loans.

As the bank does not have any branches in low-income tracts and only two branches in moderate-income tracts, this is partially attributed to the bank's limited penetration in low- and moderate-income tracts. Although the Salem branch, opened in November 2019 is in a middle-income tract and is close to Lynn (consist of predominately low- and moderate-income tracts), the pandemic-related shutdown severely affected the bank's efforts to develop a strong customer base in this area.

Refer to the following table for more details on the geographic distribution of home mortgage loans.

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Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	7.5	10.1	14	2.4	13,623	5.9
2020	7.5	--	20	2.7	12,212	4.1
Moderate						
2019	17.3	18.0	31	5.3	8,634	3.8
2020	17.3	--	66	8.8	26,902	8.9
Middle						
2019	52.3	49.8	389	66.4	145,472	63.5
2020	52.3	--	447	59.4	162,654	54.0
Upper						
2019	22.9	22.1	152	25.9	61,328	26.8
2020	22.9	--	219	29.1	99,577	33.0
Not Available						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	--	0	0.0	0	0.0
Totals						
2019	100.0	100.0	586	100.0	229,058	100.0
2020	100.0	--	752	100.0	301,345	100.0
<i>Source: 2015 ACS; Bank Data, 2019 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Small Business Loans

The geographic distribution of small business loans reflects adequate penetration throughout the assessment area. In 2019, Institution for Savings’ performance within low-income census tracts is in line with the aggregate and is slightly better than demographic data. Within moderate-income census tracts, the 2019 performance was below the aggregate and demographic data.

In 2020, Institution for Savings’ lending activity within low- and moderate-income census tracts increased substantially. This increase occurred because small businesses needed and sought PPP loans during the COVID-19 pandemic. The bank greatly contributed and addressed this need. The bank’s 2020 small business lending primarily consisted of PPP loans. Despite an increase in small business lending, lending was less than demographic data. Refer to the following table for more details on the geographic distribution of small business loans.

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Geographic Distribution of Small Business Loans						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	14.9	16.2	4	16.0	1,451	17.6
2020	15.0	--	14	3.0	985	2.6
Moderate						
2019	17.0	17.1	3	12.0	1,575	19.1
2020	17.4	--	34	7.4	3,307	8.8
Middle						
2019	45.3	44.1	13	52.0	3,918	47.5
2020	44.8	--	334	72.8	25,995	69.0
Upper						
2019	22.8	22.7	5	20.0	1,307	15.8
2020	22.9	--	77	16.8	7,372	19.6
Not Available						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	--	0	0.0	0	0.0
Totals						
2019	100.0	100.0	25	100.0	8,251	100.0
2020	100.0	--	459	100.0	37,659	100.0
<i>Source: 2019 & 2020 D&B Data; Bank Data; 2019 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Borrower Profile

The distribution of borrowers reflects adequate penetration among borrowers of different income levels and business customers of different sizes. Institution for Savings' adequate home mortgage lending performance and good small business lending performance support this conclusion. Examiners focused on the percentage by number of loans to low- and moderate-income borrowers and the percentage by number of small business loans to businesses with GARs of \$1.0 million or less.

Home Mortgage Loans

The distribution of home mortgage loans reflects adequate penetration among borrowers of different income levels. Institution for Savings' lending to both low- and moderate-income borrowers is less than aggregate and demographics. However, the bank's lending to low- and moderate-income borrowers increased from 2019 to 2020. In addition, 30.4 percent of low-income families (8.6 percent of all families) live below the federal poverty level and would unlikely be able to afford a home given the \$350,000 median housing value. Refer to the following table for more details on the borrower distribution of home mortgage loans.

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Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	28.3	7.6	28	4.8	4,238	1.9
2020	28.3	--	34	4.5	5,846	1.9
Moderate						
2019	18.0	23.8	88	15.0	19,940	8.7
2020	18.0	--	108	14.4	25,266	8.4
Middle						
2019	20.2	24.0	136	23.2	39,563	17.3
2020	20.2	--	153	20.3	45,748	15.2
Upper						
2019	33.5	31.1	316	53.9	141,356	61.7
2020	33.5	--	416	55.3	190,837	63.3
Not Available						
2019	0.0	13.5	18	3.1	23,960	10.5
2020	0.0	--	41	5.5	33,649	11.2
Totals						
2019	100.0	100.0	586	100.0	229,058	100.0
2020	100.0	--	752	100.0	301,345	100.0
<i>Source: 2015 ACS; Bank Data, 2019 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Small Business Loans

The distribution of small business loans reflects good penetration among businesses of different sizes. Institution for Savings' performance among businesses with gross annual revenues of \$1 million or less is slightly above aggregate performance. Although small business lending within Essex County is highly competitive, with many credit card and national banks, Institution for Savings performed better than many other similarly situated community banks. This is especially notable considering that Institution for Savings does not offer credit cards to small businesses, which is a large part of the aggregate lending activity.

In 2020, Institution for Savings' number and percent of small business loans to businesses with gross annual revenues of \$1 million or less increased substantially because of the bank's significant volume of PPP loan originations during the COVID-19 pandemic. The bank originated a large majority of these loans to smaller businesses. Refer to the following table for more details on the borrower distribution of small business loans.

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Distribution of Small Business Loans by Gross Annual Revenue Category						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2019	86.8	41.0	11	44.0	4,239	51.4
2020	87.8	--	338	73.6	16,499	43.8
>\$1,000,000						
2019	5.4	--	13	52.0	4,010	48.6
2020	4.9	--	121	26.4	21,160	56.2
Revenue Not Available						
2019	7.7	--	1	4.0	2	0.0
2020	7.3	--	0	0.0	0	0.0
Totals						
2019	100.0	100.0	25	100.0	8,251	100.0
2020	100.0	--	459	100.0	37,659	100.0
<i>Source: 2019 & 2020 D&B Data; Bank Data; 2019 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Innovative and Flexible Lending

Institution for Savings uses innovative or flexible lending practices in order to serve assessment area credit needs. These programs benefit low- or moderate-income individuals and small businesses. During the evaluation period, the bank originated 855 innovative and/or flexible loans, totaling \$120 million to individuals and small businesses. This represents a significant increase from the prior evaluation where the bank originated 18 innovative and/or flexible loans totaling approximately \$2.3 million. The substantial majority of Institution for Savings’ innovative or flexible lending programs pertained to PPP and first-time homebuyer loans.

In addition, under the bank’s Pandemic Mortgage Deferment Program, Institution for Savings deferred borrowers’ loan payments to provide flexibility to customers affected by the COVID-19 pandemic. The bank made these deferments available in three-month increments to assist low- and moderate-income individuals and families and small businesses undergoing financial hardship. Additionally, the bank worked with borrowers to determine if the borrowers needed additional deferments. This deferment program shows the bank’s effort to provide continued credit during the pandemic. The bank provided 206 deferments for nearly \$255 million.

The following table summarizes the bank’s innovative or flexible lending programs.

Innovative or Flexible Lending Programs										
Type of Program	2018		2019		2020		YTD 2021		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
SBA PPP	0	0	0	0	443	32,216	246	19,220	689	51,436
First-Time Homebuyer Program	89	39,361	50	20,679	19	6,624	0	0	158	66,664
Federal Home Loan Bank Equity Builder Program	0	0	0	0	5	1,053	0	0	5	1,053
SBA 504 Loan Program	0	0	0	0	3	874	0	0	3	874
Totals	89	39,361	50	20,679	470	40,767	246	19,220	855	120,027

Source: Bank Data

The following summarizes the bank’s innovative or flexible loan programs.

Residential Loan Programs

First-Time Homebuyer (FTHB) Program

The FTHB Program creates affordable home ownership opportunities for first-time homebuyers. Under this program, first-time homebuyers are eligible to receive a \$500 credit towards closing costs. The bank also waives the private mortgage insurance requirement with a down payment of less than 20 percent. The program requires that first-time homebuyers successfully complete a Massachusetts Homeownership Collaborative-certified homebuyer education course. Applicants must complete this course, and the bank will refund the course fee at closing.

Federal Home Loan Bank (FHLB) Equity Builder Program

The FHLB Equity Builder Program offers grants to help buyers that earn up to 80 percent of the area median income pay their down payment and closing costs and obtain home rehabilitation assistance and homebuyer education and counseling. Institution for Savings offered this program since 2010.

Small Business Loan Programs

SBA PPP

Institution for Savings recognized the COVID-19 pandemic’s impact on its small business customers and acted quickly to participate in the SBA PPP. The SBA insures all loans originated through this program. The program supports small businesses by providing funds intended to support basic operating needs, such as payments for rent, utilities, and payroll, during the COVID-19 pandemic. Additionally, businesses that follow the employee retention criteria and the SBA guidelines regarding the use of program funds are eligible for loan forgiveness. PPP loans offer below market interest rates, six-month payment deferrals, no origination fees, and no collateral requirements.

SBA 504 Loan Program

Institution for Savings is an approved SBA lender that offers 504, 7(a), and 7(a) Express loans. These programs offer financing to qualified small businesses that may not be eligible for traditional bank financing. Although the bank did not originate any SBA 7(a) or 7(a) Express loans during the evaluation period, it originated a few SBA 504 loans.

Community Development Lending

Institution for Savings made a low level of community development loans in the assessment area. The bank originated six community development loans totaling approximately \$14.4 million during the evaluation period. Although this represents a modest increase in the total dollar amount from the prior examination, the number of community development loans declined over the two prior CRA evaluations from 13 in 2014 and 10 in 2018. Additionally, the dollar amount of community development lending remains below the level at the 2014 evaluation and is below that of similarly situated institutions. The \$14.4 million in loans represents 0.4 percent of average total assets and 0.5 percent of average total loans since the prior evaluation.

The following table illustrates the number and dollar volume of community development loans by year and purpose during the review period.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2018	1	7,800	1	1,080	0	0	0	0	2	8,880
2019	3	2,328	0	0	0	0	0	0	3	2,328
2020	1	3,200	0	0	0	0	0	0	1	3,200
YTD 2021	0	0	0	0	0	0	0	0	0	0
Total	5	13,328	1	1,080	0	0	0	0	6	14,408

Source: Bank Data

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

- In November 2018, the bank provided \$7.8 million of a \$15.6 million participation loan to construct a 76-unit apartment building in Newburyport. The project included 19 affordable housing units. The project follows Massachusetts statute 40R. It increases the housing supply while decreasing housing costs, providing affordable housing units near transit stations areas where there is concentrated development, and targeting an area where there is a shortfall in low- and moderate-income housing.
- In November 2019, the bank originated a \$1.5 million loan to develop affordable housing in Salisbury. The housing consists of 42 apartments, with rents for each apartment falling below the established U.S. Housing and Urban Development Authority (HUD) fair market rents for affordability to low- and moderate-income renters.
- In July 2020, the bank originated a \$3.2 million loan to refinance and renovate an apartment building in Salem. The building consists of 25 apartment units, with 17 units receiving subsidized payments through the Salem Housing Authority and Action Program. The monthly rent of all 25 units falls below established HUD fair market rents for affordability to low- and moderate-income renters.

INVESTMENT TEST

The bank’s performance under the Investment Test is High Satisfactory. The following sections discuss the bank’s performance under each criterion.

Investment Activity

The institution has a significant level of qualified community development investments and grants, occasionally in a leadership position, particularly to those that are not routinely provided by private investors. The bank made 111 qualified investments totaling approximately \$33.3 million. This total includes qualified equity investments of \$32.3 million and donations of approximately \$1.0 million.

A majority of investments, by dollar volume, supported affordable housing for low- and moderate-income individuals in the assessment area. Examiners compared the bank’s investment activity to that of similarly situated institutions based on asset size, geographic location, and lending focus. Although the total number of investments declined since the prior evaluation, the dollar value of qualified investments increased from \$27.1 million at the prior evaluation. The bank’s investment activity was comparable to other institutions who maintained a similar performance and rating on investments. The following table illustrates the bank’s community development investments by year and purpose.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$	#	\$	#	\$	#	\$	#	\$
Prior Period	8	8,739	0	0	0	0	0	0	8	8,739
2018	0	0	1	2,427	0	0	0	0	1	2,427
2019	0	0	1	2,340	0	0	0	0	1	2,340
2020	1	9,205	0	0	0	0	0	0	1	9,205
YTD 2021	1	9,610	0	0	0	0	0	0	1	9,610
Subtotal	10	27,554	2	4,767	0	0	0	0	12	32,321
Qualified Grants & Donations	22	321	76	704	1	3	0	0	99	1,028
Total	32	27,875	78	5,471	1	3	0	0	111	33,349

Source: Bank Data

Equity Investments

The bank has 12 qualified equity investments totaling nearly \$32.3 million. Four investments totaling approximately \$23.5 million are new and eight investments totaling approximately \$8.7 million remain from the prior period. The total dollar amount of equity investments equates to 0.9 percent of average total assets and 4.6 percent of average total investments since the previous evaluation. Total equity investments increased more than \$6.7 million since the prior evaluation. Included in the bank’s qualified equity investments are two prior period investments with a

current book value of approximately \$1.08 million and two new equity investments totaling \$4.7 million that benefit the greater statewide area including the bank's assessment area.

The following are some examples of the bank's prior and current period equity investments.

Prior Period Investments

- In 2017, the bank invested \$2.3 million in Low Income Housing Tax Credits (LIHTC) to renovate and improve an affordable housing complex in Salem. The current book value is \$1.7 million.
- In 2014, the bank invested \$7.8 million to rehabilitate 11 properties that provided 77 affordable housing units in Salem. The project provides affordable housing for low- and moderate-income individuals. The current book value is \$2.0 million.
- In 2013, the bank invested \$5.4 million in an affordable housing complex that benefits low- and moderate-income elderly and disabled individuals in Beverly. The current book value is \$1.6 million.

Current Period Investments

- In 2020, the bank invested \$9.2 million in LIHTC to construct 67 affordable housing units in Beverly, which were designated for low- and moderate-income individuals. This project will also provide 10 designated-units for individuals that were previously homeless.
- In 2021, the bank formally committed to purchasing \$9.6 million in LIHTC to construct 38 affordable housing units in North Beverly. The units are designated for low- and moderate-income families. The project will also provide services to residents including before and after school programs, health and wellness classes, and financial counseling.
- In 2018 and 2019, the bank invested \$2.4 million and \$2.3 million, respectively, in Solar Investment Tax Credits. Proceeds will provide funding to construct solar installation plants that will provide power and reduced energy costs that benefit low- and moderate-income areas and individuals. This investment benefits a greater statewide area that includes the bank's assessment area.

Donations

During the evaluation period, the bank made approximately \$1.0 million in qualified donations. Although this represents a decline from the \$1.5 million in qualified donations at the prior evaluation, the level remains significant. Additionally, the COVID-19 pandemic affected many organizations' activities. The majority of CRA qualified donations supported community service

organizations that primarily serve low- and moderate-income individuals. The following are notable examples of qualified donations.

Community Action, Inc. – This non-profit organization, operating in Greater Haverhill, Amesbury, and Newburyport, provides resources and opportunities for individuals, families, and communities to overcome poverty. Various programs help clients address issues of food insecurity, housing and affordability, basic needs, workforce training and job readiness, social services, and education. The organization primarily serves low- and moderate-income individuals.

Harborlight Community Partners, Inc. – This non-profit Massachusetts Community Development Corporation provides affordable housing with services primarily for low- and moderate-income individuals living in Southern Essex County. Harborlight Community Partners offers affordable housing for first-time homebuyers, individuals, families, and elders. Harborlight also provides services including childcare, financial counseling and financial literacy education, nutrition education, and other life skills support.

Our Neighbor's Table (ONT) – Our Neighbors' Table works to alleviate food insecurity across Northeastern Essex County. ONT serves wholesome, fresh food by way of curbside pick-up from their two food market locations. ONT is also an enrollment site for the federal Supplemental Nutrition Assistance Program. The organization primarily serves low- and moderate-income individuals.

The Open Door/Cape Ann Food Pantry – The Open Door's mission is to alleviate food insecurity in the Cape Ann area. Program services include two food pantries, community meals, a thrift store, and a mobile market. Programs also include free summer meals for kids, assistance applying for Supplemental Nutrition Assistance Programs, and other food-related programs. The organization primarily serves low- and moderate-income individuals.

The Pettengill House, Inc. – This non-profit organization serves children and families by providing education, emergency assistance, social services to families, and basic needs to the most at-risk Newburyport residents. Those served are primarily low- and moderate-income individuals with the majority at or below the poverty line. This organization also operates a food pantry.

COVID-19-Related

Massachusetts Coalition for the Homeless –The Massachusetts Coalition for the Homeless' mission is to eradicate homelessness within Massachusetts. The organization's programs focus on assisting those who are experiencing homelessness or are at risk of being homeless.

My Brother's Table (MBT) – MBT's mission is to provide nourishing free meals and outreach to men, women, and children in need regardless of race, color, creed, or sex. MBT also operates a large soup kitchen and medical clinic services to clients free of charge. This North Shore organization primarily serves low- and moderate-income individual.

North Shore Community Development Coalition (NSCDC) – NSCDC invests in neighborhoods to create thriving communities. As a regional community development organization serving the North Shore, the CDC focuses on low-income and distressed neighborhoods. NSCDC is committed to transformational and sustainable revitalization in Salem, Peabody, and Beverly.

Responsiveness to Credit and Community Development Needs

The institution exhibits good responsiveness to credit and community development needs. The bank provided approximately \$26.2 million in investments and donations for affordable housing initiatives, which examiners identified as a significant need given the assessment area's high housing costs and lack of available affordable housing. The bank also made 76 donations that supported low- and moderate-income individuals and families, provided financial literacy, and a wide range of community development activities. The community contacts indicated the need for increased affordable housing and financial literacy in the assessment area.

Community Development Initiatives

The institution occasionally uses innovative and/or complex investments to support community development initiatives. During the current evaluation period, the bank invested in Federal and State LIHTCs that support community development needs through complex affordable housing initiatives. The bank also invested in Solar Tax Credits, which provided discounted electricity to low- and moderate-income areas throughout the state including the bank's assessment area.

SERVICE TEST

The bank's performance under the Service Test is Satisfactory. 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 area. The bank has 15 branches within Essex County. Each branch offers a 24-hour deposit-taking ATM. In addition to the branches, Institution For Savings operates one residential lending office in a middle-income census tract in Newburyport. The following table illustrates the branch and ATM distribution by tract income level.

Branch and ATM Distribution by Geography Income Level								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	37	22.8	150,223	19.7	0	0	0	0
Moderate	31	19.1	145,519	19.0	2	13.3	2	13.3
Middle	68	42.0	326,575	42.8	8	53.4	8	53.4
Upper	26	16.1	141,532	18.5	5	33.3	5	33.3
NA	0	0	0	0	0	0	0	0
Total	162	100.0	768,849	100.00	15	100.0	15	100.0

Source: 2015 ACS Data; Bank Data

As the table illustrates, the bank does not have any branches located in low-income geographies. Additionally, the distribution of branches in moderate-income census tracts is lower than the total percentage of moderate-income census tracts in the assessment area and the total population in moderate-income census tracts.

In addition to its branches and ATMs, Institution For Savings offers alternative delivery systems to expand retail-banking services to all individuals. The bank offers personal and business online banking, mobile banking, and telephone banking, which allows consumers and businesses 24-hour access to perform various transactions. The bank is also part of the SUM ATM Network, which offers customers surcharge-free ATM transactions at participating ATMs around the country.

Changes in Branch Locations

To the extent changes have been made, the institution’s opening and closing branches has generally not adversely affected the accessibility of its deliver systems, particularly to low- and moderate-income geographies and/or low- and moderate-income individuals.

During the evaluation period, the bank opened two branches: 6 Paradise Road, Salem (middle-income) and 150 Main Street, Amesbury (middle-income). Although not located in a low- or moderate-income geography, the Salem location improved access to services for low- and moderate-income areas in Lynn by reducing the distance to the nearest branch by approximately 10 miles.

The bank closed the five high school locations. The branches, located in Triton Regional High School, Beverly High School, Newburyport High School, Ipswich High School, and Masconomet High School, were only open during school hours and provided limited accessibility to the general public. The bank closed these locations due to the limited accessibility and a lack of demand.

Reasonableness of Business Hours and Services

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

individuals. All retail branches offer the same loan and deposit products and services. All bank branches maintain the same hours of operation. Branches are open Monday - Thursday: 8:00 a.m. – 5:00 p.m., Friday: 8:00 a.m. - 6:00 p.m., and Saturday: 8:00 a.m. - 12:00 p.m.

Community Development Services

The institution provides an adequate level of community development services. A majority of community development service activity consisted of employees and senior management members serving on the boards of local community development organizations in the assessment area. The bank provided 951 hours of community development services to those organizations. This activity level is a decrease since the previous evaluation. Due to limited outreach opportunities with the COVID-19 pandemic, examiners considered this reasonable. The following table summarizes 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
	#	#	#	#	#
2018	113	207	24	0	344
2019	81	228	0	0	309
2020	79	188	0	0	267
YTD 2021	9	22	0	0	31
Total	282	645	24	0	951

Source: Bank Data - # denotes service hours

The following are examples of community development services provided.

Financial Literacy Seminars

Coastal Homebuyer Education, Inc. – This non-profit organization provides approved homebuyer education for Citizens Housing and Planning Association (CHAPA), MassHousing, Massachusetts Housing Partnership, HUD, and other down payment assistance and affordable housing opportunities. Course options include virtual and Spanish language. A bank vice president served as a Board member and participated as a first-time homebuyer class instructor in seven first-time homebuyer classes during 2018 and 2019. This vice president instructed participants from 64 low- and moderate-income households. There were additional virtual classes held in 2020.

Gloucester Housing Authority (GHA) – GHA promotes and provides affordable housing and economic opportunity. GHA assisted over 1,300 low- and moderate-income Cape Ann households through public housing, rental assistance, homeownership and resident service programs. A bank vice president instructed first-time homebuyer classes for 19 low- or moderate-income participants.

Employee Involvement

Amesbury Affordable Housing Trust (AAHT) – A bank vice president serves as an appointed

Trustee. As a municipal housing trust, AAHT develops and preserves affordable housing that benefits low- and moderate-income households. The majority of those benefitting from AAHT services are low- and moderate-income individuals.

Citizens Inn – A bank vice president serves on the Finance Committee. Citizens Inn serves North Shore low- and moderate-income families and individuals experiencing homelessness, other housing crisis, or food insecurity. Citizens Inn provides transitional and career link services that help break patterns of instability. Citizens Inn also provides direct assistance through its food pantry.

Ipswich Affordable Housing Trust (IAHT) – A senior bank executive serves as appointed Trustee. IAHT's mission is to create and preserve affordable housing for low- and moderate-income households and to acquire real estate and property for the same purpose. The Trust Fund Board, in consultation with the Ipswich Housing Partnership, approves applications for loans, subsidies, and grants to homeowners or developers to aid low- and moderate-income homeowners.

Habitat for Humanity North Shore, Inc. (HHNS) – A bank vice president serves on the organization's Finance Committee, and a bank management member serves on the Family Selection Committee. HHNS works alongside volunteers to help eligible low- and moderate-income families needing affordable housing build their own homes and obtain an affordable mortgage.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

APPENDIX

SCOPE OF EVALUATION

SCOPE OF EVALUATION			
TIME PERIOD REVIEWED	3/26/2018 – 4/12/2021		
FINANCIAL INSTITUTION			PRODUCTS REVIEWED
Institution for Savings in Newburyport and its Vicinity			HMDA and Small Business Loans (2018,2019, and 2020) Community Development Loans, Investments and Services (March 26, 2018 – April 12, 2021)
AFFILIATE(S)	AFFILIATE RELATIONSHIP		PRODUCTS REVIEWED
N/A	N/A		N/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 evaluation. Examiners conducted the fair lending review in accordance with the Federal Financial Institutions Examination Council (FFIEC) Interagency Fair Lending Examination Procedures. Based on these procedures, no evidence of disparate treatment was noted.

MINORITY APPLICATION FLOW

Examiners reviewed the bank's 2019 and 2020 HMDA LARs to determine if the application flow from the different racial groups within the bank's assessment area reflected assessment area's demographics.

According to the 2015 ACS Census Data, the bank's assessment area contained a total population of 323,156 individuals, of which 32.1 percent are minorities. The minority population represented is 1.9 percent Black/African American, 4.8 percent Asian, 0.1 percent American Indian, 24.1 percent Hispanic or Latino, and 1.2 percent other.

Examiners reviewed the bank's 2019 HMDA lending and compared it to 2019 aggregate. This data comparison assists in deriving reasonable expectations for the application rate the bank received from minority home mortgage loan applicants. Refer to the following table for information on the bank's minority application flow as well as the aggregates in the bank's assessment area.

CONTROLLED//FDIC BUSINESS

MINORITY APPLICATION FLOW					
RACE	Bank 2019 HMDA		2019 Aggregate Data	Bank 2020 HMDA	
	#	%	%	#	%
American Indian/ Alaska Native	1	0.1	0.2	0	0.0
Asian	10	1.4	2.8	3	0.4
Black/ African American	1	1.0	3.0	3	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)	7	0.9	1.1	3	0.4
Total Racial Minority	19	2.4	7.4	9	1.2
White	585	77.5	70.6	612	78.0
Race Not Available	151	20.0	22.0	163	20.8
Total	755	100.0	100.0	784	100.0
ETHNICITY					
Hispanic or Latino	5	0.7	11.6	13	1.7
Joint (Hisp/Lat /Not Hisp/Lat)	10	1.3	1.2	4	0.5
Total Ethnic Minority	15	2.0	12.8	17	2.2
Not Hispanic or Latino	512	67.8	65.8	467	59.5
Ethnicity Not Available	228	30.2	21.4	300	38.3
Total	755	100.0	100.0	784	100.0

Source: ACS Census 2015, HMDA Aggregate Data 2019, HMDA LAR Data 2019 and 2020

In 2019, the bank received 755 HMDA reportable loan applications within its assessment area. Of these applications, the bank received 19 or 2.4 percent from minority applicants, of which 14 or 73.7 percent resulted in originations. The aggregate received 12.8 percent of its applications from minority applicants, of which the bank originated 53.7 percent. The bank also received 15 or 2.0 percent of applications from ethnic groups of Hispanic origin within its assessment area of which the bank originated 11 or 73.3 percent, compared to an ethnic minority application rate of 12.8 percent with a 54.1 percent origination rate.

In 2020, the bank received 784 HMDA reportable loan applications within its assessment area. Of these applications, the bank received 9 or 1.2 percent from minority applicants, 100.0 percent of which resulted in originations. For the same time period, the bank received 17 or 2.2 percent of all applications from ethnic groups of Hispanic origin within its assessment area of which, the bank originated 88.2 percent.

Examiners concluded the bank has an appropriate monitoring and analysis for underwriting, pricing, and processing times, which mitigate fair lending risks. The bank's challenges in reaching the entire demographic of their assessment area is evident in their performance in their minority application flow. Bank management is aware of its minority application flow and is implementing business and marketing strategies to increase lending to reflect the assessment area demographics. Overall, the minority application flow for this evaluation period is considered less than adequate.

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. 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 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 Areas (CBSAs): 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 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, at (Address at main office)."

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Federal Deposit Insurance Corporation, at (Address at main office)."

[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.