

# **PUBLIC DISCLOSURE**

July 16, 2018

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Marblehead Bank  
Certificate Number: 90234

21 Atlantic Avenue  
Marblehead, MA 01945

Division of Banks  
1000 Washington Street, 10<sup>th</sup> Floor  
Boston, MA 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 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.

Examiners did not identify any evidence of discriminatory or other illegal credit practices. The following points summarize the bank's Lending Test performance.

**The Lending Test is rated Satisfactory by the Division.**

The average net loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.

The bank made a majority of home mortgage loans in the assessment area.

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

The distribution of borrowers reflects reasonable penetration among individuals of different income levels (including low- and moderate-income).

The institution did not receive any CRA-related complaints during the evaluation period; therefore, this criterion did not affect the Lending Test rating.

## **SCOPE OF EVALUATION**

### ***General Information***

This evaluation covers the period from the prior evaluation dated April 28, 2014, to the current evaluation dated July 16, 2018. The Massachusetts Division of Banks (“Division”) conducted this evaluation concurrently with the Federal Reserve Bank of Boston using the Interagency Small Institution Examination procedures. The procedures encompass the Lending 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

### ***Loan Products Reviewed***

Examiners reviewed the bank’s lending activity and determined that the bank’s major product line is home mortgage loans. This conclusion considered the bank’s business strategy and the number and dollar volume of loans originated during the evaluation period.

This evaluation considered all home mortgage loans reported on the bank’s 2016 and 2017 Home Mortgage Disclosure Act (“HMDA”) Loan Application Registers (“LARs”). For 2016, the bank reported 107 HMDA-reportable loans totaling \$34.0 million. For 2017, the bank reported 69 HMDA-reportable loans totaling \$23.2 million. Examiners compared the institution’s performance under the Geographic Distribution and Borrower Profile criteria in 2016 and 2017 to respective aggregate HMDA data. Aggregate data includes reported assessment area lending activity from institutions subject to HMDA reporting requirements. Examiners also compared 2016 and 2017 lending performance to applicable demographic data.

For the Lending Test, examiners reviewed the number and dollar volume of home mortgage loans. While number and dollar volume of loans are presented, examiners gave more weight to performance by number of loans because the number of loans is a better indicator of the number of individuals served.

## DESCRIPTION OF INSTITUTION

### *Background*

Marblehead Bank is a state-chartered financial institution headquartered at 21 Atlantic Avenue in Marblehead, Massachusetts. The bank received a “Satisfactory” rating at its previous CRA evaluation conducted by the Division, dated April 28, 2014, based on Interagency Small Institution Examination Procedures.

### *Operations*

The bank offers products and services through its main office in Marblehead and three full-service branches located in Beverly, Marblehead and Salem, Massachusetts. The bank operates one branch (Salem) in a moderate-income census tract, two branches (Beverly and Marblehead) are located in middle-income census tracts, and one branch (Marblehead) in an upper-income census tract. The bank also maintains a stand-alone non-deposit taking ATM in a moderate-income census tract (Beverly). In 2016, the bank opened its newest location at 125 Canal St. in Salem, MA. The bank is a member of the SUM Network, and as a member, the bank’s customers can use any SUM program ATM surcharge-free.

Marblehead Bank is a full-service financial institution that offers a wide variety of products and services. Loan products include residential mortgages, including fixed and adjustable rates, home equity lines of credit, and home equity loans. The bank also offers unsecured personal loans, new and used car loans, new and used boat loans, land loans and credit cards. In addition, the bank offers commercial and small business lines of credit, term loans, Small Business Administration (SBA) loans, and commercial real estate loans.

The bank offers deposit products and services, including checking and savings accounts, business checking and savings accounts, certificates of deposit, money market accounts, and individual retirement accounts. Other services include free online banking and bill payment, free 24-hour telephone banking, retirement planning, and education planning.

### *Ability and Capacity*

As of March 31, 2018, the bank had total assets of \$212.0 million and total deposits of \$186.9 million. Loans totaled \$174.8 million and represented 82.0 percent of total assets. The bank is primarily a residential lender with a majority of the loan portfolio secured by residential properties. As noted in the following table, 74.6 percent of loans are one-to-four family properties followed by commercial real estate loans at 21.1 percent.

<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	985	0.6%
Secured by Farmland	0	0.0%
Secured by 1-4 Family Residential Properties	130,313	74.6%
Secured by Multi-Family (5 or more) Residential Properties	769	0.4%
Secured by Non-farm Non-residential Properties	36,791	21.1%
Agricultural Production and Other Loans to Farmers	0	0.0%
Commercial and Industrial Loans	5,232	3.0%
Consumer	668	0.4%
Obligations of States and Political Subdivisions in the United States	0	0.0%
Other Loans	0	0.0%
Lease Financing Receivables (net of unearned income)	0	0.0%
<b>Gross Loans</b>	<b>174,758</b>	<b>100.0%</b>
Less: Unearned Income	0	0.0%
<b>Total Loans and Leases</b>	<b>174,758</b>	<b>100%</b>

*Source: 03/31/2018 Call Report*

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

## DESCRIPTION OF ASSESSMENT AREA

The CRA requires financial institutions to define an assessment area within which its CRA performance will be evaluated. Marblehead Bank designated a single contiguous assessment area that includes 23 census tracts, all of which are located in the Cambridge, Newton, Framingham, MA Metropolitan Division (MD) (15764). The assessment area consists of the following four towns located in Essex County: Beverly, Marblehead, Salem and Swampscott.

### *Economic and Demographic Data*

The bank's assessment area consists of 23 census tracts that reflect the following income designations according to the 2015 ACS Census Data:

- 1 low-income tract
- 6 moderate-income tracts
- 11 middle-income tracts
- 5 upper-income tracts

Examiners noted that the census tract designations have changed since the bank's previous evaluation at which point the assessment area contained 1 low-income tract, 4 moderate-income tracts, 8 middle-income tracts, and 10 upper-income tracts.

The six moderate-income census tracts and the low-income census tract are located in Beverly and Salem. The following table illustrates select demographic characteristics of the assessment area.

<b>Table A – Demographic Information of the Assessment Area</b>						
<b>Assessment Area: Marblehead Bank</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)	23	4.3	26.1	47.8	21.7	0.0
Population by Geography	117,475	3.2	25.9	46.7	24.1	0.0
Housing Units by Geography	50,678	3.6	27.5	48.4	20.4	0.0
Owner-Occupied Units by Geography	29,192	1.3	20.3	49.3	29.1	0.0
Occupied Rental Units by Geography	18,564	6.9	38.2	47.5	7.4	0.0
Vacant Units by Geography	2,922	5.3	32.1	46.3	16.3	0.0
Businesses by Geography	9,539	5.9	29.0	42.7	22.4	0.0
Farms by Geography	157	1.9	20.4	51.6	26.1	0.0
Family Distribution by Income Level	28,632	22.9	17.9	22.1	37.1	0.0
Household Distribution by Income Level	47,756	28.7	14.4	18.7	38.1	0.0
Median Family Income MSA - 15764 Cambridge-Newton-Framingham, MA MD		\$100,380	Median Housing Value			\$386,208
Families Below Poverty Level		6.8%	Median Gross Rent			\$1,129
<i>Source: 2010 U.S. Census &amp; 2015 ACS Census and 2017 D&amp;B Data</i>						
<i>Due to rounding, totals may not equal 100.0</i>						
<i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The FFIEC median family income level is used to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle-, and upper-income categories for Marblehead Bank are presented in the following table.

<b>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>Cambridge-Newton-Framingham, MA MD Median Family Income (15764)</b>				
2016 (\$98,600)	<\$49,300	\$49,300 to <\$78,880	\$78,880 to <\$118,320	≥\$118,320
2017 (\$104,800)	<\$52,400	\$52,400 to <\$83,840	\$83,840 to <\$125,760	≥\$125,760
<i>Source: FFIEC</i>				
<i>Due to rounding, totals may not equal 100.0</i>				

There are 50,678 housing units in the assessment area. Of these, 57.6 percent are owner-occupied, 36.6 percent are occupied rental units, and 5.8 percent are vacant. The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units.

Data obtained from the U.S. Bureau of Labor and Statistics indicates that the January 2018 unemployment rate was 3.5 percent for Massachusetts statewide, and 3.2 percent for the Cambridge-Newton-Framingham, MA-NH Metropolitan area.

### ***Competition***

The Bank faces strong competition from other financial institutions that originated loans within the assessment area. In 2017, 269 lenders reported 4,139 home mortgage loans. Marblehead Bank ranked 20th, reporting 54 home mortgage loans totaling \$18.9 million. This represents 1.3 percent market share by number and dollar amount. The majority of top ranked lenders are large financial institutions, such as Wells Fargo Bank, NA, Salem Five Mortgage Co., LLC, and JP Morgan Chase Bank.

### ***Community Contact***

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

Examiners contacted a community development organization that provides a number of innovative programs and services targeting a variety of individuals and business owners by promoting affordable housing, small business engagement, and financial education. The contact stated that the need for financial literacy is critical for the economic growth in the area. The contact expressed the need for banks to provide more education on basic finance, business development and ways to obtain and repair credit. The contact discussed the organizations small business development with women owned, recently arrived migrants and minority owned businesses. The contact stated that more micro lending is needed to help these organizations with startup and expansion. Overall, the contact credited local financial institutions with responding to lending and community development needs of the community.

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

Considering information from the community contact, and demographic and economic information, examiners determined that financial literacy, affordable housing, credit repair programs, and micro-loans to small businesses are the assessment area's community development needs.

## CONCLUSIONS ON PERFORMANCE CRITERIA

### LENDING TEST

Marblehead Bank demonstrated reasonable performance under the Lending Test. The bank's Loan-to-Deposit Ratio, Assessment Area Concentration and Borrower Profile performance provide primary support for the conclusion.

### Loan-to-Deposit Ratio

The bank's average net LTD ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. The bank's net LTD ratio, calculated from Call Report data, averaged 95.2 percent over the past 17 calendar quarters from March 31, 2014, to March 31, 2018. This ratio is based on loans net of unearned income and net of the allowance for loan and lease losses as a percentage of total deposits. The ratio ranged from a high of 98.8 percent as of June 30, 2014 to a low of 89.7 percent as of March 31, 2016, and remained consistent during the evaluation period.

During this time period, net loans have increased 19.8 percent, deposits have increased 25.0 percent, and assets have increased 19.6 percent. The bank sold 32 loans totaling \$7.6 million to the secondary market, which allows recycling of funds to originate additional loans.

Examiners selected comparable institutions based on their asset size and geographic location. The bank maintained a ratio within the range of comparable institutions, as shown in the following table.

<b>Loan-to-Deposit Ratio Comparison</b>		
<b>Institution</b>	<b>Total Assets \$(000s)</b>	<b>Average LTD Ratio (%)</b>
<b>Marblehead Bank</b>	<b>212,013</b>	<b>95.2</b>
National Grand Bank	314,362	87.6
Beverly Bank	460,791	97.2
North Shore Bank	833,473	97.6

*Source: Call Report data*

## Assessment Area Concentration

The bank made a majority of home mortgage loans, by number and dollar volume, within its assessment area. See the following table for details.

<b>Table D - 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	76	71.0	31	29.0	107	22,771	66.9	11,245	33.1	34,016
2017	54	78.3	15	21.7	69	18,930	81.6	4,271	18.4	23,201
<b>Subtotal</b>	<b>130</b>	<b>73.9</b>	<b>46</b>	<b>26.1</b>	<b>176</b>	<b>41,701</b>	<b>72.9</b>	<b>15,516</b>	<b>27.1</b>	<b>57,217</b>
<b>Total</b>	<b>130</b>	<b>73.9</b>	<b>46</b>	<b>26.1</b>	<b>176</b>	<b>41,701</b>	<b>72.9</b>	<b>15,516</b>	<b>27.1</b>	<b>57,217</b>
<i>Source: Evaluation Period: 1/1/2016 - 12/31/2017 Bank Data Due to rounding, totals may not equal 100.0</i>										

## Geographic Distribution

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. Examiners focused on the percentage by number of home mortgage loans in low- and moderate-income geographies.

### *Home Mortgage Loans*

The geographic distribution of home mortgage loans reflects reasonable distribution throughout the assessment area. Examiners focused on comparisons to aggregate data, and lending performance to applicable demographic data for 2016 and 2017.

In 2016, the bank originated 2, or 2.6 percent of loans to borrowers in the low-income census tract which was above the aggregate performance of 1.9 percent and owner-occupied housing units of 1.4 percent. In 2017, the bank did not make any loans in the low-income census tract; however, there is limited opportunity as the tract contained just 1.3 percent of owner-occupied housing units. Additionally, based on the volume of the bank's lending activity, a small change in the numbers would have a significant impact on the bank's percentage of lending in the tract.

In the moderate-income census tracts, the bank's 2016 lending was below the aggregate. The bank originated 8 or 10.5 percent of loans to borrowers in moderate-income census tracts versus the aggregate's 28.3 percent. In 2017, the bank was again below aggregate, but the aggregate decreased to 27.3 percent while the bank's percentage of loans originated in moderate-income census tracts increased slightly to 11.1 percent, showing a positive trend.

There is significant competition in the area's low- and moderate-income tracts, and the bank's limited resources make lending in these geographies more difficult.

<b>Table E – Geographic Distribution of Home Mortgage Loans</b>						
<b>Assessment Area: Marblehead Bank</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	1.4	1.9	2	2.6	794	3.5
2017	1.3	2.0	0	0.0	0	0.0
<b>Moderate</b>						
2016	24.5	28.3	8	10.5	2,015	8.8
2017	20.3	27.3	6	11.1	1,723	9.1
<b>Middle</b>						
2016	42.0	40.4	24	31.6	6,475	28.4
2017	49.3	46.6	21	38.9	8,309	43.9
<b>Upper</b>						
2016	32.0	29.4	42	55.3	13,487	59.2
2017	29.1	24.1	27	50.0	8,898	47.0
<b>Not Available</b>						
2016	0.0	0.0	0	0.0	0	0.0
2017	0.0	0.0	0	0.0	0	0.0
<b>Totals</b>						
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>76</b>	<b>100.0</b>	<b>22,771</b>	<b>100.0</b>
<b>2017</b>	<b>100.0</b>	<b>100.0</b>	<b>54</b>	<b>100.0</b>	<b>18,930</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census &amp; 2015 ACS Census; 1/1/2016 - 12/31/2017 Bank Data, 2016 &amp; 2017 HMDA Aggregate Data, "--" data not available.</i>						
<i>Due to rounding, totals may not equal 100.0</i>						

**Borrower Profile**

The distribution of borrowers reflects reasonable penetration among individuals of different income levels, including low- and moderate-income borrowers.

***Home Mortgage Loans***

The distribution of borrowers, given the demographics of the assessment area, reflects reasonable penetration among individuals of different income levels. This conclusion was primarily based on Marblehead Bank’s reasonable distribution of home mortgage loans to low- and moderate-income individuals.

In 2016, 5.3 percent of the bank’s home mortgage loans were made to low-income borrowers in the assessment area, which was above aggregate performance of 4.0 percent. The bank’s 7.4 percent home mortgage loans to low-income borrowers was again above the aggregate’s 5.3 percent in 2017, showing a positive trend. The bank was below the demographic in 2016 and 2017; however,

according to the 2015 ACS Census, 6.8 percent of assessment area families have incomes below the poverty level. Thus, those families would not likely qualify for a mortgage under conventional underwriting standards. This decreases the demand and opportunity to lend to low-income families and helps explain the difference between bank performance and percent of low-income families in the assessment area.

The bank originated 19.7 percent of its 2016 home mortgage loans to moderate-income borrowers, which was above the aggregate's 17.4 percent. The bank's lending to moderate-income borrowers decreased in 2017 to 11.1 percent which was below the aggregates 17.7 percent.

<b>Table I – Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Assessment Area: Marblehead Bank</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	21.3	4.0	4	5.3	447	2.0
2017	22.9	5.3	4	7.4	781	4.1
<b>Moderate</b>						
2016	17.9	17.4	15	19.7	2,831	12.4
2017	17.9	17.7	6	11.1	1,207	6.4
<b>Middle</b>						
2016	20.3	25.1	19	25.0	5,647	24.8
2017	22.1	25.9	10	18.5	2,536	13.4
<b>Upper</b>						
2016	40.4	40.3	30	39.5	11,205	49.2
2017	37.1	38.8	29	53.7	10,991	58.1
<b>Not Available</b>						
2016	0.0	13.1	8	10.5	2,641	11.6
2017	0.0	12.3	5	9.3	3,415	18.0
<b>Totals</b>						
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>76</b>	<b>100.0</b>	<b>22,771</b>	<b>100.0</b>
<b>2017</b>	<b>100.0</b>	<b>100</b>	<b>54</b>	<b>100.0</b>	<b>18,930</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census &amp; 2015 ACS Census; 1/1/2016 - 12/31/2017 Bank Data, 2016 &amp; 2017 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0</i>						

### **Response to Complaints**

The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test rating.

## Fair Lending Policies and Procedures

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

## **Minority Application Flow**

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

<b>MINORITY APPLICATION FLOW</b>						
<b>RACE</b>	<b>Bank 2016</b>		<b>2016 Aggregate Data</b>	<b>Bank 2017</b>		<b>2017 Aggregate Data</b>
	<b>#</b>	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>%</b>
American Indian/ Alaska Native	0	0.0	0.2	0	0.0	0.2
Asian	0	0.0	1.4	0	0.0	1.5
Black/ African American	0	0.0	1.0	1	1.4	1.2
Hawaiian/Pacific Islander	0	0.0	0.0	0	0.0	0.0
2 or more Minority	0	0.0	0.0	0	0.0	0.0
Joint Race (White/Minority)	0	0.0	0.9	0	0.0	1.4
<b>Total Minority</b>	<b>0</b>	<b>0.0</b>	<b>3.5</b>	<b>1</b>	<b>1.4</b>	<b>4.3</b>
White	89	92.7	75.5	62	88.6	73.5
Race Not Available	7	7.3	21.0	7	10.0	22.2
<b>Total</b>	<b>96</b>	<b>100.0</b>	<b>100.0</b>	<b>70</b>	<b>100.0</b>	<b>100.0</b>
<b>ETHNICITY</b>						
Hispanic or Latino	<b>3</b>	<b>3.1</b>	<b>2.4</b>	<b>0</b>	<b>0.0</b>	<b>2.8</b>
Not Hispanic or Latino	87	90.6	75.4	63	90.0	74.1
Joint (Hisp/Lat /Not Hisp/Lat)	<b>0</b>	<b>0.0</b>	<b>1.1</b>	<b>0</b>	<b>0.0</b>	<b>1.1</b>
Ethnicity Not Available	6	6.3	21.1	7	10.0	22.0
<b>Total</b>	<b>96</b>	<b>100.0</b>	<b>100.0</b>	<b>70</b>	<b>100.0</b>	<b>100.0</b>

According to the 2015 ACS U.S. Census Data, the bank's assessment area contained a total population of 117,475 individuals of which 14.4 percent are minorities. The assessment area's minority and ethnic population is 2.4 percent Black/African American, 1.7 percent Asian, 0.2 percent American Indian, 0.0 percent Hawaiian/Pacific Islander, 8.2 percent Hispanic or Latino and 1.9 percent other.

In 2016, the bank received 96 HMDA reportable loan applications from within its assessment area. Of these applications, 0 were received from minority applicants. For the same time period, the bank received 3 or 3.1 percent of applications from ethnic groups of Hispanic origin within its assessment area of which 100.0 percent were originated.

In 2017, the bank received 70 HMDA reportable loan applications from within its assessment area. Of these applications, 1 or 1.4 percent was received from minority applicants which the bank originated. The aggregate received 5,459 HMDA reportable loan applications of which 235 or 4.3 percent were received from minority applicants and 145 or 61.7 percent were originated. For the same time period, the bank received 0 applications from ethnic groups of Hispanic origin within its assessment area versus the aggregate's 3.9 percent.

The bank's level of lending was compared with that of the aggregate's lending performance level for 2017. The comparison of this data assists in deriving reasonable expectations for the rate of applications the bank received from minority residential loan applicants. Refer to the table above for information on the bank's minority application flow as well as the aggregate lenders in the bank's assessment area.

Considering the demographic composition of the assessment area and comparisons to aggregate data in 2017, the bank's minority application flow is 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 non-metropolitan median family income, if a person or geography is located outside an MSA.

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

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

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

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

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

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

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

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

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

**Community Development Loan:** A loan that

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

**Community Development Service:** A service that

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

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

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

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

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

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

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

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

**Full-Scope Review:** Performance under the applicable tests is analyzed considering performance context, quantitative factors (geographic loan distribution, borrower profile loan distribution, and total number and dollar amount of investments), and qualitative factors (innovativeness, complexity, and responsiveness).

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

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

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

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

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

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

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

**Limited-Scope Review:** Performance under the applicable tests is analyzed using only quantitative factors (for example, geographic loan distribution, borrower profile loan distribution, total number and dollar amount of investments, and branch distribution).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## PERFORMANCE EVALUATION DISCLOSURE GUIDE

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

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

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Federal Deposit Insurance Corporation and the Massachusetts Division of Banks, at 21 Atlantic Avenue in Marblehead, MA 01945.

[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.