

PUBLIC DISCLOSURE

August 6, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Mechanics Cooperative Bank
Certificate Number: 26634

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Taunton, Massachusetts 02780

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

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INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **High Satisfactory** by the Commonwealth of Massachusetts Division of Banks (Division) and **Satisfactory** by the FDIC.* 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.

Mechanics Cooperative Bank's (MCB) performances under the Lending Test and the Community Development Test support the overall rating. The following points summarize the bank's Lending Test and Community Development Test performance.

The Lending Test is rated High Satisfactory by the Division and Satisfactory by the FDIC.

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

The Community Development Test is rated High Satisfactory by the Division and Satisfactory by the FDIC.

- The institution demonstrates good responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services, considering its capacity and the need and availability of such opportunities for community development in the assessment area.

* Please note the FDIC's rating matrix does not provide for a "High Satisfactory" rating; however, the FDIC and the Division agree on the bank's overall performance levels.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated August 10, 2015, to the current evaluation dated August 6, 2018. Examiners used the Interagency Intermediate Small Bank (ISB) Examination Procedures established by the Federal Financial Institutions Examination Council (FFIEC). These procedures include two performance tests: the CRA Small Bank Lending Test and the Community Development Test.

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

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

The Community Development Test considered the following factors:

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

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

Loan Products Reviewed

Examiners determined that MCB's major product line is home mortgage loans, followed by small business loans. This conclusion considered the bank's business strategy and the number and dollar volume of loans originated during the evaluation period.

The bank's record of originating home mortgage loans contributed more weight to overall conclusions due to the larger loan volume when compared to small business lending during the past two calendar years. Also, no other loan types, such as small farm loans or consumer loans, represent a major product line. Therefore, small farm and consumer loans provided no material support for conclusions or ratings, and are not presented.

The bank is subject to the Home Mortgage Disclosure Act (HMDA). HMDA requires the collection and reporting of home mortgage loan application data. This evaluation considered all home mortgage loans reported on the bank's 2016 and 2017 HMDA loan application registers. MCB originated a universe of 237 HMDA-reportable loans totaling \$61.6 million in 2016, and 246 loans totaling \$78.4 million in 2017. Examiners compared the bank's performance in 2016 and 2017 to the 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.

CRA defines a small business loan as a loan originated in an amount of \$1.0 million or less and included in either of the following Reports of Condition and Income (Call Report) categories: loans secured by non-farm, non-residential properties or commercial and industrial loans. Examiners collected small business data from bank records for loans originated in 2016 and 2017 to draw conclusions about the bank's small business lending performance. In 2016, MCB originated 116 small business loans totaling \$20.0 million; of which, examiners reviewed a sample of 35 small business loans totaling \$8.2 million. In 2017, the bank originated 99 small business loans totaling \$11.7 million; of which, examiners reviewed a sample of 33 small business loans totaling \$4.1 million. As a non-reporter, aggregate small business lending data does not serve as an appropriate comparator; therefore, examiners only compared the bank's small business lending performance to 2016 and 2017 D&B business demographic data.

For the Lending Test, examiners reviewed the number and dollar volume of home mortgage and small business loans. While the tables throughout this evaluation include both the number and dollar volume of loans, examiners emphasized the bank's performance by number of loans, as the number of loans better indicates the number of individuals and businesses served.

For the Community Development Test, examiners drew conclusions based on data provided by bank management on community development loans, qualified investments, and community development services since the prior CRA evaluation, dated August 10, 2015.

The United States (U.S.) Census Bureau has updated the 2010 U.S. Census data by use of the 2015 American Community Survey (ACS). The 2015 ACS updated data used by regulators when preparing CRA performance evaluations, such as metropolitan area boundaries, census tracts and census tract income levels, and demographic information. For MCB's CRA performance evaluation, examiners used 2010 U.S. Census data when assessing 2016 bank lending and 2015 ACS data when assessing 2017 bank lending.

DESCRIPTION OF INSTITUTION

Background

MCB is a state-chartered, mutual cooperative bank headquartered in Taunton, Massachusetts (MA). The bank operates in the southeastern part of MA in Bristol and Plymouth Counties. MCB is a wholly-owned subsidiary of Mechanics Bancorp Inc., a one bank mutual holding company. In addition, MCB operates three wholly-owned subsidiaries: MCB Securities Corporation; MCB Insurance Agency, LLC; and 1877 TPM Corporation. MCB Securities Corporation holds the bank's investment portfolio; MCB Insurance Agency, LLC is a full service insurance company; and 1877 TPM Corporation holds other bank assets, such as foreclosed properties. The bank received a Satisfactory and High Satisfactory rating, respectively, at its previous joint FDIC and Division Performance Evaluation, dated August 10, 2015, based on ISB Examination Procedures.

Operations

The bank operates eight full-service branches, including its main office and one additional branch in Taunton, and one office each in Bridgewater, Fall River, North Dighton, Somerset, Swansea, and Westport. MCB also operates a loan operations center and a limited-service corporate office (loan servicing only) in Taunton. All branches, the loan operations center, and the corporate office are equipped with 24-hour automated teller machines (ATM). In addition, all full-service branches have drive-up facilities. The bank has not opened or closed any offices or engaged in any mergers or acquisitions since the previous evaluation.

Deposit products offered include checking, savings, and money market accounts; certificates of deposit; and Individual Retirement Accounts (IRAs). Alternative banking services include internet and mobile banking for business customers, and ATMs. The institution also offers a variety of business and consumer credit products. Business loan offerings include working lines and letters of credit, equipment financing, construction loans, commercial real estate, and Small Business Administration (SBA) loans. Consumer loan products include one-to-four family home mortgages, home equity and overdraft lines of credit, and automobile- and passbook-secured loans. One of MCB's lending focuses is to rehabilitate old housing stock, and these loans are captured on the bank's HMDA loan application registers.

Ability and Capacity

Assets totaled approximately \$572.6 million as of June 30, 2018, which included total loans of \$471.4 million and securities totaling \$69.7 million. The bank is both a residential and commercial lender. As noted in the following table, 37.3 percent of the bank's loan portfolio is one-to-four family properties, followed by commercial real estate loans at 32.4 percent. From 2016 through year-to-date (YTD) 2018, the bank originated 85 home mortgage loans totaling \$16.7 million that were subsequently sold to the secondary market.

Loan Portfolio Distribution as of 6/30/2018		
Loan Category	\$(000s)	%
Construction and Land Development	67,349	14.3
1-4 Family Residential	175,904	37.3
Multi-family (5 or more) Residential	43,201	9.2
Non-farm, Non-residential Properties	152,894	32.4
Total Real Estate Loans	439,348	93.2
Commercial and Industrial	27,120	5.8
Consumer	4,580	1.0
Other	399	0.0
Total Loans	471,447	100.0
<i>Source: Call Report data</i>		

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

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. MCB designated a single assessment area including portions of the Boston, MA Metropolitan Division (MD) and the Providence-Warwick, RI-MA Metropolitan Statistical Area (MSA). Both metropolitan areas are part of the Boston-Worcester-Providence, MA-RI-NH-CT Combined Statistical Area (CSA). The bank's assessment area includes the following 19 municipalities, which are located within Bristol and Plymouth Counties:

- *Providence-Warwick RI-MA MSA* – Bristol County: Berkley, Dartmouth, Dighton, Easton, Fall River, Freetown, Norton, Raynham, Rehoboth, Somerset, Swansea, Taunton, and Westport.
- *Boston, MA MD* – Plymouth County: Bridgewater, East Bridgewater, Halifax, Lakeville, Middleborough, and West Bridgewater.

MCB properly defined its assessment area in accordance with CRA requirements. The following sections discuss demographic and economic information for the assessment area.

Economic and Demographic Data

The assessment area includes 88 census tracts in portions of Bristol and Plymouth Counties. These tracts reflect the following income designations according to the 2015 ACS:

- 7 low-income tracts,
- 18 moderate-income tracts,
- 31 middle-income tracts,
- 30 upper-income tracts, and
- 2 census tracts with no income designation.

Fall River contains 6 of the 7 low-income tracts and 14 of the 18 moderate-income tracts; therefore, the bank's lending activity in Fall River has a significant effect on its Geographic Distribution performance. Updated data from the 2015 ACS reduced the number of low-income tracts but increased the number of moderate-income tracts in the assessment area compared to 2010 U.S. Census data. According to 2010 U.S. Census data, the area consisted of 12 low-, 11 moderate-, 40 middle-, and 24 upper-income census tracts; 1 census tract had no income designation. The following table illustrates select demographic characteristics 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)	88	8.0	20.4	35.2	34.1	2.3
Population by Geography	411,638	6.0	16.8	38.5	37.5	1.2
Housing Units by Geography	165,032	8.0	20.1	39.1	32.7	0.1
Owner-Occupied Units by Geography	102,495	1.7	10.6	45.3	42.3	0.1
Occupied Rental Units by Geography	49,203	19.4	38.1	28.7	13.6	0.2
Vacant Units by Geography	13,334	13.9	26.5	30.7	28.9	0.0
Businesses by Geography	24,613	7.8	12.2	40.3	39.4	0.3
Farms by Geography	835	1.0	7.1	37.6	54.3	0.0
Family Distribution by Income Level	102,776	21.5	16.6	20.2	41.7	0.0
Household Distribution by Income Level	151,698	24.8	14.4	16.1	44.7	0.0
Median Family Income MSA - 14454 Boston, MA MD		\$90,699	Median Housing Value			\$301,092
Median Family Income MSA - 39300 Providence-Warwick, RI-MA MSA		\$73,950	Median Gross Rent			\$873
			Families Below Poverty Level			7.9%
Source: 2010 U.S. Census & 2015 ACS Census; 2017 D&B Data (*) The NA category consists of geographies that have not been assigned an income classification.						

According to 2017 D&B data, there were 24,613 businesses. The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by gross annual revenue (GAR) level. GARs for these businesses are below.

- 84.1 percent have \$1 million or less.
- 6.1 percent have more than \$1 million.
- 9.8 percent have unknown revenues.

Service industries represent the largest portion of businesses at 42.2 percent; followed by retail trade (14.7 percent); construction (11.4 percent); and finance, insurance, and real estate (7.9 percent). In addition, 71.4 percent of area businesses have four or fewer employees, and 89.2 percent operate from a single location.

The FFIEC-updated 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 2016 and 2017 are presented in the following table.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Boston, MA MD Median Family Income (14454)				
2016 (\$90,800)	<\$45,400	\$45,400 to <\$72,640	\$72,640 to <\$108,960	≥\$108,960
2017 (\$94,300)	<\$47,150	\$47,150 to <\$75,440	\$75,440 to <\$113,160	≥\$113,160
Providence-Warwick, RI-MA MSA Median Family Income (39300)				
2016 (\$73,100)	<\$36,550	\$36,550 to <\$58,480	\$58,480 to <\$87,720	≥\$87,720
2017 (\$74,500)	<\$37,250	\$37,250 to <\$59,600	\$59,600 to <\$89,400	≥\$89,400
<i>Source: FFIEC</i>				

There are 165,032 housing units in the assessment area. Of these housing units, 62.1 percent are owner-occupied, 29.8 percent are occupied rental units, and 8.1 percent are vacant. The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. The disproportionately low percentage of owner-occupied units in low- and moderate-income tracts reflects low owner-occupancy rates in these geographies; therefore, substantial competition exists for a small number of owner-occupied home mortgage loans in these areas.

Data obtained from the U. S. Bureau of Labor and Statistics indicates that the unemployment rate was 3.5 percent statewide as of June 2018. The rate was marginally higher in the Boston, MA MD at 3.6 percent, and in the Provide-Warwick, RI-MA MSA at 3.8 percent. Unemployment rates remained constant throughout the evaluation period.

Competition

The assessment area is highly competitive in the market for financial services. According to FDIC Deposit Market Share data as of June 2017, there were 26 financial institutions that operated 305 full-service branches within the bank's assessment area. Of these institutions, MCB ranked 14th with a 1.9 percent deposit market share.

The bank is not required to collect or report its small business loan data, and it has not elected to do so. Therefore, the analysis of small business loans under the Lending Test does not include comparisons against aggregate data. The aggregate data, however, reflects the level of demand for small business loans. For 2016, the aggregate data reflected that 111 institutions reported 23,450 small business loans in the assessment area, indicating a moderate degree of competition for this product.

There is a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. In 2017, 385 lenders reported 18,279 residential mortgage loans originated or purchased. MCB ranked 26th out of this group of lenders, with a market share of 1.0 percent. The three most prominent home mortgage lenders are regional or national in reach, and accounted for 14.4 percent of total market share.

Community Contact

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

Examiners contacted a representative of a non-profit organization located in Taunton, which focuses on providing intensive support to individuals with mental disabilities, including housing and nursing needs. The contact indicated a significant need for affordable housing, including both one-to-four family homes and rental units. For example, the contact stated that there is at least a six-year waiting list for Section 8 housing. Overall, the contact indicated that financial institutions have been responsive to the area's credit and community development needs.

Credit and Community Development Needs and Opportunities

Considering information from the community contact as well as demographic and economic data, examiners determined that affordable housing represents an acute need in the assessment area. In particular, the lack of owner-occupied housing units in low- and moderate-income tracts reflects the need for affordable homeownership opportunities. Additionally, home mortgage products allowing low down payments or flexible features are needed, as the median housing value of \$301,092 reflects high housing costs. Further, the high median age of housing stock in low- and moderate-income census tracts at 78 years and 73 years, respectively, indicates a need for home improvement loans. Other community development needs include small business loans boosting economic development and financial literacy education.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

MCB demonstrated good performance under the Lending Test. Strong lending to low-income tracts and low-income borrowers positively affected Geographic Distribution and Borrower Profile conclusions. A declining percentage of loans made within the assessment area and to businesses with GARs of \$1 million or less factored into the overall Lending Test rating.

Loan-to-Deposit Ratio

The LTD ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs. MCB's LTD ratio, calculated from Call Report data, averaged 103.7 percent over the past 12 calendar quarters from September 30, 2015 to June 30, 2018. The ratio increased during the evaluation period, ranging from a low of 96.5 percent as of June 30, 2016, to a high of 111.8 percent as of December 31, 2017. The following table presents the average LTD ratio for MCB and for three similarly-situated banks. Examiners selected similarly situated banks based on asset size, geographic location, and lending focus. As shown in the following table, MCB maintained a LTD ratio that was significantly higher than comparable institutions.

Loan-to-Deposit Ratio Comparison		
Institution	Total Assets \$(000s) as of 6/30/2018	Average LTD Ratio (%) 9/30/2015 – 6/30/2018
Mechanics Cooperative Bank	572,556	103.7
Fall River Five Cents Savings Bank	913,684	83.8
Bridgewater Savings Bank	591,335	92.0
Mansfield Co-operative Bank	525,156	94.6
<i>Source: Call Report data</i>		

Assessment Area Concentration

MCB originated a majority of home mortgage loans, by number, within the assessment area in 2016 and 2017. The following table, however, shows a decrease in the percentage of home mortgage loans in the assessment area in 2017. In addition, the bank originated a majority of its home mortgage loans by dollar amount outside the assessment area for both years.

Furthermore, although the bank originated a majority of sampled small business loans by number within the assessment area in 2016 (51.4 percent), less than a majority (39.4 percent) were made in the assessment area in 2017. However, 10 of the 33 sampled small business loans were made to the same business, which is located outside of the assessment area. The relatively high concentration of loans made to this one borrower outside the assessment area mitigates the bank's poor ratio. This business received 22.3 percent of all small business loans originated by the bank during the review period. The following table details MCB's home mortgage and small business lending activity inside and outside of the assessment area.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollars Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2016	165	69.6	72	30.4	237	29,610	48.0	32,016	52.0	61,626
2017	142	57.7	104	42.3	246	24,757	31.6	53,690	68.4	78,447
Small Business										
2016	18	51.4	17	48.6	35	3,561	43.4	4,638	56.6	8,199
2017	13	39.4	20	60.6	33	1,231	30.3	2,838	69.7	4,069
Source: Bank records; 2016 and 2017 HMDA Data										

Geographic Distribution

The geographic distribution of loans reflects excellent dispersion throughout the assessment area. This conclusion was based on excellent dispersion of home mortgage loans and good dispersion of small business loans.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects excellent dispersion. For comparative purposes, the following table shows the percentage of owner-occupied housing units and 2016 and 2017 aggregate data for each tract income level.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2016	4.3	3.7	16	9.7	3,174	10.7
2017	1.7	2.2	14	9.9	2,879	11.6
Moderate						
2016	6.9	6.6	18	10.9	3,488	11.8
2017	10.6	11.1	23	16.2	4,135	16.7
Middle						
2016	56.0	56.3	69	41.8	10,490	35.4
2017	45.3	44.7	58	40.8	9,113	36.8
Upper						
2016	32.8	33.4	62	37.6	12,458	42.1
2017	42.3	41.9	44	31.0	8,070	32.6
Not Available						
2016	0.0	0.0	0	0.0	0	0.0
2017	0.1	0.1	3	2.1	560	2.3
Totals						
2016	100.0	100.0	165	100.0	29,610	100.0
2017	100.0	100.0	142	100.0	24,757	100.0

Source: 2010 U.S. Census & 2015 ACS Census; 1/1/2016 - 12/31/2017 Bank Data, 2016 & 2017 HMDA Aggregate Data

In 2016 and 2017, MCB's performance in low-income census tracts significantly exceeded both demographic data and aggregate data. Although the percentage of owner-occupied units and aggregate loans in low-income tracts decreased in 2017, the bank's percentage remained consistent. Similarly, the bank's 2016 and 2017 performance in moderate-income census tracts exceeded demographic and aggregate data. The bank's performance in moderate-income tracts remained steady in 2017 when accounting for the increase in moderate-income tracts due to the 2015 ACS. The bank's strong lending in low- and moderate-income tracts reflects its success lending in Fall River and Taunton, two communities with high concentrations of low- and moderate-income geographies.

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion. The following table indicates bank lending and the percentage of businesses for each census tract income level.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2016	10.7	4	22.2	924	26.0
2017	7.8	1	7.7	240	19.5
Moderate					
2016	7.6	1	5.6	742	20.8
2017	12.2	1	7.7	136	11.0
Middle					
2016	51.5	8	44.4	1,271	35.7
2017	40.3	6	46.1	407	33.1
Upper					
2016	30.1	5	27.8	624	17.5
2017	39.4	5	38.5	448	36.4
Totals					
2016	100.0	18	100.0	3,561	100.0
2017	100.0	13	100.0	1,231	100.0
<i>Source: Bank Records, 2016 & 2017 D&B data; 0.3% of businesses are located in census tracts with no income designation.</i>					

MCB lending in low-income tracts significantly exceeded the percentage of small business loans within these tracts in 2016. In 2017, however, the bank's lending percentage was comparable to the business demographic comparator. By dollar amount, the bank originated an excellent percentage of small business loans in low-income tracts for both years.

In moderate-income census tracts, the bank made just one loan each in 2016 and 2017, trailing the percentage of businesses in these tracts for both years. Bank loans by dollar amount reflect a higher percentage in moderate-income tracts.

Borrower Profile

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels and businesses of different sizes. The conclusions is based on the bank's excellent home mortgage lending performance, particularly to low-income borrowers, and reasonable small business lending performance. For this factor, examiners focus on the percentage, by number, of home mortgage loans originated to low- and moderate-income borrowers and small business loans originated to businesses with GARs of \$1.0 million or less.

Home Mortgage Loans

The distribution of borrowers reflects, given the demographics of the assessment area, excellent penetration among individuals of different income levels, including low- and moderate-income. While strong lending to low-income borrowers supports the conclusion, reasonable lending to moderate-income borrowers lessened the positive effect of home mortgage lending performance on the overall Borrower Profile conclusion. The following table presents the borrower distribution of home mortgage loans.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2016	20.3	3.2	12	7.3	934	3.1
2017	21.5	3.9	23	16.2	2,831	11.4
Moderate						
2016	16.6	16.0	31	18.8	4,674	15.8
2017	16.6	17.1	22	15.5	2,597	10.5
Middle						
2016	21.5	25.0	33	20.0	4,714	15.9
2017	20.2	26.6	27	19.0	4,623	18.7
Upper						
2016	41.6	39.8	52	31.5	11,387	38.5
2017	41.7	37.5	32	22.5	6,181	25.0
Not Available						
2016	0.0	16.0	37	22.4	7,901	26.7
2017	0.0	14.9	38	26.8	8,525	34.4
Totals						
2016	100.0	100.0	165	100.0	29,610	100.0
2017	100.0	100.0	142	100.0	24,757	100.0
Source: 2010 U.S. Census & 2015 ACS Census; 1/1/2016 - 12/31/2017 Bank Data, 2016 & 2017 HMDA Aggregate Data						

In 2016, MCB originated more than double the aggregate percentage of home mortgage loans to low-income borrowers. Although the bank's performance is below the percentage of low-income families, high housing costs and poverty rates explain the disparity between the demographic comparator and bank and aggregate lending. According to the 2010 U.S. Census, 44.3 percent of area low-income families have incomes below the poverty level. It is unlikely that these families could afford to purchase a home or qualify for a mortgage loan, even one with flexible terms. Bank lending to low-income borrowers increased significantly in 2017, exceeding the aggregate's percentage more than four times. MCB tied for second among all lenders for home mortgage loans to low-income borrowers in the assessment area in 2017.

Bank lending to moderate-income borrowers in 2016 slightly exceeded aggregate and demographic data. The bank's performance declined slightly in 2017, dropping below both aggregate and demographic data. This declining trend factored into overall conclusions for Borrower Profile performance.

Small Business Loans

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration to businesses with GARs of \$1 million or less. The following tables reflect the

revenue distribution of sampled small business loans compared to the percentage of businesses by GAR category.

2016 Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Annual Revenue	% of Businesses	#	%	\$(000s)	%
≤\$1,000,000	84.0	11	61.1	2,176	61.1
>\$1,000,000	6.1	7	38.9	1,385	38.9
Revenue Not Available	9.9	0	0.0	0	0.0
Total	100.0	18	100.0	3,561	100.0
<i>Source: 2016 D&B Data, Bank Records</i>					

The previous table shows that the bank originated 61.1 percent of small business loans, by number and dollar volume, to businesses with GARs of \$1.0 million or less in 2016. This performance was below the percentage of small businesses within this revenue category.

2017 Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Annual Revenue	% of Businesses	#	%	\$(000s)	%
≤\$1,000,000	84.1	7	53.9	441	35.8
>\$1,000,000	6.1	6	46.1	790	64.2
Revenue Not Available	9.8	0	0.0	0	0.0
Total	100.0	13	100.0	1,231	100.0
<i>Source: 2017 D&B Data, Bank Records</i>					

For 2017, the bank originated 53.9 percent of the small business loans, by number, to businesses with GARs of \$1.0 million or less. This performance was also below the percentage of small businesses within the assessment area. However, the percentage of businesses with GARs of \$1 million or less is not an accurate indication of small business loan demand among these businesses. A review of CRA performance evaluations within the last 18 months for community banks in Bristol County revealed other banks made loans to businesses with GARs of \$1 million or less at a percentage comparable to MCB.

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.

COMMUNITY DEVELOPMENT TEST

MCB demonstrated adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services, considering the institution's capacity and the need and availability of such opportunities.

Community Development Loans

MCB originated 19 community development loans totaling approximately \$7.6 million during the evaluation period. This level of activity represents 1.3 percent of average assets and 1.6 percent of average total loans as of June 30, 2018. Of the 19 community development loans, 10 loans totaling \$2.9 million provided affordable housing for low- or moderate-income families. All of the loans are located in the assessment area. The following table illustrates the bank's community development lending activity by year and purpose.

Community Development Loans										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$	#	\$	#	\$	#	\$	#	\$
8/10/2015 - 12/31/2015	3	1,319	1	250	0	0	0	0	4	1,569
2016	3	683	4	2,816	1	23	0	0	8	3,522
2017	2	287	1	1,078	0	0	1	331	4	1,696
YTD 2018	2	583	1	200	0	0	0	0	3	783
Total	10	2,872	7	4,344	1	23	1	331	19	7,570
<i>Source: Bank Records</i>										

Below are notable examples of community development loans:

- In 2016 and 2017, the institution funded two loans totaling \$225,000 to purchase 11 rental units in Fall River, MA. These properties are rented below fair market rents as established by the Department of Housing and Urban Development (HUD).
- From 2015 to 2018, MCB originated 6 loans totaling \$4.0 million to acquire and/or renovate two tuition-free charter schools in Fall River, MA. Both schools are located in moderate-income census tracts, and the majority of the students participate in the free and reduced lunch program, indicating the schools primarily benefit low- and moderate-income families.
- In 2015, the bank funded a \$222,200 loan to renovate 8 rental units in a moderate-income census tract in Fall River, MA. These properties are rented below HUD fair market rents.

Qualified Investments

MCB made 133 qualified investments totaling approximately \$2.5 million. This total includes qualified equity investments of approximately \$2.1 million and donations of \$423,310. The

dollar amount of equity investments equates to 0.4 percent of average total assets and 3.0 percent of average securities since the last evaluation.

Of the total dollar amount, 85.3 percent benefited efforts to provide affordable housing and services promoting affordable housing to low- and moderate-income individuals, which examiners identified as the area's primary community development need. In addition, 12.5 percent of the total dollar amount benefited efforts to provide community services to low- and moderate-income individuals. 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		Neighborhood Stabilization Projects		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	1	680	0	0	0	0	0	0	0	0	1	680
08/10/2015-12/31/2015	0	0	27	70	0	0	2	3	0	0	29	73
2016	7	1,452	37	130	3	6	0	0	0	0	47	1,588
2017	5	17	29	75	1	8	2	13	0	0	37	113
YTD 2018	1	5	14	40	2	1	2	25	0	0	19	71
Totals	14	2,154	107	315	6	15	6	41	0	0	133	2,525
Source: Bank Records												

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

- The bank's qualified equity investments include two mortgage-backed securities issued by Ginnie Mae; one of which was purchased in September 2016, and the other security was purchased in August 2015, qualifying as a prior period investment.
 - The 2016 investment has a face value of approximately \$1.4 million and is secured by six underlying single-family properties. All properties are located within or just outside the assessment area and have moderate-income mortgagors.
 - The 2015 investment was purchased for approximately \$1 million and is secured by four single-family properties, all of which are located within the bank's assessment area. Three of the four properties have moderate-income mortgagors. The current book value of the 2015 investment is \$680,153.
- The bank maintains an annual "Let's Keep it Local" community grant program, whereby the bank solicits votes from its customer base to determine where it should disburse \$25,000 in donations to nonprofit organizations within the assessment area. For example, the bank donated \$15,000 to Homes for Our Troops, a nonprofit organization headquartered in Taunton that provides affordable, mortgage-free homes suited to accommodate disabled veterans, most of whom are low- or moderate-income.

- In 2017 and 2018, the bank donated \$12,500 and \$25,000, respectively, to Stanley Street Treatment and Resources (SSTAR) in Fall River, a nonprofit health care and social services agency. The donations supported clients of the addiction treatment center, which is located in a moderate-income census tract and primarily serves low- and moderate-income individuals. SSTAR's activities assist in revitalizing and stabilizing the geographies it serves, given the economic and sociological fallout associated with the opioid addiction epidemic in the region. Further, the activities align with initiatives promulgated at the federal, state, and local levels aimed at addressing the opioid crisis.

Community Development Services

During the evaluation period, bank employees provided 109 instances of financial expertise or technical assistance to 21 community development-related organizations in the assessment area. The following table illustrates the bank's community development services by year and purpose.

Community Development Services						
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Neighborhood Stabilization Projects	Totals
	#	#	#	#	#	#
08/10/2015-12/31/2015	3	12	2	4	0	21
2016	5	17	3	5	0	30
2017	8	15	5	5	0	33
YTD 2018	5	14	2	4	0	25
Total	21	58	12	18	0	109
<i>Source: Bank Records</i>						

Employee Involvement

Bank employees are involved in local community development organizations in multiple capacities. Employees provide services through membership and participation, providing financial expertise to the organizations they serve. The following are some organizations that benefited from the dedicated service of bank employees.

- An employee serves as a Board member of NeighborWorks Southern Mass, a non-profit developer whose mission is to stabilize neighborhoods and provide affordable housing throughout southern Massachusetts, including the bank's entire assessment area.
- A bank employee serves on the Bristol Workforce Investment Board, an organization that oversees, coordinates, and implements workforce development initiatives in Fall River, Attleboro, and Taunton areas. The organizations efforts primarily benefit low- and moderate-income individuals.
- An employee serves as a Board member of Girls Incorporated of Taunton, using financial expertise to assist the organization. Girls Inc. serves girls aged 5 to 18 living in Taunton;

a substantial majority of the children comes from low-income families. The organization provides an array of social services such as after school and summer programs.

- An employee serves as secretary for the Greater Taunton Charitable Association. The Association, a nonprofit charitable organization, assists indigent and low-income families in the Greater Taunton area, primarily by providing food and clothing assistance to those in need. In this role, the employee provided financial expertise through leading and coordinating several food drives and fundraising events.

Homeownership and Other Financial Education

In addition to ongoing participation with qualified organizations, several bank employees used their financial and banking expertise to teach at seminars with a community development purpose, such as first-time homebuyer programs and money management programs. The following are notable examples of these seminars:

- In 2016 and 2017, a bank employee served as a counselor at a Credit for Life fair hosted at the Greater New Bedford Vocational Technical School. The fair was designed to teach students, more than half of which come from low-income families, financial skills such as creating personalized budgets.
- Over the course of the review period, several bank employees used their financial expertise to present at first-time homebuyer seminars on six different occasions. The seminars were offered through three organizations:
 - Pro-Home, a nonprofit organization established for the production and protection of affordable housing;
 - Buy Fall River Now, a home buying initiative comprised of local stakeholders including the City of Fall River Community Development Agency, MassHousing, and various lending institutions; and
 - Catholic Social Services of Fall River, which provides social services to low-income individuals, including food and housing assistance.

Other Services

- *Branch Locations* – The institution maintains one location in a low-income census tract. All locations offer low-cost deposit accounts for their clients.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

APPENDIX A

Fair Lending Policies and Procedures – MA Division of Banks

FAIR LENDING POLICIES AND PROCEDURES

The Division of Banks provides comments regarding the bank's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106.

The bank maintains a written fair lending policy. The bank makes efforts to adhere to applicable fair lending laws and regulations through consistent underwriting and pricing procedures, as well as appropriate audits.

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. The comparison of this data assists in deriving reasonable expectations for the rate of applications the bank received from minority residential loan applicants.

According to the 2015 ACS U.S. Census Data, the bank's assessment area contained a total population of 411,638 individuals, 11.5 percent of which are minorities. The assessment area's minority and ethnic population is 3.9 percent Black/African American, 1.6 percent Asian, 4.2 percent Hispanic or Latino, and 2.7 percent other.

In 2016, the bank received 232 HMDA-reportable loan applications within its assessment area. Of these applications, 10 or 4.3 percent were received from racial and/or ethnic minority applicants, eight or 80 percent of which resulted in originations. This compares favorably to aggregate data, where 6.8 percent of applications were received from minority applicants, 55.0 percent of which were originated.

In 2017, the bank received 185 HMDA-reportable loan applications from within its assessment area. Of these applications, nine or 4.9 percent were received from racial and/or ethnic minority applicants, three or 33.3 percent of which resulted in originations.

Please refer to the table below for data detailing the bank's minority application flow.

MINORITY APPLICATION FLOW					
RACE	Bank 2016		2016 Aggregate Data	Bank 2017	
	#	%		#	%
American Indian/ Alaska Native	1	0.4	0.2	0	0.0
Asian	1	0.4	0.9	0	0.0
Black/African American	0	0.0	2.5	6	3.2
Hawaiian/Pacific Islander	0	0.0	0.1	0	0.0
2 or more Minority	0	0.0	0.1	0	0.0
Joint Race (White/Minority)	3	1.3	0.9	0	0.0
Total Minority	5	2.1	4.7	6	3.2
White	197	84.9	76.7	145	78.4
Race Not Available	30	12.9	18.6	34	18.4
Total	232	100.0	100.0	185	100.0
ETHNICITY					
Hispanic or Latino	2	2.9	1.7	3	1.6
Not Hispanic or Latino	197	64.9	79.2	147	79.5
Joint (Hisp/Lat /Not Hisp/Lat)	3	1.5	0.8	0	0.0
Ethnicity Not Available	30	30.7	18.3	35	18.9
Total	232	100.0	100.0	185	100.0

In 2016, the bank fell below aggregate data in receiving applications from racial minorities, most notably in receiving applications from Black/African American applicants. It exceeded aggregate data in receiving applications from Hispanic or Latino applicants.

In 2017, the bank improved on the percentage of applications received from racial minorities, increasing to 3.2 percent. All of these applications were received from Black/African American applicants; examiners noted the improved trend from the previous year. Applications received from Hispanic or Latino applicants remained consistent.

Given the assessment area's demographics, the bank's lending opportunities and controls, and high level of competition in the assessment area, 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 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.

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

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

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.

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.

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 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.

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

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

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

PERFORMANCE EVALUATION DISCLOSURE GUIDE

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

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

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Division and FDIC, at 316 Broadway, Taunton, Massachusetts 02780".

[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.