

PUBLIC DISCLOSURE

August 23, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Mechanics Cooperative Bank
Certificate Number: 26634

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Taunton, MA 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 Satisfactory. The Commonwealth of Massachusetts Division of Banks (Division) rated this institution **High Satisfactory** overall. The FDIC's CRA Regulation does not have separate categories within the Satisfactory rating, whereas the Division's CRA regulation allows for either a High Satisfactory or Satisfactory rating.

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 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 performances.

The Lending Test is rated Satisfactory.

- The loan-to-deposit 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, by number. By dollar amount, the bank made a majority of home mortgage and small business loans outside the assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income) 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 Outstanding.

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

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated August 6, 2018, to the current evaluation dated August 23, 2021. Examiners used Intermediate Small Bank Examination Procedures to evaluate the bank's CRA performance. These procedures include two performance tests: the CRA Small Bank Lending Test and the Community Development Test. Examiners did not evaluate any affiliates, as they are not involved in CRA-related activities. Full-scope reviews of the bank's CRA performance in the Providence-Warwick, RI-MA Metropolitan Statistical Area (MSA) and the Boston-Cambridge-Newton, MA-NH MSA appear combined in this evaluation at the Combined Statistical Area (CSA) level since there were no concerns with bank performance reviewed at the MSA level.

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 AA

Banks must achieve at least a Satisfactory rating under each test to obtain an overall Satisfactory rating.

Activities Reviewed

Examiners determined that Mechanics Cooperative Bank's major product lines are home mortgage loans and 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 based on origination activity during the evaluation period. Although the bank originated a significant volume of small business loans in 2020, this is due to the amount of Paycheck Protection Program (PPP) loans originated as a result of the COVID-19 pandemic. Small farm loans do not represent a major product line, as no such loans were originated during the review period; therefore, examiners did not analyze or present small farm loan data.

This evaluation considered all home mortgage loans reported on the bank's 2018, 2019, and 2020 HMDA loan application registers. Mechanics Cooperative Bank originated 174 HMDA-reportable loans totaling \$62.7 million in 2018, 135 loans totaling \$53.7 million in 2019, and 188 loans totaling \$97.7 million in 2020. Examiners compared bank lending in 2018, 2019, and 2020 to aggregate HMDA data for the relevant year. Examiners also compared bank lending to applicable demographic data. The Assessment Area Concentration criterion presents all years of home

mortgage loan activity; however, the Geographic Distribution and Borrower Profile criteria only present 2019 and 2020 home mortgage lending, as these years are representative of the bank's performance during the entire evaluation period.

Examiners reviewed small business loan data from bank records for loans originated in 2018, 2019, and 2020 to draw conclusions about small business lending performance. Mechanics Cooperative Bank originated 78 small business loans totaling \$16.6 million in 2018, 58 loans totaling \$14.5 million in 2019, and 447 loans totaling \$60.9 million in 2020. As a non-reporter, aggregate small business lending data does not serve as an appropriate comparator for bank lending; therefore, examiners only compared the bank's small business lending performance to D&B business demographic data for the relevant year. The Lending Test presents all three years of small business lending under each criterion.

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 bank 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 6, 2018.

The United States (U.S.) Census Bureau has updated the 2010 U.S. Census data by use of the 2015 American Community Survey (ACS). Examiners used the 2015 ACS updated data for metropolitan area boundaries, census tracts and census tract income levels, and demographic information. For Mechanics Cooperative Bank's CRA performance evaluation, examiners primarily used 2015 ACS data when assessing 2018, 2019, and 2020 bank home mortgage lending.

DESCRIPTION OF INSTITUTION

Background

Mechanics Cooperative Bank is a state-chartered, mutual cooperative bank, which is wholly-owned by Mechanics Bancorp, Inc., a wholly-owned subsidiary of Mechanics Bancorp Mutual Holding Company, a Massachusetts mutual holding company. The bank has three subsidiaries, none of which are involved in retail banking. The bank is headquartered in Taunton, Massachusetts and operates in the southeastern part of the state in Bristol and Plymouth Counties. It offers a wide range of traditional banking services to southeastern Massachusetts communities.

In recent years, management has focused on expanding commercial real estate and construction and development portfolios, with less emphasis on residential lending. The bank received a Satisfactory and High Satisfactory rating, respectively, at its previous joint FDIC and Division CRA evaluation dated August 6, 2018, based on Interagency Intermediate Small Bank Examination Procedures.

Operations

The bank operates nine full-service branches in Massachusetts, including its main office and one additional branch in Taunton, and one office each in the following towns and cities: Bridgewater; Fall River; North Dighton; Somerset; Swansea; Westport; and New Bedford. The New Bedford branch is new since the last evaluation and opened in October 2020 in a middle-income census tract. Mechanics Cooperative Bank also operates a loan production center and a limited-service, administrative 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 (ATMs). In addition, all full-service branches have drive-up facilities. The bank has not engaged in any mergers or acquisitions since the previous evaluation.

Mechanics Cooperative Bank offers the following deposit products: checking, savings, and money market accounts; certificates of deposit; and individual retirement accounts. It also offers alternative banking services like ATMs, internet, and mobile banking for business and retail customers. The bank offers the following credit products to businesses: commercial mortgage loans, term loans, letters and lines of credit, Small Business Administration (SBA) guaranteed loans, and overdraft lines of credit. The bank offers the following credit products to consumers: home mortgage loans, home equity loans, home equity lines of credit, auto loans, passbook loans, and manufactured home mortgage loans.

Ability and Capacity

Assets totaled approximately \$675.6 million as of June 30, 2021, which included total loans of \$533.6 million and securities totaling \$73.5 million. Deposits totaled approximately \$542.9 million as of June 30, 2021. As noted in the table below, 38.6 percent of the bank's loan portfolio is secured by one-to-four family residential properties, followed by nonfarm nonresidential properties at 29.6 percent.

Loan Portfolio Distribution as of 06/30/2021		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	60,591	11.4
Secured by Farmland	98	0.0
Secured by 1-4 Family Residential Properties	205,893	38.6
Secured by Multifamily (5 or more) Residential Properties	41,395	7.8
Secured by Nonfarm Nonresidential Properties	158,196	29.6
Total Real Estate Loans	466,173	87.4
Commercial and Industrial Loans	59,218	11.1
Agricultural Production and Other Loans to Farmers	-	0.0
Consumer Loans	8,049	1.5
Obligations of State and Political Subdivisions in the U.S.	-	0.0
Other Loans	169	0.0
Lease Financing Receivable (net of unearned income)	-	0.0
Less: Unearned Income	-	0.0
Total Loans	533,609	100.0%
<i>Source Reports of Condition and Income</i>		

Examiners did not identify any financial, legal, or other impediments that would limit the bank's ability to meet assessment area 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. Mechanics Cooperative Bank designated a single assessment area including portions of Plymouth County in the Boston, MA Metropolitan Division (MD), which is within the Boston-Cambridge-Newton, MA-NH MSA, and most of Bristol County, MA in the Providence-Warwick, RI-MA MSA. Both MSAs are part of the Boston-Worcester-Providence, MA-RI-NH-CT CSA. The bank's assessment area complies with CRA requirements.

The assessment area includes the following 23 municipalities:

- **Bristol County** – Acushnet, Berkley, Dartmouth, Dighton, Easton, Fairhaven, Fall River, Freetown, New Bedford, Norton, Raynham, Rehoboth, Seekonk, Somerset, Swansea, Taunton, and Westport
- **Plymouth County** – Bridgewater, East Bridgewater, Halifax, Lakeville, Middleborough, and West Bridgewater

Economic and Demographic Data

The assessment area includes 127 census tracts with the following income designations according to the 2015 ACS:

- 21 low-income tracts,
- 29 moderate-income tracts,
- 42 middle-income tracts,
- 33 upper-income tracts, and
- 2 tracts with no income designation.

New Bedford contains 14 out of the 21 low-income tracts and 11 out of the 29 moderate-income tracts. Fall River contains 6 out of the 21 low-income tracts and 14 out of the 29 moderate-income tracts. Because these two cities contain 90 percent of the assessment area's low- and moderate-income census tracts, lending activity in New Bedford and Fall River has a significant effect on the bank's Geographic Distribution performance under the Lending Test. 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)	127	16.5	22.8	33.1	26.0	1.6
Population by Geography	547,319	11.4	18.8	36.9	32.1	0.9
Housing Units by Geography	225,433	13.9	21.5	36.9	32.1	0.9
Owner-Occupied Units by Geography	132,076	3.8	13.3	44.6	38.3	0.1
Occupied Rental Units by Geography	74,858	29.3	34.8	25.6	10.1	0.1
Vacant Units by Geography	18,499	23.4	26.2	28.5	22.0	0.0
Businesses by Geography	36,942	12.5	13.5	38.1	35.6	0.3
Farms by Geography	1,211	4.6	8.8	35.7	50.9	0.0
Family Distribution by Income Level	136,572	24.1	17.5	19.8	38.7	0.0
Household Distribution by Income Level	206,934	27.3	15.0	16.3	41.4	0.0
Median Family Income MSA - 14454 Boston, MA		\$90,699	Median Housing Value			\$265,369
Median Family Income MSA - 39300 Providence-Warwick, RI-MA MSA		\$73,950	Median Gross Rent			\$836
			Families Below Poverty Level			9.6%

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

Of total housing units, 58.6 percent are owner-occupied, 33.2 percent are occupied rental units, and 8.2 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. The relatively high percentage of rental units in low- and moderate-income geographies reflects more opportunity for investment property loans in these geographies compared to middle- and upper-income geographies.

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 2018, 2019, and 2020 for relevant metropolitan areas 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				
2018 (\$99,300)	<\$49,650	\$49,650 to <\$79,440	\$79,440 to <\$119,160	≥\$119,160
2019 (\$105,500)	<\$52,750	\$52,750 to <\$84,400	\$84,400 to <\$126,600	≥\$126,600
2020 (\$109,800)	<\$54,900	\$54,900 to <\$87,840	\$87,840 to <\$131,760	≥\$131,760
Providence-Warwick, RI-MA MSA Median Family Income				
2018 (\$80,600)	<\$40,300	\$40,300 to <\$64,480	\$64,480 to <\$96,720	≥\$96,720
2019 (\$85,100)	<\$42,550	\$42,550 to <\$68,080	\$68,080 to <\$102,120	≥\$102,120
2020 (\$89,000)	<\$44,500	\$44,500 to <\$71,200	\$71,200 to <\$106,800	≥\$106,800

Source FFIEC

According to 2020 D&B data, there were 36,942 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.

- 85.8 percent have \$1 million or less
- 5.1 percent have more than \$1 million
- 9.0 percent have unknown revenues

Service industries represent the largest portion of businesses at 36.6 percent; followed by non-classifiable establishments (15.3 percent); retail trade (13.8 percent); construction (10.4 percent); and finance, insurance and real estate (9.1 percent). In addition, 65.1 percent of area businesses have four or fewer employees, and 90.1 percent operate from a single location.

Data obtained from the U.S. Bureau of Labor and Statistics indicate that the unemployment rate was 4.9 percent statewide as of June 2021. The unemployment rate was the same (4.9 percent) in the Boston-Cambridge-Newton, MA MSA and slightly higher in the Providence-Warwick, RI-MA MSA at 5.8 percent.

Examiners reviewed employment data at the MSA level from Moody's Analytics. As of Q2 2021, Education and Health comprised the largest employment sector in the Boston-Cambridge-Newton, MA-NH MSA at 20.9 percent. Professional and business services comprised 20.4 percent; Trade, Transportation, and Utilities comprised 15.2 percent; and Government comprised 11.3 percent. As of Q2 2021, Education and Health also comprised the largest employment sector in the Providence-Warwick, RI-MA MSA at 21.1 percent, followed by Trade, Transportation, and Utilities at 18.3 percent. Government comprised 13.3 percent and Professional and Business Services 12.3 percent.

Competition

The assessment area is a competitive market for financial services. According to 2020 FDIC Deposit Market Share data, 35 financial institutions operated 165 branches in the area. Of these institutions, Mechanics Cooperative Bank ranked 10th with a 4.9 percent market share by number of branches and 3.1 percent market share by amount of deposits.

There is a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. According to 2020 HMDA aggregate data, 413 lenders reported 32,142 originated or purchased mortgage loans in the assessment area. The bank ranked 65th out of this group of lenders, with a market share of 0.3 percent by number of loans. The three most prominent home mortgage lenders operate regionally or nationally and accounted for 15.6 percent of the total market share by loan count and 11.5 percent by total dollar amount of loans.

The bank is not required to collect or report its small business loan data, so the analysis of small business loans under the Lending Test does not include comparisons against aggregate data. Aggregate data for small business loans, however, provides context on demand for small business loans. According to 2019 CRA aggregate data for Bristol and Plymouth Counties, 119 institutions reported originating 29,264 small business loans, with the most prominent lenders primarily offering credit card loans for relatively small amounts.

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 an organization focused on supporting businesses and the general population in the South Coast region of Massachusetts, which includes much of the bank's assessment area. The organization participates in initiatives including education, economic development, trade shows, and legislative affairs. The contact indicated early childhood education and childcare as primary needs for the local workforce. The contact stated that New Bedford's population has lower educational attainment, and a relatively large number of people who experience homelessness. The contact noted that financial institutions have been involved in promoting educational attainment and addressing homelessness, and other major issues like food insecurity and joblessness. 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, bank management, and demographic and economic data, examiners determined that community services targeted to low- and moderate-income individuals are necessary to address the low level of educational attainment and food insecurity. Affordable housing represents a community development need in the assessment area due to the presence of homelessness and low owner-occupancy rates in low- and moderate-income geographies. Economic development is another community development need and could address joblessness in the assessment area. Last, New Bedford and Fall River have many low- and moderate-income census tracts, reflecting opportunity for revitalization and stabilization.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Mechanics Cooperative Bank demonstrated reasonable performance under the Lending Test. Reasonable performance under most Lending Test factors supported this conclusion.

Loan-to-Deposit Ratio

The loan-to-deposit (LTD) ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs. The bank's LTD ratio, calculated from Call Report data, averaged 107.2 percent over the past 12 calendar quarters from September 30, 2018 to June 30, 2021. The ratio remained relatively stable throughout the evaluation period, ranging from a low of 97.6 percent to a high of 112.1 percent. The following table presents the average LTD ratio for Mechanics Cooperative Bank compared to a similarly-situated bank. Examiners selected the similarly situated bank based on asset size, geographic location, and lending focus. As shown in the following table, the bank maintained a LTD ratio higher than the comparable institution.

Loan-to-Deposit (LTD) Ratio Comparison		
Bank	Total Assets as of 06/20/2021 (\$000s)	Average Net LTD Ratio (%)
Mechanics Cooperative Bank	675,581	107.2%
Abington Bank	592,952	95.7%
<i>Source Reports of Condition and Income 09/30/2018 – 06/30/2021</i>		

Assessment Area Concentration

The bank originated a majority of home mortgage and small business loans by number in the assessment area; however a majority of loans by dollar amount were originated outside the assessment area. The table below shows Mechanics Cooperative Bank's lending inside and outside the assessment area by loan category.

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										
2018	80	46.0	94	54.0	174	17,816	28.4	44,909	71.6	62,724
2019	80	59.3	55	40.7	135	22,909	42.6	30,829	57.4	53,738
2020	104	55.3	84	44.7	188	30,904	31.6	66,773	68.4	97,678
Subtotal	264	53.1	233	46.9	497	71,629	33.4	142,511	66.6	214,140
Small Business										
2018	43	55.1	35	44.9	78	6,790	41.0	9,773	59.0	16,563
2019	30	51.7	28	48.3	58	3,978	27.4	10,525	72.6	14,503
2020	296	66.2	151	33.8	447	31,903	52.4	28,956	47.6	60,859
Subtotal	369	63.3	214	36.7	583	42,671	46.4	49,254	53.6	91,925
Total	633	58.6	447	41.4	1,080	114,300	37.3	191,765	62.7	306,065
<i>Source 2018-2020 HMDA Reported Data; 2018-2020 Bank Small Business Data</i>										

Although a majority of total home mortgage loans by number were inside the assessment area, the bank had a majority of originations outside the assessment area in 2018. In addition, the bank originated a majority of its loans by dollar amount outside the assessment area for each year during the review period.

According to bank management and examiner analysis of bank lending, loans to purchase or refinance investment properties in cities such as Providence and Boston primarily drove the higher percentage of lending outside the assessment area. Most of these loans involve borrowers who live within the assessment area, but invest in residential property in a broader area. Additionally, several investment property loans in Boston and bordering cities such as Cambridge were for amounts well over \$1.0 million, up to as high as \$4.8 million. These few very large multifamily loans in high-cost areas skewed the percentage of lending by dollar amount outside the assessment area. These mitigating factors for the percentage of lending outside the assessment area reduce the effect of this performance on overall Lending Test conclusions.

The bank originated a majority of its total small business loans by number inside the assessment area. Similar to HMDA lending, however, a majority of lending by dollar amount was outside the assessment area. Certain factors mitigate the relatively high percentage of small business lending outside the assessment area. In 2018, the bank made 10 loans totaling \$2.8 million to one borrower located outside the assessment area, skewing loan totals outside the assessment area. Additionally, the bank had its highest percentage of loans in the assessment area by both number and dollar amount in 2020, reflecting a positive trend.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. Reasonable dispersion of home mortgage and small business loans supports this conclusion.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. This conclusion is based on reasonable lending dispersion to low- and moderate-income tracts. The following table shows bank lending, the percentage of owner-occupied housing units, and aggregate HMDA lending for each census tract income level.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	3.8	5.2	3	3.8	1,510	6.6
2020	3.8	3.8	8	7.7	4,436	14.4
Moderate						
2019	13.3	13.5	12	15.0	4,968	21.7
2020	13.3	11.9	12	11.5	3,466	11.2
Middle						
2019	44.6	42.7	32	40.0	7,444	32.5
2020	44.6	43.1	35	33.7	8,176	26.5
Upper						
2019	38.3	38.4	31	38.8	8,628	37.7
2020	38.3	41.2	49	47.1	14,825	48.0
Not Available						
2019	0.1	0.1	2	2.5	359	1.6
2020	0.1	0.1	0	0.0	0	0.0
Totals						
2019	100.0	100.0	80	100.0	22,909	100.0
2020	100.0	100.0	104	100.0	30,904	100.0

Source 2015 ACS Data; 2019 and 2020 HMDA Reported Data; 2019 and 2020 HMDA Aggregate Data

Bank lending in low-income tracts was slightly below aggregate performance, but even with the percentage of owner-occupied units in 2019. In 2020, bank lending increased in low-income tracts, doubling both aggregate and demographic comparators. Bank lending in moderate-income tracts compared favorably to aggregate and demographic comparators in 2019, but decreased in 2020. Nonetheless, 2020 bank lending in moderate-income geographies was similar to aggregate performance. The bank’s lending in low- and moderate-income tracts reflects its success penetrating Fall River and New Bedford, communities with high concentrations of low- and moderate-income geographies.

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. This conclusion is supported by reasonable lending in low- and moderate-income tracts. 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					
2018	12.7	7	16.3	1,629	24.0
2019	12.5	2	6.7	350	8.8
2020	12.5	41	13.9	4,162	13.0
Moderate					
2018	13.5	5	11.6	963	14.2
2019	13.5	5	16.7	491	12.3
2020	13.5	32	10.8	2,713	8.5
Middle					
2018	38.1	13	30.2	1,950	28.7
2019	38.1	9	30.0	1,543	38.8
2020	38.1	120	40.5	12,096	37.9
Upper					
2018	35.4	18	41.9	2,248	33.1
2019	35.7	14	46.7	1,594	40.1
2020	35.6	103	34.8	12,932	40.5
Not Available					
2018	0.3	0	0.0	0	0.0
2019	0.3	0	0.0	0	0.0
2020	0.3	0	0.0	0	0.0
Totals					
2018	100.0	43	100.0	6,790	100.0
2019	100.1	30	100.0	3,978	100.0
2020	100.0	296	100.0	31,903	100.0
<i>Source 2018-2020 Bank Small Business Data; 2018-2020 D&B Data Due to rounding, totals may not equal 100.0%</i>					

While bank lending by census tract income level fluctuated during the review period, the table indicates reasonable comparisons to business demographics. Good lending percentages in low-income tracts in 2018 and 2020 surround a lower percentage in 2019. Conversely, 2019 represents the bank's best lending percentage in moderate-income geographies, exceeding the percentage of businesses. Bank lending in moderate-income tracts slightly trailed the percentage of businesses in 2018 and 2020.

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. This conclusion is supported by reasonable lending to borrowers with low- and moderate-income levels and businesses with GARs of \$1 million or less.

Home Mortgage Loans

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels. Reasonable lending to low- and moderate-income borrowers supports this conclusion. The following table shows bank lending and aggregate HMDA lending by borrower income level, as well as the distribution of assessment area families by income level.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	24.1	5.3	3	3.8	146	0.6
2020	24.1	4.3	4	3.8	560	1.8
Moderate						
2019	17.5	20.3	13	16.3	2,307	10.1
2020	17.5	19.5	16	15.4	3,075	9.9
Middle						
2019	19.8	26.0	13	16.3	3,339	14.6
2020	19.8	25.9	13	12.5	2,546	8.2
Upper						
2019	38.7	31.5	23	28.8	7,021	30.6
2020	38.7	34.0	51	49.0	16,310	52.8
Income Not Available						
2019	0.0	16.9	28	35.0	10,096	44.1
2020	0.0	16.2	20	19.2	8,414	27.2
Total						
2019	100.0	100.0	80	100.0	22,909	100.0
2020	100.0	100.0	104	100.0	30,904	100.0
<i>Source 2015 ACS Data; 2019 and 2020 HMDA Reported Data; 2019 and 2020 HMDA Aggregate Data</i>						

Bank lending to low-income borrowers in 2019 and 2020 was slightly below aggregate lending. Just one more origination to a low-income borrower in either year would have brought the bank's performance in line with or slightly above aggregate performance. Although the bank's performance was much lower than 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 2015 ACS, more than one third 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 moderate-income borrowers was only slightly below aggregate and demographic data in 2019 and 2020. Only a few more originations to moderate-income borrowers in either year would have brought the bank's lending percentages in line with the comparators. The bank's high percentage of borrowers for whom income was not available in 2019 also indicates bank lending to moderate-income borrowers was reasonable.

Small Business Loans

The distribution of borrowers reflects, given the demographics of the AA, reasonable penetration among businesses of different sizes. The bank’s provision of PPP loans in 2020 carried notable weight in reaching this conclusion. As noted in the table below, bank lending percentages to businesses with GARs of \$1 million or less fell far below the percentage of businesses with GARs of \$1 million or less in all years.

While Mechanics Cooperative Bank is not required to report small business loans data, aggregate data among reporting lenders shows that the distribution of businesses by revenue category overstates small business loan demand by revenue category. Among CRA data reporters, only 34.2 of assessment area small business loans in 2018 and 34.5 percent of assessment area small business loans in 2019 went to businesses with a GAR of \$1.0 million or less. This data mitigates the unfavorable comparison of bank lending by business revenue level to the percentage of businesses by revenue level. Smaller businesses are more likely to rely on alternative financing methods, such as equity loans or credit cards. Mechanics Cooperative Bank does not offer business credit cards.

The following table shows bank lending and the distribution of assessment area businesses by revenue category.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2018	83.7	19	44.2	3,002	44.2
2019	84.9	10	33.3	669	16.8
2020	85.8	14	4.7	1,420	4.5
>\$1,000,000					
2018	6.2	16	37.2	3,396	50.0
2019	5.6	12	40.0	2,199	55.3
2020	5.1	30	10.1	4,482	14.0
Revenue Not Available					
2018	10.1	8	18.6	392	5.8
2019	9.5	8	26.7	1,110	27.9
2020	9.0	252	85.1	26,001	81.5
Totals					
2018	100.0	43	100.0	6,790	100.0
2019	100.0	30	100.0	3,978	100.0
2020	100.0	296	100.0	31,903	100.0
<i>Source 2018-2020 D&B Data; 2018-2020 Bank Data Due to rounding, totals may not equal 100.0%</i>					

Of the bank’s 296 small business loans made in the assessment area in 2020, 246 were PPP loans for which the bank did not collect borrower revenue data. Because the lack of borrower revenue

data prevented analyzing 2020 lending for Borrower Profile purposes, examiners evaluated 2020 PPP loans using loan size as a proxy for determining if bank lending likely supported smaller businesses. Over two thirds of bank PPP loans were \$100,000 or less, indicating that the bank is helping to meet the credit needs of small businesses in the assessment area.

Distribution of PPP Loans by Loan Size (2020)				
Loan Size	Count	Percent	Dollars (000s)	Percent
<\$100,000	171	69.5	6,002	23.8
\$100,000-\$249,999	51	20.7	8,024	31.9
\$250,000-\$1,000,000	24	9.8	11,149	44.3
Totals	246	100.0	25,175	100.0
<i>Source 2020 Bank Data 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.

COMMUNITY DEVELOPMENT TEST

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

Community Development Loans

The bank originated 65 community development loans totaling approximately \$18.4 million during the evaluation period. The majority of community development loans were for affordable housing in the assessment area or a larger statewide or regional area. Community development loans accounted for 3.0 percent of average total assets and 3.6 percent of average net loans during the review period. Examiners considered the bank’s community development lending outside the assessment area, as the bank was responsive to the community development needs in the assessment area. The bank increased its community development lending by number and dollar amount since the previous evaluation, when it originated 19 loans for approximately \$7.6 million. The following table illustrates the bank’s community development loans by year or purpose.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
8/6/2018-12/31/2018	1	173	0	0	0	0	0	0	1	173
2019	5	3,083	0	0	0	0	1	3,036	6	6,119
2020	9	4,380	0	0	0	0	0	0	9	4,380
YTD 2021	11	3,981	1	200	1	250	36	3,277	49	7,708
Total	26	11,617	1	200	1	250	37	6,313	65	18,380
<i>Source Bank Records</i>										

Below are notable examples of the bank’s qualified community development loan activities:

- In 2019, the bank originated a \$1.5 million loan for the purchase and renovation of three multi-family properties. The properties consist of 12 duplex style homes located outside the assessment area but part of a larger state-wide or regional area. Two of the properties are located in low-income census tracts, and one property is located in a middle-income census tract. All 24 units provide affordable housing and will be rented below the HUD Fair Market Rate.
- In 2019, the bank originated a \$3.0 million loan for the construction of a six story, 95-unit apartment building located in a moderate-income census tract outside of the assessment area but is part of a larger state-wide or regional area. The building is part of a larger revitalization or stabilization plan for the I-95 district of downtown Providence, Rhode Island. The project will provide both affordable housing units and retail space as part of the redevelopment plan for Providence.
- In 2020, the bank originated a \$731,700 loan for the purchase and rehabilitation of two properties located in the assessment area. After the rehabilitation, the two properties will create 15 affordable housing units located in the bank’s assessment area. All 15 units will be rented below the HUD Fair Market Rate.
- In 2020, the bank originated a \$660,000 loan for the refinance and purchase of five residential properties located in the assessment area. All five properties are six-unit residential buildings which provide affordable housing in low-income census tracts in the bank’s assessment area. All 30 units are rented below the HUD Fair Market Rate.
- In 2021, the bank originated a \$507,500 loan for the recapitalization, acquisition and rehabilitation of two multi-family properties located in low-income census tracts in the bank’s assessment area. The two properties consist of 11 residential units that provide affordable housing and will be rented below the HUD Fair Market Rate.
- In response to the COVID-19 pandemic, the bank originated 36 PPP loans totaling approximately \$3.3 million in low- and moderate-income census tracts within its assessment area in 2021. These loans were administered by the SBA as part of the Coronavirus Aid,

Relief and Economic Security Act. The PPP loans help businesses retain workers and staff during the economic crisis during the pandemic.

Qualified Investments

During the evaluation period, Mechanics Cooperative Bank made 180 qualified investments and donations totaling approximately \$1.9 million. The dollar amount of qualified investments and donations equates to 0.3 percent of net average assets during the evaluation period. These qualified donations demonstrate the bank’s responsiveness to the needs of the low- and moderate-income individuals and geographies within the assessment area. The following table illustrates community development donations by year and purpose.

Qualified Donations										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$	#	\$	#	\$	#	\$	#	\$
Prior Period	2	1,350,840	0	0	0	0	0	0	2	1,350,840
8/6/2018-12/21/2018	0	0	29	73,568	2	550	0	0	31	74,118
2019	1	5,000	68	155,188	1	300	0	0	70	160,488
2020	0	0	56	212,399	2	5,300	0	0	58	217,699
YTD 2021	0	0	18	69,400	1	500	0	0	19	69,900
Total	3	1,355,840	171	510,555	6	6,650	0	0	180	1,873,045
<i>Source Bank Records</i>										

Below are notable examples of the bank’s qualified investment activity:

Prior Period Investments

- In 2015, the bank purchased a mortgage-backed security for approximately \$1.0 million which is secured by four single-family properties. All the properties are located in the bank’s AA, and three of the properties have moderate-income mortgages. The current book value of the 2015 investment is \$182,200.
- In 2016, the bank purchased a mortgage-backed security for approximately \$1.4 million which is secured by six single-family properties. All the properties are located within or just outside the bank’s AA. All six mortgages are considered moderate-income. The current book value of the 2016 investment is approximately \$1.2 million.

Donations

- **Stanley Street Treatment and Resources (SSTAR)** - During the evaluation period, the bank donated \$110,417 to SSTAR in Fall River. SSTAR is a non-profit health care and social services agency located in a moderate income census-tract that supports clients who are primarily low- and moderate-income.
- **Steppingstone Incorporated** - In 2019 and 2020, the bank donated \$5,000 to Steppingstone

Incorporated. Steppingstone Incorporated provides its clients behavioral health and homeless services in Fall River, MA. The organization provides residential rehabilitation, outpatient treatment, peer recovery support and housing for the homeless.

- **Southcoast Health** – During the evaluation period, the bank donated \$63,075 to Southcoast Health. Southcoast Health is a not-for-profit community based health system that provides healthcare services throughout southeastern Massachusetts and Rhode Island. Southcoast Health has hospitals in Fall River, New Bedford, and Wareham, Massachusetts and is categorized as a High Public Payer Hospital by the Commonwealth of Massachusetts. High Public Payer Hospitals primarily receive its revenues from government assistance with low- and moderate-income patients.

Community Development Services

During the evaluation period, Mechanics Cooperative Bank employees, officers and directors provided 127 instances of financial expertise or technical assistance to 34 community development related organizations in the bank’s 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	Totals
	#	#	#	#	#
8/6/2018 – 12/31/2018	11	25	6	0	42
2019	11	22	2	0	35
2020	2	21	2	0	25
YTD 2021	2	21	4	0	27
Total	26	89	14	0	129
<i>Source Bank Records</i>					

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

- **South Eastern Economic Development Corporation (SEED)** – An employee of the bank serves on the Board of Directors for SEED. SEED is a regional non-profit economic development corporation that focuses on small businesses by providing loans as small as \$1,000 up to \$5.5 million.
- **Girls Inc. of Taunton** – An employee of the bank serves on the Board of Directors of Girls, Inc. of Taunton. Girls Inc. provides social services such as after school programs to young girls living in Taunton. A substantial majority of the girls come from low-income families.
- **Taunton Revitalization Inc.** – A member of senior management serves on the Board of Directors of Taunton Revitalization Inc. Taunton Revitalization Inc. provides safe, decent and affordable housing opportunities in the City of Taunton.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners reviewed bank compliance with the laws relating to discrimination and other illegal credit practices, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices.

APPENDICES

DIVISION OF BANKS 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 2019 and 2020 were reviewed to determine if the application flow from the different racial groups within the bank's assessment area was reflective of the assessment area's demographics.

According to the 2015 ACS Census Data, the Bank's assessment area contained a total population of 547,319 individuals of which 15.1 percent are minorities. The minority population represented is 3.4 percent Black/African American, 1.6 percent Asian, 6.5 percent Hispanic or Latino, and 3.6 percent other.

The bank's level of lending in 2019 and 2020 was compared with that of the aggregate's 2019 and 2020 lending performance. The comparison of this data assists in deriving reasonable expectations for the rate of applications the bank received from minority home mortgage loan applicants. Refer to the table below for information on the bank's minority application flow as well as the aggregate lenders in the bank's assessment area.

Minority Application Flow						
RACE	2019 Bank Data		2019 Aggregate Data	2020 Bank Data		2020 Aggregate Data
	#	%	%	#	%	%
American Indian/ Alaska Native	0	0.0	0.3	0	0.0	0.2
Asian	1	1.2	1.2	0	0.0	1.2
Black/ African American	0	0.0	4.8	1	0.6	4.8
Hawaiian/Pacific Islander	0	0.0	0.1	0	0.0	0.2
2 or more Minority	0	0.0	0.1	0	0.0	0.1
Joint Race (White/Minority)	1	1.2	1.0	3	1.9	1.1
Total Minority	2	2.4	7.5	4	2.5	7.6
White	51	63.0	72.0	118	74.2	71.1
Race Not Available	28	34.6	20.5	37	23.3	21.3
Total	81	100.0	100.0	159	100.0	100.0
ETHNICITY						
Hispanic or Latino	2	2.5	3.8	3	1.9	3.5
Joint (Hisp/Lat /Not Hisp/Lat)	1	1.2	1.0	0	0.0	1.1
Total Ethnicity	3	3.7	4.8	3	1.9	4.6
Not Hispanic or Latino	50	61.7	74.1	116	73.0	73.1
Ethnicity Not Available	28	34.6	21.1	40	25.1	22.3
Total	81	100.0	100.0	159	100.0	100.0

*Source 2019& 2020 HMDA Data *Due to rounding, totals may not equal 100.0 percent.*

In 2019, the bank received 81 HMDA reportable loan applications within its assessment area. Of these applications, 2 or 2.4 percent were received from minority applicants, of which 100.0 percent resulted in originations. The aggregate received 7.5 percent of applications from minority applicants, of which 56.2 resulted in originations. For the same time period, the bank received 3 or 3.7 percent of all applications from ethnic groups of Hispanic origin within its assessment area, of which 100.0 percent were originated compared to an aggregate ethnic minority application rate of 4.8 percent with a 53.6 percent origination rate.

In 2020, the bank received 159 HMDA reportable loan applications within its assessment area. Of these applications, 4 or 2.5 percent were received from minority applicants, of which 75.0 percent resulted in originations. The aggregate received 7.6 percent of its applications from minority applicants, of which 59.4 percent of which were originated. For the same time period, the bank received 3 or 1.9 percent of all applications from ethnic groups of Hispanic origin within its assessment area, of which 2 or 66.7 percent were originated, compared to an aggregate ethnic minority application rate of 4.6 percent with a 57.4 percent origination rate.

Considering the demographic composition of the assessment area, level of competition, overall lending trends and comparisons to aggregate data, the bank's minority application flow is reasonable.

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/AA.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

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.

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

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

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

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

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Institution CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Institution 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 institution:
 - (i) Has not been reported or collected by the institution or an affiliate for consideration in the institution's AA 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 institution's AA(s) or a broader statewide or regional area including the institution's AA(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 institution's retail banking services under § 345.24(d).

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

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

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

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

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

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 AA. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g, 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 Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

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 AA.

Performance under applicable tests is often analyzed using only quantitative factors (e.g, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

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

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

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

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

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.

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 (also known as non-MSA): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

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

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

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

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

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

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

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

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

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

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

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