

PUBLIC DISCLOSURE

December 3, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Millbury Savings Bank
Certificate Number: 21920

109 Elm Street
Millbury, Massachusetts 01527

Division of Banks
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Boston, Massachusetts 02118

Federal Deposit Insurance Corporation
350 Fifth Avenue, Suite 1200
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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 Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.

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INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**. An institution in this category has a satisfactory record of helping to meet the credit needs of the assessment area, including low- and moderate income neighborhoods, in a manner consistent with its resources and capabilities. The following summarizes the bank's performance in each of the five criteria of the evaluation

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

SCOPE OF EVALUATION

General Information

The evaluation covers the period from the prior evaluation dated November 13, 2012, to the current evaluation dated December 3, 2018. Examiners used the Interagency Small Institution Examination Procedures to evaluate Millbury Savings Bank's CRA performance. A "Small Institution" is an institution that, as of December 31 of both the two prior calendar years, had assets of less than \$313.0 million. The Small Institution evaluation includes an analysis of five performance criteria; (1) loan-to-deposit ratio, (2) assessment area concentration, (3) geographic distribution, (4) borrower distribution, and (5) response to written complaints.

Loan Products Reviewed

The bank's lending is predominately concentrated in the home mortgage and small business product lines. Therefore, the focus of this evaluation will center on the bank's residential mortgage and small business lending activities. Small farm loans were not analyzed during the evaluation, as the bank did not originate any loans in this category. Consumer lending was also excluded from this analysis, as this loan type accounted for only a nominal percentage of the bank's overall lending activity.

As residential loans account for 52.2 percent of the bank's loan portfolio, greater weight was placed on this loan type when arriving at conclusions and assigning an overall CRA rating. Home mortgage loan data was obtained from the bank's 2016 and 2017 Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs). Millbury Savings Bank reported 98 home mortgage loans totaling \$23.7 million in 2016 and 99 home mortgage loans totaling \$24.9 million in 2017. Aggregate market data for 2016 and 2017 was used for comparative purposes to measure the bank's level of performance with respect to the Borrower Profile and Geographic Distribution criteria.

Small business loans for the purpose of this evaluation include commercial real estate loans and commercial and industrial loans in amounts of \$1.0 million or less. As a small bank, the bank is not required to report small business loans and has not elected to do so. Therefore, examiners selected a sample of small business loans originated from January 1, 2017, through December 31, 2017. The loans reviewed consisted of 24 small business loans totaling \$7.1 million, from a total universe of 54 small business loans totaling \$30.7 million. As the bank is not required to report its small business loan data, the evaluation did not include a comparison of the bank's performance to aggregate small business loan data. Instead, the bank's small business lending performance was compared to assessment area demographics.

Although the total dollar amounts of loans are discussed, the evaluation focuses on the bank's lending performance by the number of loans originated during the review period.

DESCRIPTION OF INSTITUTION

Background

Millbury Savings Bank (Millbury) is headquartered in Millbury, Massachusetts and operates in Worcester County. The bank's main office is located in downtown Millbury and is located in an upper-income census tract. The Worcester branch location is on the outskirts of the city in a low-income census tract.

The FDIC conducted a CRA evaluation of Millbury on November 13, 2012, which resulted in a "Satisfactory" rating. Examiners did not identify any financial, legal, or other impediments that affected the bank's ability to meet assessment area credit needs.

Operations

Millbury operates out of two locations; the main office in Millbury and a branch in Worcester. The bank is a full-service financial institution offering a wide variety of both lending and deposit products and services. Savings and checking accounts offered by the bank include statement savings, free checking, and interest-bearing checking accounts. Home mortgage financing is available with both fixed- and adjustable-rate options for the purchase, refinance, improvement, and construction of residential property, as well as home equity loans. While the bank's lending focus shifted slightly towards commercial lending since the previous evaluation, as evidenced in the 15.2 percent increase in its share of the loan portfolio, home mortgage lending is still the predominant portion of the portfolio. Additionally, the bank offers other services including online banking and bill payment, 24-hour ATM banking, and telephone banking.

Ability and Capacity

Millbury reported assets totaling approximately \$224.3 million as of September 30, 2018, which included total loans \$176.6 million and total securities of \$33.3 million. The loan portfolio is illustrated in the following table.

Loan Portfolio Distribution as of 09/30/2018		
Loan Category	\$(000s)	%
Construction and Land Development	6,130	3.5
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	80,002	45.3
Secured by Multifamily (5 or more) Residential Properties	12,141	6.9
Secured by Nonfarm Nonresidential Properties	62,089	35.2
Total Real Estate Loans	160,362	90.8
Commercial and Industrial Loans	14,689	8.3
Agricultural Loans	0	0.0
Consumer Loans	1,516	0.9
Other Loans	0	0.0
Less: Unearned Income	0	0.0
Total Loans	176,567	100.0
<i>Source: Reports of Condition and Income</i>		

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. Millbury designated a single assessment area composed of the towns of Auburn, Douglas, Grafton, Millbury, Oxford, Shrewsbury, and Sutton, along with the city of Worcester, all of which are in Worcester County, Massachusetts and the Worcester, MA-CT Metropolitan Statistical Area (MSA). Please refer to the sections below for pertinent demographic and economic conditions of the assessment area.

Economic and Demographic Data

The assessment area includes 66 census tracts in Worcester County and includes the following tract income designations according to the 2015 American Community Survey (ACS) data:

- 13 low-income tracts
- 13 moderate-income tracts,
- 23 middle-income tracts,
- 14 upper-income tracts, and
- 3 tracts with no income designation.

The bank's 2016 home mortgage lending performance was compared to 2010 U.S. Census demographic data, while 2017 home mortgage lending performance was compared to demographic data based in part on the 2015 ACS estimates. The most relevant differences between 2016 and 2017 demographic information are as follows:

- The number of low-income census tracts increased from 12 to 13;
- The number of moderate-income census tracts decreased from 14 to 13;
- The number of middle-income census tracts decreased from 26 to 23;
- The number of upper-income census tracts increased from 12 to 14;
- The percentage of owner-occupied housing units in low-income census tracts increased from 5.4 percent to 6.6 percent and decreased in moderate-income tracts from 13.4 to 11.6 percent; the change can be attributed to the change in the number of each tract classification
- The percentage of families below the poverty level increased from 9.5 percent to 11.5 percent

A majority of the 13 low- and 13 moderate-income census tracts are located within the city of Worcester; a newly added portion of the assessment area. Demographic information for the assessment area is displayed in the chart below.

Demographic Information of the Assessment Area Millbury Savings Bank						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	66	19.7	19.7	34.8	21.2	4.5
Population by Geography	299,290	18.5	17.1	39.1	23.7	1.6
Housing Units by Geography	121,118	19.5	18.1	38.7	22.5	1.3
Owner-Occupied Units by Geography	62,061	6.6	11.6	49.7	32.0	0.2
Occupied Rental Units by Geography	49,044	34.9	24.5	26.5	11.7	2.4
Vacant Units by Geography	10,013	23.6	26.8	30.9	16.3	2.4
Businesses by Geography	17,651	14.1	17.6	36.1	24.6	7.5
Farms by Geography	321	8.4	10.3	43.0	37.4	0.9
Family Distribution by Income Level	69,704	26.7	16.8	19.1	37.4	0.0
Household Distribution by Income Level	111,105	30.4	15.2	16.5	38.0	0.0
Median Family Income MSA - 49340 Worcester, MA-CT MSA		\$81,137	Median Housing Value			\$237,564
			Median Gross Rent			\$955
			Families Below Poverty Level			11.5%
Source: 2015 ACS US Census and 2017 D&B Data Due to rounding, totals may not equal 100.0 (*) The NA category consists of geographies that have not been assigned an income classification.						

The 2016 and 2017 FFIEC-updated median family income levels are used to analyze home mortgage loans under the borrower income criterion. The low-, moderate-, middle-, and upper-income categories are presented in the following table. These categories are based on the FFIEC-updated median family income of \$78,500 in 2016 and \$84,000 in 2017.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Worcester, MA-CT MSA Median Family Income (49340)				
2016 (\$78,500)	<\$39,250	\$39,250 to <\$62,800	\$62,800 to <\$94,200	≥\$94,200
2017 (\$84,000)	<\$42,000	\$42,000 to <\$67,200	\$67,200 to <\$100,800	≥\$100,800
Source: FFIEC Due to rounding, totals may not equal 100.0				

The assessment area contains 121,118 housing units with a median value of \$237,564. Of these, 51.2 percent are owner occupied, 40.5 percent are occupied rental units, and 8.3 percent are vacant.

There is a significant difference in number and value of homes between the city of Worcester and the rest of the assessment area. Worcester has 75,724 housing units with a median value of \$195,361, as compared to the remaining seven towns of the assessment area whose combined 45,394 housing units have a median value of \$307,965.

According to 2017 D&B Data, there are 17,651 businesses operating in the assessment area. Gross annual revenues (GARs) for these businesses are listed below.

- 14,438 businesses (81.8 percent) have \$1 million or less
- 1,199 businesses (6.8 percent) have more than \$1 million
- 2,014 businesses (11.4 percent) have unknown revenues.

The analysis of small business loans under the Borrower Profile criterion compares the bank's loans to the distribution of businesses by GAR level. Services represents the largest portion of businesses at 47.2 percent; followed by retail trade (14.4 percent); finance insurance and real estate (9.0 percent); non-classifiable (8.3 percent); and construction (8.2 percent). Additionally, 68.0 percent of area businesses have four or fewer employees, and 86.9 percent operate from a single location.

Data obtained from the U.S. Bureau of Labor and Statistics indicates that the 2017 year-end unemployment rate was 3.7 percent for the state of Massachusetts and 3.9 percent for Worcester County. The unemployment rate for both the state and the county has significantly declined over the course of the evaluation period. The unemployment rate reached a high of 6.7 percent for the state and 7.2 percent for the county during the evaluation period.

According to Moody's Analytics, manufacturing jobs are expected to increase modestly in the year ahead and more commuters will lift demand for housing and consumer services. UMass Memorial Health Care is the top employer in the bank's assessment area, followed at a distance by the University of Massachusetts Medical School, Reliant Medical Group and Saint Vincent Hospital.

Competition

Millbury operates in a competitive market. According to FDIC Deposit Market Share data as of June 2017, there were 18 financial institutions that operated 79 full-service branches within the bank's assessment area; of these, Millbury ranked 10th with 2.9 percent deposit market share.

There is a high level of competition of home mortgage loans among banks, credit unions, and non-depository mortgage lenders. In 2017, 318 lenders reported a total of 8,109 residential mortgage loans originated or purchased within the assessment area. Millbury ranked 26th out of this group with 0.9 percent of market share. The three top lenders were a large national bank, a mortgage company, and a large national credit union that collectively captured 13.6 percent market share.

As stated previously, the bank is not required to collect or report its small business loan data, and it has not elected to do so. Consequently, the analysis of small business loans under the lending test does not compare bank performance to aggregate data. However, the aggregate data is demonstrative of generally high demand for small business lending in the assessment area. Aggregate data for 2016 shows that 108 lenders originated 14,005 small business loans totaling \$408.7 million in the bank's assessment area.

Community Contact

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

A community contact was conducted in conjunction with this CRA evaluation. The organization contacted was a private non-profit organization whose mission is to create affordable housing opportunities for low- and moderate-income households and to initiate and support neighborhood revitalization throughout Worcester County. The contact indicated that additional grant/investment resources are necessary given the reduced municipal participation and cited opportunities for financial institution involvement. Additionally, the contact noted that home improvement loans are under-advertised and, therefore, underutilized by low- and moderate-income homeowners compared to home purchase loans and debt consolidation loans.

Considering information gathered from the community contact, bank management, and demographic and economic data, examiners determined that affordable housing programs, including home purchase loans and home improvement loans, represent a primary credit need for the assessment area.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Millbury Savings Bank demonstrated reasonable performance under the Lending Test. Geographic Distribution and Borrower Profile performance primarily support this conclusion.

Loan-to-Deposit Ratio

The LTD ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. The bank's LTD ratio, calculated from Call Report data, averaged 83.7 percent over the past 24 calendar quarters from December 31, 2012, to September 30, 2018. The ratio ranged from a low of 68.8 percent as of December 31, 2012, to a high of 94.3 percent as of September 30, 2018. The ratio generally trended upward; 18 of the 24 quarters showed an increase over the prior quarter. Millbury maintained a ratio similar to those of comparable institutions, as shown in the following table. Examiners selected comparable institutions based on their asset size, geographic location, and lending focus.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 09/30/2018 (\$000s)	Average Net LTD Ratio (%)
Savers Co-operative Bank	569,493	106.0
Bay State Savings Bank	422,075	105.7
Millbury Savings Bank	224,314	83.7
Charles River Bank	232,767	83.6
Athol Savings Bank	440,797	74.9
<i>Source: Reports of Condition and Income 12/31/2012 through 09/30/2018</i>		

Assessment Area Concentration

Millbury made a majority of its home mortgage and small business loans inside the assessment area. The below table captures the bank's performance by both number of loans and total dollar amount for 2016 and 2017 home mortgage lending, as well as 2017 small business lending.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2016	67	68.4	31	31.6	98	16,258	68.7	7,419	31.3	23,677
2017	70	70.7	29	29.3	99	16,541	66.4	8,368	33.6	24,909
Subtotal	137	69.5	60	30.5	197	32,799	67.5	15,787	32.5	48,586
Small Business										
2017	17	70.8	7	29.2	24	4,903	69.5	2,147	30.5	7,050
Subtotal	17	70.8	7	29.2	24	4,903	69.5	2,147	30.5	7,050
Total	154	69.7	67	30.3	221	37,702	67.8	17,934	32.2	55,636
Source: Evaluation Period: 1/1/2016 - 12/31/2017 Bank Data Due to rounding, totals may not equal 100.0										

Geographic Distribution

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

This criterion evaluates the distribution of the bank's loans within the assessment area by census tract income level, with emphasis on lending, by the number of loans, in low- and moderate-income tracts. As described previously in the Description of Institution section, the bank's assessment area consists of 66 census tracts, 26 (39.4 percent) of which have low- or moderate-income designations. Examiners placed greater weight on home mortgage activity when reaching this conclusion based on loan portfolio composition.

Home Mortgage Lending

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

The bank's 2016 performance in low-income census tracts at 14.9 percent significantly exceeds both the aggregate (4.9 percent) and owner-occupied housing units (5.4 percent). Market share data for 2016 further supports the bank's excellent performance in low-income census tracts. In 2016, the bank ranked 7th out of 121 lenders, with a 2.2 percent market share for loans in low-income census tracts within the assessment area.

In 2017 the bank made 14.3 percent of reportable home mortgage loans in low-income census tracts, continuing to outperform the aggregate (9.0 percent) and exceeding demographic data (6.6 percent). Further, the bank captured 1.4 percent of market share and ranked 21st out of 145 lenders in low-income tracts in 2017.

The bank's 2016 performance in moderate-income census tracts at 16.4 percent slightly exceeds both the aggregate (12.3 percent) and owner-occupied housing units (13.4 percent). Market share data for 2016 shows the bank ranked 32nd out of 170 lenders with a 0.9 percent market share in the moderate-income census tracts.

The number of loans the bank originated in moderate-income tracts dropped from 11 to 7 from 2016 to 2017, and the percentage fell to 10.0 percent. This was below both aggregate performance (13.1 percent) and demographic data (11.6 percent). This performance represents 0.7 percent of market share and ranks the bank 43rd out of 168 lenders in moderate-income census tracts in 2017.

Geographic Distribution of Home Mortgage Loans Millbury Savings Bank						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2016	5.4	4.9	10	14.9	4,268	26.3
2017	6.6	9.0	10	14.3	5,195	31.4
Moderate						
2016	13.4	12.3	11	16.4	2,421	14.9
2017	11.6	13.1	7	10.0	1,074	6.5
Middle						
2016	50.3	47.7	30	44.8	5,472	33.7
2017	49.7	47.4	33	47.1	5,419	32.8
Upper						
2016	30.9	35.1	16	23.9	4,097	25.2
2017	32.0	30.2	20	28.6	4,853	29.3
Not Available						
2016	0.0	0.0	0	0.0	0	0.0
2017	0.2	0.3	0	0.0	0	0.0
Totals						
2016	100.0	100.0	67	100.0	16,258	100.0
2017	100.0	100.0	70	100.0	16,541	100.0
Source: 2010 U.S. Census & 2015 ACS Census; 1/1/2016 - 12/31/2017 Bank Data, 2016 & 2017 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0						

Small Business Lending

The geographic distribution of sampled small business loans reflects a reasonable dispersion throughout the assessment area. Based on the sample reviewed, the bank made one loan (5.9 percent) in a low-income tract and six loans (35.3 percent) in moderate-income census tracts.

This production is below demographics for the low-income tracts (14.1 percent). However, the production in moderate-income tracts is more than double the demographics (17.6 percent).

Geographic Distribution of Small Business Loans Millbury Savings Bank					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	14.1	1	5.9	304	6.2
Moderate	17.6	6	35.3	1,710	34.9
Middle	36.1	4	23.5	1,258	25.7
Upper	24.6	6	35.3	1,631	33.3
Not Available	7.5	0	0.0	0	0.0
Totals	100.0	17	100.0	4,903	100.0
Source: 2017 D&B Data; 1/1/2016 - 12/31/2017 Bank Data Due to rounding, totals may not equal 100.0					

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 performance criterion evaluates the distribution of the bank's home mortgage and small business loans based on borrower characteristics. An analysis was conducted of the bank's home mortgage loans inside the assessment area based on borrower income. For home mortgage lending, emphasis is placed on loans to low- and moderate-income borrowers. Additionally, analysis was conducted of the bank's small business loans inside the assessment area based on the revenue size of the business. For small business lending, emphasis is placed on loans to businesses with GARs of \$1.0 million or less.

Home Mortgage Lending

The distribution of home mortgage loans to individuals of different income levels is reasonable overall. The bank outperformed the aggregate for lending to low-income borrowers in 2016 by 1.3 percentage points and trailed the aggregate in 2017 by 1.5 percentage points. In 2016, a low-income family in the assessment area, with an income of \$39,250 or less, would likely experience difficulty in qualifying for a mortgage under conventional underwriting standards, especially considering the median housing values in the assessment area of \$237,564, as noted in the Description of the Assessment Area section. Therefore, the opportunity for lending to low-income families is limited. Market share data further supports the bank's performance. In 2016, the bank ranked 32nd of 109 lenders in lending to low-income borrowers with a market share of 9.2 percent, just slightly above total market share in the assessment area.

The bank's performance in lending to moderate-income borrowers in both 2016 and 2017 is less than reasonable. The bank trailed aggregate performance by 10.6 percentage points in 2016 and 18.5 percentage points in 2017 for lending to moderate-income borrowers in the assessment area.

The bank also trailed demographics by 11.0 percentage points in 2016 and 12.5 percentage points in 2017. The bank ranked 86th out of 176 lenders for lending to moderate-income borrowers with a 0.3 percent market share in 2016. For a significant number of mortgage loans originated by the bank, income was not available. The absence of income data distorts the assessment of the bank's performance under this criterion. Reasons for a lack of income data include loans or applications for multifamily dwellings, and loans or applications for borrowers or applicants who are not natural persons. Additionally, information gathered as part of the community contact indicated that a significant portion of borrowers in the city of Worcester required special credit programs, such as those typical offered by large national banks or credit unions. Millbury does not offer these types of programs.

Distribution of Home Mortgage Loans by Borrower Income Level Millbury Savings Bank						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2016	25.2	4.7	4	6.0	459	2.8
2017	26.7	5.8	3	4.3	338	2.0
Moderate						
2016	17.0	16.6	4	6.0	537	3.3
2017	16.8	22.8	3	4.3	571	3.5
Middle						
2016	20.7	23.1	13	19.4	2,160	13.3
2017	19.1	22.9	15	21.4	2,624	15.9
Upper						
2016	37.0	39.3	27	40.3	6,610	40.7
2017	37.4	34.4	25	35.7	6,852	41.4
Not Available						
2016	0.0	16.4	19	28.4	6,492	39.9
2017	0.0	14.2	24	34.3	6,156	37.2
Totals						
2016	100.0	100.0	67	100.0	16,258	100.0
2017	100.0	100.0	70	100.0	16,541	100.0
<i>Source: 2010 U.S. Census & 2015 ACS Census; 1/1/2016 - 12/31/2017 Bank Data, 2016 & 2017 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0</i>						

Small Business Lending

The distribution of small business loans reflects reasonable penetration of loans to businesses of different sizes. The following table shows that 64.7 percent of the sampled loans were originated to businesses with GARs of \$1.0 million or less. While the percentage is less than the percentage of businesses with GARs of \$1.0 million or less, considering the significant level of competition in the assessment area, the bank's performance is reasonable. The number of loans the bank made to businesses with GARs of \$1.0 million or less was nearly double that of loans to businesses with GARs over \$1.0 million.

Distribution of Small Business Loans by Gross Annual Revenue Category Millbury Savings Bank					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	81.8	11	64.7	2,320	47.3
>1,000,000	6.8	6	35.3	2,583	52.7
Revenue Not Available	11.4	0	0.0	0	0.0
Total	100.0	17	100.0	4,903	100.0
<i>Source: 2017 D&B Data, 1/1/2016 - 12/31/2017 Bank Data. Due to rounding, totals may not equal 100.0</i>					

Response to CRA-Related Complaints

Millbury Savings Bank has not received any CRA-related complaints since the previous FDIC examination. Therefore, this criterion did not affect the bank's Lending Test rating.

FAIR LENDING 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 – Massachusetts Division of Banking

Fair Lending Policies and Procedures

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

According to the 2015 ACS U.S. Census Data, in 2017 the bank's assessment area contained a total population of 299,290 individuals of which 31.6 percent are minorities. The assessment area's minority and ethnic population is 7.7 percent Black/African American, 7.0 percent Asian, 0.2 percent American Indian/Alaska Native, 0.0 percent Hawaiian/Pacific Islander, 14.2 percent Hispanic or Latino and 2.5 percent other.

In 2016, the Bank received 85 HMDA reportable loan applications within its assessment area. Of these applications, 3, or 3.5 percent, were received from racial minority applicants, of which 2, or 66.7 percent resulted in originations. The aggregate received 13,527 HMDA reportable applications of which it received 1,986, or 14.7 percent from minority applicants and originated 1,266, or 63.7 percent. For the same year, the bank also received 10 or 11.8 percent of applications from ethnic groups of Hispanic/Latino origin within its assessment area and originated 9 or 90.0 percent versus the aggregate that received 961 applications or 7.1 percent and originated 62.1%.

In 2017, the Bank received 92 HMDA reportable loan applications within its assessment area. Of these applications, 8, or 8.7 percent, were received from racial minority applicants, of which 4, or 50.0 percent resulted in originations. The aggregate received 11,738 HMDA reportable applications of which it received 1,731, or 14.8 percent from minority applicants and originated 1,109, or 64.1 percent. For the same year, the bank also received 10 or 10.9 percent of applications from ethnic groups of Hispanic/Latino origin within its assessment area and originated 10 or 100.0 percent versus the aggregate that received 1,019 applications or 8.7 percent and originated 61.6%.

The bank's level of lending was compared with aggregate lending performance levels for 2016 and 2017. 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	Bank 2016		2016 Aggregate Data	Bank 2017		2017 Aggregate Data
	#	%	%	#	%	%
American Indian/ Alaska Native	0	0.0	0.3	1	1.1	0.3
Asian	1	1.2	8.2	2	2.2	7.7
Black/ African American	1	1.2	4.8	1	1.1	5.6
Hawaiian/Pacific Islander	0	0.0	0.2	0	0.0	0.1
2 or more Minority	0	0.0	0.1	0	0.0	0.1
Joint Race (White/Minority)	1	1.2	1.1	4	4.4	1.0
Total Minority	3	3.5	14.7	8	8.7	14.8
White	50	58.8	64.3	56	60.9	63.8
Race Not Available	32	37.7	21.1	28	30.4	21.5
Total	85	100.0	100.0	92	100.0	100.0
ETHNICITY						
Hispanic or Latino	10	11.8	6.0	7	7.6	7.5
Not Hispanic or Latino	41	48.2	72.4	50	54.4	70.4
Joint (Hisp/Lat /Not Hisp/Lat)	0	0.0	1.1	3	3.3	1.2
Ethnicity Not Available	34	40.0	20.5	32	34.8	20.9
Total	85	100.0	100.0	92	100.0	100.0

Application flow for racial minorities in 2016 and 2017 was below aggregate data while application flow for Hispanic/Latino applicants in 2016 and 2017 was above aggregate data. Examiners considered the concentration of market share within racial minorities, in particular Black/African American and Asian among large national banks and mortgage companies and the bank's strategic plan focused more heavily on commercial lending products. Additionally, considering the demographic composition of the assessment area and comparisons to aggregate data in 2016 and 2017, the bank's minority application flow is adequate.

GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

Community Development Loan: A loan that

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

Community Development Service: A service that

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PERFORMANCE EVALUATION DISCLOSURE GUIDE

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

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

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

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

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.