

PUBLIC DISCLOSURE

May 31, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Monson Savings Bank
Certificate Number: 90245

146 Main St
Monson, MA 01057

Division of Banks
1000 Washington Street, 10th Floor
Boston, Massachusetts 02118

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

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

TABLE OF CONTENTS

INSTITUTION RATING	1
DESCRIPTION OF INSTITUTION	2
DESCRIPTION OF ASSESSMENT AREA	4
SCOPE OF EVALUATION	9
CONCLUSIONS ON PERFORMANCE CRITERIA.....	10
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW.....	21
APPENDICES	22
DIVISION OF BANKS FAIR LENDING POLICIES AND PROCEDURES	22
MINORITY APPLICATION FLOW	22
INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA	25
GLOSSARY	26

INSTITUTION RATING

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

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

Satisfactory performance under the Lending Test and Outstanding performance under the Community Development Test support the overall rating. Examiners did not identify any evidence of discriminatory or illegal credit practices. 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 reasonable (considering seasonal variations and lending related activities) given the institution's size, financial condition, and assessment area credit needs.
- A majority of loans and other lending related activities are in the institution's assessment area.
- The geographic distribution of loans reflects poor 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.

DESCRIPTION OF INSTITUTION

Background

Monson Savings Bank (MSB) is a state-chartered mutual savings bank headquartered in Monson, Massachusetts (MA). Monson Financial Services, MHC, a mutual holding company, owns 100.0 percent of the stock of MSB via Monson Financial Services Corporation, a mid-tier stock holding company. The bank has not had any mergers or acquisitions since the previous evaluation and does not have any lending-related affiliates or subsidiaries.

The FDIC and the Massachusetts Division of Banks (Division) conducted the bank's prior CRA Performance Evaluation on March 4, 2019 using Interagency Intermediate Small Institution CRA Examination Procedures. The bank received an overall Satisfactory rating. The Lending Test was rated Satisfactory and the Community Development Test rated Satisfactory by the FDIC and High Satisfactory by the Division.

Operations

The bank operates five full-service branches throughout Hampden (4) and Hampshire (1) Counties in Massachusetts and each branch includes automated teller machines (ATMs) and drive-thru windows. In August 2020, MSB opened a branch in East Longmeadow in an upper-income census tract. The bank also opened a loan production office in an upper-income census tract in Wilbraham in June 2020. The bank has not closed any locations since the prior evaluation.

The bank offers home mortgage, commercial, and consumer lending products, primarily focusing on residential mortgage lending. Deposit products include checking and savings accounts, certificates of deposit, and individual retirement accounts. Other banking services include online and mobile banking, electronic bill pay, remote deposit capture, and telephone banking.

Ability and Capacity

As of March 31, 2022, MSB reported assets totaling \$615.7 million, of which loans totaled \$443.0 million. Total loans represent 72.0 percent of total assets and have grown 33.0 percent since the prior exam. Residential lending represented the majority of the loan portfolio, which is consistent with the previous evaluation. Asset growth over the evaluation period was 45.9 percent. As of March 31, 2022, total deposits were \$557.9 million, and grew 51.3 percent since the previous evaluation.

The following table illustrates the bank's loan portfolio distribution as of March 31, 2022.

Loan Portfolio Distribution as of 3/31/2022		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	25,521	5.8
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	184,725	41.7
Secured by Multifamily (5 or more) Residential Properties	67,856	15.3
Secured by Nonfarm Nonresidential Properties	118,028	26.6
Total Real Estate Loans	396,130	89.4
Commercial and Industrial Loans	36,951	8.3
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	1,936	0.4
Obligations of State and Political Subdivisions in the U.S.	7,987	1.8
Other Loans	0	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	443,004	100.0
<i>Source: Reports of Condition and Income. Due to rounding, totals may not equal 100.0%.</i>		

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

DESCRIPTION OF ASSESSMENT AREA

MSB designated a single assessment area that includes portions of Hampden and Hampshire Counties, which are both located in the Springfield, MA Metropolitan Statistical Area (MSA).

The bank included the following cities and towns in the assessment area:

- **Hampden County** – Agawam Town, Brimfield, East Longmeadow, Hampden, Longmeadow, Ludlow, Monson, Palmer Town, Springfield, Wales, West Springfield Town, and Wilbraham
- **Hampshire County** – Belchertown and Ware

In 2018, just prior to the bank's previous CRA evaluation, the bank expanded its assessment area to include Agawam, Longmeadow, Springfield, and West Springfield. Examiners did not use the expanded assessment area to assess the bank's home mortgage lending performance or 2017 small business lending performance at the previous evaluation; however, examiners used the expanded assessment area to evaluate 2018 small business lending performance.

The following sections describe economic and demographic information for the assessment area.

Economic and Demographic Data

The assessment area comprises 73 census tracts with the following income designations according to the 2015 American Community Survey (ACS).

- 16 low-income census tracts,
- 15 moderate-income census tracts,
- 21 middle-income census tracts, and
- 21 upper-income census tracts.

All 16 low-income census tracts and 13 moderate-income census tracts are located in Springfield. The remaining three moderate-income census tracts are located in Ludlow, Ware, and West Springfield. Because Springfield contains all of the low-income census tracts and 80.0 percent of the moderate-income census tracts, the bank's lending activity in Springfield 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)	73	21.9	20.5	28.8	28.8	0.0
Population by Geography	337,818	18.9	19.3	30.2	31.6	0.0
Housing Units by Geography	137,497	18.1	19.5	32.2	30.2	0.0
Owner-Occupied Units by Geography	81,565	5.8	16.1	35.3	42.9	0.0
Occupied Rental Units by Geography	45,552	37.9	24.2	27.1	10.8	0.0
Vacant Units by Geography	10,380	28.5	25.7	30.0	15.9	0.0
Businesses by Geography	24,621	18.8	19.6	26.5	35.1	0.0
Farms by Geography	648	4.8	9.4	32.3	53.5	0.0
Family Distribution by Income Level	84,092	26.9	16.2	17.1	39.8	0.0
Household Distribution by Income Level	127,117	29.0	14.5	15.0	41.5	0.0
Median Family Income MSA - 44140 Springfield, MA MSA		\$67,203	Median Housing Value			\$191,150
			Median Gross Rent			\$837
			Families Below Poverty Level			13.9%

Source: 2015 ACS and 2021 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 median housing value in the assessment area is \$191,150 and the median family income is \$67,203. Approximately 13.9 percent of families in the assessment area are below poverty level, which is a subset of the low-income category. Families in this category likely face challenges qualifying for traditional residential mortgages to purchase homes.

Examiners use the Federal Financial Institutions Examination Council updated median family income level to analyze home mortgage loans under the Borrower Profile criterion. The following table presents the median income family ranges in the Springfield, MA MSA.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Springfield, MA MSA Median Family Income (44140)				
2019 (\$76,700)	<\$38,350	\$38,350 to <\$61,360	\$61,360 to <\$92,040	≥\$92,040
2020 (\$76,900)	<\$38,450	\$38,450 to <\$61,520	\$61,520 to <\$92,280	≥\$92,280
2021 (\$76,900)	<\$38,450	\$38,450 to <\$61,520	\$61,520 to <\$92,280	≥\$92,280

Source: FFIEC

The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied units. Of total housing units, 59.3 percent are owner-occupied, 33.1 percent are occupied rental units, and 7.5 percent are vacant. The low- and moderate-income census tracts in the

assessment area have low owner-occupancy rates, and there are several financial institutions that operate branches in Springfield where the majority of low- and moderate-income census tracts are located. MSB faces substantial competition for home mortgage loans in these areas, especially since the bank does not have any branch operations in Springfield. The higher percentage of rental units in low- and moderate-income geographies reflects more opportunities for investment property loans in these geographies compared to middle- and upper-income geographies.

Demographic data for the low- and moderate-income census tracts in the assessment area also indicates limited opportunities for home mortgage lending. Specifically, the median housing values are as high as \$255,700 and the median family income is as low as \$13,382. Additionally, the percent of owner-occupied units within these tracts is as low as 3.0 percent of all housing units, and the percent of rental units is as high as 91.0 percent. This illustrates a lack of opportunity for owner-occupied home mortgage lending in low- and moderate-income geographies. The percentage of families below the poverty level is as high as 62.7 percent within the low- and moderate-income tracts, which further indicates limited opportunities for home mortgage lending.

According to 2021 Dun & Bradstreet data, 648 farm businesses and 24,621 non-farm businesses are located in the assessment area. The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by gross annual revenue (GAR) level. GAR levels for these businesses are below:

- 85.8 percent have GAR levels of \$1.0 million or less.
- 4.6 percent have GAR levels of more than \$1.0 million.
- 9.6 percent have unknown revenues.

Service industries represent the largest portion of businesses at 38.9 percent, followed by non-classifiable establishments (15.2 percent); retail trade (13.1 percent); finance, insurance, and real estate (10.9 percent); and construction (7.5 percent). In addition, 65.1 percent of businesses have 1-4 employees and 89.3 percent of businesses operate from a single location.

Examiners reviewed employment data for the Springfield, MA MSA from Moody's Analytics. Strengths include affordable housing for New England, stability from large healthcare presence, and below-average employment volatility. Weaknesses include being underrepresented in high tech, persistent out-migration of skilled youth, and low labor force participation. Top employers in the area include Baystate Health, MassMutual Financial Group, and Smith & Wesson.

According to the U.S. Bureau of Labor and Statistics, the unemployment rate in the Springfield, MA-Connecticut Metropolitan New England City and Town Area is higher than both statewide and national unemployment rates in 2019, 2020, and 2021. As shown in the following table, unemployment rates increased from 2019 to 2020 due to the effects of the COVID-19 pandemic, and then decreased from 2020 to 2021.

Unemployment Rates			
Area	2019	2020	2021
	%	%	%
Hampden County	4.3	11.0	7.6
Hampshire County	2.8	7.6	4.7
Springfield, MA-Connecticut Metropolitan New England City and Town Area	3.8	9.6	6.5
Massachusetts	3.1	9.4	5.7
National Average	3.7	8.1	5.3

Source: Bureau of Labor Statistics

Competition

MSB operates in a highly competitive market for financial services. The presence of national, regional, and community banks and credit unions creates significant competition in the area. According to the June 30, 2021 FDIC Deposit Market Share data, 16 institutions operated 93 branches within the assessment area. The top 4 institutions, TD Bank, National Association (NA); Bank of America, NA; People’s United Bank, NA; and KeyBank NA, are all large national banks with a combined market share of 52.1 percent. MSB ranked 9th with a market share of 4.7 percent. Local community bank competitors include Country Bank for Savings, PeoplesBank, and Westfield Bank, which were ranked 5th (9.9 percent), 6th (8.6 percent) and 8th (6.9 percent), respectively. Regional bank Berkshire Bank ranked 7th with a market share of 7.8 percent. MSB ranked higher than local community banks New Valley Bank & Trust, Florence Bank, Easthampton Savings Bank, and North Brookfield Savings Bank, which were ranked 11th (2.0 percent), 12th (1.3 percent), 13th (1.1 percent), and 15th (0.6 percent), respectively. Additionally, MSB ranked higher than national banks Citizens Bank, NA, Santander Bank, NA, and Community Bank, NA, which were ranked 10th (3.8 percent), 14th (0.8 percent), and 16th (0.4 percent), respectively.

Peer mortgage data shows that there is a high level of competition for home mortgage loans among banks, non-depository mortgage lenders, and credit unions in the assessment area. According to 2020 Home Mortgage Disclosure Act (HMDA) aggregate data, 333 lenders reported originating or purchasing 12,611 home mortgage loans in the assessment area. MSB originated 274 loans and ranked 10th with a 2.2 percent market share. The top 5 institutions, Quicken Loans, LLC; Citizens Bank, NA; Freedom Mortgage Corporation; Wells Fargo Bank, NA; and Academy Mortgage Corporation are all national lenders with a combined market share of 21.6 percent. Community bank and local competitor Westfield Bank ranked 8th with a market share of 2.7 percent. MSB ranked higher than PeoplesBank, which was ranked 14th with a market share of 2.1 percent. In addition, MSB ranked higher than similarly situated institutions Greenfield Co-operative Bank (64th), Savers Co-operative Bank (119th), Bay State Savings Bank (174th), and Athol Savings Bank (233rd).

The bank also faces a high level of competition for small business loans among banks and non-depository lenders in Hampden and Hampshire counties. The bank is not required to collect or report its small business 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 regarding the demand for small business loans. Since peer small business data is

released by the Federal Financial Institutions Examination Council at the county level, the following data reflects activity in the entirety of Hampden and Hampshire Counties.

According to 2020 CRA aggregate data for Hampden and Hampshire counties, 109 lenders reported originating and purchasing 14,256 small business loans. The top institution, American Express National Bank, is a national lender with a 13.3 percent market share. Local community bank Westfield Bank ranked 2nd with a market share of 11.6 percent. Institutions ranked 3rd-8th were national lenders Bank of America, NA; Lake Forest Bank & Trust, NA; TD Bank NA; Peoples United Bank, NA; JPMorgan Chase Bank, NA; and Capital One Bank (USA), NA; with a combined market share of 29.8 percent. Local community bank Easthampton Savings Bank was ranked 9th with a market share of 4.0 percent.

Community Contact

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

Examiners contacted a representative from a nonprofit community development financial institution serving Berkshire, Franklin, Hampden, and Hampshire Counties. The organization provides services to low- and moderate-income people, women, people of color, and immigrants in Western Massachusetts. The contact identified the need for non-traditional forms of lending to small businesses. The contact discussed the need for institutions to provide lending to start-up businesses that do not meet traditional lending guidelines as commerce returns to the area after the COVID-19 pandemic.

Examiners also reviewed a recent contact with a representative from a nonprofit organization that assists small business owners who live or work in Western Massachusetts and the North Quabbin region of Massachusetts with business development and funding. The organization also has a food processing center to help entrepreneurs throughout the New England region. The contact identified needs for affordable housing, economic development, and community services for low- and moderate-income individuals.

Credit and Community Development Needs and Opportunities

Examiners identified the primary credit needs of the assessment area based on demographic and economic data, discussions with bank management, and information gathered from community contacts. Examiners identified needs for affordable housing, community services, and economic development. Affordable housing represents a need in the assessment area due to increasing house prices and rent payments. Community services targeted to low- and moderate-income individuals are needed, especially to address food insecurity. Economic development is another community development need and could be addressed by financing small businesses in the assessment area. Additionally, examiners identified the need for credit building, credit repair, and alternative credit products.

SCOPE OF EVALUATION

General Information

This evaluation, conducted jointly by the FDIC and the Division, assessed MSB's CRA performance since the prior evaluation dated March 4, 2019, to the current evaluation dated May 31, 2022. Examiners used the Interagency Intermediate Small Institution CRA Examination Procedures. These procedures include two tests, the Small Bank Lending Test (Lending Test) and the Community Development Test.

Activities Reviewed

Examiners determined that the bank's major product lines are home mortgage and small business loans based on the bank's business strategy and the number and dollar volume of loans originated during the evaluation period. As of March 31, 2022, residential real estate loans accounted for 57.0 percent of the bank's loan portfolio. Commercial lending, consisting of nonfarm nonresidential real estate and commercial and industrial loans, represented 35.0 percent of the bank's loan portfolio. The bank's record of originating home mortgage loans during the evaluation period contributed more weight to overall conclusions due to larger origination volume, as described below, when compared to small business lending. Small farm loans and consumer loans represented a nominal portion of the bank's loan portfolio; therefore, they provided no material support for conclusions or ratings and are not considered in this analysis.

This evaluation considered all home mortgage loans reported on the bank's 2019, 2020, and 2021 HMDA Loan Application Registers (LARs). MSB originated 304 HMDA-reportable loans totaling \$69.3 million in 2019, 423 loans totaling \$122.2 million in 2020, and 418 loans totaling \$127.0 million in 2021. This evaluation compares the bank's performance against aggregate lending data and considers demographic data from the 2015 ACS. Aggregate data was not available for 2021 at the time of this evaluation.

Examiners reviewed bank records to determine the number of small business loans originated or purchased from January 1, 2019, to December 31, 2021. MSB originated 87 small business loans in 2019 totaling \$17.1 million. MSB originated or purchased 451 small business loans totaling \$47.3 million in 2020, of which 352 totaling \$26.9 million were SBA PPP loans. In 2021, MSB originated 73 small business loans totaling \$15.0 million. Because the bank does not report small business data, examiners did not compare bank performance to aggregate small business lending data. Examiners compared the bank's small business lending performance to Dun & Bradstreet business demographic data.

Although Lending Test tables reflect the number and dollar volume of loans, examiners emphasized performance by the number of loans originated because it is a better indicator of the number of individuals and businesses served.

For the Community Development test, examiners evaluated community development loans, qualified investments, and community development services from the prior evaluation date of March 4, 2019, to the current evaluation date of May 31, 2022.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

MSB demonstrated Satisfactory performance under the Lending Test. Satisfactory performance under the loan-to deposit ratio, assessment area concentration, and borrower profile criteria support this conclusion. The following sections summarize the bank's performance under each criterion.

Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable (considering seasonal variations and taking into account lending related activities) given the institution's size, financial condition, and assessment area credit needs. Examiners analyzed the bank's loan-to-deposit ratio for the past 13 quarters from March 31, 2019 to March 31, 2022. The bank's average quarterly net loan-to-deposit ratio is 85.5 percent and ranged from a low of 78.2 percent as of December 31, 2021, to a high of 91.0 percent as of September 30, 2019. Examiners compared the bank's average net loan-to-deposit ratio to that of four similarly situated banks based on asset size, geographic location, and lending focus. These banks operate in Western and Central MA and are predominantly residential mortgage lenders.

The following table illustrates the bank's average net loan-to-deposit ratio compared to similarly situated institutions.

Loan-to-Deposit (LTD) Ratio Comparison		
Bank	Total Assets as of 3/31/2022 (\$000s)	Average Net LTD Ratio (%)
Monson Savings Bank	615,682	85.5
Savers Co-operative Bank	696,253	99.5
Bay State Savings Bank	514,816	99.5
Athol Savings Bank	552,648	72.8
Greenfield Co-operative Bank	825,360	71.1

Source: Reports of Condition and Income 3/31/2019 – 3/31/2022

Assessment Area Concentration

A majority of loans and other lending related activities are in the institution's assessment area. The bank originated and purchased a majority of home mortgage and small business loans in the assessment area by both number and dollar amount. Home mortgage lending by number of loans inside the assessment area decreased from 2019 to 2020 but increased in 2021. In 2020 and 2021, the majority of the bank's home mortgage loans were refinances and cash-out refinances. Throughout the evaluation period, the bank's small business lending performance decreased every year. The bank's performance has improved in both home mortgage lending and small business lending since the previous evaluation by both number and dollar amount.

The following table shows MSB's lending inside and outside of the assessment area by loan category.

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										
2019	228	75.0	76	25.0	304	45,500	65.6	23,814	34.4	69,314
2020	274	64.8	149	35.2	423	72,359	59.2	49,864	40.8	122,223
2021	289	69.1	129	30.9	418	71,549	56.3	55,497	43.7	127,047
Subtotal	791	69.1	354	30.9	1,145	189,409	59.5	129,176	40.5	318,584
Small Business										
2019	67	77.0	20	23.0	87	13,400	78.3	3,718	21.7	17,118
2020	341	75.6	110	24.4	451	31,165	65.9	16,134	34.1	47,299
2021	53	72.6	20	27.4	73	11,209	74.7	3,801	25.3	15,010
Subtotal	461	75.5	150	24.5	611	55,774	70.2	23,653	29.8	79,427
Total	1,252	71.3	504	28.7	1,756	245,183	61.6	152,829	38.4	398,011
<i>Source: Bank Data Due to rounding, totals may not equal 100.0%</i>										

Geographic Distribution

The geographic distribution of loans reflects poor dispersion throughout the assessment area. Poor performance in both home mortgage and small business lending supports this conclusion. Examiners focused on the number and percentage of loans in low- and moderate-income census tracts.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects poor dispersion throughout the assessment area. As shown in the following table, the bank's performance in low-income census tracts was below aggregate performance and the demographic comparator in 2019. Performance improved in 2020, but remained below both comparators. Performance declined in 2021, remaining below the percent of owner occupied housing units in low-income census tracts.

The bank's performance in moderate-income census tracts was below aggregate performance and the demographic comparator in all 3 years and declined slightly year over year.

While the bank faces a high level of competition from institutions with physical branch locations in Springfield, low levels of lending in low- and moderate-income census tracts and declining performance throughout the evaluation period support the conclusion.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	5.8	7.9	5	2.2	994	2.2
2020	5.8	6.7	10	3.7	3,770	5.2
2021	5.8	--	6	2.1	2,865	4.0
Moderate						
2019	16.1	18.0	17	7.5	1,910	4.2
2020	16.1	16.2	19	6.9	5,458	7.5
2021	16.1	--	18	6.2	4,279	6.0
Middle						
2019	35.3	34.5	55	24.1	9,242	20.3
2020	35.3	33.4	72	26.3	18,684	25.8
2021	35.3	--	75	26.0	16,782	23.5
Upper						
2019	42.9	39.6	151	66.2	33,355	73.3
2020	42.9	43.7	173	63.1	44,447	61.4
2021	42.9	--	190	65.7	47,624	66.6
Not Available						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	0.0	0	0.0	0	0.0
2021	0.0	--	0	0.0	0	0.0
Totals						
2019	100.0	100.0	228	100.0	45,500	100.0
2020	100.0	100.0	274	100.0	72,359	100.0
2021	100.0	--	289	100.0	71,549	100.0
Source: 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

Small Business Loans

The geographic distribution of small business loans reflects poor dispersion throughout the assessment area. As shown in the following table, the bank's performance in low-income census tracts was significantly below the demographic comparator in all three years. The bank's performance in low-income census tracts shows a declining trend year over year.

The bank's performance in moderate-income census tracts was below the demographic comparator in 2019. While performance improved in 2020, the bank's percentage of lending in moderate-income census tracts remained well below demographics. In 2021, performance returned to a level similar to 2019.

While the bank faces a high level of competition from institutions with physical branch operations in Springfield, low levels of lending in low- and moderate-income census tracts and declining trends throughout the evaluation period support the conclusion.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2019	18.5	4	6.0	1,293	9.6
2020	18.5	10	2.9	1,909	6.1
2021	18.8	1	1.9	75	0.7
Moderate					
2019	19.7	2	3.0	283	2.1
2020	19.7	29	8.5	3,980	12.8
2021	19.6	2	3.8	858	7.7
Middle					
2019	26.6	15	22.4	3,528	26.3
2020	26.6	56	16.4	5,977	19.2
2021	26.5	8	15.1	493	4.4
Upper					
2019	35.3	46	68.7	8,296	61.9
2020	35.2	246	72.1	19,299	61.9
2021	35.1	42	79.2	9,783	87.3
Not Available					
2019	0.0	0	0.0	0	0.0
2020	0.0	0	0.0	0	0.0
2021	0.0	0	0.0	0	0.0
Totals					
2019	100.0	67	100.0	13,400	100.0
2020	100.0	341	100.0	31,165	100.0
2021	100.0	53	100.0	11,209	100.0
<i>Source: 2019, 2020 & 2021 D&B Data; Bank Data; 2019 & 2020 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

Borrower Profile

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. Reasonable performance in both home mortgage and small business lending supports this conclusion. Examiners focused on lending by number and percentage to low- and moderate-income borrowers and to businesses with GARs of \$1.0 million or less.

Home Mortgage Loans

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels. As shown in the following table, the bank's performance in lending to low-income borrowers was significantly lower than the demographic comparator for all three years; however, the bank's performance was higher than aggregate in 2019 and only slightly trailed aggregate performance in 2020. Aggregate performance was also significantly lower than the demographic comparator in 2019 and 2020. The difference between aggregate and bank performance and the percent of low-income families may be partially explained by the high percentage of families below the poverty level in the assessment area, which is a subset of the low-income category. The bank's performance declined year over year, similar to aggregate performance trends.

While the bank's performance in lending to moderate-income borrowers was below aggregate performance in 2019 and 2020, the bank's performance was higher than the demographic comparator in 2019 and 2020 and only slightly trailed the demographic comparator in 2021. Again, performance declined slightly year over year, which was similar to aggregate performance trends.

Despite a declining trend, market share data further supports adequate performance. In 2019, MSB ranked 15th out of 168 lenders that originated or purchased a home mortgage loan to low- and moderate-income borrowers in the assessment area. MSB outranked several local community banks, only outperformed by Westfield Bank and PeoplesBank. In 2020, MSB ranked 14th out of 177 lenders and outranked several local community banks, only outperformed by Westfield Bank.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	26.9	8.0	22	9.6	1,861	4.1
2020	26.9	5.6	13	4.7	1,352	1.9
2021	26.9	--	9	3.1	1,031	1.4
Moderate						
2019	16.2	23.4	43	18.9	5,964	13.1
2020	16.2	20.1	46	16.8	7,545	10.4
2021	16.2	--	46	15.9	7,343	10.3
Middle						
2019	17.1	23.2	63	27.6	10,484	23.0
2020	17.1	23.6	83	30.3	14,604	20.2
2021	17.1	--	77	26.6	14,570	20.4
Upper						
2019	39.8	28.3	85	37.3	22,194	48.8
2020	39.8	33.0	106	38.7	30,508	42.2
2021	39.8	--	133	46.0	38,187	53.4
Not Available						
2019	0.0	17.1	15	6.6	4,998	11.0
2020	0.0	17.7	26	9.5	18,350	25.4
2021	0.0	--	24	8.3	10,418	14.6
Totals						
2019	100.0	100.0	228	100.0	45,500	100.0
2020	100.0	100.0	274	100.0	72,359	100.0
2021	100.0	--	289	100.0	71,550	100.0
<i>Source: 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Small Business Loans

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among businesses of different sizes. As shown in the following table, the bank's lending performance to businesses with GARs of \$1.0 million or less was below the percentage of businesses with GARs of \$1.0 million or less in all 3 years. However, the majority of the bank's small business loans were originated to businesses with GAR levels of \$1.0 million or less in all 3 years. The bank's performance improved in 2020 when the bank originated a significant number of PPP loans to small businesses in the assessment area. In 2021, the bank's performance stabilized to a level similar to 2019.

While MSB is not required to report small business loan data, and therefore performance is not compared to aggregate, aggregate data shows the level of competition and demand for small business loans in the assessment area. Among small business loan reporters in 2019, only 42.0 percent of small business loans were made to businesses with GARs of less than \$1.0 million in the assessment area. In 2020, that total declined to 35.3 percent.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2019	83.3	39	58.2	6,050	45.1
2020	84.2	247	72.4	12,613	40.5
2021	85.5	29	54.7	3,279	29.3
>\$1,000,000					
2019	5.8	28	41.8	7,350	54.9
2020	5.4	94	27.6	18,552	59.5
2021	4.7	24	45.3	7,930	70.7
Revenue Not Available					
2019	10.9	0	0.0	0	0.0
2020	10.4	0	0.0	0	0.0
2021	9.8	0	0.0	0	0.0
Totals					
2019	100.0	67	100.0	13,400	100.0
2020	100.0	341	100.0	31,165	100.0
2021	100.0	53	100.0	11,209	100.0

*Source: 2019, 2020 & 2021 D&B Data; Bank Data; 2019 & 2020 CRA Aggregate Data; "--" data not available.
Due to rounding, totals may not equal 100.0%*

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

MSB 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 52 community development loans totaling approximately \$10.0 million during the evaluation period. Community development loans accounted for 2.0 percent of average total assets and 2.6 percent of average net loans during the review period. Since the prior evaluation, the

bank increased its community development loans by both number and dollar. During the previous evaluation period, the bank originated 38 community development loans totaling \$3.6 million.

Of the 52 loans originated by MSB during the current evaluation period, 45 loans for approximately \$9.2 million were located inside the bank’s assessment area and 7 loans totaling \$703,000 were located outside the bank’s assessment area and benefitted a greater state-wide or regional area. When compared to similarly situated institutions, MSB’s community development lending exceeded the community development lending of four similarly situated institutions. 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)
3/05/2019 - 12/31/2019	0	0	1	319	19	1,830	0	0	20	2,149
2020	0	0	1	1,220	16	572	0	0	17	1,792
2021	0	0	1	525	8	418	1	951	10	1,894
YTD 2022	2	3,926	0	0	3	212	0	0	5	4,138
Total	2	3,926	3	2,064	46	3,032	1	951	52	9,973

Source: Bank Records

Below are notable examples of the bank’s community development loans:

- In 2020, the bank originated 7 loans for \$255,000 as part of an emergency loan program during the COVID -19 pandemic. The seven loans were made to local small businesses for the sole purpose of economic development during the pandemic. The loans provided much needed capital for small businesses to continue operations during the national health crisis.
- In 2021, the bank originated a Municipal Anticipation Bond that provides funding for the revitalization or stabilization of the Town of Ware, which contains a moderate-income census tract that received a slum and blight designation, qualifying the area for federal Community Development Block Grant (CDBG) funding. The majority of the funds from the loan will be used to renovate Ware Middle School, where 60.0 percent of the students qualify for free or reduced-price school lunch through the United States Department of Agriculture (USDA) National School Lunch Program.
- In 2022, the bank originated a \$180,000 loan for the purchase of a mixed-use property located in Palmer, MA. The property contains nine single occupancy rooms and one commercial rental property. The nine single occupancy rooms are rented below the 2022 Department of Housing and Urban Development Fair Market rental rates for the area. This loan promotes affordable housing in the assessment area.
- In 2022, the bank originated a \$3.7 million dollar loan for the refinance of 75 affordable housing units. The housing units are located within three different properties in Springfield, MA (2) and Holyoke, MA (1). The properties are currently being leased to an organization

that promotes housing stability and economic mobility throughout Western Massachusetts for low- and moderate-income individuals and families.

- During the evaluation period, the bank originated 38 loans for approximately \$2.7 million through the Massachusetts Capital Access Program. These loans provide funding for startups, expansion of existing businesses, or permanent working capital to businesses with 200 or fewer employees. These loans provided economic development by financing small businesses and creating and/or retaining 149 jobs within Hampden and Hampshire counties.

Qualified Investments

During the evaluation period, MSB made 94 qualified investments and donations totaling approximately \$935,000. The dollar amount of qualified investments and donations equates to 0.2 percent of net average assets and 1.0 percent of average investments during the evaluation period. The bank’s qualified investments and donations increased since the prior evaluation, which reported 83 qualified investments and donations for \$832,406. MSB’s level of qualified investments and donations exceeded that of three similar institutions and was below one similar institution. These qualified investments demonstrate particular responsiveness to the needs for affordable housing in the assessment area. The following table illustrates community development investments by year and purpose.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000)	#	\$(000)	#	\$(000)	#	\$(000)	#	\$(000)
Prior Period	1	709	0	0	0	0	0	0	1	709
3/15/2019-12/31/2019	0	0	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0	0	0
2021	0	0	0	0	0	0	0	0	0	0
YTD 2022	0	0	0	0	0	0	0	0	0	0
Subtotal	1	709	0	0	0	0	0	0	1	709
Qualified Grants & Donations	7	3	79	213	7	10	0	0	93	226
Total	8	712	79	213	7	10	0	0	94	935

Source: Bank Records

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

Prior Period Investments

- In 2018, the bank purchased a CRA qualified mortgage-backed security totaling \$754,326. This investment was used for the purchase of a 500-unit multi-family residence located in Springfield, MA. This investment promotes affordable housing within the assessment area, as low- and moderate-income individuals occupy 80.0 percent of the units. The current book value of this investment is \$708,564.

Donations

- **Baystate Health Foundation, Inc. (BHFI)** – During the evaluation period, the bank donated to BHFI, a not-for-profit healthcare system that serves the Pioneer Valley. BHFI provides medical services in a moderate-income census tract in Western Massachusetts and serves predominantly low- and moderate-income individuals.
- **Food Bank of Western MA** – The Food Bank of Western Massachusetts provides food to local member pantries of Berkshire, Franklin, Hampshire, and Hampden counties. The Food Bank of Western MA provides access to food through local emergency shelters for individuals, families, children, and seniors to end food insecurity. During the evaluation period, the bank made multiple donations to this organization.
- **YMCA of Greater Springfield** – During the evaluation period, the bank made several donations to the YMCA of Greater Springfield. The YMCA of Greater Springfield provides community service programs, which include summer enrichment camps, health initiatives, outreach programs, and childcare services. These programs are available to all members, but the organization serves primarily low- and moderate-income individuals.
- **Educare Springfield** – Educare Springfield provides early education to children and families living in poverty. The bank donated to this organization in 2021 and 2022.
- **Banzai Inc.** – During the evaluation period, the bank donated to Banzai, Inc., which teaches students decision-making skills to manage their money. The bank’s donations went to local area schools in Springfield, Palmer, and Ware. The majority of these students qualify for the USDA National School Lunch Program.

Community Development Services

During the evaluation period, MSB employees, officers, and directors provided 88 instances (1,526 hours) of financial expertise or technical assistance to 31 community development related organizations in the assessment area that primarily benefitted low- or moderate-income individuals. Since the prior evaluation, the bank’s level of community services decreased from 121 instances of financial services to 28 organizations. When compared to similarly situated institutions, Monson Savings Bank’s instances of community development services exceeded the performance of two similarly situated institutions but was below that of two additional similarly situated institutions. As shown in the following table, the number of services provided in 2020 declined, but returned to normal levels in 2021. During the 2020 COVID-19 pandemic, community development services were limited due to the economic shut down. Many organizations restricted in-person activities, limiting the opportunities for the bank to provide community development services. 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
	#	#	#	#	#
3/05/2019-12/31/2019	0	23	3	0	26
2020	0	13	5	0	18
2021	0	21	9	0	30
YTD 2022	0	9	5	0	14
Totals	0	66	22	0	88
<i>Source: Bank Records</i>					

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

- **Link to Libraries, Inc.** – Link to Libraries is a non-profit organization that provides community services to low- and moderate-income individuals by distributing new books to schools and homes of children in need. A member of Senior Management serves on the Board of Directors.
- **Salvation Army** – The Salvation Army provides shelter, food, and emergency services to low-income individuals, the elderly, and veterans in Hampshire and Hampden Counties. Two MSB employees served this organization as treasurer during the evaluation period.
- **United Way of Pioneer Valley** – The United Way of Pioneer Valley provides services to low- and moderate-income areas throughout the assessment area. The organization provides financial literacy, education, fuel assistance, tax assistance, and workforce development. Several MSB employees serve this organization in multiple capacities including Board membership and committee membership.

Financial Literacy

- **Ware Public Schools** – In 2019, the bank provided financial literacy seminars in Ware Public Schools. The topics covered in the seminars consisted of Spending & Savings, Interest Earning, and Credit Cards. The seminars primarily benefitted low- and moderate-income individuals. In the Ware Public school district, a majority of students qualify for the USDA National School Lunch Program.

Other Services

- **Massachusetts Interest on Lawyers Trust Accounts (IOLTA)** – MSB participates in the Massachusetts IOLTA program. This program requires lawyers and law firms to establish interest-bearing accounts for their clients’ deposits. The interest earned in these accounts funds law-related public service programs that help low-income clients in Massachusetts.
- **MCBC Basic Banking** – MSB participates in the Basic Banking Program, which encourages low- and moderate-income individuals to establish banking relationships. The

program features free or low-cost checking and savings accounts to meet the needs of local area customers.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The bank's compliance with the laws relating to discrimination and other illegal credit practices was reviewed, 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

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 2020 and 2021 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 337,818 individuals, of which 35.6 percent are minorities. The minority population represented is 9.6 percent Black/African American, 2.2 percent Asian, 0.1 percent American Indian, 21.8 percent Hispanic or Latino, and 2.0 percent other.

The bank's level of lending in 2020 and 2021 was compared with that of the 2020 and 2021 aggregate's 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	Bank 2020 HMDA		2020 Aggregate Data	Bank 2021 HMDA		2021 Aggregate Data
	#	%	%	#	%	%
American Indian/ Alaska Native	0	0.0	0.5	1	0.3	0.5
Asian	4	1.0	2.5	1	0.3	2.7
Black/ African American	4	1.0	5.9	1	0.3	8.0
Hawaiian/Pacific Islander	1	0.2	0.1	0	0.0	0.2
2 or more Minority	0	0.0	0.2	1	0.3	0.2
Joint Race (White/Minority)	3	0.8	1.1	0	0.0	1.0
Total Racial Minority	12	3.0	10.3	4	1.2	12.6
White	323	82.0	65.4	352	90.0	60.9
Race Not Available	59	15.0	24.3	35	8.9	26.5
Total	394	100.0	100.0	391	100.1	100.0
ETHNICITY						
Hispanic or Latino	10	2.5	12.6	6	1.5	13.8
Joint (Hisp/Lat /Not Hisp/Lat)	1	0.3	1.4	0	0.0	1.4
Total Ethnic Minority	11	2.8	14.0	6	1.5	15.2
Not Hispanic or Latino	324	82.2	62.8	346	88.5	60.9
Ethnicity Not Available	59	15.0	23.2	39	10.0	23.9
Total	394	100.0	100.0	391	100.0	100.0

Source: ACS Census 2015, HMDA Aggregate Data 2020 and 2021, HMDA LAR Data 2020 and 2021

In 2020, the bank received 394 HMDA reportable loan applications within its assessment area. Of these applications, 12 or 3.0 percent were received from minority applicants, 75.0 percent of which resulted in originations. The aggregate received 10.3 percent of its applications from minority consumers, of which 56.0 percent were originated. For the same period, the bank received 11 or 2.8 percent of all applications from ethnic groups of Hispanic origin within its assessment area of which 72.7 percent were originated, compared to an aggregate ethnic minority application rate of 14.0 percent with a 58.7 percent origination rate.

In 2021, the bank received 391 HMDA reportable loan applications within its assessment area. Of these applications, 4 or 1.2 percent were received from minority applicants, of which 40.0 percent resulted in originations. The aggregate received 12.6 percent of its applications from minority consumers, of which 58.4 percent were originated. For the same period, the bank received 6 or 1.5 percent of all applications from ethnic groups of Hispanic origin within the assessment area, of which 66.7 percent were originated, compared to an aggregate ethnic minority application rate of 15.2 percent with a 61.1 percent origination rate.

The bank's lending in 2020 and 2021 reflects an adequate minority application flow.

INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

Community Development Test

The Community Development Test considers the following criteria:

- 1) The number and amount of community development loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the bank provides community development services; and
- 4) The bank's responsiveness through such activities to the area's community development needs considering the amount and combination of these activities, along with their qualitative aspects.

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.

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.

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 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 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 institution's assessment area(s) or a broader statewide or regional area including the institution'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 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 assessment area. 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 assessment area.

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/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.

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.