

PUBLIC DISCLOSURE

March 19, 2020

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Needham Bank
Certificate Number: 26483

1063 Great Plain Avenue
Needham, Massachusetts 02492

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

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

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.

PERFORMANCE LEVELS	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory		X	
Satisfactory	X		X
Needs to Improve			
Substantial Noncompliance			
* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.			

The following summarizes the bank’s Lending, Investment, and Service Test performances.

The Lending Test is rated Satisfactory.

- Lending levels reflect reasonable responsiveness to assessment area credit needs.
- The bank originated a good percentage of home mortgage and small business loans, by number and dollar volume, in its assessment area.
- The geographic distribution of loans reflects adequate penetration throughout the assessment area.
- The distribution of borrowers reflects, given the product lines offered by the bank, reasonable penetration among borrowers of different income levels and business of different sizes.
- The bank makes use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low- or moderate income individuals or geographies.
- The bank made an excellent level of community development loans.

The Investment Test is rated High Satisfactory.

- The bank made a significant level of qualified community development investments and donations.
- The bank exhibits good responsiveness to credit and community economic development needs.
- The bank rarely uses innovative and/or complex investments to support community development initiatives.

The Service Test is rated Satisfactory.

- The bank's delivery systems are reasonably accessible to essentially all portions of the assessment area.
- To the extent changes have been made, the bank's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and to low- and moderate-income individuals.
- The bank's services and business hours do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies and/or individuals.
- The bank provides a relatively high level of community development services.

SCOPE OF EVALUATION

General Information

Large Bank CRA examination procedures were used to evaluate Needham Bank's CRA performance. These procedures evaluate the bank's CRA performance pursuant to three tests: Lending, Investments, and Services. The CRA evaluation considered activity from May 15, 2017 through March 19, 2020.

The Lending Test evaluates the institution's record of helping to meet the credit needs of its assessment area by considering an institution's home mortgage, small business, and community development lending. The institution's lending performance is evaluated pursuant to the following criteria: (1) the volume of lending activity; (2) the proportion of lending within the assessment area(s); (3) the dispersion of loans and the number and amount of loans in low-, moderate-, middle- and upper-income geographies in the assessment area; (4) the distribution of loans among low-, moderate-, middle- and upper-income borrowers and businesses of different sizes; (5) the volume of community development lending; and (6) the use of innovative or flexible lending practices.

The Investment Test evaluates the institution's record of helping to meet the credit needs of its assessment area through its use of qualified investments that benefit the assessment area or a broader statewide or regional area that includes the institution's assessment area. The Investment Test is evaluated pursuant to the (1) dollar amount of qualified investments; (2) the innovativeness or complexity of qualified investments; (3) the responsiveness of qualified investments to credit and community development needs; and (4) the degree to which the qualified investments are not routinely provided by private investors.

The Service Test evaluates the institution's record of helping to meet the credit needs of its assessment area through community development and retail services. The Service Test is evaluated pursuant to (1) the institution's record of helping to meet the needs of its assessment area by analyzing both the availability and effectiveness of the institution's systems for delivering retail banking services; and (2) the extent and innovativeness of its community development services.

Loan Products Reviewed

Examiners determined that the bank's major product lines are home mortgage and small business loans. Small farm lending and consumer lending accounted for a nominal percentage of the portfolio; neither of these loan products were considered during this evaluation.

The analysis of loans includes residential mortgages and small business loans originated between January 1, 2017, and December 31, 2018 within the assessment area. As reflected by the December 31, 2019 Call Report, residential mortgage loans represent 77.0 percent of the bank's total loans, while non-farm, non-residential properties and commercial and industrial loans make up 22.0 percent of total loans. Further information was derived from the 2017 and 2018 HMDA LARs and Small Business Loan Registers. In total, the bank recorded 1,134 originations on the HMDA LARs and 141 originations and purchases on the Small Business Loan Registers.

Since residential mortgage lending is the bank's primary product line (based on the portfolio and volume analysis above), it received more weight when arriving at Lending Test conclusions and ratings. Residential mortgage and small business lending information was compared to demographic data and aggregate data for the same years. Demographic information was primarily obtained from the 2015 ACS Census Data Business demographic information was obtained from Dun & Bradstreet (D&B).

For the Lending Test, bank management provided data on community development loans and innovative and flexible loan programs since the prior CRA evaluation dated May 15, 2017. Examiners considered the same timeframe for all investments and services for the respective tests.

DESCRIPTION OF INSTITUTION

Background

Needham Bank is a state-chartered bank headquartered in Needham, Massachusetts primarily operating in the Metro-West region of Boston. The institution received a Satisfactory rating during its previous Performance Evaluation, dated May 15, 2017, based on Large Institution Examination Procedures. There are no significant financial or legal impediments that would limit the bank's ability to help meet the credit needs of its assessment area.

Operations

The bank's main branch is located at 1063 Great Plain Avenue, Needham, Massachusetts. Additionally, the bank operates eight other full-service branches in its assessment area. These branches are in the following cities and towns: Ashland, Dedham, Dover, Medfield, Millis, Natick, Wellesley, and Westwood. All full service-branches have automated teller machines (ATM) that take deposits.

The institution offers a variety of personal and business deposit and lending products. Deposit products include checking, savings, money market accounts, individual retirement accounts, and

certificates of deposit. The institution offers loan products including home mortgages, personal loans, jumbo loans, home equity lines of credit, business loans, and commercial loans. Needham Bank primarily focuses on residential lending. The bank provides alternative delivery systems such as online and mobile banking, electronic bill pay, and mobile check deposits.

Ability and Capacity

As of December 31, 2019, the bank had total assets of \$2.5 billion and total deposits of \$1.9 billion. Total loans were \$2.1 billion and represented approximately 84.7 percent of total assets. Since the last CRA evaluation, the bank’s assets have increased by 25.0 percent; total loans have increased by 20.2 percent; and deposits have increased by 26.7 percent.

The bank is primarily a residential lender with a majority of the loan portfolio secured by residential properties. As noted in the following table, approximately 77.0 percent of the loans are secured by residential properties, followed by commercial loans secured by non-farm non-residential properties at 22.0 percent. The following table illustrates the current distribution of the bank’s loan portfolio.

Loan Portfolio Distribution as of 12/31/2019		
Loan Category	\$(000s)	%
Construction and Land Development	372,869	17.9
Secured by Farmland	379	0.0
1-4 Family Residential	1,077,451	51.9
Multi-family (5 or more) Residential	148,985	7.2
Total Residential Real Estate Loans	1,599,684	77.0
Commercial and Industrial	76,472	3.7
Secured by Non-farm, Non-residential Properties	381,752	18.3
Total Commercial Loans	458,224	22.0
Consumer	10,170	0.5
Other	10,109	0.5
Total Loans	2,078,187	100.0
<i>Source: Reports of Income and Condition</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. Needham Bank designated a single assessment area that primarily includes the Boston-Cambridge-Newton, MA-NH MSA. The assessment also includes one municipality in the Worcester County; however the assessment area does not extend substantially beyond the MSA boundaries. The following sections discuss the demographic and economic information for the assessment area.

Economic and Demographic Data

The bank’s assessment area contains 26 cities and towns located in Norfolk, Middlesex, Suffolk, and

Worcester Counties. The following cities and towns are in Norfolk County: Brookline, Dedham, Dover, Franklin, Medfield, Medway, Millis, Needham, Norfolk, Norwood, Walpole, Wellesley, and Westwood. Middlesex County’s cities and towns are: Ashland, Framingham, Holliston, Hopkinton, Natick, Newton, Sherborn, Waltham, Watertown, Wayland, and Weston. Suffolk County includes the entire city of Boston and Worcester County includes Milford.

The bank’s assessment area consists of 314 census tracts (CTs) that reflect the following income designations, according to the 2010 U.S. Census:

- 47 low-income tracts,
- 59 moderate-income tracts,
- 75 middle-income tracts,
- 120 upper-income tracts, and
- 13 N/A tracts

The following table provides additional demographic and economic information pertaining to the bank’s assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	314	15.0	18.8	23.9	38.2	4.1
Population by Geography	1,339,810	12.9	18.4	25.6	42.5	0.6
Housing Units by Geography	547,659	11.6	18.6	26.4	42.6	0.7
Owner-Occupied Units by Geography	262,106	4.0	11.0	27.9	56.7	0.4
Occupied Rental Units by Geography	251,390	19.1	25.9	25.5	28.4	1.0
Vacant Units by Geography	34,163	14.7	23.9	21.9	38.3	1.2
Businesses by Geography	114,121	6.6	12.4	21.3	58.7	1.1
Farms by Geography	1,567	2.7	9.4	24.6	63.1	0.1
Family Distribution by Income Level	293,275	24.7	13.9	16.5	44.9	0.0
Household Distribution by Income Level	513,496	28.0	12.9	14.5	44.5	0.0
Median Family Income MSA - 14454 Boston, MA MD		\$90,699	Median Housing Value			\$477,102
Median Family Income MSA - 15764 Cambridge-Newton-Framingham, MA MD		\$100,380	Median Gross Rent			\$1,364
Median Family Income MSA - 49340 Worcester, MA-CT MSA		\$81,137	Families Below Poverty Level			9.5%
<i>Source: 2015 ACS and 2018 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.</i>						

According to 2018 D&B data, there are 114,121 businesses within the assessment area. Gross annual revenues (GARs) for these businesses are below:

- 82.3 percent have \$1 million or less
- 7.9 percent have more than \$1 million
- 9.9 percent have unknown revenues

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by GAR level. Service industries represent the largest portion of businesses at 47.7 percent; followed by finance, insurance and real estate (12.5 percent); and retail trade (11.6 percent). In addition, 65.9 percent of area businesses have four or fewer employees, 87.6 and percent operate from a single location.

The 2017 and 2018 FFIEC-updated median family income level is used to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle- and upper-income categories are presented in the following table.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Boston, MA MD Median Family Income (14454)				
2017 (\$94,300)	<\$47,150	\$47,150 to <\$75,440	\$75,440 to <\$113,160	≥\$113,160
2018 (\$99,300)	<\$49,650	\$49,650 to <\$79,440	\$79,440 to <\$119,160	≥\$119,160
Cambridge-Newton-Framingham, MA MD Median Family Income (15764)				
2017 (\$104,800)	<\$52,400	\$52,400 to <\$83,840	\$83,840 to <\$125,760	≥\$125,760
2018 (\$110,300)	<\$55,150	\$55,150 to <\$88,240	\$88,240 to <\$132,360	≥\$132,360
Worcester, MA-CT MSA Median Family Income (49340)				
2017 (\$84,000)	<\$42,000	\$42,000 to <\$67,200	\$67,200 to <\$100,800	≥\$100,800
2018 (\$86,900)	<\$43,450	\$43,450 to <\$69,520	\$69,520 to <\$104,280	≥\$104,280
<i>Source FFIEC</i>				

According to the 2015 ACS Census Data, the unemployment rate for the assessment area was 4.8 percent. Data obtained from the U.S. Bureau of Labor and Statistics as of December 31, 2019, indicates that the unemployment rate across the assessment area averaged 2.9 percent over the evaluation period, trending downward from 2017 to 2019. Massachusetts had an overall unemployment rate of 3.3 percent, which reflects an assessment area with comparable economic performance.

Competition

The bank operates in a competitive market for credit and financial services. The FDIC Deposit Market Share data as of June 30, 2019, reveals that 57 financial institutions operate 374 branch offices throughout the assessment area, with the top five institutions accounting for 86.2 percent

of total deposit market share. Needham Bank was ranked 12th with a deposit market share of 0.7 percent.

The bank faces strong competition from other financial institutions that originate loans within the assessment area. Among the more prominent lenders competing with Needham Bank are Rockland Trust Company, Dedham Institution for Savings, and Middlesex Savings Bank, as well as many large national banks including Citizens Bank, Bank of America, and Wells Fargo Bank.

Community Contact

As part of the evaluation process, examiners contact organizations active in the assessment area to gain an understanding of the credit and community development needs. This information allows examiners to determine whether local financial institutions are responsive to identified needs and opportunities. The contact may also help identify what credit and community development opportunities are available. Examiners contacted two representatives from organizations located in the City of Boston.

The first organization provides affordable housing and community services to residents in Boston and its surrounding communities. The contact stated that affordable housing is the greatest need in the area. House prices have increased substantially over the last decade and is out of reach of low- and moderate-income borrowers. The contact also mentioned that many individuals that seek their services have large student debt loads, which is another barrier to homeownership. Types of credit that would assist with these community development needs are income-based student loan repayment plans, and more income-restricted mortgage products such as the MassHousing One Partnership.

The second community contact provides a variety of services to low- and moderate-income residents and small business owners in Boston. The contact mentioned that there are many small businesses in low- and moderate-income tracts in the community. Education programs that help small businesses with financial resources are a great resource, and help revitalize and stabilize these lower-income neighborhoods. The contact noted that often times new small business owners lack necessary financial literacy and these programs make a big difference for those owners.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

The bank's Lending Test performance is rated Satisfactory. The following sections discuss the bank's performance under each criterion.

Lending Activity

Needham Bank's lending activity reflects reasonable responsiveness to assessment area credit needs. The bank originated 482 home mortgage loans totaling \$388.2 million in 2017. Home mortgage lending declined in 2018 to 362 loans totaling \$243.1 million inside the assessment area. In 2018, the most recent year for which aggregate data is available, Needham Bank earned a 0.9 percent market share, ranking 24th of 496 lenders who reported 38,453 home mortgage loans in 2018. Lenders ranked above Needham Bank included local banks of a similar size, as well as larger national banks and mortgage companies (e.g. Middlesex Savings Bank, Bank of America, and Guaranteed Rate).

In 2017, Needham Bank originated 54 small business loans totaling \$10.4 million in the assessment area. Small business lending within the assessment area declined in 2018 to 44 loans for \$8.4 million. The bank earned a 0.1 percent market share, ranking 61st of 153 reporting lenders who originated or purchased at least one small business loan in Middlesex and Norfolk Counties in 2018. The lenders reported a total of 62,722 small business loans. Large national banks, primarily credit card banks, comprised the majority of the top twenty lenders; however, two large state institutions, Rockland Trust Company and Eastern Bank, ranked 16th and 18th, respectively. The top ranked lender, American Express, FSB captured 26.4 percent of the market share, followed by Bank of America, N.A., with a 14.8 percent market share.

Assessment Area Concentration

The bank originated a good percentage of home mortgage and small business loans, by number and dollar volume, in its assessment area.

A majority of home mortgage lending, by number, was inside the assessment area in 2017 and 2018. A majority of small business loans, by number and dollar amount, were originated inside the assessment area in 2017 and 2018.

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										
2017	482	78.5	132	21.5	614	388,159	80.5	93,816	19.5	481,975
2018	362	69.6	158	30.4	520	243,067	73.6	87,186	26.4	330,252
Subtotal	844	74.4	290	25.6	1,134	631,226	77.7	181,002	22.3	812,227
Small Business										
2017	54	78.3	15	21.7	69	10,395	78.9	2,787	21.1	13,182
2018	44	61.1	28	38.9	72	8,382	44.6	10,430	55.4	18,812
Subtotal	98	69.5	43	30.5	141	18,777	58.7	13,217	41.3	31,994
Total	942	73.9	333	26.1	1,275	650,003	77.0	194,219	23.0	844,221
<i>Source: Evaluation Period: 1/1/2017 - 12/31/2018 Bank Data Due to rounding, totals may not equal 100.0</i>										

Geographic Distribution

The geographic distribution of loans reflects adequate penetration throughout the assessment area. The bank’s adequate performance of home mortgage and small business lending supports this conclusion.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects adequate penetration throughout the assessment area. Examiners focused on the comparison to aggregate data.

Needham Bank’s performance of home mortgage lending in low-income census tracts was comparable to aggregate data, and exceeded demographic data in 2017. Low-income census tract lending improved in 2018 by both number and dollar amount, and exceeded both aggregate and demographic comparators.

The bank’s performance of home mortgage lending in moderate-income census tracts was lower than aggregate and area demographics in 2017. Lending improved considerably in 2018, as the bank’s moderate-income census tract lending was comparable to the demographic comparator, but still below aggregate performance levels.

Market share reports further illustrate reasonable performance in geographic distribution. The bank ranked 16th in market share by number of loans in low-income census tracts in 2017. The market share was consistent in 2018 with a rank of 17th. The bank’s market share ranking in moderate-income census tracts also improved from 2017 to 2018, from 35th to 33rd respectively. The bank’s consistent rank among low- and moderate-income census tracts, despite a large decrease in overall lending rank (from 13th in 2017 to 24th in 2018) reflects a commitment to maintain lending in communities in need.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2017	4.0	5.6	26	5.4	24,459	6.3
2018	4.0	5.2	25	6.9	17,389	7.2
Moderate						
2017	11.0	14.0	32	6.6	25,877	6.7
2018	11.0	14.2	41	11.3	26,378	10.9
Middle						
2017	27.9	27.7	112	23.2	77,928	20.1
2018	27.9	26.2	65	18.0	35,061	14.4
Upper						
2017	56.7	52.0	309	64.1	256,746	66.1
2018	56.7	53.8	230	63.5	163,789	67.4
Not Available						
2017	0.4	0.6	3	0.6	3,149	0.8
2018	0.4	0.6	1	0.3	450	0.2
Totals						
2017	100.0	100.0	482	100.0	388,159	100.0
2018	100.0	100.0	362	100.0	243,067	100.0
Source: 2015 ACS Census; 1/1/2017 - 12/31/2018 Bank Data, 2017 & 2018 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 penetration throughout the assessment area. Examiners focused on the comparison to aggregate data.

The bank originated no small business loans in low-income census tracts in 2017. In 2018, the bank’s performance improved to 5 originations, above aggregate performance and the demographic comparator.

Moderate-income lending lagged aggregate performance and the demographic throughout the evaluation period. Lending decreased from 2017 to 2018, when only one loan was originated in a moderate-income census tract.

Geographic Distribution of Small Business Loans						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2017	6.5	5.7	0	0.0	0	0.0
2018	6.6	5.6	5	11.4	427	5.1
Moderate						
2017	12.3	12.8	5	9.3	476	4.6
2018	12.4	13.0	1	2.3	2	0.0
Middle						
2017	21.3	23.3	6	11.1	1,867	18.0
2018	21.3	23.5	7	15.9	1,236	14.7
Upper						
2017	58.8	57.1	43	79.6	8,052	77.5
2018	58.7	56.9	31	70.5	6,717	80.1
Not Available						
2017	1.1	1.1	0	0.0	0	0.0
2018	1.1	1.0	0	0.0	0	0.0
Totals						
2017	100.0	100.0	54	100.0	10,395	100.0
2018	100.0	100.0	44	100.0	8,382	100.0
Source: 2017 & 2018 D&B Data; 1/1/2017 - 12/31/2018 Bank Data; 2017 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0						

Borrower Profile

The distribution of borrowers reflects reasonable penetration among borrowers of different income levels and businesses of different sizes in the assessment area. Examiners focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers, and small business loans to businesses with GARs of \$1 million or less.

Home Mortgage Loans

The bank’s home mortgage lending reflects reasonable penetration among retail customers of different income levels. Examiners focused on the comparison to aggregate data.

In 2017, Needham Bank’s percentage of lending to low-income borrowers in the assessment area was similar to aggregate performance. Lending to low-income borrowers decreased in 2018 but remained similar to aggregate performance. The bank’s lending to low-income borrowers was significantly below the percentage of low-income families for both years. However, a low-

income family in the assessment area, earning on average less than \$55,150, would not qualify for a mortgage under conventional underwriting standards, considering the median housing value of \$477,102.

Needham Bank's home mortgage lending to moderate-income borrowers was below aggregate and area demographics in 2017. Performance of lending to moderate-income borrowers improved by percentage in 2018 and remained consistent by number, bringing its lending percentage to a level reasonably comparable to aggregate lending.

Needham Bank's market share among moderate-income borrowers was consistent from 2017 (23rd) to 2018 (24th). The bank's overall lending market share exhibited a decrease from 13th to 24th. The consistent market share among moderate-income borrowers, in spite of an overall lending decrease, reflects reasonable performance among borrowers of different income levels.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2017	24.7	2.8	10	2.1	1,548	0.4
2018	24.7	3.6	5	1.4	816	0.3
Moderate						
2017	13.9	11.1	33	6.8	8,454	2.2
2018	13.9	11.2	34	9.4	9,306	3.8
Middle						
2017	16.5	19.9	69	14.3	24,715	6.4
2018	16.5	18.9	60	16.6	22,193	9.1
Upper						
2017	44.9	54.2	246	51.0	195,198	50.3
2018	44.9	53.3	215	59.4	163,585	67.3
Not Available						
2017	0.0	12.0	124	25.7	158,244	40.8
2018	0.0	12.9	48	13.3	47,167	19.4
Totals						
2017	100.0	100.0	482	100.0	388,159	100.0
2018	100.0	100.0	362	100.0	243,067	100.0
<i>Source: 2015 ACS Census; 1/1/2017 - 12/31/2018 Bank Data, 2017 & 2018 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0</i>						

Small Business Loans

The distribution of small business loans reflects good penetration to businesses with GARs of \$1 million or less. Examiners emphasized performance compared to aggregate data.

In 2017, the bank originated a majority of small business loans to businesses with GARs of \$1 million or less and exceeded aggregate performance. Needham Bank's performance of lending to businesses with GARs of \$1 million or decreased in 2018 by number and percentage, but continued to exceed aggregate lending in 2018.

The bank's small business market share supports good performance. The bank's 2018 market share of small business loans extended to businesses with GARs of under \$1 million was 0.1 percent, and the bank ranked 35th among 153 lenders. While the market share was consistent, the bank's rank among small businesses was substantially higher than its overall small business lending rank (61st).

Distribution of Small Business Loans by Gross Annual Revenue Category						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2017	82.2	46.3	31	57.4	4,380	42.1
2018	82.3	38.8	20	45.5	2,575	30.7
>1,000,000						
2017	8.1	--	23	42.6	6,015	57.9
2018	7.9	--	22	50.0	5,657	67.5
Revenue Not Available						
2017	9.7	--	0	0.0	0	0.0
2018	9.9	--	2	4.5	150	1.8
Totals						
2017	100.0	100.0	54	100.0	10,395	100.0
2018	100.0	100.0	44	100.0	8,382	100.0
<i>Source: 2017 & 2018 D&B Data; 1/1/2017 - 12/31/2018 Bank Data; 2017 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0</i>						

Innovative and Flexible Lending

The bank uses innovative and/or flexible lending programs in order to serve assessment area credit needs. The bank originated 429 innovative and flexible loans, totaling \$240.4 million, to individuals and businesses during the evaluation period. Of these innovative and flexible loans, the bank made \$229 million through residential lending programs and approximately \$11 million through small business lending programs. The following table illustrates the bank's innovative and flexible lending programs.

Innovative or Flexible Lending Programs										
Type of Program	2017		2018		2019		YTD 2020		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Community Loan Program (CLP)	26	6,589	20	6,511	2	887	0	0	48	13,987
First Time Home Buyer (FTHB)	56	29,956	82	39,563	49	22,419	0	0	187	91,938
40-Year Adjustable Rate Mortgage (ARM)	0	0	16	12,333	140	111,054	0	0	156	123,387
Subtotal Residential Loans	82	36,545	118	58,407	191	134,360	0	0	391	229,312
SBA 7a Loans	0	0	6	1,400	17	3,760	2	195	25	5,355
SBA 504 Loans	0	0	2	2,047	2	2,830	0	0	4	4,878
Massachusetts Capital Access Program (CAP)	3	131	1	240	3	245	2	205	9	821
Subtotal Commercial Loans	3	131	9	3,687	22	6,835	4	400	38	11,053
Totals	85	36,676	127	62,094	113	141,195	4	400	429	240,365

Source: Bank Records

The following summarizes the bank's innovative and flexible loan programs during the evaluation period.

Residential Lending Programs

- **Community Loan Program (CLP):** The bank developed a loan program geared to first-time homebuyers or individuals with limited credit history. The CLP is available specifically to individuals within the assessment area, and has flexible characteristics including discounted interest rates, bank-paid closing costs, and income eligibility standards. The bank made 47 CLP originations during the evaluation period for a total of \$14.0 million.
- **First Time Home Buyer (FTHB) Program:** The aim of the FTHB program is to streamline the lending process for individuals pursuing their first residential purchase. Characteristics include flexible lending options. The bank originated 186 FTHB loans for \$91.9 million during the evaluation period.
- **40 Year 5/5 Adjustable Rate Mortgages (ARM):** The bank created the 40 year ARM program to allow homebuyers to purchase or refinance a home to a lower more manageable payment. The bank originated 161, 40-year ARMs for approximately \$123.4 million.

Small Business Lending Programs

- SBA 7a Loan Program:** The SBA 7a Loan Program provides term loans up to \$5 million, with an SBA guaranty of 85.0 percent for loans \$150,000 or less and 75.0 percent for loans greater than \$150,000. Small businesses that meet the SBA’s size eligibility standards benefit from long-term financing options, a fixed maturity, and no prepayment penalties. The bank originated 25 loans through this program for \$5.4 million.
- SBA 504 Certified Development Company (CDC) Program:** The SBA 504 CDC Program is an economic development program offering small business financing while promoting job growth and creating jobs. This program provides approved small businesses with long-term, fixed-rate financing for acquiring fixed assets for business expansion or modernization. The bank originated 4 loans under this program for \$4.9 million.
- Massachusetts Capital Access Program (MassCAP):** MassCAP is a loan guarantee program designed to help small businesses obtain loans from participating banks. Loan guarantees through this program may be used to start or expand businesses, or provide permanent working capital. The bank originated 9 loans through this program for \$821,000.

Community Development Lending

Needham Bank made an excellent level of community development loans in the assessment area. The bank originated 33 community development loans totaling approximately \$75.0 million. This level of activity represents 3.1 percent of average total assets and 3.7 percent of average total loans since the previous CRA evaluation. The bank originated 26 loans totaling \$61.1 million that directly benefited the assessment area. The remaining 7 loans totaling \$13.9 million benefited areas in Massachusetts outside the assessment area. The majority of community development loans supported the development of affordable housing for low- and moderate-income individuals.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
5/15/17-12/31/17	4	4,498	0	0	0	0	0	0	4	4,498
2018	7	8,483	0	0	2	3,579	0	0	9	12,062
2019	15	30,684	1	4,335	2	2,830	1	18,735	19	56,585
YTD 2020	1	1,859	0	0	0	0	0	0	1	1,859
Total	27	45,524	1	4,335	4	6,409	1	18,735	32	75,004

Source: Bank Records

The following are notable examples of the bank's community development loans:

- In 2019, the bank originated a \$30.1 million loan to develop a 54-unit residential project in Boston, MA. The housing project will include 10 affordable units for low- and moderate-income families, totaling \$5.6 million.
- Needham Bank originated one loan in Framingham, MA for \$2.6 million in 2018. The purpose of the loan is to develop a 16-unit residential property, 2 units of which are designated as affordable. The qualified portion of this loan totals \$325,000.
- The bank extended a \$2.0 million loan in 2018 to purchase a 12-unit residential property in Somerville, MA. Six of the 12 units are reserved for low-income clientele of a local organization focused on improving the quality of life for the community. The qualified portion of this loan is \$1.0 million.
- The bank originated a \$15.3 million loan in 2020 for a property in Boston, MA. The project is 41 units of mixed-income housing, including 5 units set aside for affordable housing. The qualified portion of the community development loan totals \$1.9 million.
- The bank participated in a \$105 million project to develop a 138-unit residence in Boston in 2019. The project utilized zoning relief offered by the Boston Inclusionary development policy, and will result in a \$15.5 million infusion of affordable housing funds to the city. Based on the bank's \$20 million participation in the project, the bank's loan has a qualified affordable housing impact of approximately \$2.9 million.
- The bank originated two loans in 2018 for \$3.6 million for a small business in Framingham MA. The project was completed as part of the SBA 504 economic development program in connection with the Bay Colony CDC, and qualifies as a community development loan.

INVESTMENT TEST

The bank's overall Investment Test performance is rated High Satisfactory. The following sections discuss the bank's performance under each criterion.

Investment Activity

Needham Bank made a significant level of qualified investments and donations. During the evaluation period, the bank made 215 qualified investments and donations totaling \$12.1 million. This activity represents 0.5 percent of total assets as of the December 31, 2019 Call Report. Additionally, the bank's qualified investments have increased since the prior evaluation. The following table illustrates the bank's community development qualified investments.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	8	5,080	0	0	0	0	1	1,000	9	6,080
2017	1	2,119	0	0	0	0	0	0	1	2,119
2018	1	3,199	0	0	0	0	0	0	1	3,199
2019	0	0	0	0	0	0	0	0	0	0
Subtotal	10	10,398	0	0	0	0	1	1,000	11	11,398
Qualified Grants & Donations	36	102	159	551	6	19	3	6	204	678
Total	46	10,500	159	551	6	19	4	1,006	215	12,076

Source: Bank Records

Equity Investments

Qualified equity investments totaled \$11.4 million, which was 5.3 percent of total investments as of the December 31, 2019 Call Report. Qualified equity investments have increased since last exam, when equity investments totaled \$8.5 million.

Prior Period Investments

- The bank continues to hold its investment in the Massachusetts Housing Investment Corporation (MHIC)-Massachusetts Housing Equity Fund. The Fund invests in projects that rehabilitate or construct affordable housing in low- and moderate-income neighborhoods in the bank's assessment area. The current book value of this investment is \$0.7 million.
- The bank continues to hold seven CRA mortgage-backed securities (MBS) from the prior period. These are secured by one to-four family residential mortgages to low- and moderate-income borrowers in the bank's assessment area. The current book value is \$4.4 million.
- The bank continues to hold its investment in the Blue Hub Fund (formerly named Boston Community Loan Fund). This investment finances affordable housing, education, healthcare, and economic development in a greater regional area that includes the bank's assessment area. The current book value is \$1.0 million.

Current Period Investments

- The bank purchased two CRA MBS during the current evaluation period totaling \$5.3 million. The MBS are secured by one to-four family residential mortgages to low- and moderate-income borrowers in the bank's assessment area.

Donations

During the evaluation period, the bank made qualified donations totaling approximately \$678,000. The majority of donations benefited community services to low- and moderate-income individuals. The following are examples of organizations that received qualified donations.

- **WATCH CDC** - WATCH CDC works towards a more just community in the Waltham area by promoting affordable housing, providing adult education and leadership development, and empowering underrepresented residents through civic engagement.
- **Horizons at Dedham Country Day School** - Horizons at Dedham Country Day School (DCD) is an academic summer enrichment program that serves low-income Boston and Dedham students. Utilizing DCD facilities, this nonprofit program focuses on closing the achievement gap between low-income elementary school children and their more advantaged peers.
- **South Middlesex Opportunity Council (SMOC)** – The mission of this organization is to improve the quality of life of low-income and disadvantaged individuals and families by advocating for their needs and rights; providing services; educating the community; building a community of support; participating in coalitions with other advocates and searching for new resources and partnerships.
- **Metropolitan Council For Educational Opportunity Inc. (METCO)** - this organization strives to be a leader in voluntary school integration within the Commonwealth of Massachusetts and across the nation to promote school diversity, close the achievement gap, and overcome racial barriers.

Responsiveness to Credit and Community Development Needs

The bank exhibits good responsiveness to credit and community development needs. The bank's current period investments directly benefitted the assessment area. The bank's equity investments helped promote affordable housing and revitalization of low- and moderate-income tracts, which were both identified as critical community development needs by community contacts. In addition, the bank's donations and grants helped provide community services to low- and moderate-income individuals throughout the assessment area.

Innovativeness or Complexity of Qualified Investments

The bank rarely uses innovative and/or complex investments to support community development initiatives. The bank's current period investments include the purchase of MBS, which are a common equity investment, and donations and grants.

SERVICE TEST

Needham Bank is rated Satisfactory under the Service Test. The following sections address the bank's Service Test performance under each criterion.

Accessibility of Delivery Systems

The bank’s retail bank branches are reasonably accessible to all portions of the assessment area. The bank operates nine full-service branches, including the main office located in Needham, MA. While there are no branches located in low- or moderate-income census tracts during the current evaluation, Needham Bank’s branches are adequately accessible to the Boston neighborhoods of West Roxbury, Hyde Park, and Roslindale (Dedham and Westwood branches) as well as the low- and moderate-income census tracts in the City of Framingham (Ashland and Natick branches). As previously mentioned in the “Description of the Institution,” the bank offers a wide range of online banking services.

Furthermore, the bank is in process of opening a new branch in a low-income tract in the Mission Hill neighborhood during the current evaluation period. The branch is slated to open in early summer of 2020. This new branch will greatly increase access to the bank’s services for low- and moderate-income individuals due to its location. The branch will have community rooms that community development organizations can use.

The following table illustrates the distribution of the bank’s branches.

Branch Distribution by Geography Income Level						
Tract Income Level	Census Tracts		Population		Branches	
	#	%	#	%	#	%
Low	47	15.0	172,835	12.9	0	0.0
Moderate	59	18.8	246,525	18.4	0	0.0
Middle	75	23.9	342,991	25.6	0	0.0
Upper	120	38.2	569,419	42.5	9	100.0
NA	13	4.1	8,040	0.6	0	0.0
Total	314	100.0	1,339,810	100.0	9	100.0

Source: 2015 ACS Data & Bank Records

Each full-service branch has a 24-hour ATM. Alternate delivery systems include free electronic banking services such as online banking and bill pay services, mobile banking, and telephone banking.

Changes in Branch Locations

To the extent changes have been made, the institution’s opening and closing of branches has generally not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals. The bank did not open or close any branches during the evaluation period. As mentioned prior, the bank will be opening a branch in a low-income tract in the Mission Hill neighborhood of Boston.

Reasonableness of Business Hours and Services

The bank's business hours and services do not vary in a way that inconveniences portions of the assessment area, particularly low- and moderate-income geographies and individuals. Branch hours are consistent at each location. All full-service branches offer the bank's complete line of products and services, and a majority offer drive-up services.

Community Development Services

The institution provides a relatively high level of community development services. During the evaluation period, bank management and employees provided 2,861 hours of financial expertise or technical assistance to community development organizations. 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
	#	#	#	#	#
2017	110	673	35	0	818
2018	227	595	141	0	963
2019	102	892	86	0	1,080
Total	439	2,160	262	0	2,861

Source: Bank Records-# denotes hours

Examples of the bank's community development services include:

- **Family Promise MetroWest** – the mission of this organization is to transform the lives of families with children who are homeless by mobilizing a diverse community to provide shelter, education, and comprehensive support. The FVP of Compliance serves as Treasurer for the organization.
- **Boys and Girls Club Boston** – this organization provides a variety of services to low- and moderate-income youth in the Boston area. These services include summer programs, community partnerships, and educational classes. The bank's President and CEO serves on the organization's board and Finance Committee.
- **Greater Boston Food Bank** – this organization's mission is to provide food security to low- and moderate-income individuals in the greater Boston area. The bank's SVP of Risk Management serves on the organization's board.
- **Boston Alliance for Economic Inclusion** - the mission is to enhance the economic well-being of the unbanked and underbanked in metropolitan Boston by improving their access to the mainstream banking system, promoting financial education, and addressing technical or regulatory issues surrounding these developments. The bank's VP CRA Officer serves as a Committee Member at the organization.

Financial Education and Outreach

- During the evaluation period, bank employees taught at a variety of first-time homebuyers and financial literacy classes. These classes were held in conjunction with local community development organizations and targeted low- and moderate-income individuals. Examples of these organizations include WATCH CDC, MAHA, Urban Edge, Asian Community Development Corporation, SMOC, Allston-Brighton CDC, and Neighborhood of Affordable Housing.

Other Services

- The bank's deposit products meet the Basic Banking in Massachusetts guidelines set forth by the Massachusetts Community and Banking Council (MCBC). This statewide program promotes the offering of low-cost checking and savings accounts to low- and moderate-income individuals.
- The bank maintains Interest on Lawyers' Trust Accounts (IOLTA) and facilitates fundraising for CRA-qualified community organizations. Interest earned on the accounts assists in delivering critical legal aid to low-income Massachusetts residents. The bank is a Massachusetts IOLTA Leadership Institution, which is reserved for those institutions that go above and beyond the eligibility requirements.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

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. 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 discriminatory practices were noted.

Minority Application Flow

According to the 2015 ACS Census Data, the bank's assessment area contained a total population of 1,339,810 individuals of which 37.5 percent are minorities. The assessment area's minority and ethnic population is 12.7 percent Black/African American, 9.0 percent Asian/Pacific Islander, 0.1 percent American Indian, 12.6 percent Hispanic or Latino and 3.1 percent Other.

The bank’s level of lending was compared with that of the aggregate’s lending performance level for the most recent year that data was available, the years 2017 and 2018. The comparison of this data assists in deriving reasonable expectations for the rate of applications the bank received from minority residential loan applicants.

In 2017, the bank received 548 HMDA reportable loan applications from within its assessment area. Of these applications, 7.4 percent were received from minority applicants. The aggregate received 17.1 percent of applications from minority applicants. For the same time period, the bank received 1.8 percent of applications from Hispanic/Latino applicants as compared to the aggregate at 5.5 percent.

In 2018, the bank received 432 HMDA reportable loan applications from within its assessment area. Of these applications, 9.6 percent were received from minority applicants. The aggregate received 18.1 percent of applications from minority applicants. For the same time period, the bank received 3.0 percent of applications from Hispanic/Latino applicants as compared to the aggregate at 6.0 percent.

Refer to the table below for information on the bank’s minority application flow as well as the aggregate in the bank’s assessment area.

Minority Application Flow						
RACE	2017 Bank Data		2017 Aggregate Data	2018 Bank Data		2018 Aggregate Data
	#	%	%	#	%	%
American Indian/ Alaska Native	0	0.0	0.2	0	0.0	0.3
Asian	26	4.7	8.8	21	4.9	9.4
Black/ African American	5	0.9	6.0	11	2.6	6.1
Hawaiian/Pacific Islander	0	0.0	0.1	0	0.0	0.2
2 or more Minority	1	0.2	0.1	0	0.0	0.2
Joint Race (White/Minority)	9	1.6	1.9	9	2.1	1.9
Total Minority	41	7.4	17.1	41	9.6	18.1
White	297	54.2	60.2	282	65.3	58.6
Race Not Available	210	38.3	22.7	109	25.1	23.2
Total	548	100.0	100.0	432	100.0	100.0
ETHNICITY						
Hispanic or Latino	5	0.9	4.2	7	1.6	4.7
Not Hispanic or Latino	327	59.7	72.2	306	70.8	70.5
Joint (Hisp/Lat /Not Hisp/Lat)	5	0.9	1.3	6	1.4	1.3
Ethnicity Not Available	211	38.5	22.3	113	26.2	23.5
Total	548	100.0	100.0	432	100.0	100.0
<i>Source: 2017 & 2018 HMDA Data *Due to rounding, totals may not equal 100.0 percent.</i>						

Considering the demographic composition of the assessment area and comparisons to aggregate data, 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 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.

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 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 Reserve Bank of Boston, at 180 Haven Street, Reading, Massachusetts 01867."

[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.