

PUBLIC DISCLOSURE

November 7, 2022

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.

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INSTITUTION RATING

INSTITUTION’S CRA RATING: This institution is rated **High Satisfactory**

An institution in this group has a highly 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	X	X
Satisfactory**			
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 Lending Test is rated High Satisfactory

- Lending levels reflect good responsiveness to assessment area credit needs.
- A high percentage of loans were made in the institution’s assessment area.
- The geographic distribution of loans reflects adequate dispersion throughout the assessment area.
- The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes.
- The bank makes extensive use of innovative and/or flexible lending practices in order to serve assessment area credit needs.
- The bank is a leader in originating community development loans.
- The bank has a good record relative to its fair lending policies and procedures.
- The bank’s lending reflects a good record of preventing the loss of affordable housing.

The Investment Test is rated High Satisfactory

- The institution has a significant level of qualified community development investments and grants, occasionally in a leadership position, particularly those that are not routinely provided by private investors.
- The institution exhibits good responsiveness to credit and community economic development needs.
- The institution makes excellent use of innovative and/or complex investments to support community development initiatives.

The Service Test is rated High Satisfactory

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

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated March 19, 2020, to the current evaluation dated November 7, 2022. Examiners used Large Institution Examination Procedures to evaluate the bank's CRA performance. These procedures include three performance tests: the Lending Test, Investment Test, and Service Test.

The assessment area consists mostly of towns in Norfolk, Middlesex, and Suffolk Counties, which are part of the Boston-Cambridge-Newton Metropolitan Statistical Area (MSA). One town is located in Worcester County in the Worcester MSA. Examiners used the 2015 ACS updated data for metropolitan area boundaries, census tracts and their income levels, and demographic information.

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

- Lending activity
- Assessment area concentration
- Geographic distribution
- Borrower profile
- Innovative and/or flexible lending practices
- Community development loans
- Fair Lending program
- Loss of Affordable Housing

The Investment Test considered the following criteria.

- Number and dollar amount of qualified investments
- Responsiveness to credit and community development needs
- Innovativeness or complexity of qualified investments

The Service Test considered the following criteria.

- Accessibility of delivery systems
- Changes in branch locations
- Reasonableness of business hours and services
- Community development services

Loan Products Reviewed

Needham Bank's major product lines are home mortgage loans and commercial loans, considering the bank's business strategy and the number and dollar volume of loans originated during the evaluation period.

The bank's record of originating home mortgage loans contributed more weight to overall conclusions based on origination activity during the evaluation period. This evaluation considered all home mortgage loans reported on the bank's 2020 and 2021, Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs). The bank originated 677 HMDA-reportable loans totaling \$447.1 million in 2020 and 588 HMDA-reportable loans totaling \$496.0 million in 2021. Examiners compared bank lending in 2020 and 2021 to aggregate HMDA data for the relevant year. Examiners also compared bank lending to applicable demographic data.

Examiners reviewed reported small business loan data on the CRA LARs for 2020 and 2021 to draw conclusions about small business lending performance. Needham Bank originated 898 small business loans totaling \$91.6 million in 2020, and the bank originated 716 small business loans totaling \$74.2 million in 2021.

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

For the community development lending activity and the Investment and Service Tests, examiners drew conclusions based on data provided by bank management on community development loans, qualified investments, and retail and community development services since the prior CRA evaluation dated March 19, 2020.

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 March 19, 2019, based on Large Institution Examination Procedures.

Operations

The bank's main branch is located at 1063 Great Plain Avenue, Needham, Massachusetts. The bank operates nine other full-service branches in its assessment area. All full service-branches have automated teller machines (ATMs) that take deposits. There is one limited-service branch, and the bank also operates three stand-alone ATMs.

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 September 30, 2022, the bank's assets totaled \$3.3 billion, and deposits totaled approximately \$2.7 billion. The bank's loan portfolio consisted of approximately \$2.7 billion in total loans. During the evaluation period, total assets increased by 32.0 percent, deposits increased by 42.1 percent and total loans increased by 28.6 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 58.3 percent of the loans are secured by residential properties, followed by commercial loans secured by non-farm non-residential properties at 35.3 percent.

The following table illustrates the current distribution of the bank's loan portfolio.

Loan Portfolio Distribution as of 09/30/2022		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	511,065	18.7
Secured by Farmland	1,378	0.1
Secured by 1-4 Family Residential Properties	930,909	34.0
Secured by Multifamily (5 or more) Residential Properties	151,451	5.5
Total Residential Loans	1,594,803	58.3
Secured by Nonfarm Nonresidential Properties	751,454	27.5
Commercial and Industrial Loans	212,734	7.8
Total Commercial Loans	964,188	35.3
Agricultural Production and Other Loans to Farmers	0	0.00
Consumer Loans	166,950	6.1
Obligations of State and Political Subdivisions in the U.S.	8,032	0.3
Other Loans	37	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	2,734,010	100.0
<i>Source: Reports of Condition and Income</i>		

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

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. Needham Bank has designated a single assessment area encompassing 33 cities and towns within Norfolk and Middlesex, Worcester and Suffolk counties in Massachusetts. The following table is a list of cities and towns the bank has designated within its assessment area.

Assessment Area					
Massachusetts					
Norfolk County					
Brookline	Dedham	Dover	Franklin	Medfield	Medway
Millis	Needham	Norfolk	Norwood	Walpole	Wellesley
Westwood					
Middlesex County					
Arlington*	Ashland	Belmont*	Cambridge*	Everett*	Framingham
Holliston	Hopkinton	Malden*	Medford*	Natick	Newton
Sherborn	Somerville*	Waltham	Watertown	Wayland	
Suffolk County					
Boston	Chelsea*				
Worcester County					
Milford					
*Represents new municipalities since the prior evaluation					

Economic and Demographic Data

The assessment area includes 419 census tracts. These tracts reflect the following income designations according to the 2015 ACS U.S. Census:

- 56 low-income tracts,
- 95 moderate-income tracts,
- 108 middle-income tracts, and
- 147 upper income tracts
- 13 N/A

The low-income census tracts are primarily located in Boston, and the moderate-income census tracts are primarily located in Boston, Chelsea, Malden, Somerville, and Cambridge. Outside of Boston, these municipalities represent new portions of the assessment area.

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)	419	13.4	22.7	25.8	35.1	3.1
Population by Geography	1,795,000	12.2	23.2	27.2	37.0	0.5
Housing Units by Geography	736,090	11.2	22.8	28.2	37.3	0.6
Owner-Occupied Units by Geography	337,693	4.5	15.2	29.1	50.8	0.3
Occupied Rental Units by Geography	352,804	17.2	29.6	27.7	24.8	0.7
Vacant Units by Geography	45,593	13.7	26.3	24.7	34.4	0.9
Businesses by Geography	204,603	8.3	16.6	23.0	51.3	0.7
Farms by Geography	2,559	4.8	13.7	26.4	54.9	0.3
Family Distribution by Income Level	388,617	25.8	15.0	17.1	42.0	0.0
Household Distribution by Income Level	690,497	28.3	13.8	15.2	42.7	0.0
Median Family Income MSA - 14454 Boston, MA		\$90,699	Median Housing Value			\$473,496
Median Family Income MSA - 15764 Cambridge-Newton-Framingham, MA		\$100,380	Median Gross Rent			\$1,393
Median Family Income MSA - 49340 Worcester, MA-CT MSA		\$81,137	Families Below Poverty Level			9.5%
<i>Source: 2015 ACS, 2021 D&B Data, and FFIEC Estimated Median Family Income</i>						

There are 736,090 housing units in the area. Of these units, 45.9 percent are owner occupied, 47.9 percent are occupied rental units, and 6.2 percent are vacant. The median housing value of \$473,496 based on ACS Data reflects a relatively expensive area. Examiners also reviewed public HMDA data and noted that the average credit originated for 1-4 family purchase loans was \$630,640 in 2020 and \$678,797 in 2021. This reflects a dramatic increase in home prices in the last few years.

The following table reflects the low-, moderate-, middle-, and upper-income categories for the assessment area.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Boston, MA Median Family Income (14454)				
2020 (\$109,800)	<\$54,900	\$54,900 to <\$87,840	\$87,840 to <\$131,760	≥\$131,760
2021 (\$113,700)	<\$56,850	\$56,850 to <\$90,960	\$90,960 to <\$136,440	≥\$136,440
Cambridge-Newton-Framingham, MA Median Family Income (15764)				
2020 (\$118,800)	<\$59,400	\$59,400 to <\$95,040	\$95,040 to <\$142,560	≥\$142,560
2021 (\$120,200)	<\$60,100	\$60,100 to <\$96,160	\$96,160 to <\$144,240	≥\$144,240
Worcester, MA-CT MSA Median Family Income (49340)				
2020 (\$95,300)	<\$47,650	\$47,650 to <\$76,240	\$76,240 to <\$114,360	≥\$114,360
2021 (\$96,700)	<\$48,350	\$48,350 to <\$77,360	\$77,360 to <\$116,040	≥\$116,040
<i>Source: FFIEC</i>				

According to 2021 D&B data, there were 204,603 businesses in the assessment area. GARs for these businesses are below.

- 86.9 percent of businesses have GARs less than or equal to \$1.0 million,
- 5.1 percent of businesses have GARs greater than \$1.0 million, and
- 8.0 percent of businesses have unknown revenues.

Service industries represent the largest portion of businesses at 41.2 percent; followed by non-classifiable establishments (20.9 percent); finance, insurance, and real estate (12.6 percent); and retail trade (9.7 percent). In addition, 61.5 percent of area businesses have four or fewer employees, and 90.6 percent operate from a single location.

Competition

Needham Bank operates in a highly competitive market for banking services. According to 2021 Deposit Market Share data, there were 113 financial institutions operating 693 branches in the assessment area. Needham Bank ranked 17th with a deposit market share of 0.6 percent. The institutions ahead of Needham Bank were large national retail institutions (State St Bank, Bank of America and Citizens Bank NA) with a combined deposit market share of 73.9 percent.

The bank operates in a highly competitive area for mortgage loans. In 2021, 564 lenders reported 95,462 originated or purchased home mortgage loans. Needham Bank ranked 50th with a 0.5 percent market share. The three most prominent mortgage lenders (Citibank NA, Leader Bank NA, and Guaranteed Rate Inc) account for 17.9 percent of the total market share.

The bank also operates in a highly competitive area for small business loans. Based on 2020 market share data, 263 lenders reported 120,581 small business loans. Needham Bank ranked

29th with 0.7 percent market share. The leading financial institutions (American Express Bank, Bank of America, Citizens Bank NA) were large credit card companies and comprised 39.1 percent of the market.

Community Contact

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

Examiners contacted a representative of a community service organization in the bank's assessment area, operating in Norfolk County. The contact identified the need for affordable housing, particularly in towns like Needham. Subsidized housing is difficult to obtain for residents and very difficult to develop in municipalities with limited land opportunities. The contact noted that 40b is very helpful in expanding housing opportunities, but land supply is again limited. Needham Bank was listed among several local institutions reaching out for opportunities to remain involved in the community and has been responsive in providing support and technical assistance during the COVID-19 pandemic. The organization has observed that while many organizations are willing to organize "Community Days" the preference is to establish ongoing forms of community service (e.g., ongoing financial literacy counseling or mentoring). Financial counseling was an area of concern for the organization as many vulnerable populations are targeted by predatory businesses with inaccurate information.

Examiners also contacted an affordable housing organization based in Boston. The contact noted an increase in the underbanked population that correlates with the number of undocumented immigrants in the area, they also recognized the importance of climate resiliency projects, particularly in at-risk portions of Boston. The contact would like to see additional focus on financial literacy and increasing outreach to the underbanked population, as well as new first-time homebuyer products.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that education and affordable housing represent the primary community development needs in the assessment area. The relatively large population of underbanked and low- or moderate-income individuals supports this need. Affordable housing is also a major concern in the bank's assessment area with limited land opportunities and rapidly rising property values.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Needham Bank demonstrated High Satisfactory performance under the Lending Test. The following sections summarize the bank’s overall performance under each criterion.

Lending Activity

Lending levels reflect good responsiveness to the assessment area credit needs. In 2020, Needham Bank originated or purchased 489 home mortgage loans totaling \$345.0 million. This activity represented a market share of 0.5 percent, ranking 45th out of 555 lenders operating in the assessment area. Lending activity in 2021 fell to 437 home mortgage loans by number, while the total dollar amount increased to \$395.0 million.

Needham Bank originated 703 small business loans totaling \$65.8 million in the assessment area in 2020. This activity corresponds to a market share of 29th out of 263 lenders in the area. The large loan volume is attributed in part to the Paycheck Protection Program (PPP) Lending. The PPP program continued into 2021 albeit with less volume. In 2021, the number of small business loans decreased to 558 loans totaling \$52.1 million. The bank maintained an average loan to deposit ratio of approximately 94.7 percent since the previous evaluation. This metric reflects lending activity commensurate with the level of deposits and supports good performance.

Assessment Area Concentration

The bank made a high percentage of home mortgage and small business loans, by number and dollar volume, within its assessment area. The following table illustrates the bank’s lending inside and outside of the assessment area.

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										
2020	489	72.2	188	27.8	677	344,983	77.2	102,085	22.8	447,068
2021	437	74.3	151	25.7	588	394,961	79.6	101,051	20.4	496,012
Subtotal	926	73.2	339	26.8	1,265	739,943	78.5	203,136	21.5	943,080
Small Business										
2020	703	78.3	195	21.7	898	65,796	71.8	25,784	28.2	91,580
2021	558	77.9	158	22.1	716	52,141	70.3	22,081	29.7	74,222
Subtotal	1,261	78.1	353	21.9	1,614	117,937	71.1	47,865	28.9	165,802
Total	2,187	76.0	692	24.0	2,879	857,880	77.4	251,001	22.6	1,108,882
<i>Source: Bank Data</i>										

Geographic Distribution

The geographic distribution of loans reflects adequate dispersion throughout the assessment area, particularly to low-or moderate-income geographies in the assessment area. The bank’s performance in both home mortgage and small business lending supports this conclusion, considering changes in the assessment area. Examiners focused on the number and percentage of loans in low- and moderate-income census tracts.

Home Mortgage Loans

The geographic distribution of loans reflects adequate dispersion throughout the assessment area, particularly to low-or moderate-income geographies in the assessment area. In 2020, lending in low-income census tracts was comparable to the percentage of owner-occupied units in the area, and aggregate performance. The bank’s performance improved in 2021 by number and percentage, to exceed aggregate performance and the percentage of owner-occupied units.

The bank’s performance in moderate-income census tracts was below aggregate performance and the demographic of owner-occupied housing for both 2020 and 2021. One factor is the change in the assessment area; approximately 31.6 percent of the bank’s moderate-income census tracts are located in towns added since the previous evaluation.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% Of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2020	4.5	4.6	17	3.5	27,483	8.0
2021	4.5	5.1	27	6.2	40,332	10.2
Moderate						
2020	15.2	15.7	45	9.2	44,116	12.8
2021	15.2	17.0	47	10.8	99,846	25.3
Middle						
2020	29.1	27.9	110	22.5	57,578	16.7
2021	29.1	27.7	81	18.5	41,048	10.4
Upper						
2020	50.8	51.5	316	64.6	215,364	62.4
2021	50.8	49.8	282	64.5	213,735	54.1
Not Available						
2020	0.3	0.4	1	0.2	441	0.1
2021	0.3	0.4	0	0.0	0	0.0
Total						
2020	100.0	100.0	489	100.0	344,983	100.0
2021	100.0	100.0	437	100.0	394,961	100.0

Source: 2015 ACS; Bank Data, 2020 & 2021 HMDA Aggregate Data

Small Business Loans

The geographic distribution of small business loans reflects poor dispersion throughout the assessment area. In 2020, the bank’s performance was below the percentage of businesses in low-income tracts and is also below aggregate performance for the same year. In 2021, the number of loans in low-income census tracts decreased, and the percentage of loans in the area increased. However, the bank’s performance remained below the demographic comparator.

The bank’s lending remained below the percentage of businesses and aggregate performance in moderate-income tracts in 2020. Performance remained below the demographic comparator in 2021.

Geographic Distribution of Small Business Loans						
Tract Income Level	% Of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2020	8.2	8.0	15	2.1	1,519	2.3
2021	8.3	--	14	2.5	1,684	3.2
Moderate						
2020	16.3	16.8	30	4.3	4,485	6.8
2021	16.6	--	25	4.5	2,829	5.4
Middle						
2020	22.9	24.0	114	16.2	15,197	23.1
2021	23.0	--	104	18.6	12,562	24.1
Upper						
2020	51.9	50.5	542	77.1	44,551	67.7
2021	51.3	--	413	74.0	35,034	67.2
Not Available						
2020	0.8	0.7	2	0.3	44	0.1
2021	0.7	--	2	0.4	32	0.1
Total						
2020	100.0	100.0	703	100.0	65,796	100.0
2021	100.0	--	558	100.0	52,141	100.0

Source: 2020 & 2021 D&B Data; Bank Data, 2020 CRA Aggregate Data, "--" data not available.

Borrower Profile

The distribution of borrowers reflects, given the product lines offered by the institution, reasonable penetration among retail customers of different income levels and businesses of different sizes. This is supported by the bank’s adequate performance of lending to low- and moderate-income borrowers in home mortgage lending and good performance of small business lending to smaller businesses.

Home Mortgage Loans

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, reflects reasonable penetration. The bank's 2020 lending to low-income borrowers was comparable to aggregate performance. In 2021, the bank's lending to low-income borrowers improved by number and percentage, but remained slightly below aggregate lending levels. Similarly, the bank's lending to moderate-income borrowers in 2020 and 2021 remained below aggregate lending level for both years, but was reasonably comparable.

In both 2020 and 2021, the aggregate performance of all lenders, including Needham Bank, was significantly below the percentage of families categorized as low- or moderate-income with an annual income of less than \$96,160. Whereas the average loan amount originated for a 1 to 4-family residential purchase in the assessment area was \$630,640 in 2020 and \$678,797 in 2021. This data, coupled with around 9.5 percent of families in the assessment area falling below the poverty line, suggests a large percentage of low- and moderate-income families would not meet the standards of qualification to afford to repay the average loan amount.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% Of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2020	25.8	2.6	7	1.4	1,059	0.3
2021	25.8	3.4	11	2.5	2,147	0.5
Moderate						
2020	15.0	11.8	47	9.6	12,926	3.7
2021	15.0	12.7	43	9.8	11,804	3.0
Middle						
2020	17.1	21.2	86	17.6	32,138	9.3
2021	17.1	20.1	72	16.5	27,816	7.0
Upper						
2020	42.0	54.0	310	63.4	211,297	61.2
2021	42.0	51.2	251	57.4	214,261	54.2
Not Available						
2020	0.0	10.4	39	8.0	87,563	25.4
2021	0.0	12.6	60	13.7	138,932	35.2
Total						
2020	100.0	100.0	489	100.0	344,983	100.0
2021	100.0	100.0	437	100.0	394,961	100.0

Source: 2015 ACS; Bank Data, 2020 & 2021 HMDA Aggregate Data.

Small Business Loans

The distribution of small business loans reflects good distribution of credit to small businesses. The bank originated fifteen loans to businesses with defined gross annual revenues of \$1 million or less. This represents 2.1 percent of all loans which is below aggregate performance and the demographic percentage of businesses in the same revenue category. This performance is impacted by the PPP loan originations in 2020, for which the bank did not collect revenue information. This revenue category represented 97.0 percent of all small business lending in 2020. Due to these circumstances examiners also reviewed the size of loans as a proxy for the size of the business, as smaller dollar loans correlate to smaller businesses. In 2020, almost 75 percent of small business loans were distributed in amounts of \$100,000 or less, and small business loans below \$50,000 represented 59.8 percent of loans. This performance suggests the majority of lending was distributed to very small businesses.

The bank collected revenue information for all small business lending in 2021. The bank's percentage of lending to businesses with gross annual revenues of \$1 million or less was approximately 83.5 percent. This performance is comparable to the 86.9 percent of businesses in the assessment area that fall in the same revenue category. Examiners also reviewed loan size for 2021 for trend purposes. In 2021, almost 76.4 percent of small business loans were distributed in amounts of \$100,000 or less, and small business loans below \$50,000 represented 63.3 percent of loans. This performance suggests the majority of lending continued to be distributed to very small businesses.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Business Revenue Level	% Of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2020	86.1	37.1	15	2.1	927	1.4
2021	86.9	--	466	83.5	25,470	48.8
>\$1,000,000						
2020	5.8	--	6	0.9	1,335	2.0
2021	5.1	--	92	16.5	26,671	51.2
Revenue Not Available						
2020	8.1	--	682	97.0	63,534	96.6
2021	8.0	--	0	0.0	0	0.0
Total						
2020	100.0	100.0	703	100.0	65,796	100.0
2021	100.0	--	558	100.0	52,141	100.0

Source: 2020 & 2021 D&B Data; Bank Data, 2020 CRA Aggregate Data, "--" data not available.

Small Business Loans by Loan Size 2020				
Gross Revenue Level	#	%	\$(000s)	%
< \$50,000	419	59.6	8,534	13.0
\$50,000 - \$100,000	104	14.8	7,319	11.1
\$100,000 - \$249,999	114	16.2	18,742	28.5
\$250,000 - \$499,999	43	6.1	14,859	22.6
\$500,000 - \$1,000,000	23	3.3	16,342	24.8
Total	703	100.0	65,796	100.0

Small Business Loans by Loan Size 2021				
Gross Revenue Level	#	%	\$(000s)	%
< \$50,000	353	63.3	6,882	13.2
\$50,000 - \$100,000	73	13.1	4,943	9.5
\$100,000 - \$249,999	71	12.7	11,221	21.5
\$250,000 - \$499,999	39	7.0	13,931	26.7
\$500,000 - \$1,000,000	22	3.9	15,164	29.1
Total	558	100.00	52,141	100.00

Innovative or Flexible Lending Practices

The bank makes use of innovative and/or flexible lending practices. The bank originated 1,938 innovative and/or flexible loans, totaling approximately \$304.1 million to individuals and businesses during the evaluation period. The bank's MassHousing and MHP One programs comprise the largest portions for residential lending activity, respectively. The bank also participated in Small Business Administration (SBA) PPP lending, to aid small businesses during the COVID-19 pandemic.

Innovative and Flexible Lending Products								
Product	2020		2021		2022		Total	
	#	\$	#	\$	#	\$	#	\$
Community Loan Program 30	--	--	1	520	4	1,361	5	1,881
Community Loan Program 40 year	1	390	--	--	--	--	1	390
MassHousing Mortgage	13	4,664	12	4,051	2	756	27	9,471
MHP One Program	6	2,191	14	4,364	8	2,344	28	8,899
MassHousing DPA	5	62	4	57	1	15	10	134
Total Residential	25	7,307	31	8,992	15	4,476	71	20,775
SBA 504	6	6,838	6	3,232	6	4,230	18	14,300
SBA PLP	1	350	1	25	23	9,696	25	10,071
SBA Express	11	2,409	38	8,419	24	1,903	73	12,731
SBA Export	--	--	--	--	3	480	3	480
SBA PPP Loans	942	158,038	658	70,593	--	--	1,600	228,631
SB Term/LOC	3	655	8	959	9	968	20	2,582
MassCap	5	1,625	2	1,141	7	1,850	14	4,616
Main Street	13	7,487	--	--	--	--	13	7,487
Fast Track	--	--	1	50	5	230	6	280
Overdraft Protection	7	39	20	117	3	25	30	181
Business Credit Cards	--	--	38	1,303	27	697	65	2,000
Total Commercial	988	177,441	772	85,839	107	20,079	1,867	283,359
Total Innovative/Flexible	1,013	184,748	803	94,831	122	24,555	1,938	304,134

The following are examples of the bank's flexible lending activity.

Home Mortgage Loan Programs

- **Community Loan Program Mortgage** – The bank developed a loan product to help low- and moderate-income borrowers in the assessment area purchase homes. Features include discounted interest rates and reduced closing costs. This loan program is reserved for first-time homebuyers and utilizes income limits for either the borrower or the geographic area.
- **Massachusetts Housing Finance Agency (MassHousing) Loan Products** – Loan programs through MassHousing include features such as low down payments, competitive interest rates, down payment assistance, and reduced mortgage insurance premiums. MassHousing's products primarily benefit low- and moderate-income borrowers.
- **Massachusetts Housing Partnership (MHP) One Mortgage** – The MHP One Mortgage program is specifically designed to aid low- and moderate-income borrowers in purchasing homes. The features of this program include a low- down payment and a low

interest rate without any mortgage insurance premiums. The program uses income limits to ensure it primarily impacts borrowers with financial need.

- **MassHousing Downpayment Assistance Program** – In some cases low-income borrowers need grants or additional financing to obtain a home. The bank works with MassHousing to help first-time borrowers apply for and obtain additional funds to complete the transaction.

Commercial Loan Programs

- **Small Business Administration Programs** – The SBA works with lenders to provide loans to small businesses by providing guarantees to reduce risk. SBA loans offer benefits such as flexible underwriting criteria, lower down payment requirements, longer terms, and promote business growth and job creation. The bank used a number of SBA programs, including Express 7(a) program, programs focused on companies exporting goods, and the 504 economic development programs. The majority of the bank’s lending activity was through the Paycheck Protection Program (PPP), a response to the COVID-19 pandemic.
- **Massachusetts Capital Access (MassCap) Small Business Loans** – The MassCap program is designed to help small businesses obtain funds to start or expand businesses. Participating institutions use cash collateral guarantees from MassCap that increases flexible lending.
- **Business Credit Cards** – The bank began the credit card program to aid businesses in need of periodic funds. The credit cards are beneficial for nonprofit organizations as well as smaller businesses. Depending on the circumstances, businesses can use short term financing without paying interest.

Community Development Loans

Needham Bank is a leader in providing community development loans in the assessment area. The bank originated 39 community development loans totaling \$110.2 million that met the needs of affordable housing, economic development, and revitalization and stabilization. The bank primarily provided credit to multifamily opportunities in the area that supported affordable housing for low- and moderate-income residents. The following table illustrates the bank’s community development lending activity.

Community Development Loans										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize and Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
3/19/20-12/31/20	4	5,952	1	81	6	21,786	2	13,070	13	40,889
2021	5	12,579	3	8,100	2	3,100	2	12,000	12	35,779
YTD 2022	9	25,898	1	5,000	4	2,645	0	0	14	33,543
Total	18	44,429	5	13,181	12	27,531	4	25,070	39	110,211

Source: Bank Data

The following are examples of the bank's qualified community development loans.

- In 2020, the bank originated a \$7.8 million refinance loan to a private business. The proceeds were used to fund the construction of a multi-unit, four-story residential building in Jamaica Plain. Of the 23 total residential units, four were to be income-restricted according to the Boston Inclusionary Development Policy making these units affordable to low- and moderate-income tenants. The CRA-qualified portion of this loan totaled \$1,363,478.
- In 2020, the bank participated in a \$39.2 million project to develop a 141-unit residence in Melrose. The loan funds were for acquisition and construction-to-permanent financing for the redevelopment of a transit-oriented mill building for use as residential apartment units. Of the 141 units, nineteen units (13 percent) were reserved for residents earning a maximum of 80% of the area median income. The CRA-qualified portion of this loan totaled \$2,425,532 serving affordable housing needs of the broader statewide region including the assessment area.
- In 2021, Needham Bank originated a commercial real estate mortgage for \$50.0 million to construct a multi-unit residential building in a moderate-income census tract in Allston designed to attract graduate students. Of the 80 units, 20 percent were income-restricted. The City of Boston adopted the "Boston Inclusionary Development Policy" which provides guidelines for income-restricted housing units to be included in development project of ten or more residential units in the City of Boston, in order to retain low-to-middle-income residents. Therefore, this loan served the assessment area under revitalization and stabilization of a moderate-income census tract. The CRA-qualified portion of this loan totaled \$10.0 million.
- In 2021, the bank approved a line of credit increase for \$5.0 million to a leading affordable housing organization in Massachusetts to its affordable housing loan fund. The organization's mission is to expand the affordable housing supply across the Commonwealth, address local housing needs, and neighborhood development. The increased credit line specifically will benefit projects within the bank's assessment area.
- In 2022, the bank originated a term loan and line of credit totaling \$500,000 to a small business operating within the assessment area for the purchase of fleet vehicles required for the business purpose. The Massachusetts Capital Access Program loan guarantee program may be used to start or expand businesses or provide permanent working capital.
- In 2022, the bank originated a \$1.5 million loan to purchase a multi-family building with six residential units, of which all six qualify as affordable housing. The affordable housing units benefitted low-income individuals within the assessment area.

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, the bank maintains a good record relative to fair lending policies and practices.

Examiners did not identify any evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.

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 1,795,000 individuals of which 37.7 percent are minorities. The minority population represented is 12.9 percent Black/African American, 19.5 percent Asian/Pacific Islander, 0.1 percent American Indian/Alaskan Native, and 1.8 percent other. Approximately 12.9 percent of the population is Hispanic or Latino.

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	2	0.3	0.2	4	0.7	0.1
Asian	19	2.9	11.0	37	6.4	11.6
Black/ African American	18	2.7	3.8	16	2.8	4.7
Hawaiian/Pacific Islander	0	0.0	0.1	0	0.0	0.1
2 or more Minority	1	0.2	0.1	1	0.2	0.2
Joint Race (White/Minority)	14	2.1	2.3	20	3.4	2.3
Total Racial Minority	54	8.2	17.5	78	13.5	19.0
White	477	72.1	57.9	370	63.9	53.9
Race Not Available	130	19.7	24.6	131	22.6	27.1
Total	661	100.0	100.0	579	100.0	100.0
ETHNICITY						
Hispanic or Latino	13	2.0	4.1	18	3.1	4.9
Joint (Hisp/Lat /Not Hisp/Lat)	11	1.7	1.2	6	1.0	1.3
Total Ethnic Minority	24	3.7	5.3	24	4.1	6.2
Not Hispanic or Latino	499	72.0	69.3	412	71.2	67.1
Ethnicity Not Available	138	24.3	25.4	143	24.7	26.7
Total	661	100.0	100.0	579	100.0	100.0
<i>Source: ACS Census 2015, HMDA Aggregate Data 2020 and 2021, HMDA LAR Data 2020 and 2021</i>						

In 2020, the bank received 661 HMDA reportable loan applications within its assessment area. Of these applications, 8.2 percent were received from racial minority applicants. This was below aggregate performance of 17.5 percent of its applications from racial minority applicants. The bank’s racial minority application flow improved in 2021 to 13.5 percent but remained below the aggregate application flow of 19.0 percent. While overall applications fell from 2020 to 2021, the number of applications received from racial minority applicants increased approximately 44.4 percent.

In 2020, the bank received 24 or 3.7 percent of all applications from ethnic groups of Hispanic origin within its assessment area. This was comparable to an aggregate ethnic minority application rate of 5.3 percent. In 2021, the bank received 4.1 percent of all applications from ethnic groups of Hispanic origin within its assessment area. This was reasonably comparable to an aggregate ethnic minority application rate of 5.2 percent.

The bank’s 2021 origination rate to racial minority borrowers was 70.5 percent, comparably above the 66.7 percent rate of origination among white borrowers. The bank’s origination rate to ethnic minority borrowers was 62.5 percent, comparably below an origination rate of 73.8 percent among non-Hispanic borrowers. While the 2021 origination rate among ethnic minority applicants was below that of white applicants for the bank, the rate of origination was comparable to the aggregate rate (approximately 64.0 percent).

The bank’s application flow in 2020 and 2021 reflect an adequate racial minority application flow. The bank’s racial minority application flow was below that of aggregate lenders, however the gap is primarily attributed to a difference in the percentage of Asian applicants. Reaching

out to the Asian demographic represents a challenge for many similarly situated depository institutions; among depository institutions between \$1 billion and \$10 billion, approximately 46.5 percent of the market is controlled by one institution. The bank has made significant efforts to reach out to the Asian demographic, including work with community organizations, translation services, and advertising and providing applications in Asian languages. Additionally, the bank conducts periodic monitoring of its lending practices to control fair lending risks.

Finally, the bank also remains cognizant of the importance of small business lending and outreach to minority populations. Examiners noted that small business lending in majority minority census tracts is commensurate with the percentages of businesses present in those tracts which reflects fair lending efforts.

Considering the demographic composition of the assessment area, comparisons to aggregate data, and the bank's fair lending controls, the bank's minority application flow reflects reasonable performance.

Loss of Affordable Housing

The Division of Banks' regulation 209 CMR 46.22(2)(g) requires that the evaluation of the lending performance of a large institution include a review of its efforts to forestall the loss of affordable housing. The Division reviews the institution's loans to ensure that there is no undue concentration and a systematic pattern of lending resulting in the loss of affordable housing units.

The bank's development of and participation in flexible lending programs and community development lending reflect strong performance for this criterion. In addition, the bank's investment initiatives reflect a commitment to helping individuals stay in their homes.

INVESTMENT TEST

The bank demonstrated “High Satisfactory” performance under the Investment Test. The bank has a significant level of qualified community development investments, grants, and donations, occasionally in a leadership position, particularly those that are not routinely provided by private investors. The Investment Test evaluates an institution’s record of helping to meet credit needs through qualified investments that benefit the assessment area or a broader statewide or regional area that includes the bank’s assessment area. A qualified investment is defined as a lawful investment, deposit, membership share, or grant that has a primary purpose of community development.

Investment Activity

Needham Bank made a significant level of qualified investments. During the evaluation period, qualified investments, grants and donations totaled \$15.7 million. The qualified investments and donations are approximately 29.8 percent greater than the last evaluation period, when qualified investments totaled \$12.1 million. The bank also increased the amount of donations by 60.2 percent, despite a shorter evaluation period. The following table reflects the bank’s Investment Test activity.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	9	4,155	0	0	1	1,000	0	0	10	5,155
2020	0	0	0	0	1	2,000	0	0	1	2,000
2021	0	0	1	2,500	0	0	0	0	1	2,500
YTD 2022	0	0	0	5,000	0	0	0	0	1	5,000
Subtotal	9	4,155	2	7,500	2	3,000	0	0	12	14,655
Qualified Grants & Donations	54	171	228	848	7	23	15	44	304	1,086
Total	63	4,326	230	8,348	9	3,023	15	44	316	15,741

Source: Bank Records

Equity and Debt Security Investments

The bank has \$14.7 million in qualified equity and debt security investments. Approximately \$9.5 million represents new investments. Listed below are the qualified investments.

Current Period

- **Reinventure Capital Investment** – The bank committed \$2 million to the Reinventure Capital fund. This Boston-based venture capital fund focuses on small and startup businesses primarily owned by women and racial and ethnic minorities. The bank’s total qualified investment amount during the evaluation period totals \$2.0 million.
- **Sunwealth Solar Equity** – The bank committed to a total of \$7.5 million in equity investments toward a company focused on community-based solar projects. The equity

investment was paired with debt financing to further improve projects. The bank's equity investments directly support the energy needs of affordable housing projects in Boston MA.

Prior Period

- **Massachusetts Housing Investment Corporation (MHIC)** – The bank continues to hold its investment in the)-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 \$545,895.
- **Mortgage-Backed Securities** – 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 \$3.6 million.
- **Blue Hub Fund** – 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.

Charitable Contributions

The bank made 304 qualified donations totaling approximately \$1.1 million during the evaluation period. The majority of donations benefited low- and moderate-income individuals under the CRA purpose of Community Service and secondarily under Affordable Housing. The following are notable examples of examples of qualified donations that impacted the assessment area and broader regional area.

- **Boys and Girls Clubs** - This organization enhances the development of youths through various educational, social, and cultural programs at local clubs and primarily serves low-and moderate-income at-risk youth. The bank provided annual donations and sponsorships to several local Massachusetts chapters of this organization, including Boston, Dorchester, MetroWest, Newton, and Waltham. The bank's annual support during the evaluation period was responsive to Community Service needs of the assessment area.
- **Main Street Associations** - Under the public-private umbrella of Boston Main Streets Foundation is a network of Boston neighborhood associations that seek to revitalize low-and moderate-income geographies and to develop long-term strategies that increase the economic power and resources of neighborhood commercial districts as well as increase capacity for the businesses they serve. Programs providing technical assistance, needs for women entrepreneurs, business façade renewal, and more assist local small businesses with revitalization. The bank's annual donations to the Hyde Park, Mission Hill, Washington Gateway neighborhood associations supported Revitalization and Stabilization needs of the assessment area.
- **Massachusetts Community Development Corporations (CDC)** – The bank made annual

donations to multiple Massachusetts-certified community development corporations: Allston Brighton CDC, Asian CDC, Dorchester Bay Economic DC, Fenway CDC, Metro West Collaborative Development, Neighborhood of Affordable Housing, Nuestra Comunidad DC, South Boston Neighborhood DC, South Middlesex Opportunity Council, Southwest Boston CDC, Urban Edge, WATCH CDC, and the Mass Association of CDCs. These regional organizations promote affordable housing and economic development for disadvantaged, underrepresented populations and neighborhoods across the Commonwealth. The bank's donations were significantly responsive to identified needs within the assessment area, particularly during the COVID-19 pandemic period.

- ***Midas Collaborative*** – Midas advances the financial security of low- and moderate-income residents in collaboration with its member organizations and other partners. Midas programs offer opportunities in the form of savings, homeownership, post-secondary education, appropriate financial products, and small business investments as well as key financial skills that make a critical difference to low- and moderate-income workers, savers and investors. The bank's 2021 and 2022 donations supported Economic Development needs of the assessment area.
- ***The3PointFoundation*** – This non-profit seeks to close the achievement gap caused by economic inequality for underserved, low-income Boston elementary and middle school youth by providing free community-based programs. The bank's donations in annual support during the evaluation period was responsive to Community Service needs of the assessment area.
- ***COVID-19 Pandemic Support*** – The bank provided charitable support to multiple organizations responding to the immediate and after-effects of the pandemic crisis. These donations were highly impactful meeting identified assessment area needs including PPE, food insecurity, and needs of essential frontline workers. Examples of recipient organizations include Beth Israel Deaconess Hospital Needham, Tufts Medical Center, COVID Relief Fund, Casa Myrna Vazquez, Inc., Provision Ministry, Inc., and A Place to Turn.

Responsiveness to Credit and Community Development Needs

The bank exhibits good responsiveness to credit and community development needs. The bank's equity investments directly impact the assessment area. The bank's donations reflect focus on meeting essential community needs. A number of the bank's donations also reflected a response to the COVID-19 pandemic.

Community Development Initiatives

Needham Bank makes extensive use of innovative and complex investments to support community development initiatives. The bank's two new investments reflect innovative methods of reaching out to underserved markets (i.e., minority and women-owned businesses) and supporting conventional community development projects in new ways (i.e., renewable energy). These are initiatives not routinely provided by other investors.

The community contact also indicated that Needham Bank’s in-kind donations were particularly innovative.

SERVICE TEST

The bank’s overall Service Test performance is rated High Satisfactory. The bank’s good performance with regards to retail services and community development services support this conclusion. The following sections discuss the bank’s performance under each criterion.

Accessibility of Delivery Systems

Delivery systems are essentially accessible to all portions of the bank’s assessment area. The bank has ten full-service branches and one limited-service branch within the assessment area. All the bank’s branches offer ATM services, and nine branches offer drive thru services.

The following table illustrates the branch and ATM distribution by tract income level.

Branch and ATM Distribution by Geography Income Level												
Tract Income Level	Census Tracts		Population		Branches		ATMs		Opened Branches		Closed Branches	
	#	%	#	%	#	%	#	%	#	%	#	%
Low	56	13.4	218,744	12.2	1	9.1	1	7.1	1	50.0	0	0.0
Moderate	95	22.7	416,087	23.2	1	9.1	1	7.1	1	50.0	0	0.0
Middle	108	25.8	487,905	27.2	0	0.0	0	0.0	0	0.0	0	0.0
Upper	147	35.1	664,163	37.0	9	81.8	12	85.7	0	0.0	0	0.0
Not Available	13	3.1	8,101	0.5	0	0.0	0	0.0	0	0.0	0	0.0
Total	419	100.0	1,795,000	100.0	11	100.0	14	100.0	2	100.0	0	0.0

Source: 2015 ACS

As the table illustrates, the bank’s percentage of branches in low- and moderate-income census tracts is below that of the percentage of population residing in these tracts and that of the total percentage of low- and moderate-income census tracts in the assessment area. However, four of the full-service branches (the Mission Hill neighborhood branch, Dedham branch, Ashland branch, and Natick branch) are within a three-mile radius of the majority of the low- and moderate-income geographies in Boston, Cambridge, and Framingham. The Mission Hill Branch in particular is accessible to many of the LMI tracts in Boston and Cambridge via public transportation. While primarily geared to assist small businesses in the areas, the limited-service branch in Medford increases accessibility of retail services in other newly added low- and moderate-income geographies, including Somerville, Malden, and Chelsea.

In addition to the bank’s branches and ATMS, the bank offers alternative delivery systems which expand retail banking service access to all its customers. The bank offers online and mobile banking to all its customers. Customers can manage their finances 24 hours a day online or on

their mobile device. Customers can receive real time updates, transfer funds, make deposits, and make person to person transfers 24 hours a day.

Changes in Branch Locations

To the extent changes have been made, the bank’s opening and closing of branches has improved the accessibility of its delivery systems, particularly to low- and moderate-income geographies and/or to low- and moderate-income individuals. The new Mission Hill branch and the Medford limited-service branch have increased accessibility in Boston, Cambridge, Chelsea and Somerville. The bank has not closed any branches since the previous evaluation.

Reasonableness of Business Hours and Services

Services, including business hours, do not vary in a way that inconveniences portions of the assessment area, particularly low- and moderate-income geographies and/or individuals. All retail branches offer the same loan and deposit products and services.

The bank maintains similar hours at most of their locations. The majority of full-service branches maintain hours from 8:00 am to 4:00 pm Monday through Wednesday, with extended hours on Thursday and Friday until 5:30 pm, and Saturday hours from 8:00 am to 12:00 pm. The two exceptions include: the main office, which opens Monday through Friday at 7:00 am; and the Dover Branch, that is open until 4:00 pm Monday through Friday.

Community Development Services

The bank provides a relatively high level of community development services. The bank provided 1,085 hours of community development services to over 60 local community development organizations. The majority of the services provided were virtual and in person financial literacy classes to assist low- and moderate-income individuals. Over 1,800 individuals attended these classes, to whom the institution dedicated over 1,000 hours. The following table summarizes the bank’s community development service hours by year and purpose.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
3/19/2020 – 12/31/2020	31.5	129.3	23	0	183.8
2019	34	390.4	134.5	0	558.9
2020	29.3	295.1	18	0	342.4
Total	94.8	814.8	175.5	0	1085.1
<i>Source: Bank Data</i>					

The following are examples of community development services provided.

- **Washington Gateway Main Street** – This organization focuses on revitalizing and stabilizing portions of the South End and lower Roxbury. These portions of the neighborhoods comprise a low- and moderate-income area, and the support of small businesses and beautification of the streets reflect community development. The bank’s

SVP of Commercial and Industrial Lending operates as a Treasurer on the Board of this organization.

- **WATCH CDC**– This social services organization extends support for low- and moderate-income individuals in the Waltham area through housing support and adult education. The bank provided two employees from the Residential Lending department to present a First Time Homebuyer workshop.
- **Junior Achievement of Greater Boston** – Junior Achievement of Greater Boston is focused on closing wealth and opportunity gaps for students in nine impact communities, including Boston Chelsea and Somerville. Bank employees from several departments (Marketing, CRA, Commercial and Industrial Lending) Hosted several budgeting and savings workshops for students of Junior Achievement.
- **Newton Needham Chamber of Commerce** – This organization provides education and technical assistance to small businesses in the area. The bank’s Chief Risk Officer and the Assistant Vice President of Fraud hosted a webinar to help Small Businesses avoid Fraud.
- **Needham Community Council** – This organization focuses on providing essential needs for low- and moderate-income individuals within the town. Programs include a food pantry, a thrift store, and technical assistance for those with limited access to technology or those who would like to learn English. A bank employee from the Human Resources department is on the Board of Directors of this organization.

Other Community Development Services

- **Interest on Lawyers Trust Accounts (IOLTA)**– The bank participates in the IOLTA initiative. The bank facilitates fundraising for CRA-qualified community organizations by delivering accrued interest to legal aid organizations. These organizations primarily serve low- and -moderate-income residents of Massachusetts.
- **Basic Banking for Massachusetts**– 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.

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

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

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

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

Community Development Loan: A loan that:

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

Community Development Service: A service that:

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

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

Core Based Statistical 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 (for example, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

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

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

Home Mortgage 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 (for example, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

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

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

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

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

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

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

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

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

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

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

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

Nonmetropolitan Area (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 1063 Great Plain Avenue Needham, Massachusetts 02492."

[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.