

PUBLIC DISCLOSURE

May 24, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

New Valley Bank & Trust
Certificate Number: 59143

1 Monarch Place, Suite 100
Springfield, Massachusetts 01144

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

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

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

TABLE OF CONTENTS

Institution Rating	1
Scope of Evaluation	2
Description of Institution	4
Description of Assessment Area.....	5
Conclusions on Performance Criteria	9
Discriminatory or Other Illegal Credit Practices Review	14
Division of Banks Fair Lending Policies and Procedures	15
Glossary	16

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory** by the Federal Deposit Insurance Corporation (FDIC) and the Commonwealth of Massachusetts Division of Banks (Division). 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.

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

SCOPE OF EVALUATION

General Information

This evaluation, conducted jointly by the FDIC and the Division, covers the bank's lending activities from January 1, 2020, to the current evaluation date of May 24, 2021. New Valley Bank & Trust (the bank or NVBT) is a de novo institution and this is the bank's first CRA evaluation. Examiners used the Interagency Small Institution Examination Procedures to evaluate the bank's CRA performance. These procedures include the CRA Small Bank Lending Test. The Lending Test considered the bank's performance according to the following criteria:

- LTD ratio
- Assessment area concentration
- Geographic distribution
- Borrower profile
- Response to CRA-related complaints

Loan Products Reviewed

Examiners determined the bank's major product line is commercial lending and considered small business loans as part of this evaluation. This conclusion considered the bank's business strategy and the number and dollar volume of loans originated during the evaluation period. Examiners also considered home mortgage loans, as the bank originated some home mortgage loans to their commercial customers and purchased home mortgage loans through loan agreements with Lee Bank and Holyoke Credit Union. NVBT does not originate farm loans; therefore, examiners did not consider small farm loans as part of this evaluation.

The bank was not required to collect or report small business data during the evaluation period; however, the bank collected some small business data. Examiners analyzed small business loan originations from January 1, 2020 through May 24, 2021. Bank records indicate that the small business lending activity in 2020 may not reflect the bank's typical origination volume. The number and dollar volume of small business loan originations included a substantial volume of the Small Business Administration's (SBA) Paycheck Protection Program (PPP) loans. The PPP is a federal loan program created to assist businesses in keeping their workforce employed during the COVID-19 pandemic. In 2020, the bank originated 622 small business loans totaling \$83.8 million, which included 503 SBA PPP loans totaling \$50.2 million. Examiners also analyzed partial year 2021 loan activity from January 1, 2021 to May 24, 2021. For this year-to-date (YTD) period, the bank originated 503 small business loans totaling \$50.2 million, which included 202 SBA PPP loans totaling \$23.3 million. Examiners analyzed the small business loan universe for both years under the Assessment Area Concentration criteria. Examiners focused on the universe of loans that were within the assessment area to conduct the Geographic Distribution analysis. Since the bank did not collect gross annual revenue (GAR) information for all small business loans, examiners selected a random sample of loans inside the assessment area to conduct the Borrower Profile analysis. The 2020 sample included of 41 small business loans totaling \$4.8 million. The Borrower Profile analysis for 2021 consisted of 33 small

business loans totaling \$1.8 million. Examiners used 2020 D&B business demographic data as a standard for comparison under the Borrower Profile and Geographic Distribution criteria. Although examiners analyzed both the number and dollar volume of loans, examiners emphasized performance by number of loans because it is a better indicator of the number of businesses served.

The bank was not required to collect or report home mortgage data during the evaluation period; however, the bank voluntarily collected some home mortgage data. Examiners reviewed the bank's 2020 and YTD 2021 home mortgage loans. As stated previously, the bank originates home mortgage loans to their commercial customers and purchases home mortgage loans from third parties. In 2020, the bank purchased 40 home mortgage loans for \$11.4 million. In YTD 2021, the bank purchased 6 home mortgage loans for \$1.2 million. Examiners included purchased loans under the Assessment Area Concentration criterion; however, because the volume of lending in this category was limited and income data was not readily available, meaningful conclusions could not be drawn under the Geographic Distribution and Borrower Profile sections of the Lending Test. Under those criteria, examiners focused solely on home mortgage loans originated by the bank.

In 2020, the bank originated 51 home mortgage loans totaling \$23.9 million. In YTD 2021, the bank originated 16 home mortgage loans totaling \$4.8 million. Examiners compared the bank's home mortgage lending to 2015 ACS demographic data. Examiners considered the entire universe of loans for each year when analyzing the bank's performance for the Assessment Area Concentration criterion. Examiners then reviewed all the loans located within the assessment area when evaluating the Geographic Distribution criterion (46 loans totaling \$19.5 over the entire period reviewed). The bank did not collect income data for all originated home mortgage loans, so examiners selected a sample of loans originated inside the assessment area to analyze performance under the Borrower Profile criterion. For 2020, examiners chose a sample of 20 loans totaling \$12.0 million. For 2021, examiners reviewed all 13 loans originated in the assessment area, totaling \$3.0 million.

The bank's record of originating small business loans contributed significantly more weight to overall conclusions due to the bank's business strategy and the larger loan volume when compared to home mortgage lending during the evaluation period.

DESCRIPTION OF INSTITUTION

Background

NVBT is a de novo institution headquartered in Springfield, Massachusetts. NVBT commenced operations on May 30, 2019 as the first new bank in Massachusetts since 2008. NVBT is the only bank headquartered in Springfield, and serves Hampden County in the Western part of the State. NVBT is locally owned and does not have any affiliates or subsidiaries.

Operations

NVBT operates two full-service branches in downtown Springfield (main office) and in the Sixteen Acres neighborhood of Springfield. Both branches have ATMs. The bank began operations and opened their main office location in May 2019, and opened the Sixteen Acres branch in September 2019. The bank has not closed any branches. Both branches remained open, albeit in a limited capacity at the Sixteen Acres branch, during the COVID-19 pandemic.

The bank's primary business focus is to serve the needs of small businesses. The bank offers personal checking and savings accounts, commercial checking and savings accounts, online and mobile banking, and commercial and residential loans for business customers.

Ability and Capacity

As of March 31, 2021, the bank had total assets of \$252.4 million and total deposits of \$178 million. Total loans were \$200.9 million and represented 79.6 percent of total assets.

New Valley Bank & Trust is a commercial lender and does not originate consumer or small farm loans. The bank does purchase residential mortgages, primarily through its third-party agreements, and the bank originates home mortgage purchase and refinance loans for its small business customers. Additionally, the bank offers a variety of deposit products, including checking and savings products, for consumers and businesses. As noted in the following table, approximately 76.3 percent of the bank's loans are commercial and industrial and commercial real estate loans, followed by loans secured by 1-4 family residential real estate at 14.7 percent.

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

Loan Portfolio Distribution as 03/31/2021		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	5,094	2.5
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	29,537	14.7
Multifamily (5 or more) Residential Properties	12,954	6.5
Secured by Nonfarm Nonresidential Properties	46,938	23.4
Total Real Estate Loans	94,523	47.1
Commercial and Industrial Loans	106,332	52.9
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	5	0.0
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	0	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	200,860	100.0
<i>Source: Reports of Condition and Income</i>		

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

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. New Valley Bank and Trust designated a single assessment area that includes all of Hampden County in Massachusetts. Hampden County is part of the Springfield, MA Metropolitan Statistical Area (MSA).

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

Economic and Demographic Data

The assessment area consists of 103 census tracts, including:

- 24 low-income tracts,
- 21 moderate-income tracts,
- 30 middle-income tracts, and
- 28 upper-income tracts.

The following table provides 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)	103	23.3	20.4	27.2	29.1	0.0
Population by Geography	468,041	19.3	19.8	28.8	32.2	0.0
Housing Units by Geography	192,100	18.7	20.3	30.3	30.7	0.0
Owner-Occupied Units by Geography	109,087	6.4	16.1	33.2	44.3	0.0
Occupied Rental Units by Geography	67,813	36.7	26.2	26.1	11.0	0.0
Vacant Units by Geography	15,200	26.7	24.3	27.7	21.3	0.0
Businesses by Geography	28,994	19.6	20.6	24.3	35.4	0.0
Farms by Geography	798	5.0	8.6	29.7	56.6	0.0
Family Distribution by Income Level	115,651	27.2	16.5	17.6	38.7	0.0
Household Distribution by Income Level	176,900	28.7	14.8	15.7	40.9	0.0
Median Family Income MSA - 44140 Springfield, MA MSA		\$67,203	Median Housing Value			\$189,264
			Median Gross Rent			\$819
			Families Below Poverty Level			13.8%
<i>Source: 2015 ACS and 2020 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The small business loan analysis under the Borrower Profile criterion analyzes the distribution of the bank's small business loans by GAR. According to 2020 D&B data, there were 28,994 businesses in the assessment area. Listed below are the GARs for these businesses:

- 83.2 percent have GARs of \$1.0 million or less.
- 5.8 percent have GARs of more than \$1.0 million.
- 11.0 percent have unknown revenues.

The top employers in the assessment area include University of Massachusetts, Baystate Health Systems, Big Y Supermarkets, Westover Air Reserve Base, Mercy Medical, Sisters of Providence Health System (Mercy Hospital), and MassMutual Financial Group.

Examiners used the Federal Financial Institutions Examination Council (FFIEC)-updated median family income levels to analyze home mortgage loans under the Borrower Profile criterion. The following table presents the low-, moderate-, middle-, and upper-income categories. These categories are based on the 2020 and 2021 FFIEC-updated median family income categories.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Springfield, MA MSA Median Family Income (44140)				
2020 (\$76,900)	<\$38,450	\$38,450 to <\$61,520	\$61,520 to <\$92,280	≥\$92,280
2021 (\$76,900)	<\$38,450	\$38,450 to <\$61,520	\$61,520 to <\$92,280	≥\$92,280
<i>Source: FFIEC</i>				

D&B data for 2020 indicates the primary industries of this assessment area include the services industry, which comprises 42.6 percent of all area businesses (farm and non-farm), followed by retail trade at 15.1 percent, and finance, insurance, and real estate at 9.5 percent. This data also indicates that a notable number of these operations are relatively small, with 84.8 percent having nine or fewer employees, 81.2 percent generating \$1.0 million or less in annual revenues, and 86.5 percent operating from a single location.

According to Moody’s Analytics, the economy of the assessment area is improving very slowly following the recession caused by the COVID-19 pandemic. The Springfield MSA experienced a spike of COVID-19 cases in the fall and winter of 2020 and prolonged business restrictions exacerbated the already stagnant economic activity. In addition, this area was especially vulnerable to the closures associated with the pandemic because of the types of businesses operating in the area. The areas service and retail establishments, including leisure/hospitality and the large area employers, including state/local governments and healthcare and higher education continued to struggle despite some recovery in most other industries. The area’s labor force was greatly reduced due to the pandemic and it is still contracted since many businesses have closed permanently. It is unknown when the area will fully recover.

According to the City of Springfield Office of Planning and Economic Development, Springfield has seven opportunity zones. Opportunity zones are areas that provide market-oriented tax incentives for residential and commercial real estate and business investments. The census tract where the bank’s main office is located is one of these seven opportunity zones. It is a low-income census tract with over 63.0 percent of the population living below the poverty line.

The unemployment rates for Hampden County stood at 7.9 percent, as of April 2021, which is higher than the state level of 6.5 percent and the national level of 6.1 percent.

Competition

NVBT operates in a competitive market for financial services. Competition for financial services in the assessment area is high given the number of banks in the area. According to FDIC Deposit Market Share data as of June 30, 2020, there are 18 banks operating 198 offices within the assessment area. Of these institutions, NVBT has a deposit market share of 0.6 percent. The top three institutions, with a combined deposit market share of 33.1 percent, are national banks headquartered outside of Massachusetts.

There is also a high level of competition for originating loans in the assessment area. As a small bank, NVBT is not required to collect or report its small business or home mortgage lending

data; therefore, the aggregate data does not include the bank's lending. Despite this, examiners referenced the most recently available aggregate data, as it reflects the demand for loans within the assessment area.

In 2019, the aggregate small business loan data shows that 92 lenders originated and purchased 9,736 small business loans in the assessment area. The top five lenders, American Express National Bank, JPMorgan Chase Bank, N.A., Citibank, N.A., Capital One Bank (USA), N.A., and Bank of America, N.A., made 53.7 percent of the reported small business loans in the assessment area.

In 2019, 370 lenders originated 19,309 home mortgage loans in the assessment area. The top five home mortgage lenders were CBNA, Quicken, Bank of America, N.A., Wells Fargo Bank, N.A., and United Bank, with a collective 20.1 percent market share.

Community Contact

As part of the evaluation process, examiners contact organizations active in the assessment area to understand and assess the credit and community development needs and opportunities within the assessment area. This information helps examiners determine the responsiveness of local financial institutions to community development needs.

Examiners contacted a local organization that focuses on economic development and revitalization of low- and moderate-income areas. The organization's contact emphasized the need for development in low- and moderate-income areas, particularly in Springfield and Holyoke. In addition, the contact explained the importance of local institutions collaborating with area non-profits to build trust in the banking system among low- and moderate-income individuals, particularly those in communities of color. The contact further noted that financial institutions in the area have been responsive in supplying donations to benefit economic development, but additional work can be done. The contact specifically mentioned that NVBT actively reaches out to communities of color to establish and build deposit and lending relationships.

Credit and Community Development Needs and Opportunities

Based on information from the community contact, bank management, and demographic data, examiners determined that affordable housing, economic development, revitalization of low- and moderate-income areas of Springfield and Holyoke, and community services for low- and moderate-income individuals are the area's primary community development needs. Relatively high amounts of poverty and unemployment demonstrate a need for community services. The high percentage of businesses with GARs of less than \$1.0 million demonstrates the potential for economic development and the opportunity to provide credit to small businesses in the assessment area.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

NVBT demonstrated reasonable performance under the Lending Test. The bank's performance under the Assessment Area Concentration, Geographic Distribution, and Borrower Profile criteria primarily supports this conclusion.

Loan-to-Deposit Ratio

The LTD ratio is reasonable given the institution's size, financial condition, and credit needs of the assessment area. The bank's ratio, calculated from Report of Condition and Income data, averaged 93.0 percent over the past eight calendar quarters from June 30, 2019, to March 31, 2021. The quarterly net loan-to-deposit ratio has generally trended upward and the ratio ranged from a low of 56.4 percent on March 31, 2020, to a high of 145.6 percent as of September 30, 2020. Demand for small business loans and PPP Loans increased during the evaluation period resulting in loan growth that raised the LTD ratio.

Examiners attempted to compare NVBT's average net LTD ratio to that of comparable financial institutions based on asset size and lending focus; however, no comparable institutions originated loans inside the bank's assessment area during the evaluation period.

Assessment Area Concentration

NVBT made a majority of its loans, by number and dollar volume, within the 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		
	#	%	#	%		\$	%	\$	%	
Small Business										
2020	382	61.4	240	38.6	622	50,199	59.9	33,615	40.1	83,814
YTD 2021	288	57.3	215	42.7	503	29,527	58.8	20,710	41.2	50,237
Subtotal	670	59.3	455	40.7	1,125	79,726	59.5	54,325	40.5	134,051
Home Mortgage										
2020	33	64.7	18	35.3	51	16,466	69.0	7,427	31.0	23,893
YTD 2021	13	81.3	3	18.7	16	3,029	62.9	1,785	37.1	4,814
Subtotal	46	68.7	21	31.3	67	19,495	67.9	9,212	32.1	28,707
Purchased Home Mortgage										
2020	24	60.0	16	40.0	40	5,612	49.2	5,804	50.8	11,416
YTD 2021	5	83.3	1	16.7	6	1,033	83.8	200	16.2	1,233
Subtotal	29	63.0	17	37.0	46	6,645	52.5	6,004	47.5	12,649
Total	745	60.2	493	39.8	1,238	105,866	60.4	69,541	39.6	175,407

Source: Bank Data. Due to rounding, totals may not equal 100.0%

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The bank's reasonable performance in small business lending and home mortgage lending supports this conclusion. The bank's record of originating small business loans contributed significantly more weight to overall conclusions due to the larger loan volume and the bank's business focus.

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. Examiners compared the bank's small business lending to the percentage of businesses in each census tract category. As shown in the following table, lending dispersion in low-income tracts exceeded demographic data in both years. The dispersion of small business loans in moderate-income tracts exceeded demographic data in 2020, but declined in YTD 2021, lagging demographic data.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2020	19.6	103	27.0	14,595	29.1
YTD 2021	19.6	62	21.5	9,356	31.7
Moderate					
2020	20.6	92	24.1	11,553	23.0
YTD 2021	20.6	48	16.7	6,669	22.6
Middle					
2020	24.3	73	19.1	9,518	19.0
YTD 2021	24.3	71	24.6	5,137	17.4
Upper					
2020	35.4	114	29.8	14,544	28.9
YTD 2021	35.4	107	37.2	8,373	28.3
Totals					
2020	100.0	382	100.0	50,210	100.0
YTD 2021	100.0	288	100.0	29,535	100.0
<i>Source: 2020 & 2021 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%.</i>					

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. Examiners compared the bank’s home mortgage lending to the percentage of owner-occupied housing units within each census tract category. As shown in the following table, the bank’s performance in the low-income census tracts exceeded demographic data in 2020 and YTD 2021. Performance in moderate-income census tracts exceeded demographic data in 2020, but declined in 2021 when the bank did not originate any loans in these tracts. These comparisons and trends reflect reasonable performance, especially given the overall low volume of lending activity.

Geographic Distribution of Home Mortgage Loans					
Tract Income Level	% of Owner-Occupied Housing Units	#	%	\$(000s)	%
Low					
2020	6.4	8	24.2	3,153	19.1
YTD 2021	6.4	5	38.5	929	30.7
Moderate					
2020	16.1	6	18.2	2,645	16.1
YTD 2021	16.1	0	0.0	0	0.0
Middle					
2020	33.2	15	45.5	9,515	57.8
YTD 2021	33.2	7	53.8	1,800	59.4
Upper					
2020	44.3	4	12.1	1,153	7.0
YTD 2021	44.3	1	7.7	300	9.9
Totals					
2020	100.0	33	100.0	16,466	100.0
YTD 2021	100.0	13	100.0	3,029	100.0
<i>Source: 2015 ACS Data; Bank Data. Due to rounding, totals may not equal 100.0%.</i>					

Borrower Profile

The distribution of borrowers reflects reasonable penetration among businesses of different sizes and individuals of different income levels. The bank's reasonable small business lending performance and excellent home mortgage lending performance support this conclusion. The bank's record of originating small business loans contributed significantly more weight to overall conclusions due to the larger loan volume and the bank's business focus.

Small Business Loans

The distribution of sampled small business loans reflects reasonable penetration to businesses with GARs of \$1.0 million or less. Examiners compared the bank's small business lending to the percentage of businesses in each GAR category. As shown in the following table, lending performance to borrowers with GARs of \$1.0 million or less lagged demographics. However, the majority of the sampled small business loans were granted to businesses with GARs of \$1.0 million or less. There is heavy competition in the assessment area for small business loans, and a community contact specifically referenced the bank's efforts to originate PPP loans to local small businesses. In 2020, the bank made 501 SBA PPP loans for \$51.4 million. The 2020 sample includes 27 SBA PPP loans for 2.3 million. In YTD 2021, the bank made 465 SBA PPP loans for \$42.8 million. The 2021 sample includes 23 SBA PPP loans for \$1.6 million. Considering these factors, performance is reasonable.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2020	83.2	24	58.5	1,439	29.8
YTD 2021	-	11	33.3	407	22.6
>\$1,000,000					
2020	5.7	14	34.1	3,249	67.3
YTD 2021	-	9	27.3	526	29.2
Revenue Not Available					
2020	11.0	3	7.3	140	2.9
YTD 2021	-	13	39.4	871	48.3
Totals					
2020	100.0	41	100.0	4,828	100.0
YTD 2021	-	33	100.0	1,804	100.0
<i>Source: 2020 D&B Data; 1/1/2020 – 5/24/2021 Bank Data. Due to rounding, totals may not equal 100.0.</i>					

Home Mortgage Loans

The distribution of borrowers reflects, given the demographics of the assessment area, excellent penetration among individuals of different income levels. Examiners compared the bank’s home mortgage lending to the percentage of families in each income category. As shown in the following table, the bank’s performance in lending to low-income borrowers exceeded demographic data in 2020 and YTD 2021. While there was a decline in YTD 2021, the bank’s performance in lending to moderate-income families also exceeded demographics in 2020.

Distribution of Home Mortgage Loans by Borrower Income Level					
Borrower Income Level	% of Families	#	%	\$(000s)	%
Low					
2020	27.2	7	35.0	1,924	16.0
YTD 2021	27.2	9	69.2	1,440	47.5
Moderate					
2020	16.5	4	20.0	1,383	11.5
YTD 2021	16.5	1	7.7	500	16.5
Middle					
2020	17.6	4	20.0	2,185	18.2
YTD 2021	17.6	0	0.0	0	0.0
Upper					
2020	38.7	5	25.0	6,530	54.3
YTD 2021	38.7	3	23.1	1,090	36.0
Totals					
2020	100.0	20	100.0	12,022	100.0
YTD 2021	100.0	13	100.0	3,030	100.0
<i>Source: 2015 ACS and Bank Data. Due to rounding, totals may not equal 100.0%.</i>					

Response to Complaints

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

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

APPENDIX

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 FFIEC Interagency Fair Lending Examination Procedures. Based on these procedures, no evidence of disparate treatment was noted.

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.

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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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 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, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

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

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

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

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

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

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